

REVIEW SYMPOSIUM

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Incarceration and inequality

Lane Kenworthy

Department of Sociology, University of Arizona, Tucson, AZ 85721, USA

Correspondence: lane.kenworthy@arizona.edu

Bruce Western has produced some superb quantitative empirical research in the past decade and a half, from his early work on corporatism, unions and wages (e.g. Western, 1991, 1997; Western and Healy, 1999) to his more recent study of the causes and consequences of incarceration in the United States, of which *Punishment and Inequality in America* is the culmination. The topics are important. Research questions are clearly posed. Data and measures are selected with care. The analysis often features state-of-the-art quantitative techniques, but the question and the theory, rather than the statistical tools, drive the analysis. The empirical investigation usually includes multiple sources of analytical leverage—cross-section and over-time, macro and micro, comparative and case study. Conclusions are expressed cautiously, with explicit reference to the degree and sources of uncertainty (which include much more than the usual uncertainty about sample-to-population inference). One can learn a great deal from this work not only about the substantive issue at hand but also about how to do and convey top-notch empirical social science.

Punishment and Inequality in America examines a variety of issues central to debates about crime and criminal justice, most notably the determinants of the growth in incarceration in the United States since the 1970s (Chapter 3) and the impact of incarceration on the drop in crime during the 1990s

(Chapter 7). The main purpose of the book, however, is to encourage us to understand the penal system as ‘an important part of a uniquely American system of social stratification’ (p. 11).

There are two parts to this argument. One is that incarceration hides inequality. The other is that it is a key contributor to inequality. Let us consider each of these in turn.

Incarceration hides inequality

Comparative scholars and informed policy-makers are well aware that the United States has the highest levels of earnings inequality and income inequality among affluent nations. Western brings us the depressing news that the official figures understate the true degree of inequality in the United States. The reason is simple. The nearly 1.5 million Americans in federal and state prisons and local jails consist disproportionately of young non-white men with limited education. In prison, they disappear from the official calculations of earnings inequality or the employment rate, which cover only the ‘non-institutionalized’ population. If not in prison, many of these men would likely be employed in low-wage jobs, thereby increasing measured earnings inequality. Others would be unemployed or labour force dropouts, thereby reducing the employment rate and increasing measured employment inequality between age, education and racial/ethnic groups.

In Chapter 4, ‘Invisible Inequality’, Western shows that if we add in the incarcerated, the employment rate among African American males aged 22–30 as of the year 2000 falls from 89 to 78% (p. 90). Among black young men with 12 years of schooling or less (i.e. no more than a high school degree), the employment rate drops from 67 to 35% (p. 92). Far less dramatic but still non-trivial differences are found for Hispanic young men. For white males aged 22–30, the employment rate drops by only one or two percentage points when the incarcerated are included. But for young white men with no college education, it falls from 81 to 74%. Another striking finding is that when incarceration is taken into account, young black men with no college education were one of the few (possibly the only) demographic groups that experienced no employment gain during the US economic boom of the mid-to-late 1990s (p. 96).

The black–white gap in hourly wages among employed men aged 22–30 declined between 1985 and 2000. But Western estimates that if the incarcerated and unemployed had instead been employed, it is likely that there would have been little change in the gap (p. 101).

It is important to emphasize that these findings apply only to young males, and the most striking apply to young African American men with 12 or fewer years of schooling. The effects are sizeable among this latter group, but the group itself is small relative to the US working-age population—perhaps 3% at

most. Thus, the story here is not that in ignoring incarceration the official US statistics dramatically overstate the country's overall employment rate or understate its level of overall earnings inequality. Rather, it is that we underestimate inequality among this particular demographic group. Whether that turns out to matter much for the larger labour market depends on whether the post-1975 imprisonment policy continues and on whether the experience of being incarcerated has effects on labour market outcomes later in life. It is to the latter that *Punishment and Inequality in America* turns next.

Incarceration increases inequality later in the life course

Western notes three main reasons why incarceration may reduce subsequent employment and/or earnings: 'The stigma of a criminal conviction, in the eyes of employers, makes ex-offenders undesirable job applicants. The experience of incarceration can reduce human capital, making ex-convicts less productive workers. Incarceration can also reduce social capital, eroding the social connections to legal employment' (p. 112). In Chapter 5 of the book, 'The Labor Market After Prison', he uses panel data from 1983–2000 from the National Longitudinal Study of Youth (NLSY) to estimate the impact of imprisonment on future hourly wages, number of weeks worked during the year and annual earnings among young men. Those who spend time in prison differ in observable and unobservable characteristics from those who do not, and this fact can lead to overestimation of incarceration's impact on labour outcomes. The use of panel data helps to alleviate concerns about this sort of selection bias.

Western's estimates suggest a sizeable effect of incarceration on later labour market outcomes (p. 124). Controlling for individual fixed effects (unmeasured time-invariant individual characteristics) as well as age, education, work experience, industry, region of the country, public sector employment, union status, marital status, drug use, school enrolment, urban residence, local unemployment, year and an education-by-year interaction, the data suggest that hourly wages and annual earnings for incarcerated men tended to be lower and to rise less sharply (if at all) between ages 25 and 35 than for their non-incarcerated counterparts. 'The individual-level effects of imprisonment appear quite large—annual earnings are reduced by 30 to 40 percent, and a prison record extinguishes wage growth from age twenty-five to thirty-five' (p. 126). The magnitude of the effect was actually largest among whites, followed by Hispanics and then African Americans.

Western concludes that incarceration thus tended to be 'more than a temporary setback that could be repaired with time in the labour force. Instead, spending time behind bars was a turning point that punctuated the working lives of many less-skilled men involved in crime' (p. 129). The magnitude of this effect over the

long run is uncertain. Reliable estimates will be possible only as the NLSY sample ages. But if the effect does not diminish appreciably between ages 35 and 65, referring to incarceration as a ‘turning point’ may turn out to be, if anything, an understatement.

Inequality and life-course punctuators

For me, as a student of inequality, Western’s conceptualization and analysis of incarceration as a ‘punctuating’ life-course event is the most interesting aspect of *Punishment and Inequality in America*. Analyses of aggregate patterns of inequality—changes in Gini coefficients within a country over time or differences between nations—tend to ignore the life course. We often implicitly conceptualize a structure of skills, jobs and wages and try to understand why these differ across countries and/or over time. Meanwhile, life-course analysts work with micro-level data and attempt to understand how significant events and experiences influence later differences in which position in the structure various individuals end up in.

As good individual-level panels become more widely available and cover lengthier time periods, it will increasingly be possible to bring these two areas of scholarly research together. And it will behave us to do so. For instance, if we want to understand why earnings inequality among employed individuals is greater in the United States than in Germany, we can go a significant part of the way by pointing to the structure of the wage-setting system, which has long been more centralized and covered a larger share of the workforce in Germany than in the United States. We probably would also want to point to differences between the two countries in the level of skills inequality. But why stop there? Why not think too about differences between these two nations in the scope and impact of various life-course punctuators? In addition to incarceration, candidates might include:

- extended non-employment between school and initial job;
- long-term unemployment in mid-career;
- lengthy employment in a low-pay job at the beginning of a work career;
- failure to complete secondary degree or apprenticeship equivalent;
- early childbearing;
- extended time out of employment to care for young children;
- social assistance receipt;
- divorce;
- military service.

Each of these is likely to vary across countries and over time within countries both in its prominence (what share of the working-age population experiences it)

and in the magnitude of the penalty it imposes on later employment and earnings outcomes. The latter may, of course, vary depending on the frequency with which a person experiences the ‘event’—a single spell in prison or multiple spells, having a single child in one’s late teens or early 20s versus having multiple children. The duration of the event is also likely to matter—how long the person spent in prison, how long she or he was on social assistance.

Descriptions and explanations of differences in aggregate inequality will, I hope, increasingly incorporate these kinds of considerations. Among its numerous other virtues, *Punishment and Inequality in America* points us in this direction.

References

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In search of an explanation for the boom of imprisonment in the United States

Richard Münch

Department of Sociology, Otto-Friedrich-Universität Bamberg, Germany

Correspondence: richard.muench@sowi.uni-bamberg.de

Western (2006) has provided a convincing thesis countering the conventional and conservative view of the relationship between crime and punishment. His explanation sticks close to the facts. This approach, however, is the very feature of his explanation that prompts further questioning. Are the election of more Republican governors and the exclusion of the least educated from the labour market really sufficient explanations for the boom of imprisonment that the United States has experienced since the 1980s, a phenomenon exceptional in comparison both with its own past and other Western democracies? Would majorities of the Democratic party in the state parliaments and more as well as better paid jobs for the poorly educated have been enough to spare the country what has