

PRIVATE ADULT PRISONS:  
WHAT DO WE REALLY KNOW AND WHY DON'T WE KNOW MORE?\*

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*Abstract*

The establishment of private prisons marks an important milestone in the recent history of corrections. But, to date, evaluation strategies have inadequately addressed the ways in which public and private prisons differ in their operations. We review the methodological shortcomings of existing research, but we give most of our attention to substantive differences that are hypothesized to exist between public and private prisons. If future evaluations address the issues raised here, it will then be possible to more systematically examine how privatization affects the operations of public prison systems.

## PRIVATE ADULT PRISONS:

### WHAT DO WE REALLY KNOW AND WHY DON'T WE KNOW MORE?

Proponents of privatization repeatedly make two claims that are of keen, pragmatic interest to policymakers: private contractors can operate prisons more efficiently than can government bureaucracies and can provide equal or better services to inmates. In other words, proponents assert that for less money, government agencies can purchase prison services of equal or greater quality by turning the care of inmates over to private contractors.

With a rapidly expanding prison population in the United States and a tighter squeeze on tax dollars, claims that private contractors can provide higher quality services at lower costs are quite attractive to responsible policymakers. In 1985, there were 487,593 persons in state and federal prisons (Gilliard & Beck, 1998, p. 2). By June 1997, the State and federal prison population was 1,158,763. This growth in the U.S. prisoner “market” has generated optimistic expectations among private entrepreneurs that they can capitalize on this increase and gain a substantial market share of it. Clearly, even if the market share for private companies remained a fixed proportion, the growth in the market itself might ensure future private prison prosperity.

This paper involves two parts. In the first section, we criticize the general approach evaluators have used to compare public and private prisons, and we suggest some alternative strategies. We find fault with the prison privatization research because it often fails to address, in a systematic way, why public and private prisons should differ in their effectiveness. For the most

part, proponents of privatization make global, unsubstantiated, speculative claims which are rarely addressed with concrete evidence. While our discussion focuses exclusively on methodological problems found in evaluations of private prisons, the methodological concerns apply equally well to other areas of the criminal justice system where privatization is common, such as the increasing use of private security firms. In the second section, we lay the groundwork for a testable theory of the similarities and differences in ways that public and private sector prisons are managed.

### WHY PRIOR EVALUATIONS HAVE BEEN INADEQUATE

Is there supporting evidence for the claims of lower cost and superior quality put forth by proponents of prison privatization? While there is at present a small but growing body of empirical evidence on cost and quality issues, almost none of it has been peer reviewed. The General Accounting Office (GAO) (1996) published a review of cost and quality evaluations conducted between 1991 and 1996, and it identified only five studies that were based on empirical comparisons of actual operations of at least one public and one private prison: state sponsored studies in California (Sechrest & Shichor, 1994), Tennessee (Tennessee Select Oversight Committee on Corrections, 1995), and Texas (Texas Sunset Advisory Commission, 1991); a comparison of a federal prison for females and a private New Mexico prison for females (Logan, 1991); and a review of facilities in Tennessee, Louisiana, and Washington (Thomas, Gookin, Keating, Whitener, Williams, Crane and Broom, 1996).

Since the GAO review, two major evaluations of private prisons have been released, one of privatization experiences in Louisiana (Archambeault & Deis, 1996) and another on

privatization in Arizona (Thomas, 1997). A third study that appeared since the GAO review (Lanza-Kaduce, Parker, & Thomas, 1999) compared the recidivism of Florida inmates released from prisons operated by the Florida Department of Corrections to that of inmates released from two privately operated prisons, one managed by Corrections Corporation of America and the other by Wackenhut Corrections Corporation. These three new studies, along with an older one conducted by Hatry and his colleagues for the Urban Institute (Hatry, Brounstein, & Levinson, 1994; Urban Institute, 1989) on prisons in Kentucky and Massachusetts, as well as those identified by GAO have been reviewed by researchers at the Bureau of Prisons (Gaes, Camp, & Saylor, 1998). Generally, the authors of the cost and quality evaluations have reported that private prisons provided quality services at reduced costs. In contrast, GAO cautioned that the methodological limitations of the studies they reviewed made it difficult to generalize the results (General Accounting Office, 1996). The Bureau of Prisons' researchers as well as McDonald (1990; 1992) also concluded that it is difficult to generalize the results.

The methodology of the GAO review has been criticized (Harding, 1997, p. 109; Logan, 1996; Thomas, 1996). Rather than discuss in detail the methodological strengths and weaknesses of the GAO review, it is sufficient for our purposes to note that the cost and quality evaluations of private prisons, as well as the GAO review, have a common shortcoming. They did not identify or statistically control for variables that influence the outcome measures, particularly in analyses that were conducted on measures of quality of prison performance.

For example, researchers often compare inmate misconduct rates for private and public prisons. However, in none of the studies of which we are aware has there been an attempt to control for structural factors that may influence misconduct rates. These factors would include

staff-to-inmate ratios, custody technologies, and policies that lead to deliberate or unintended differences in reporting of misconduct incidents. In fact, there have only been weak attempts to control for individual differences, such as age or race of the inmates, so essential to explaining misconduct rates. For example, in the Tennessee evaluation, arguably one of the better comparisons of public and private prisons, there were wide discrepancies in the average age and racial composition of inmates among the three comparison prisons (two public and one private). If a fair and thorough comparison is to be made, it is necessary to control as rigorously as possible for other factors that influence prison outcome measures in addition to indicators of management performance. That is, it is necessary to develop models of the variables that influence cost and quality measures and to measure their effects instead of simply assuming that institutions differ only in performance.

The paucity of empirical evaluations of privatization is not surprising. Private adult prisons have only recently made a resurgence in the United States after use in the 19th Century (Durham, 1994), and evaluation research is time-consuming, difficult, and costly. Also, Harding (1997) noted that with rare exceptions requirements for rigorous evaluations are not written into the contracts for prisons. One exception to this situation, is language in the legislation which authorized the Federal Bureau of Prisons to privatize the Taft, California facility, mandating an empirical evaluation: “.. the Committee directs the Bureau of Prisons to undertake a 5-year prison privatization demonstration project involving the two Taft facilities. A demonstration project is needed to give the administration and Congress an opportunity to monitor safety and operational concerns ...” (Senate Conference Report 104-863, p. 791, accompanying HR 3610, Public Law 104-208). To meet the specifications of this legislation, research requirements were incorporated

into the original statement of work that was used to solicit requests for proposals to operate Taft (Federal Bureau of Prisons, 1997). Also, a number of states which are heavily involved in privatization, including Florida, Texas, Tennessee, and Arizona, have contract stipulations that require some demonstration that the private contractors provide lower cost and/or superior quality in comparison to the state-operated prisons. However, these requirements have not been met by rigorous research evaluations.

### THE GENERAL STRATEGY EMPLOYED IN EXISTING EVALUATIONS

Generally speaking, very little attention has been given to developing detailed and interrelated propositions about how private prisons operate differently from public ones. Inattention to this basic task is evident in prior research. Most existing comparisons of private and public prisons have relied upon “laundry lists” of readily available items in the official data of correctional agencies. Researchers have determined which institutions fared “better” or “worse” on such measures so that they could report whether the private or public facilities “won” on more of the data items.

There are several problems with the “laundry list” approach. First, insufficient attention has been paid to demonstrating whether some of the measures examined are more objective or important in tracking or predicting specified processes or outcomes. For example, comparing institutions on the respective proportions of staff expressing job satisfaction only makes sense if 1) job satisfaction is related to an organizational performance measure such as productivity and if 2) levels of job satisfaction are influenced by managerial practices. However, the theoretical

relevance of job satisfaction and sources of variability in measures of it (and other variables) have not often been elaborated in the existing evaluations.

In the studies by Logan (1991, 1992) and other researchers, the methodological assumption usually has been that differences in staff job satisfaction, or in the number of inmates with recorded misconduct arise almost entirely from differences in management practices between the respective institutions. However, this is a highly dubious assumption. For example, in work done by Camp and colleagues (Camp, Saylor, & Harer, 1997; Camp, Saylor, & Wright, 1999), it was shown that a scale of staff ratings of commitment to the institution can be extremely misleading unless appropriate control variables are included. Although he labeled it job satisfaction, Logan (1991, 1992) used this same commitment scale in his study of a women's prison in New Mexico. In their work, Camp and his colleagues ranked 80 prisons based on their raw, unadjusted scores on the commitment scale. The highest rated institution was given a rank of 1. The researchers then adjusted the ratings by introducing appropriate controls for characteristics of the staff, such as age, racial composition, and tenure. The institutions were then ranked based on the adjusted ratings. As an example of how different the unadjusted and adjusted rankings were, one institution achieved an unadjusted ranking of 59th and an adjusted ranking of 8th out of the 80 prisons. Clearly, by failing to account and statistically control for characteristics of staff on survey items, misleading results and inaccurate conclusions can follow.

This problem also arises with objective indicators (e.g., inmate misconduct) and policy compliance measures (e.g., audits of institution practices). Researchers such as Archambeault and Deis (1996) and Thomas (1997) have compared public and private prisons on such indicators without paying adequate attention to the possible variation in characteristics of staff, inmates, and



institutions. Archambeault and Deis used three institutions with the same architectural footprint, activated at about the same time, and having the same physical security. Charles Thomas chose comparison institutions having the same degree of physical security. While these are important dimensions to control, there can be considerable variation among prisons on dozens of other important dimensions even when the institutions all have the same security level. *Prior research has either ignored potential confounding differences among comparison institutions or has made limited, ineffective attempts to control for these differences.*

The second problem with the laundry list approach is that it gives insufficient attention to delineating the actual or hypothesized factors or processes that produced more favorable cost and quality outcomes in private prisons. Logan (1991) has developed the clearest classification of the features of good prisons. He used this scheme to guide his comparison of female facilities in New Mexico and the federal system. However, he failed to identify the actual mechanisms that might enable private prisons to operate with greater efficiency or provide higher quality services. In most of the literature in favor of privatization, there are emphatic but vague references to “market pressures” that force efficiencies in private companies, but little or no detail is offered as to how these market pressures actually translate into real differences between private and public prisons (for a typical review, see Moore, 1998, pp. 16-18).

Charles Thomas (1997a), for example, noted that the public sector designed and built the three prisons used in the evaluation of privatization in Tennessee (Tennessee Select Oversight Committee on Corrections 1995). He claimed that “much of the opportunity the private management firms would otherwise have had to provide cost savings does not exist when facilities are designed and constructed by government agencies” (Thomas 1997, p. 46). We are unaware

of any breakthrough in the design of prisons that was not a result of input from public sector correctional experts in conjunction with public and private sector architects and private sector builders and suppliers. We are puzzled why designs that improve prison efficiencies, whether developed by the public or private sector, cannot then be used by everyone for future prison construction. The clear presumption of such commentary is that it is only the private sector that is interested in these efficiencies.

### TOWARD A THEORY OF THE DIFFERENCES BETWEEN PUBLICLY AND PRIVATELY OPERATED PRISONS

Missing from research comparing public and private prisons and essays arguing the pros and cons of privatization is a theory that will guide an explicit assessment of the practices that distinguish the two sectors and produce efficiency and quality differences. Articulating the underlying hypothetical processes will allow us to design better evaluations of quality and operational efficiency and to assess whether practices can be altered to provide better quality and/or greater operational efficiencies in public sector prisons. Given that public prisons still account for over 95 percent of the prison beds in the U.S., the potential for cost savings and value gains is greatest there.

At the most general level, proponents of privatization argue that the normal operation of a free market insures that only service providers who provide a quality product at a competitive market price will survive. Those companies that do not provide quality services and/or do not offer a competitive price will drop from the market. Proponents of privatization portray

government agencies that run prisons as being more “labor intensive than what one finds in private corporations” (Thomas, 1997, p. 38). They assert that the workers filling the positions in government agencies “are not known for their dedication and zeal” (Champion, 1996, p. v). Champion himself is not necessarily advocating this view toward civil servants. He is simply reporting that this view has both advocates and a long history.

Proponents of privatization invoke classic economic theory and argue that a free market introduces discipline and efficiency through the mechanisms of supply and demand. This is, of course, an idealized, hypothetical market operating in the long run. However, if we are to advance beyond the level of rhetorical appeal, then it is necessary to specify exactly how the specific prison market operates to produce these gains, in the long and the short term. Unfortunately, few proponents of privatization provide specific theoretical or practical arguments about how the market operates to discipline the organizational performance of private sector providers of prison services, though there are hints scattered throughout the literature. In the discussion that follows, we draw out those theoretical arguments for critical examination. We do not investigate the competitiveness of the private adult corrections market. We simply assume that there is competition in the market even though Corrections Corporation of America and Wackenhut Corrections Corporation control approximately 70 percent of the world-wide market.

As is probably obvious even to casual observers, bureaucrats and bureaucracy are often blamed for the alleged inefficiencies of government agencies. This claim, though, is much too broad and vague. If government bureaucracies operate less efficiently than private sector ones, is it due to the different goals pursued by public and private bureaucracies or to differences in the operating efficiencies of the respective bureaucracies? In fact, the goals of public and private

correctional organizations are different. The first and foremost goal of a private prison or the corporation running it is to generate a profit for shareholders or owners of the company. (This discussion generally assumes that the private organizations are for-profit. The major players in the private adult corrections market are all for-profit.) However, profits most directly benefit the owners/stockholders of the company and the profit goal is not necessarily or automatically a primary one for many of the managers and workers. Organizations are composed of individuals and groups who have their own vested interests and agendas. Simply assuming that managers and workers in private firms always put profits before their other interests is a far too simplistic and naive understanding of human nature and the nature of organizations.

Casile (1994) is one of the few analysts to bring an organizational viewpoint to the topic of privatization. Drawing upon a rich tradition in organizational research, in particular the institutional (Meyer & Rowan, 1977) and resource dependence (Pfeffer, 1982; Pfeffer & Salancik, 1978) perspectives, she developed specific propositions about how power is distributed in private firms that take over functions formerly performed by the public sector. Her focus was wider than simply prison privatization, but her points apply equally well. Casile argued that privatization shifts power in prisons away from members of those groups who are either part of or interact with the prison, such as correctional officer unions, legislators, and other special interest groups, and places control of the administration of the prison more directly in the hands of shareholders. As a result, the private organization can place less emphasis upon, and direct much fewer resources toward, certain functions than can their public sector counterparts.

Casile (1994) noted that power in private entities is shifted under normal circumstances away from workers, and especially from the labor unions that typically represent public sector

workers. This can be a strong incentive to consider privatization, according to Casile (1994, p. 2), if the existing relationship between management and the public sector labor unions is strained. In the case where labor relations are rigidly locked in place, as they were in England (James, Bottomley, Liebling, & Clare, 1997) and Australia (Harding, 1997), there is more potential to generate cost reductions and labor efficiencies. However, actual or threatened privatization and the corresponding competition it generates also provides public managers with additional leverage over public workers and unions, as we note later in reference to public workers and potholes in Indianapolis.

It appears from the literature that proponents of prison privatization have four propositions in mind when they speak of greater labor efficiencies. All four reflect a shift in power away from line-level staff. First, proponents imply, or directly state, that many correctional workers in the public sector are overcompensated through a combination of direct pay and fringe benefits (Thomas, 1997, p. 38). Doctor Crants, the chief executive officer of Corrections Corporation of America, was explicit on this point: "Efficient labor is precluded in public facilities in several states by unionized labor. Union contracts tend to increase wage costs and promote unjustified job security" (Crants, 1991, p. 53). In addition to excessive direct labor costs, privatization proponents often argue that indirect labor costs are also too high in the public sector. They often propose that the expensive benefits packages of union and government workers be replaced with less costly schemes such as the one used by Corrections Corporation of America. At that firm, workers "benefit from participation in a stock ownership program" (Crants, 1991, p. 54).

Second, advocates such as Crants (1991) assert that private managers have greater flexibility in assigning staff. He claimed that managers in private firms have the flexibility to assign labor where it is needed. “Using temporary labor from the worker pool, private managers can dramatically reduce overtime expenses and can increase and decrease staffing to match demand” (Crants, 1991, pp. 53-54). This flexibility presumably pays off because managers in private firms do not have to resort to overtime pay as often as do managers in public firms to cover staffing needs. Thomas and his colleagues (Thomas et al., 1996) found this to be the case in their review of private operations in Louisiana and Tennessee.

Third, proponents assert that private managers can use technology more effectively to augment the efficiency of existing labor, and as a result, less human labor is required per unit of output. Although this claim is often voiced, we are unaware of any persuasive argument as to why private contractors can utilize technology while public prison operators cannot. Ad hoc claims typically heard at privatization conferences allude to the benefits of increased use of electronic surveillance equipment and other design features. But, while The Office of Program Policy Analysis and Government Accountability (1998), in reviewing the operations of two private facilities in Florida, did note that the private prisons used a more compact prison design and a greater use of cameras in the housing areas than did the typical public prison, there appears to be no fundamental barriers to the use of these same features in public institutions.

A fourth assumption is that private managers are better able to create a disciplined, motivated, and productive workforce and that there are several benefits to having such a productive workforce. Private prison managers allege that they employ more extensive screening to ensure that the proper type of individual is hired. In addition to selecting motivated employees

with good work habits and skills, private prison operators hope to reduce staff turnover by screening out workers likely to voluntarily leave prison employment well before retirement and workers likely to be dismissed for cause (misconduct or poor performance). Then, too, private prison managers claim that improved training protects their employees from being placed in situations that are beyond their capabilities. The expectation is that well-trained workers will be motivated to superior performance, and they will be better protected from stress and burn-out.

Private managers also assert that they are more free to promote on the basis of merit instead of seniority or political considerations. In turn, they claim that they can develop a work environment where the sense of fair play leads to strong employee commitment to the goals of the organization. This commitment and morale are believed to help reduce negative organizational outcomes such as turnover and the irresponsible use of sick leave. Reducing sick leave is important because overtime must often be paid to employees to cover mandatory posts that are temporarily vacated by a “sick” worker. Corrections Corporation of America even increases the incentive to restrict the use of sick leave by paying employees bonuses for unused sick time (Crants, 1991, p. 54).

In addition to the savings from the efficient use of labor, Crants identified another major advantage that managers of private prisons have over their counterparts in public institutions (see also Thomas, 1997, pp. 38-39): namely, a comparative edge in purchasing supplies. Quite simply, he claimed that the bureaucratic purchasing regulations of government agencies limit their flexibility in purchasing needed goods and services. It should be noted, though, that many bureaucratic purchasing restrictions in government agencies arose to limit opportunities for favoritism and to promote social goals (such as stimulating opportunities for minority-owned

businesses or supporting drug-free work environments). Whatever the political acceptability of these purposes, the restrictions clearly add overhead to government purchasing practices.

Private managers, on the other hand, can often sidestep such bureaucratic regulations and purchase goods and services at spot prices. In fact, Crants (1991, pp. 54-55) argued that given the cumbersome nature of regulations, there is often a tendency for public managers to maintain expensive inventories of goods. However, even if these claims are correct, the potential savings from purchasing costs are modest since labor costs account for about 70 percent of the total operating costs over the life of a prison (Crants, 1991, p. 53; Thomas et al., 1996, p. 15). Crants (1991) also reviewed issues related to financing and constructing prisons, but that is not our focus.

#### CRITIQUE OF THE CLAIMED SUPERIORITY OF PRIVATE OPERATIONS

Privatization proponents express a good deal of confidence about the superiority of management practices and performance in the private sector. They state that cost savings, at least, are almost guaranteed by turning prison operations over to the private sector. For example, Thomas (1997, p. 38) recently noted that "... a reasonable person ought to be surprised only if he or she encountered a contracting initiative that failed to yield at least some cost savings. Simple economic logic suggests that the real question is how great the cost savings of contracting are likely to be rather than whether there will be any cost savings."

Proponents of privatization focus almost exclusively on costs, with much less being said about the promotion of innovations designed to fundamentally alter the way a prison program or service is provided so as to better perform such tasks as rehabilitation. Standing in stark contrast



is the delivery of medical services in prisons. There, privatization proponents can clearly point to innovations that they believe will produce costs savings while maintaining or even improving quality. For example, in an ongoing evaluation of the contracting of medical services at the Federal Corrections Complex in Beaumont, Texas, the contractor, University of Texas Medical Branch (UTMB), plans to reduce costs by substituting emergency medical technicians and registered nurses for more expensive medical doctors and physician's assistants to deal with routine medical concerns. Similarly, the contractor has employed a method of distributing medicine that does not require a licensed pharmacist to be on-site at the prison (as is the case in other federal prisons). The contractors also use tele-medicine to reduce the cost of transporting prisoners and to minimize the amount of time medical consultants must spend traveling back and forth from the UTMB hospital to the prison. Whether or not this contract will ultimately produce cost savings and preserve or improve the quality of care provided to inmates is unknown as yet. But, unlike most of the claims in the literature extolling the benefits of privatization, in this case, proposed cost-saving innovations are clearly and precisely delineated.

The savings associated with innovations in delivery of medical services are not typically mentioned by privatization proponents, but there is new evidence that these may comprise a major portion of the cost savings associated with turning an entire prison over to the private sector. In a study commissioned by the National Institute of Corrections and included as Appendix 1 in the recent Abt report on privatization (McDonald, Fournier, Russell-Einhorn, & Crawford, 1998), Nelson re-analyzed cost data for the Tennessee and Louisiana evaluations (Nelson, 1998). Those two cost studies are often pointed to as among the best such investigations, in part because the facilities compared within each state were built at about the same time with the same general

designs. *Nelson found that the operational expenses for running two public prisons and one private prison in Tennessee were virtually identical when medical costs were excluded.*

However, Tennessee taxpayers actually did save money because the private facility had substantially lower medical costs on a per inmate basis. It is also possible that the private prisons may have produced lower overhead costs (Nelson, 1998, p. 9). In the case of the Louisiana data, Nelson found that the difference in operating costs between the two private prisons and the one public prison for the fiscal year 1995-1996 was probably in the range of 5 percent or less rather than the 12 percent reported by Archambeault and Dies (1996); however, because of the lack of specificity in the line item expenditures, it was not possible to determine precisely where the savings accrued.

Generally speaking, some fairly sketchy observations have been presented about where cost savings can be generated, but regarding quality, much less has been said, and it appears that private vendors are usually not practicing new ways of doing things. Instead, private vendors seem to see their task as one of refining processes already represented in the best practices of well-operated public systems.

If advocates of private prisons are convinced that contractors restructure their operations to maximize performance quality, it is surprising that there are so few attempts to document how private vendors actually do this. Archambeault and Deis (1996) argued that the management approach in the CCA-operated facility in Louisiana was more team-oriented and egalitarian than that of Wackenhut and the public institution they evaluated. They concluded that this approach produced a better run facility. While their analysis of quality performance measures was flawed

(Gaes et al., 1998), their study at least attempted to show how an innovative management approach may have improved prison operations.

Better designed studies of prison privatization may demonstrate private sector advantages in some areas of prison operations and public sector advantages in others. To capitalize on the best practices of each sector, we believe that work must proceed on two fronts. Efforts must be made to determine whether the hypothesized differences between public and private sector prison operations are immutable or variable. In other words, can the best practices of one sector be adopted by the other? We also need to understand what types of evaluation strategies would allow us to more directly answer the more general questions about the sources of the supposed differences.

#### IMMUTABLE OR VARIABLE DIFFERENCES?

Missing from discussions of the advantages of private prisons is an explanation of why public correctional agencies cannot adopt flexible labor practices and streamlined purchasing procedures. In fact, it is possible that well-run public agencies already follow some of the practices that the private sector has adopted. Public agencies, just as private companies, are faced with cost constraints, and efficiency is not solely a concern of private companies. It is tempting to overstate the pressures for efficiency in private companies, just as it is easy to overestimate waste in public agencies. Proponents of privatization, for example, state that public sector agencies never go out of business, i.e., they are immune to the pressures of the market. However, with the introduction of privatization into corrections, this claim is no longer true. While no publicly operated prison system has yet gone out of existence, it is not inconceivable that a public sector prison system could be entirely privatized. In fact, Corrections Corporation of America has on at

least two occasions proposed to take over the entire Tennessee prison system, and the Governor of Tennessee announced in 1998 his support for privatization of up to 70 percent of the Tennessee prisons (Bates, 1998). Also, while no state system has “failed,” it could be argued that the District of Columbia prison system failed. Primarily because of a budget deal, all adult D.C. prison inmates will be turned over to the custody of the Federal Bureau of Prisons. Half of the D.C. inmates will be placed in private correctional facilities by the year 2002.

We maintain that differences between the operations of public and private prisons are matters of degree, not of kind, that follow from the power held by different interest groups. We do not deny the disciplinary power of the market in the long-run, but we also note that the market can (and has) been subverted in the short-run in both the public and private sectors.

Prison privatization has brought indirect, but nonetheless real, market pressures to bear upon the public sector. However, while it is true that there may be restraints in the public sector that can be circumvented by turning prison operations over to the private sector, the potential advantages of the private sector are not necessarily fixed. Some of the workplace issues facing publicly operated prisons are beginning to affect the operations of privately operated prisons. Wage demands, higher expectations of government oversight staff, and other pressures seem to be increasing the costs of private contracts. At the same time, competition seems to be decreasing the costs of government operations. There has already been movement toward convergence of public-sector and private-sector costs (Thomas et al., 1996).

To date, private sector prison managers in the United States operate with an almost entirely nonunion workforce. Does this provide potential advantages for private-sector managers in holding down labor costs? It would seem to, but again we argue that there are pressures that

push these sectors toward comparability in public- and private-sector wages. For example, in the public sector, especially the federal sector, several measures have been enacted that have helped control labor costs. There has been an extensive effort by the Clinton administration to reduce the number of federal employees and improve the efficiency of government (National Performance Review, 1993). Even in the few instances where there has been continued growth in the federal sector, there have been simultaneous reductions in certain types of positions, especially procurement and administrative ones. Additionally, there are experimental programs that provide managers with increased flexibility to reward good performance and keep poor performers from receiving automatic pay increases (Vice President Gore's National Partnership for Reinventing Government, 1999).

Private-sector managers also have restrictions imposed on their flexibility to hold down labor costs because they must compete for good workers, run quality prisons, and abide by contractual stipulations. For example, when contracting with the federal government, a contractor is held to wage rates (at least for key positions) that are set by the Service Contract Act of 1965. The U.S. Department of Labor sets wage rates that are based on prevailing practices in the local labor market, and these wage rates have to be used by the contractor.

There are also public sector constraints. In many circumstances, public sector managers are bound by more workplace restrictions such as those that limit their ability to reward workers, reduce their flexibility in assigning workers to jobs outside of their position descriptions, and constrain their decision making in hiring and firing workers. These restrictions have been built into the structure of the work relationship in the form of rules, policies, and contracts and exist largely because there are better organized interest groups representing public-sector workers both

at the workplace (unions) and in the political arenas (unions, other pro-labor interest groups, and legislators). At a broader level than workplace relationships, Stolz (1997) outlined the potential changes in who participates at the level of public policy making when prisons are privatized (see also Shichor, 1999). Stolz also relied upon an interest group perspective and noted (Stolz, 1997, p. 102) that: “The changes are not just changes in who participates but in the stakes and goals, the tools and techniques of influence, the access and decision points, and the dynamics of the process of corrections policy making.” Stolz pointed out that privatization fundamentally realigns the existing structure of interest group politics that surrounds the running of prisons. In particular, elected officials have less direct control over the operations of private prisons than they do over public prisons. Nonetheless, if the private sector currently enjoys advantages that limit the influence of competing interest groups, they are advantages of degree. The power of managers to structure work relationships in private firms is never absolute, and public agency managers are not powerless to redesign or “re-engineer,” as it is now fashionable to say, their work setting.

An illustration of the ability to restructure the work relationships of *public* employees when faced with competition from the private sector is provided by the case study of filling potholes in Indianapolis (Kaplan, 1996a; Kaplan, 1996b). With the election in the early 1990's of a Republican mayor who favored privatizing services to improve the efficiency of government, city workers were forced into the position of rethinking the way they filled potholes. By coming under the threat of losing their jobs to the private sector, public workers were forced into the difficult position of rethinking costs and restructuring the way they did business. By more efficiently utilizing manpower (for example, by eliminating many supervisory, patronage positions and reducing crew sizes from eight to four union workers), materials, and capital assets, the

workers were able to bid on and win those projects that they identified as falling within their area of comparative advantage.

### WHAT DIFFERENCES SHOULD WE LOOK FOR?

The discussion so far has focused on two primary problems in existing evaluations of prison privatization efforts. First, existing evaluations have not been technical and comprehensive; rather, simple comparisons of public and private institutions have been made. The differences observed and reported could have been caused by performance differences, but they could also have been caused by a host of unaccounted for factors. Second, and equally important, existing evaluations have not asked all of the right types of questions. In particular, there has been little attempt to analyze where the innovations in the use of labor or purchasing practices exist, or if they exist, in the private sector. This second shortcoming, we have argued, is due primarily to a lack of theory about why private sector firms should be able to perform better. We have proposed the beginning of such a theory. Privatization often shifts power among the competing interest groups involved in operating a prison, and this shift in power may provide an advantage to the owners/managers who are more likely to give priority to operating prisons efficiently.

What is needed is a coupling of a more organizational or even business practice type of analysis with rigorous assessments of public and private performance outputs. We find a starting point in the work of Charles Logan (1990; 1991; 1992). Logan classified performance outputs in relation to the goals he argued prison systems ought to pursue. However, Logan stopped short of conceptualizing the antecedents and intermediate processes that determine if and when a prison will perform successfully. These “black box” processes must be articulated if we are to have a

thorough understanding of why prisons are more or less successful in providing services to inmates and protecting public safety. What we are calling for is nothing short of a comprehensive theory of prison performance coupled with a theory of interest group participation in setting prison goals. This must occur before we can make sense of the comparison between public and private prisons.

With a model or conceptualization of prison performance, we can make sense of answers to the fundamental questions which document how public and private prisons use labor and how they purchase goods and services. Although we believe a comprehensive theory of prison performance may take some time to develop, we can approach the problem in incremental steps. Prison services are organized around relatively discrete components. For example, there are inmate programs, medical care, and inmate and staff safety to mention a few. We can analyze these components separately and ask how they can be delivered more efficiently and assess which innovations produce the greatest gains. This approach allows us to systematically evaluate prison performance, compare prisons on key performance outputs, and incorporate analyses of innovation and efficiency.

## CONCLUSIONS

In answer to the question “what do we really know?” we have to admit, not as much as we would like. This is generally the case when policy and social science intersect. In the case of private prisons, though, the lack of knowledge is aggravated by the fact that we have not been asking all of the right questions.



Despite this seemingly pessimistic overview of the state of knowledge, there are some very important things that we have already learned. We have some evidence from Australia and the United Kingdom that privatization has brought competition to the public sector, and this has improved the overall operations of the prison systems in these countries (both public and private). In particular, in England, privatization has brought the use of standards to the operations of public prisons where previously there had been resistance from top management to their use (Vagg, 1994, p. 307). There is not as much evidence that similar system-wide changes have occurred in the United States, but there are hints that the competition created by private prisons has improved the cost performance of some prison systems.

There are many advantages to articulating the theoretical reasons why public and private prisons approach prison operations differently. The best practices of each approach may be used to improve operations throughout entire prison systems. The entire discipline of corrections might improve if we move beyond slogans and speculation and clearly delineate *if*, *how*, and *why* private prisons improve performance and efficiency. Understanding the differences also makes the public policy choices clearer. Assuming that private contractors can generate cost savings, and these cost savings are achieved by reducing the wages and/or benefits of line staff, by structuring purchasing practices so that they are unencumbered by such “guidelines” as Federal Acquisitions Restrictions (FAR), and by dramatically restructuring prison medical care delivery, does it make sense for government to support such practices? The answers to these types of policy questions depend in part upon philosophical or political notions about the proper role of government, what we earlier referred to as normative issues. But we hope we have demonstrated that the policy choices also depend upon empirical issues. Issues such as whether savings in direct

labor costs are offset by higher rates of turnover and corresponding training and recruitment costs, or whether higher-paid medical staff can be replaced with lower-paid medical workers while maintaining the quality of medical services? It is the latter types of issues that better designed and conducted research evaluations can address.

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