

A close-up photograph of a person's hand gesturing during a meeting. The hand is open, palm up, with fingers slightly spread. In the background, other people are seated at a table, one is using a laptop, and another is holding a clipboard.

Incentivizing Employers to Hire Ex-Offenders

What Policies Are Most Effective?

An estimated 64.6 million Americans (25 percent of the population) have a criminal record; of those, 19.8 million have at least one felony criminal conviction. Evidence indicates that ex-offenders have substantially lower probabilities of being hired than members of other disadvantaged groups—such as welfare recipients, high school dropouts, unemployed people, and those with “spotty” work histories—who do not have a criminal record. When ex-offenders experience poor economic outcomes, they are more likely to engage in criminal activity, which further affects their job and earnings growth and the standard of living for their families, friends, and wider community.



Designing Policies

While designing policies to improve the economic outcomes of ex-offenders could have far-reaching benefits, it also presents many challenges. Such programs and policies as the “Ban-the-Box” policy, which delays the point in the recruitment process that criminal-background information is made available to employers; the federal Work Opportunity Tax Credit (WOTC); certificates of rehabilitation, which restore some rights to people with felony convictions; and programs supported by Department of Labor Reintegration of Ex-Offenders grants all seek to incentivize the hiring of ex-offenders but have important limitations.

To inform efforts aimed at improving employment rates and earnings potential for ex-offenders, RAND researchers conducted experiments to examine employer preferences of policy options designed to incentivize employment of individuals with felony criminal records. Researchers recruited 107 employers, mostly managers or owners (58 percent) and human resource professionals (21 percent), from 34 states to respond to the survey-based experiments. Nearly all respondents work in private-sector firms (97 percent) with fewer than 100 employees (60 percent).

RAND emailed employers a survey that began with a narrative describing a situation in which they are hiring for an entry-level position and are considering two job candidates. Both of the candidates are described as having the technical skills for the entry-level job and one nonviolent felony conviction, but each is presented in the context of differing supportive policy features. The researchers tested policy features of a tax credit and then policy features of a staffing agency discount.

KEY FINDINGS

In our experiment, 59 out of 100 employers filling an entry-level job would consider hiring someone who has one nonviolent felony conviction with the incentive of the baseline tax credit.

1. Adding a post-conviction certificate verifying work performance history increases that number by 37 percent, to 81 out of 100 employers.
2. Increasing the baseline tax credit to 40 percent of a worker's wage (up to \$5,000) increases that number by 30 percent, to 77 out of 100 employers.

With a baseline staffing agency discount fee program, 43 out of 100 employers filling an entry-level position would consider hiring someone who has one nonviolent felony conviction.

3. Adding a guaranteed replacement worker program increases that number by 69 percent, to 73 out of 100 employers.
4. Doubling the baseline staffing agency fee discount increases that number by 39 percent, to 60 out of 100 employers.



Tax Credit Experiment



Increased tax credit



Decreased minimum number of hours worked to receive tax credit



Lower paperwork burden for the tax credit



Post-conviction certificate verifies work performance history

Staffing Agency Discount



Higher discount for agency service fees



Agency provision of transportation to/from workplace



Guaranteed replacement worker by agency (if new hire is not a good fit)



Post-conviction certificate verifies work performance history

What Are the Two Policy Experiments Tested

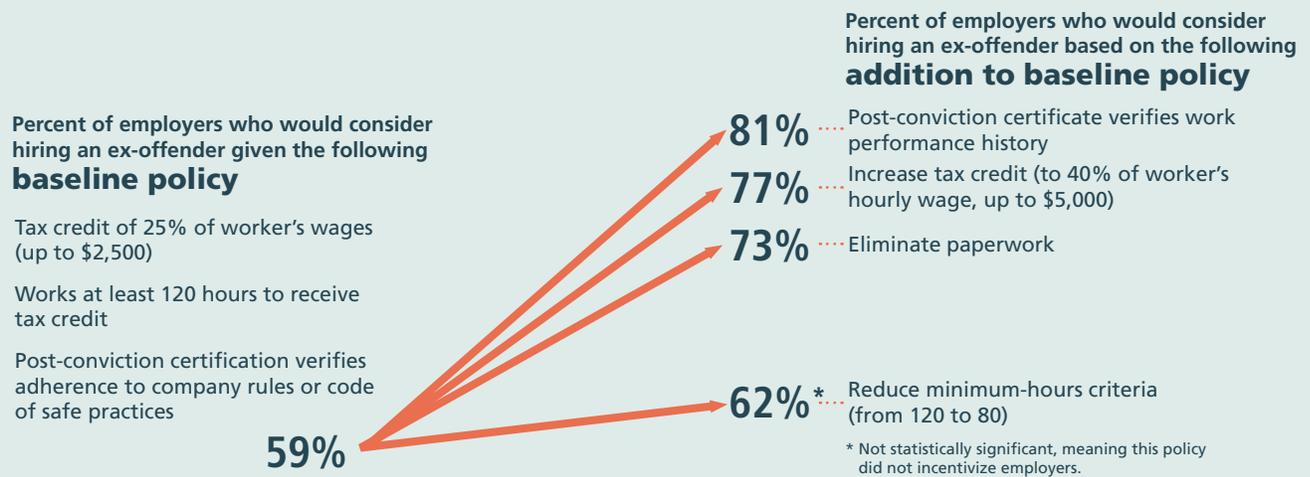
Each employer was asked to rank which of the two candidates they would advance to the next stage of recruitment for the entry-level job. Respondents could also opt out, indicating they would not advance either candidate. Through empirical analysis of their responses (using a conditional logit model), researchers identified how much more likely employers would be to consider hiring an ex-offender in the context of a specific supportive policy feature than without (i.e., compared with a “baseline” policy package).

Researchers also asked follow-up questions to directly assess employer considerations when hiring workers with criminal records. One question asked respondents to rank from most important to least important the following potential issues of consideration in hiring someone with at least one felony conviction:

- time since the last felony conviction
- any violent felony conviction
- how the ex-offender will interact with other staff
- how the ex-offender will interact with clients or customers
- workplace liability issues
- ability to get to the job on time
- whether the ex-offender has the skills to get the job done

Incentives Show Promise

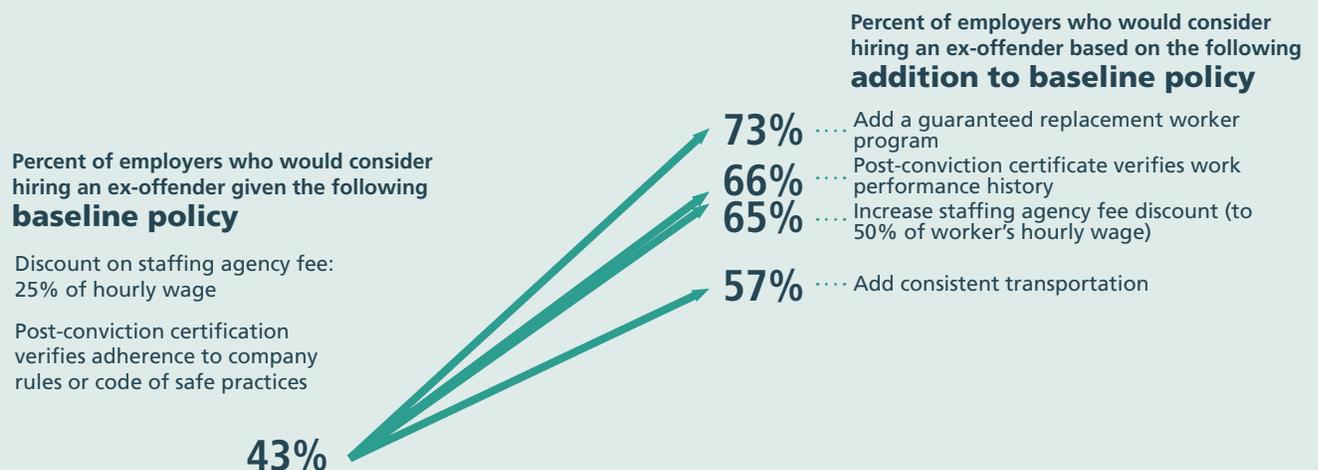
Tax Credit Experiment



Findings here represent the number of employers out of one hundred who would consider hiring an ex-offender candidate and indicate the relative attractiveness to employers of changes to the baseline tax credit or the baseline staffing agency fee discount program for hiring individuals with a nonviolent felony criminal record. Incentives show promise. For the tax credit (see image above), approximately twenty more employers out of one hundred (81 versus 59) would consider hiring a technically qualified candidate with a nonviolent felony record if they also had a post-conviction certificate verifying work performance history. For a staffing agency fee discount (see image below), thirty more employers out of one hundred (73 versus 43) would consider hiring a technically qualified candidate with a nonviolent felony record if their agency also had a guaranteed replacement worker program (if the worker was not a suitable fit).

Asked about their concerns regarding hiring someone with a felony conviction, employers indicated their top concern was whether the individual had "any violent felony conviction," such as a robbery or aggravated assault. This suggests that the experiment results, based on individuals with a nonviolent felony record, are indeed limited to individuals with a nonviolent criminal history; evidence shows this tends to be mostly young adults. The second most-selected concern was whether the individual had the "skills to get the job done," which is perhaps consistent with the study finding that employers value information about work performance more than adherence to rules or codes of safety.

Staffing Agency Discount Experiment



Recommendations

1

Urge Ex-Offenders to Use Staffing Agencies That Guarantee Replacement Workers When Initial Candidates Are Not a Good Fit

Study findings suggest that staffing agencies and re-entry or reintegration programs (e.g., grantees of the Department of Labor's Reentry Employment Opportunities program) could further increase the likelihood of employment for ex-offenders if prospective employers are guaranteed a replacement employee in the event that the initial candidate is not a good fit. This may be one of the most effective policies to incentivize employers to hire ex-offenders.

2

Provide Employers with Details of Previous Work Performance

The study also indicates that state policymakers should consider expanding post-conviction certification programs, particularly those that verify work history. As noted in the assessment of policy changes to both tax credit and staffing agency discount programs, employers demonstrate a clear preference for wanting to know whether a job candidate has a consistent work history and verifiable positive employment references over simply knowing whether the person follows company rules and codes of safety. Currently, post-conviction certificates that use this sort of information to verify employability are available in only a few jurisdictions, and some of the existing programs are accessible only many years after a felony conviction (e.g., seven years after jail or prison release in California).

3

Reduce Employer Paperwork Burden for Receiving a Tax Credit

Another recommendation, particularly for federal policymakers, is to reduce paperwork that companies must fill out to qualify for the WOTC. Government agencies could also consider providing help to prepare and submit the forms.

4

Secure Transportation to Job Sites

For all policymakers, staffing agencies, and re-entry practitioners, ensuring reliable transportation to and from a job site for candidates with a criminal record increases the likelihood an employer will support hiring such individuals. As with reducing paperwork, the impact of this policy is limited compared with other policies studied.

5

Combine Job Placement Support with Other Ex-Offender Employment Incentives

Since getting a job in the first place is a challenge for individuals with a recent felony criminal record and developing a work history is so important to employers, policymakers, staffing agencies, and re-entry practitioners should consider how to combine policy options to support ex-offenders' career-entry process and development. One example of this might be combining job placement programs, such as transitional employment, with certificates of rehabilitation or guaranteed replacement worker programs.



This brief describes work done in RAND Labor and Population and documented in *Breaking Down Barriers: Experiments into Policies*

That Might Incentivize Employers to Hire Ex-Offenders by Priscilla Hunt, Rosanna Smart, Lisa Jonsson, and Flavia Tsang, RR-2142-RC, 2018 (available at www.rand.org/t/RR2142). To view this brief online, visit www.rand.org/t/RB10003.

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Looking Ahead

This study focused on the employment benefits of policies that incentivize firms to hire people with nonviolent felony criminal records. Policymakers and other implementers would need to consider the cost of each policy, something outside the scope of this study. For programs considered in the study, one potential funding source available to local, state, or tribal governments is the federal “Second Chance” program, which provides funding to support employment of formerly incarcerated individuals.

The current study provides a strong indication about how to improve job opportunities for individuals with nonviolent felony convictions. Future research could further advance this understanding by examining whether results differ among employer groups in terms of industry (e.g., “felon-friendly” industries, such as construction, versus “non-felon-friendly” industries), establishment size, hiring role (e.g., human resource professionals compared with managers or owners), and self-report of whether the establishment can legally hire a felon. Such information would allow stakeholders to target policy or program features to efficiently maximize employment of people with criminal records.

In addition, because this study used a “stated preference” approach, which evaluates hypothetical situations, further studies in the field are needed to confirm how employers actually behave in response to policy changes. Funders and evaluators may want to prioritize field testing on the employment impact of a guaranteed replacement worker program and certification of previous work performance—and, to a lesser extent, transportation and reduced paperwork for employers. Furthermore, this study did not explore why employers valued the verification of performance and a guaranteed replacement worker as highly as they did. Understanding what drives preferences would be useful for knowing how to most efficiently support the matching of employers with suitable ex-offender job candidates.