Increasing the Demand for Workers with a Criminal Record in the United States

Sector(s): Crime, Violence, and Conflict, Firms, Labor Markets

J-PAL office: J-PAL North America

Location: United States of America

Target group: Job seekers Small and medium enterprises Large enterprises People with a criminal record

Outcome of interest: Discrimination Employment

Intervention type: Insurance Recruitment and hiring Subsidies

AEA RCT registration number: AEARCTR-0005200

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Research Papers: Increasing the Demand for Workers with a Criminal Record

Workers with criminal records face substantially lower chances of securing employment compared to similar workers without such records. Researchers evaluated the effectiveness of different approaches, including wage subsidies, crime and safety insurance, past performance reviews, criminal record history, and objective information on worker performance, on managers' willingness to hire people with criminal records. The study found that policies which directly addressed hiring managers' concerns about productivity and risk effectively increased demand for workers with criminal records.

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Workers with criminal records face substantially lower chances of securing employment compared to similar workers without such records. A 2021 Department of Justice report highlighted that 33 percent of individuals released from prison in 2010 did not secure a job within four years of their release.[1] Because a disproportionate rate of low-income, Black, and Latino/a/e populations experience involvement in the criminal legal system, this hiring discrimination can deepen existing socioeconomic and racial disparities in employment rates. Additionally, this trend may contribute to the high recidivism rates among newly released individuals.

One popular policy intervention for increasing the hiring rates of people with criminal records is to "Ban the Box" (BTB). BTB policies prohibit employers from asking about a worker's criminal record on initial applications and during interviews. However, research on BTB has shown mixed-to-negative effects on hiring people with criminal convictions. One potential reason why BTB policies are not always effective is because they do not tackle the underlying reasons employers may perform background checks, such as concerns about risk or decreased productivity. Researchers used a randomized evaluation to assess whether addressing these underlying concerns about risk and productivity increased the demand for workers with criminal records.

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This evaluation took place on a prominent online labor platform used by thousands of third-party businesses to find workers for short-term, entry-level positions. Researchers surveyed nearly 1,000 businesses about the conditions under which they would be open to hiring workers with criminal records. The sample of businesses that participated in the study was older and larger than the US average. The sample also had a higher representation of manufacturing, transportation, and public administration jobs and a lower representation of services, finance, and construction jobs in comparison to the US job market. Additionally, compared

to the US average, the sample of businesses in the study was less likely to have a company-wide workforce criminal policy (45 percent versus 66 percent) and were more open to working with people with criminal convictions to help give individuals a second chance (50 percent versus 38 percent) or for financial incentives (8 percent versus 2 percent) at baseline.



Hiring manager reviews resumes at a desk.

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Researchers used a survey experiment to evaluate the effectiveness of five different approaches – wage subsidies, crime and safety insurance, past performance reviews, criminal record history, and information on how productive workers with criminal records are—on increasing hiring managers' openness to employing these workers.

While the questions posed in the evaluation were hypothetical, the choices made by the hiring managers had a direct effect on whether workers with criminal records could later accept the job opportunities posted by those businesses.

Randomization occurred at the business level so that hiring managers at the same business would not be offered different options. Researchers asked each business a series of questions about their willingness to work with individuals with criminal records depending on the following randomized conditions.

1. **Wage Subsidy:** Four-fifths of hiring managers were randomly assigned one of the following hypothetical subsidy levels: 5, 10, 25, 50, or 100 percent. The remaining one-fifth of hiring managers were randomly assigned to receive no subsidy, establishing a baseline level of demand for hiring workers with criminal records. The wage subsidy assigned to each business remained constant throughout the evaluation.

2. **Crime and Safety Insurance:** To address risk concerns that businesses may have about hiring workers with criminal records, hiring managers were asked if varying levels of crime and safety insurance would increase their willingness to hire people with records. The randomly assigned insurance policies were worth $1,000, $5,000, $100,000, and $5 million.
3. **Employment History:** To address concerns about workers with criminal records being less productive, hiring managers were asked if they were more willing to hire workers with records if they had received more than 85% five-star reviews for previously completed jobs. The randomly assigned job histories consisted of 1, 5, and 25 jobs.
4. **Criminal Record History:** To address risk concerns that businesses may have about hiring workers with criminal records, hiring managers were asked if they were more willing to hire workers with records who had maintained a clean criminal record for a given amount of time. The randomized hypothetical clean criminal records extended to one, three, or seven years.
5. **Objective Information:** Using a different channel to address underlying productivity and risk concerns, hiring managers were provided with real objective information about the average performance of workers with records on the platform.

The survey also asked hiring managers about their willingness to work with individuals with criminal records under different labor market conditions (i.e., how difficult it is to fill the job) and different job characteristics (e.g., need for customer interaction, access to high value inventory).

For each treatment condition, researchers used the percentage of hiring managers who indicated willingness to hire workers with criminal records to assess how effective these policies were in increasing demand for these workers. Overall, 1,095 hiring managers from 913 businesses participated in the evaluation.

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Researchers found that most of the interventions increased managers' willingness to hire workers with criminal records. In addition to comparing the demand rates post-intervention to the baseline demand of hiring workers with criminal records (39 percent), researchers also compared demand of the different interventions to that of wage subsidies.

Wage subsidies

When no subsidy was offered, 39 percent of businesses were willing to hire workers with a record. This serves as the comparison level for the following interventions. When a 100 percent subsidy was offered, the share of businesses willing to work with individuals with a record increased by 15 percentage points (a 38 percent increase). Researchers estimated that for every 10 percent increase in the wage subsidy, there was a corresponding increase of approximately 2.1 percent in demand.

Crime and safety insurance

When businesses were offered a $5,000 crime and safety insurance, demand increased by 12 percentage points from a baseline of 39 percent (a 30 percent increase). This increase is comparable to the impact of an 80 percent wage subsidy.While the $100,000 and $5 million policies were also effective at increasing demand, the impact was statistically indistinguishable from the effect size of the $5,000 policy, suggesting that a more modest insurance policy is an effective way of increasing the demand for workers with a record.

Employment history

When the pool of applicants was limited to those who had completed at least one prior job, demand increased by 11 percentage points (a 28 percent increase from a baseline of 39 percent). This effect size is comparable to that of an 80 percent wage subsidy. Similar to the effect of larger insurance policies, the effect of longer job histories (five or 25 prior jobs) was statistically indistinguishable from the effects of just one job.

Criminal record history

When the applicants were limited to those who had not been convicted or arrested in the past year, demand increased by 21 percentage points (a 54 percent increase from a baseline of 39 percent). This effect size was greater than the effect of a 100 percent wage subsidy. Researchers also found larger effects for requiring longer periods of time without an arrest or conviction. Particularly, a seven-year clean history increased managers' willingness to hire by 41 percentage points (a 105 percent increase from a baseline of 39 percent).

Information about performance

When hiring managers received information about the performance ratings of workers with records on the platform, hiring demand increased by 6 percentage points (a 15 percent increase from a baseline of 39 percent). This effect was equivalent to the effect of a 40 percent wage subsidy.

Overall, the findings demonstrate that addressing underlying hiring managers' risk and productivity concerns, (which criminal background checks are used for) can be effective at increasing the demand for workers with records.

Use of Results:

Following this evaluation, the online platform implemented a strategy to ease criminal background check requirements on the app. This involved initially extending job offers to workers with records from companies that agreed to work with them under the existing platform conditions. Additionally, the platform began providing crime and safety insurance to employers with coverage up to $1 million. These changes resulted in over 12,000 job opportunities being made available to workers with records.

The platform hopes to eventually include workers with a record in all applicant pools unless businesses who prefer to exclude workers with records pay an additional fee.

Cullen, Zoe and Dobbie, Will and Hoffman, Mitchell, Increasing the Demand for Workers with a Criminal Record (September 30, 2021). Harvard Business School Research Paper Series No. 22-023, Available at SSRN: https://ssrn.com/abstract=3944934 or http://dx.doi.org/10.2139/ssrn.3944934

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1. Carson, Ann, et al. 2021. "Employment of Persons Released from Federal Prison in 2010." Bureau of Justice Statistics. https://bjs.ojp.gov/content/pub/pdf/eprfp10.pdf.