

Reducing Recidivism and Providing a Pathway to Entrepreneurship



Jazzelynn Hawkins

Policy Advisor, Alliance for Entrepreneurial Equity

 [@ThirdWayEcon](https://twitter.com/ThirdWayEcon)

Every year, more than 650,000 ex-offenders are released from state and federal prisons. An estimated 68% of them will be rearrested within three years.¹ One of the factors that contributes to recidivism is unemployment and challenges in the labor market. The Bureau of Justice Statistics found that one-third of federal prisoners do not find employment within four years of being released. And those that do tend to earn \$10,000 less per year than their peers with similar educational backgrounds.² A lack of post-release support can force returned citizens into homelessness, exacerbate addiction and mental health needs, and make avoiding illegal activity all the more difficult.

Rates of recidivism are higher for minority populations, who make up a larger share of inmates in prison compared to their proportion of the total US population. Black prisoners have the second-highest recidivism rate at 74% over five years and are about 40% of total prisoners. Among

American Indians and Alaska Natives, communities that often lack access to federal investment in community supports, recidivism reaches 79% even though they are 1% of the total prison population.

One potential avenue to improving economic opportunity and reintegration into society is through entrepreneurship training and education. Research finds that “entrepreneurship not only provides greater economic incentives to desist from crime through higher earnings, but also provides crucial social and psychological incentives like self-esteem, work satisfaction, commitment, and responsibility.”³ In fact, more than 1 million small business owners have criminal histories.⁴ And the formerly incarcerated are 45% more likely to become entrepreneurs versus those without a criminal record.⁵

With the right tools, policymakers could reduce the barriers entrepreneurs with criminal histories face when starting and scaling their businesses—and reduce crime and restore communities in the process. Here are three actions Congress should take:

Pass the New Start Act

A recent bill introduced by the Chairman of the Senate Small Business Committee, Senator Ben Cardin, would fund entrepreneurial development programs that serve justice-impacted individuals. The New Start Act of 2023 would not only provide training and entrepreneurial education to the formerly incarcerated, but it would also invest in organizations that award microloans to the would-be entrepreneurs. Enactment of this legislation would make self-employment a tangible option for individuals whose prior offenses hurt their chances for gainful employment. This bill has also been endorsed by our parent organization, the National Urban League.

Congress could even go a step further and provide training and spending resources inside jails. The New Start Act would allow organizations to serve individuals who have already “completed a term of imprisonment.” However, transitioning back to society starts before the prison doors are opened. Many facilities allow organizations to help inmates get their housing, health care, and employment in order before release. Expanding funding to organizations that are serving the currently incarcerated could get people thinking about self-employment as an option before the more immediate post-release demands take precedence in their minds.

Improve Mentorship Opportunities

The SBA can use its existing resource partners to help entrepreneurs-in-training with the human capital challenges and knowledge gaps that come with being removed from society for multiple years.

The President’s Budget for FY24 called for \$30 million for the Community Navigator Pilot Program (CNPP), which leverages community organizations to reach businesses owned by veterans, women, people of color, and those in rural communities with counseling and training.⁶ SBA resource

partners like SCORE are able to apply for CNPP funding as long as they do not comingle the funding with other awards.

SCORE, a nonprofit organization that fosters small business communities through mentoring and educational workshops, is funded through a Congressional grant. It comprises more than 10,000 volunteers, making it the largest volunteer business mentoring program funded by the federal government, with industry experts that mentor, train, and advise entrepreneurs in person and online. SCORE mentors, all experts in entrepreneurship and related fields, meet with their small business clients on an ongoing basis to provide continued advice and support. SCORE regularly offers free online workshops on topics ranging from startup strategies to marketing and finance. Funding for the program is often matched at the state level and offers mentoring services at no additional cost to the entrepreneur.⁷ For FY23, Congress allocated \$17 million for the program.⁸

Expand Access to Business Capital

Once justice-involved individuals have the advice and developmental tools needed to start a business, it is important that they have access to capital as well.

In 2020, the Small Business Administration removed criminal history prohibitions from its 7(a), Microloan, and 504 loan programs.⁹ However, applicants that are on probation or parole—70% of the total correctional population—are categorically barred from receiving any financial assistance from the SBA and its partnered lenders. Furthermore, although a prior felony does not exclude an applicant from consideration, it does subject them to a character review with standards that are unstated in the SBA's operating guidelines.¹⁰ Increasing transparency and reducing the barriers to accessing capital for all justice-involved individuals could reduce crime, recidivism, and mass incarceration.

Conclusion

Individuals with criminal backgrounds face discrimination that perpetuates a cycle of economic insecurity. Many commit illegal activities just to survive reentry into society, leading many back to prison.¹¹ These three activities, along with others ranging from removing barriers to occupational licensing to offering more wrap around services will help those with criminal backgrounds to not only provide for themselves but also stimulate the US economy and strengthen communities.

ENDNOTES

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