


Financial incentives for companies can help former offenders counteract skilled labour shortages and enhance rehabilitation efforts

Objective
Facilitating the labour market integration of former offenders through fiscal incentives
Implementation in the USA 
<ul style="list-style-type: none">• High U.S. conviction record count (70 million), with 600,000+ released annually• WOTC Tax Credits: Federal tax credits for hiring from targeted groups with employment barriers• Federal Bonding Program (FBP): Fidelity bonds for at-risk job seekers, safeguarding against fraud in the initial six months• Growth Opportunities Grant Program: Grants supporting paid work experiences, education, and training for justice-involved youth
Outcome of USAs measures
<ul style="list-style-type: none">• The measures aim to increase workforce capacity and integrate former offenders, promoting a potential win-win scenario• The initiative's effectiveness remains unproven, but it is timely• Successful pilot projects, such as in Kentucky's equine industry

Germany's status
<ul style="list-style-type: none">• 20,000 individuals are released from incarceration annually• Reintegration subsidies serve as a financial incentive for hiring individuals facing challenges in the job market• Only 13.9% of those receiving criminal rehabilitation assistance reported that employment is their primary source of income
Policy recommendations for Germany
<ul style="list-style-type: none">• Regulatory integration of tax incentives tailored for employing former offenders to further encourage their employment• Implement a German version of the FBP as a supplement to tax incentives, serving as insurance for employers• Strive for nationwide standardization
Possible Scenario
<ul style="list-style-type: none">• Objective: 50% more ex-offenders employed each year through tax incentives• Impact: 10,000 more people work each year• Costs: Tax losses for the incentives, but through this employment the people become taxable and receive less assistance money

Background information about: Facilitating the labour market integration of former offenders through fiscal incentives

Object	Additional information
Implementa- tion in USA	<ul style="list-style-type: none"> • Work Opportunity Tax Credit (WOTC): <ul style="list-style-type: none"> ○ Available to employers hiring eligible "ex-felons" within a year of conviction or release from prison ○ Provides a 40% credit on up to \$6,000 wages for first-year employees in targeted groups ○ Employee must perform 400 hours. Maximum credit generally \$2,400; 25% rate for 120-399 hours ○ Not applicable for rehired employees • Federal Bonding Program (FBP): <ul style="list-style-type: none"> ○ Offers fidelity bonds for at-risk job seekers, with a focus on justice-involved individuals ○ Covers employee dishonesty in the first six months at no cost to the employer ○ Bonds are applicable to any job, any employer, and in any state ○ Coverage ranges from \$5,000 to \$25,000 • Growth Opportunities Grant Program: <ul style="list-style-type: none"> ○ Supports justice-involved youth with paid work experiences, education, and training ○ Provides grant funding for eligible organizations, with awards of up to \$4,000,000
Outcome	<ul style="list-style-type: none"> • The Second-Chance-Hiring Strategy lacks clearly quantifiable results at the national level because it was introduced recently • While conclusive effectiveness is yet to be demonstrated, the approach theoretically benefits all involved parties • The initiative gains urgency with the annual rise in the number of people with felony convictions • Pilot projects, such as in the equine industry in Kentucky, have shown successful implementation of these measures to address the skilled labour shortage

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Germany's status	<ul style="list-style-type: none"> • The figure of 20,000 is an approximation from a report by the Federal Agency for Civic Education • Germany has the Integration Allowance ("Eingliederungszuschuss") for companies hiring individuals facing job market challenges, including potentially former offenders • The incentive is contingent on a longer-than-usual training period, and disbursement is decided by the Federal Employment Agency • The Integration Allowance is considered less attractive compared to the American counterpart • A low percentage of former offenders cite employment as their main source of income, often relying on unemployment benefits or having no income source • Germany has additional rehabilitation measures, but their impact is negligible in the context of this best practice
Policy recommendations for Germany	<ul style="list-style-type: none"> • Implement regulatory tax incentives in Germany for employing former offenders, like the U.S. model • Link financial incentives directly to how companies engage with individuals having a criminal record • Design tax benefits with specific criteria that companies must meet to qualify for these advantages • Combine tax incentives with a system akin to the Federal Bonding Program (FBP) as insurance for hiring former offenders • Implement these measures nationwide to ensure consistent rehabilitation practices for former offenders across federal states
Possible scenario	<ul style="list-style-type: none"> • Assume that less than 30% of former offenders secure employment within one year of release • Propose that tax incentives for companies could increase the employment rate for former offenders to 50% • Acknowledge that this estimate simplifies the consideration of individuals released more than a year ago