

Modest Financial Incentives for Businesses Can Increase Employment of People with Criminal Records

About 50 percent of men actively looking for work in tight labor markets have an adult conviction, most commonly for a misdemeanor. While connecting these individuals to jobs benefits both them and society, some employers are hesitant to hire people with criminal records.

Direct financial incentives to employers could motivate them to hire more people with criminal histories. However, the scant prior research on the issue casts no light on (1) whether direct incentives affect how employers evaluate individual applicants in typical hiring scenarios or (2) where ban-the-box laws prohibit employers from asking about a criminal record when an individual first applies for a position. In the case of ban-the-box, the employer obtains information about criminal convictions only after a conditional offer has been extended. The employer is then faced with a decision to make the offer permanent or revoke the offer.

In a novel analysis, researchers at the State University of New York at Albany and the RAND Corporation found that modest incentives, including tax credits and the provision of insurance against losses stemming from employee dishonesty, increased employers' willingness to hire people with criminal records. Applicants who had certificates of rehabilitation were also more likely to be hired.

Policymakers interested in pursuing a triple win for society—connecting more people who have crimi-

KEY FINDINGS

- Modest direct financial incentives increased employers' willingness to hire individuals with criminal records.
- The incentives were effective in both traditional and ban-the-box environments.
- The most-effective incentives were (1) a tax credit and (2) the provision of insurance against losses stemming from employee dishonesty.
- The incentives worked not by changing perceptions about how applicants with records would perform but by compensating employers for the perceived costs of hiring those applicants.
- Certificates of rehabilitation improved employers' perceptions about how applicants with criminal records would perform as employees, increasing employers' willingness to hire them.

nal records with businesses that need employees and thereby reducing levels of re-offending in society—can consider these findings when contemplating policies that provide direct incentives to employers.

Designing the Experiment

The research team designed a series of experiments to assess whether direct incentives could increase the rate of hiring of people with criminal records. The team devised the experiments to closely resemble the real-world decisions that employers face.

To assemble a realistic group of potential employers, the team recruited an occupationally and geographically diverse sample of hiring decisionmakers from YouGov, a polling firm that fields surveys for scientific research. The team asked the decisionmakers to make hiring decisions as they normally would.

The team used a broad set of incentive conditions with realistic levels: a wage subsidy (\$2,500 tax credit), insurance against losses stemming from an employee's dishonesty (\$25,000), and protection against negligent hiring lawsuits—and randomly assigned the incentives to applicants independent of those applicants' other characteristics. To reflect real-world hiring conditions, the team asked the participating decisionmakers to evaluate specific applicants with randomized characteristics, such as race, age, and gender.

The team tested the incentives in both traditional and ban-the-box scenarios. In the ban-the-box scenarios, the team also randomized whether applicants had a rehabilitation certificate, which is an official endorse-

ment stating that an individual is a valued and productive member of society.

What Applicant Characteristics Affect Hiring Decisions Overall?

The hiring decisionmakers were more likely to hire an applicant who had relevant work experience and who had a degree. The likelihood increased with the number of years of experience and the schooling level. An applicant who had a letter of recommendation also was more likely to be hired.

Applicants whose gender identification was binary, who were younger than 55, and who lacked visible tattoos had better chances of being hired. Hiring decisions were also more likely to be positive for racial or ethnic minorities.

What Is the Effect of Incentives in a Traditional Hiring Scenario?

The first experiment, conducted under the traditional hiring scenario, addressed two questions:

- How much does a criminal record hurt an applicant's chance of being hired?
- Do incentives help?

A Criminal Record Hurts an Applicant's Chance of Success

Having a criminal record reduced the probability that an applicant would be hired by 6 to 29 percentage points, depending on the type of conviction. The strongest predictor that an applicant would not be hired was having a conviction for a violent felony.

Incentives Can Mitigate the Negative Effects of a Criminal Record

Overall, hiring incentives reduced the negative effect of an applicant's criminal record by 3 to 8 percentage points, depending on the type of conviction. But the hiring incentives were not equally effective.

The most effective was the tax credit: Applicants with nonviolent misdemeanor records were 10 to 15 percentage points more likely to be hired, and applicants with violent felony records had a 16-point increase in likelihood of being hired. The least effective incentive

Hiring incentives reduced the negative effects of an applicant's criminal record by 3 to 8 percentage points, depending on the type of conviction.

was the negligent-hiring lawsuit restriction; insurance against losses resulting from an employee’s dishonesty fell in the middle.

What Is the Effect of Incentives in a Ban-the-Box Scenario?

The second experiment, conducted under the ban-the-box scenario (see Figure 1), addressed a different pair of questions:

- How do criminal records affect stigma and hiring?
- Do incentives help?

A Criminal Record Influences the Final Hiring Decision

An applicant’s number of convictions, those convictions’ recency, the severity of crimes involved, and possession of certificates of rehabilitation all significantly affected the final hiring decision. The hiring decision-makers were less likely to confirm hiring for tentative employees whose background checks revealed that they had multiple convictions, more-recent convictions, and nondrug convictions. Hiring decisionmakers were more

likely to confirm employment for employees with rehabilitation certificates.

Incentives Enhanced an Applicant’s Chance of Success

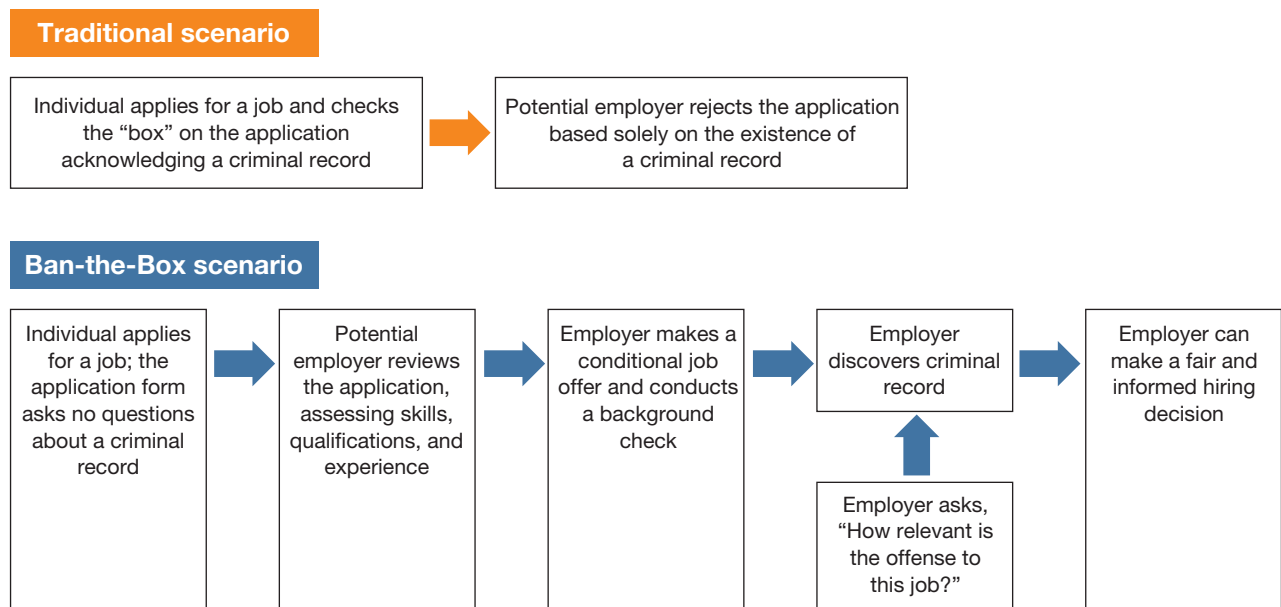
Overall, 43 percent of tentative job offers were cancelled when a background check revealed a criminal record, demonstrating the effect of delaying background checks as mandated in ban-the-box laws. Incentives significantly increased the probability that the final hiring decision would be positive. As in the first experiment, not all incentives had equal effects.

Tailoring Incentives to Mitigate the Negative Effects of a Criminal Record

In the traditional hiring context, relatively modest incentives (tax credits and insurance) significantly increased the probability that an applicant with a criminal record would be hired.

The mitigating effects of incentives were even more pronounced in the ban-the-box context. Of the hiring managers surveyed, 57 percent upheld their tentative hiring decisions in the presence of incentives when

FIGURE 1
How Does Ban-the-Box Work?



the background check revealed that an applicant had a criminal record.

Tax credits and insurance significantly increased the probability that a tentative job offer would become permanent, mirroring the positive effects of these incentives in the traditional hiring context. Incentives work well in a ban-the-box framework because they encourage employers to hire someone they had already decided they wanted to hire.

Incentives did not change employer perceptions about how an applicant would perform on the job. Rather, the incentives compensated employers for the perceived potential costs of hiring such applicants (see Table 1).

TABLE 1
Effect of Incentives on Hiring Probability

Type of Incentive	Effect on Probability of Hiring (Percentage)
Any incentive	+6 points
\$2,500 tax credit	+9 points
\$25,000 insurance against losses resulting from an employee's dishonesty	+7 points
Restricting lawsuits	No effect

Rehabilitation Certificates

Rehabilitation certificates had a strong positive influence in ban-the-box scenarios: Employers were significantly more willing—by about 11 percentage points—to hire an applicant with a criminal record who had such a certificate. Employers viewed the rehabilitation certificate as evidence that the applicant was unlikely to misbehave on the job. The certificate had a positive influence in the presence of other incentives and regardless of whether applicants had nonviolent or violent convictions.

Reducing barriers to obtaining a certificate—including the time and money needed to obtain one and the knowledge required to navigate the process—might be an effective way to increase hiring of individuals with criminal records. Combining rehabilitation certificates with modest direct incentives could substantially increase the likelihood that qualified individuals with criminal records can successfully compete for employment.

This brief describes work done in the Institute for Civil Justice Program and documented in *Direct Incentives May Increase Employment of People with Criminal Records*, by Shawn D. Bushway and Justin T. Pickett, RAND Corporation, WR-A2786-1, 2023 (available at <https://www.rand.org/t/WRA2786-1.html>). To view this brief online, visit <https://www.rand.org/t/RBA2786-1>. The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. **RAND**[®] is a registered trademark.

Limited Print and Electronic Distribution Rights: This document and trademark(s) contained herein are protected by law. This representation of RAND intellectual property is provided for noncommercial use only. Unauthorized posting of this publication online is prohibited; linking directly to this product page is encouraged. Permission is required from RAND to reproduce, or reuse in another form, any of its research documents for commercial purposes. For information on reprint and reuse permissions, please visit www.rand.org/pubs/permissions.

© 2023 RAND Corporation