Former Felons and the Decline in U.S. Labor Force Participation, 1980-2010

As the rate of people with felony-level criminal records rose during the mass incarceration era, labor force participation rates have declined. Criminological theories of labeling and stigmatization, as well as economic theories of statistical discrimination, suggest causal linkages between the two phenomena. Over this period, surveys of employers have shown increasing reliance on criminal background checks and audit studies showed high rates of discrimination against people with felony-level criminal records. This paper uses novel, state-level measures of individuals with felony-level records and estimates pooled cross-sectional time series models to examine whether and how changes in the rate of people subject to such records has affected their participation in the labor force. In models for prime-age workers (those age 25-54), we find that a 10 percentage-point increase in the rate of ex-felons is associated with 2 percentage point increase in the rate of non-employment (those unemployed or not in the labor force). These results suggest the stigma of a felony record likely plays an important part in aggregate employment rates as well as in individual hiring practices.