Inequality and mobility

Two panelists spoke on issues related to inequality and mobility. Ngina Chiteji discussed potential late-life economic circumstances for formerly incarcerated men, suggesting that by the middle of their lives these men appear to have accumulated little wealth. Fabian Pfeffer presented work done jointly with Robert Schoeni, providing an overview of established findings on intergenerational mobility, and new research directions on the topic. This set of articles summarizes their presentations.

Does incarceration affect inequality during old age?

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In this article, I examine the degree to which there might be long-lasting or late-life consequences in store for individuals who have been convicted of committing a crime. The goal is to determine whether the mass incarceration that the nation witnessed during the 1980s and 1990s might portend widening inequality in the future, when this generation gets old.

Crime in the USA

The United States is distinctive among western countries in that it imprisons a comparatively large number of its residents. It actually has the highest incarceration rate in the world. In 2011, for example, 1,598,780 people were incarcerated throughout the United States.[1] This is about 0.7 percent of the adult population, or 692 per 100,000 persons. The present incarceration rate is also high by historical standards. Prior to about 1975, the U.S. incarceration rate had been fairly stable at around one-tenth of a percent of the population.[2] During the 1980s, however, there was a sharp increase in the share of the population that was incarcerated; this upward trend continued throughout the 1990s and into the first decade of the 21st century. This escalation in incarceration rates during the 1980s and 1990s has been characterized as "mass incarceration" by many scholars.[3]

Some scholars have interpreted the rising incarceration rate as evidence of a crucial shift in the role of the state in U.S. society. It has been accompanied by rapid growth in the U.S. penal system, and the expansion of this particular function of government—the transition toward a state that locks up substantial numbers of its residents—has led some scholars to argue that the U.S. government now should be characterized as a "carceral" or "security" state.[4] In a now famous text, *Punishing the Poor*, sociologist-philosopher Loïc Wacquant argues that the rise of the U.S. penal system should be thought of as part of a "triple transformation" of the state—a process through which the government transformed itself from one that was committed to intervening in the economy in order to provide security for workers and social assistance to the poor, into an apparatus that pursues neoliberal policies that undermine the economic positions of many people, and locks up the disenfranchised.[5] The author writes,

> Here penalization serves as a technique for the invisibilization of the social "problems" that the state, as the bureaucratic lever of collective will, no longer can or cares to treat at its roots.... (p. xxii)

Wacquant continues by describing the prison system as "a judicial garbage disposal into which the human refuse of the market society are thrown."[6] While some may quibble with Wacquant's dramatic writing style and biting critique of the U.S. government, most scholars agree that the rise in the incarceration rate cannot be ascribed to an increase in the crime rate.[7] Rather, the incarceration rate rose because of a specific public policy decision to have the nation use prison as the preferred form of punishment more frequently, particularly for drug offenses—including those of drug users, not just dealers.

Given this socio-political reality that the United States sends a meaningful number of its residents to prison, coupled with the reality that most offenders are eventually released, it seems important to ask whether mass incarceration is likely to have any consequences for ex-offenders' ability to prepare for old-age.[8] For example, will it affect an individual's ability to save privately for old age? Will it have any influence on an ex-offender's access to external sources of retirement support, such as a private pension or Social Security benefits?

Are incarceration and retirement savings connected?

Why draw connections between incarceration and the ability to prepare for retirement? There are several pathways that might connect incarceration to an individual's retirement prospects. The first is an income channel. One important way that individuals accumulate wealth is by saving a portion of their income during their working years. The higher an individual's income, the more he or she is able to save (for a given saving rate). Moreover, economic theory suggests that saving rates rise with income. Because existing empirical research shows that ex-offenders earn less than non-offenders, and that they experience slower wage growth post-incarceration, one would expect ex-offenders to have smaller incomes from which to save than will individuals who have never been incarcerated.[9]

A second transmission mechanism linking incarceration to retirement prospects comes through employment. Findings in the extant literature indicate that incarceration dampens the probability of being employed post-incarceration.[10] Moreover, it may affect the type or quality of jobs that individuals obtain.[11] For example, Western has argued that it relegates individuals to the secondary labor market.[12] Because employment and the type of job an individual has are key determinants of access to pension coverage, one would expect a connection between past incarceration experience and whether an individual will have an employer-sponsored pension to draw on during retirement.[13]

A third way incarceration might influence the magnitude of an individual's retirement resources is through its potential effect on eligibility for Social Security. While research shows that the average spell of incarceration is relatively short, many individuals experience repeated bouts of incarceration. In fact, Steven Raphael has noted that the experience of young offenders is likely to be characterized by cycling in and out of prison for a lengthy period of time.[14] This suggests that there is the theoretical possibility that some ex-offenders may find themselves reaching the age of 65 with too few quarters of work to be eligible for Social Security.

Table 1
Comparing the Midlife Wealth Levels of Ex-Offenders and Men who Never Have Been Incarcerated

Wealth	Ever Incarcerated	Never Incarcerated
Mean	$25,374	$395,541
Median	$130	$167,000

Notes: Analysis of data from the 2008 wave of the National Longitudinal Survey of Youth (NLSY). All data are weighted using the 2008 NLYS cross-sectional weight variable. *N* = 3,682. All mean differences are statistically significant at .001 level.

Clearly, economic theory and the existing literature reveal several reasons to expect a link between incarceration and the adequacy of a former offender's personal savings, and his or her ability to rely on external sources such as privately provided pensions or social security during retirement.

I present preliminary results using data from the National Longitudinal Survey of Youth (NLSY). This dataset allows us to examine a group of men who are at the mid-point of the life cycle, roughly ages 43 to 51, in 2008, to determine whether they have less private wealth than men who have not been incarcerated, and to assess their access to private pensions.

Table 1 compares ex-offenders to men who have never been incarcerated. As shown, the average ex-offender has only about $25,374 of wealth accumulated by the midpoint of the life-course, and the median ex-offender has only about $130 of wealth. One hundred and thirty dollars is not much of a

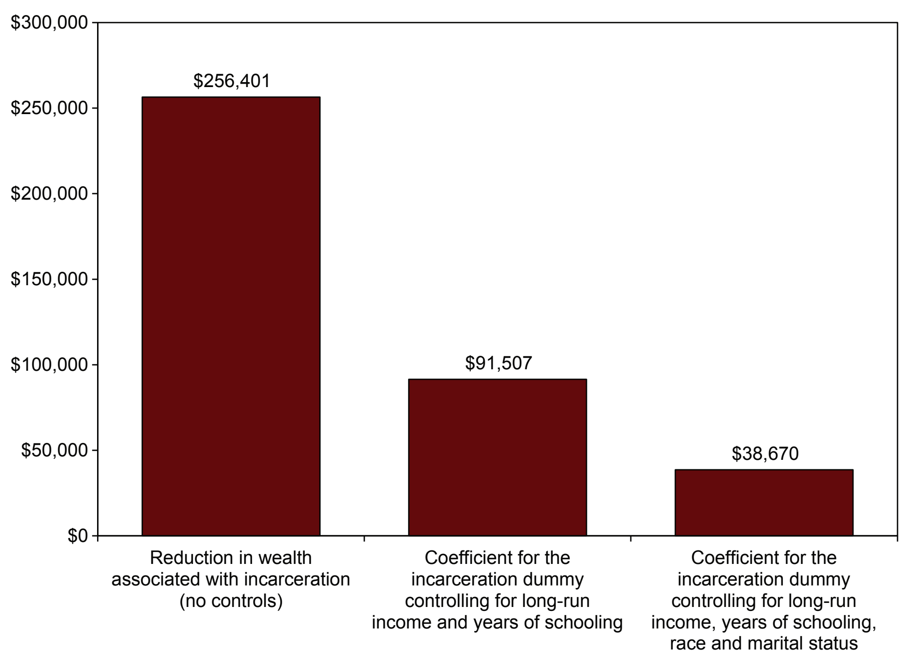

Figure 1. The wealth penalty for having a prison record.

Notes: Analysis of data from the 2008 National Longitudinal Survey of Youth (NLSY). All data are weighted using the 2008 cross-sectional weight variable. Results reported are from the full sample of men. *N = 1,878.*

nest egg, and even though a 40- or 50-year-old man still has 15 to 25 years to save before he hits retirement, $130 is not much of a starting point.

Regression analysis suggests that much of the unadjusted gap between ex-offenders and men who never have been incarcerated can be explained by labor market factors. For example, as shown in Figure 1, in a series of ordinary least squares regressions using the full sample of NLSY men, the adjusted gap is smaller than the unadjusted gap between ex-offenders and men who have never been incarcerated. The first bar depicts the unadjusted gap between men with a prison record and men who never have been incarcerated; the former possess $256,401 less wealth than the latter, on average, and the difference is statistically significant. When controls for years of schooling and long-run income are added, however, the size of the gap between those with records and those without falls to $91,507. Although smaller, this difference is still statistically significant. The third bar represents the magnitude of the difference once controls for race, ethnicity, and marital status have been added to the regression. In that case the gap falls to $38,670 and the difference is no longer statistically significant.

Restricting the sample in various ways to account for the fact that men who end up in prison may be inherently different from other men produces similar results.[15] In each case, there is an initial gap between ex-offenders and men who have never been incarcerated, and the addition of labor market-related variables into the regression reduces the size of the gap.

Does having a prison record appear to affect an individual's likelihood of having an employer-provided pension that he will be able to draw on during retirement? Table 2 shows the results from analysis of several private pension-related questions. As shown in the table, respondents who had a prison record were less likely to be employed in jobs that offered pensions. They also were less likely to have pension coverage.

Conclusion

While the empirical work discussed above is clearly only in its early stages and the results are therefore suggestive at best, this analysis of NLSY data suggests that men who have been incarcerated do not possess much wealth by the mid-point of the life course. Median wealth for this group was a paltry $130, despite the fact that all of the men had already reached their 40s. The analysis also suggests that to the extent that incarceration has an influence on wealth accumulation, it appears that this effect is transmitted via the effect that it has on the labor market prospects of ex-offenders. Our analysis also suggests that society cannot expect ex-offenders to rely upon private pensions during old age to compensate for their low levels of wealth. While fairly common for the average worker, pension coverage is less common among ex-offenders.

If formerly incarcerated people reach old age without personal savings or without adequate pension coverage, one expects that they may be likely to look to public programs for support. Whether most of them can expect to simply rely upon the Social Security program instead is an open question. In follow-up research I intend to explore the effects that cycling in and out of prison has on an ex-offender's likelihood of acquiring enough quarters of work to be eligible for Social Security.[16] If not eligible for Social Security, however, some ex-offenders will probably need to turn to the federal government's Supplemental Security Income (SSI) program for assistance.[17] The research presented in this article begs the question of whether there might be a challenge looming for SSI in the future—a "prison boom generation" effect.■

Table 2
Access to Employer-Provided Pensions

	Ever Incarcerated	Never Incarcerated
Respondent is eligible for pension coverage at his job	78.21%	93.79%
Respondent is covered	34.0%	70.0%

Notes: Analysis of data from the 2006 wave of the National Longitudinal Survey of Youth (NLSY). All differences are statistically significant.

[1]E. A. Carson and W. J. Sabol, "Prisoners in 2011," US Bureau of Justice Report, NCJ 239808, December 2012.

[2]M. Pattillo, D. Weiman, and B. Western, eds., *Imprisoning America: The Social Effects of Mass Incarceration* (New York: Russell Sage Foundation, 2004).

[3]See, for example, D. Garland, "The Meaning of Mass Imprisonment," *Punishment and Society* 3, No. 1 (2001): 5–7; T. Clear, *Imprisoning Communities: How Mass Incarceration Makes Disadvantaged Neighborhoods Worse* (New York: Oxford University Press, 2007); and M. Alexander, *The New Jim Crow: Mass Incarceration in the Age of Colorblindness* (New York: The New Press, 2010).

[4]L. Bobo, "Crime, Urban Poverty and Social Science," *Du Bois Review* 6, No. 2 (2009): 273–278; P. Chevigny, "The Populism of Fear," *Punishment and Society* 5, No. 1 (2003): 77–96.

[5]L. Wacquant, *Punishing the Poor: The Neoliberal Government of Social Insecurity* (Durham, NC: Duke University Press, 2009).

[6]Wacquant, *Punishing the Poor*, p. xxii

[7]B. Western, "The Impact of Incarceration on Wage Mobility and Inequality," *American Sociological Review* 67, No. 4 (2002): 526–546; and Alexander, *The New Jim Crow*.

[8]J. Travis, "Reentry and Reintegration: New Perspectives on the Challenges of Mass Incarceration," in *Imprisoning America, ed. Pattillo, Weiman, and Western*.

[9]Western, "The Impact of Incarceration on Wage Mobility and Inequality."

[10]See, for example, H. Holzer, P. Offner, and E. Sorenson, "Declining Employment among Young, Black, Less-Educated Men," *Journal of Policy Analysis and Management* 24, No. 2 (2005): 329–350.

[11]S. Raphael, "Early Incarceration Spells and the Transition to Adulthood," in *The Price of Independence: The Economics of Early Adulthood*, eds. S. Danziger and C. E. Rouse (New York: Russell Sage Foundation, 2007).

[12]B. Western, *Punishment and Inequality in America* (New York: Russell Sage Foundation, 2006).

[13]N. Chiteji and L. Walker, "Strategies to Increase the Retirement Savings of African Americans," in *Automatic: Changing the Way American Saves*, eds. W. G. Gale, J. M. Iwry, D. John, and L. Walker (Washington, DC: Brookings Institution Press, 2009).

[14]Raphael, "Early Incarceration Spells and the Transition to Adulthood."

[15]For example, we isolated high school dropouts and ran the regressions on that sample. We also ran separate regressions for men who had reported drug use. And, the analysis also was performed using a sample of men who reported that they had committed a crime (although some had never been convicted of a crime or sent to prison).

[16]To qualify for Social Security, workers need to earn "credits," up to a maximum of four each year. Most people need 40 credits, or ten years of qualifying work, to be eligible for retirement or disability benefits. The amount of earnings it takes to earn a credit has changed over time; in the year 2014, $1,200 in covered earnings is required to get one work credit, and $4,800 to get the maximum four credits for the year.

[17]The Supplemental Security Income pays benefits to disabled people with limited income and resources, and to people age 65 and older without disabilities who meet the financial limits.