Research

Prisoner to Entrepreneur
By Chana R. Schoenberger

Stanford Social Innovation Review
Summer 2024

Copyright © 2024 by Leland Stanford Jr. University
All Rights Reserved

Please do not share this PDF online or on social media (e.g. LinkedIn).
You can purchase copyright permission to make paper or digital reprints at ssir.org/reprint_permissions.
the nudge. Was the nudge delivered in a new letter to taxpayers urging compliance, for example, or in a preexisting form of communication? Testing these three models, the researchers ascertained that the last was most predictive of adoption.

“Our bottom-line finding was that nothing was conclusively predictive, except for whether the communications that delivered the nudge were preexisting or not,” Kim says. When the behavioral insights team collaborated with city officials on building behavioral science into a letter that residents already received each year, the rate of adoption shot up more than 50 percentage points. But if the city opted to send a new letter introducing residents to the nudge, the rate of adoption hovered around 10 percent. In other words, adding an intervention to an existing process made adoption much more likely.

For many cities, investing up front to ensure that adoption takes place remains far from obvious, Kim says. When an experiment produces promising evidence, researchers assume that adoption will take place organically. Instead, the researchers’ findings demonstrate that implementation—incorporating evidence into policymaking and practice—requires deliberate thinking about routines and structures. In recent years, more governments have spent more time and money running experiments to help officials evaluate what interventions work. Alongside the creation of evidence, investigating how adoption will take place now seems just as important.

The researchers “remind us that local government agencies are organizations,” says Jonas Hjort, a professor of economics at University College London. “In doing so, they uncover overlooked barriers to evidence adoption and important new questions we now need to investigate.”


**SOCIAL ENTREPRENEURSHIP**

**Prisoner to Entrepreneur**

*By Chana R. Schoenberger*

A journalist based in New York City. She writes about business, finance, and academic research. You can find her on Twitter: @cschoenberger.

Those who are released from prison often face difficulty finding a job. This problem, in turn, generates further difficulties for policy makers: If people exiting the criminal justice system can’t support themselves through work, they will have a hard time regaining a place in society and may be more likely to recidivate.

Applicants who have a criminal record are often unable to land a position due to persistent employer discrimination, research shows, and those who can’t find work are often reincarcerated within a few years. This problem especially affects Black former prisoners, who already face discrimination from employers.

A new paper looks at an option some people who leave prison take to avoid employer discrimination: entrepreneurship. The authors—Kylie Hwang, an assistant professor of management and organizations at Northwestern University’s Kellogg School of Management, and Damon Phillips, a professor of management at the University of Pennsylvania’s Wharton School—found that formerly incarcerated Black individuals are more likely to “pursue entrepreneurship due to the discrimination they face from employers” and that those who do so tend to have better outcomes. Going into business for themselves may seem a riskier path, but on average they earn more than their peers who are employees and are less likely to reoffend.

To examine the work status of former prisoners, Hwang and Phillips used data from the 1997 US National Longitudinal Survey of Youth, which went on for 15 years. The researchers also analyzed data from the National Employment Law Project on ban-the-box laws in states across the country. Such laws forbid employers from asking job applicants questions about past felony convictions during early rounds of interviews. Since such laws were gradually passed and implemented over the 15-year period, the legislative expansion enabled the researchers to use it as a natural experiment to see how those leaving prison fared depending on whether the place where they lived did or didn’t have this antidiscrimination law in place at the time of release.

Hwang and Phillips found that the march of ban-the-box laws across states and cities correlated with a lower rate of entrepreneurship for Black individuals who had been incarcerated, indicating that they were not experiencing as much employment discrimination and were able to get hired into jobs with less trouble once such laws passed. (The researchers found this effect only when looking at Black individuals, not other demographic groups.) This finding indicated that entrepreneurship is the preferred choice of those who experience discrimination in hiring, not necessarily because they prefer to be self-employed or feel motivated to start a business. “We’re able to disentangle how much of the labor market discrimination pushes these people into entrepreneurship,” Hwang says.

Being an entrepreneur is rarely easy, with access to funding a major issue for anyone who starts a business. Entrepreneurs in this post-prison group face significantly greater barriers than others as they battle for limited amounts of seed capital available to low-growth, small-scale businesses that don’t require specialized skills, Hwang says. But the data show that these obstacles aren’t as great as the employment discrimination these individuals face after they leave prison.

The sorts of new businesses that the study examines are not typically VC-funded tech start-ups or even companies that qualify for bank loans, said Howard Aldrich, a professor of sociology at the University of North Carolina-Chapel Hill who studies entrepreneurship. Instead, newly released individuals often start what he calls “mundane, ordinary, everyday business opportunities that have low barriers to entry, often are done as solo endeavors, and allow people to capitalize on whatever business experiences
and social connections they might have,” even if they do not have a college degree or perhaps even a high school diploma.

These businesses get their funding from savings, credit cards, or small loans from family and friends, outside the formal system of business credit. They are in many ways the prototypical American business, since only 20 percent of the hundreds of thousands of businesses founded each year have any employees, he said.

“I was delighted to see that Kylie Hwang and Damon Phillips have called attention to the social and economic significance of such businesses in enabling formerly incarcerated individuals to get a second chance in the labor market,” Aldrich says.  


C O L L A B O R A T I O N  

The Limits of Public–Private Partnership  

BY CHANA R. SCHOENBERGER

Different companies, organizations, and institutions often decide to work together to address society’s biggest problems, such as climate change, inequality, and pandemics. While such partnerships seek to weave the strengths of each party together, they inevitably face the challenge of harmonizing different missions, cultures, priorities, and revenue models to achieve a shared goal.

A new paper looks at how public and private organizations handle projects together by specifically examining the development of antimicrobial drugs over the last 25 years. A growing problem for doctors around the world, drug-resistant bacterial strains spur public demand for new antibiotics. But for-profit private companies do not have a strong incentive to invest research and development dollars on these agents, because they are unlikely to profit from such investment. Consequently, institutions oriented to the public good, such as universities, government, philanthropies, and nonprofits, are increasingly involved in funding the research.

The study’s authors—Birgul Arslan, assistant professor of innovation strategy at Erasmus University’s Rotterdam School of Management; Gurneeta Vasudeva, associate professor of strategic management and entrepreneurship at the University of Minnesota’s Carlson School of Management; and Elizabeth B. Hirsch, associate professor of experimental and clinical pharmacology at the University of Minnesota’s College of Pharmacy—specifically looked at how governments, universities, nonprofits, and companies worked together on antimicrobial drug development between 1995 and 2019, as a way to examine how the organizations collaborated and where some of the partnerships foundered.

The three researchers came together to study this question after Vasudeva visited the World Health Organization in 2019 with a delegation from her university sent to explore partnerships with international NGOs on issues of social importance. Antimicrobial resistance, she learned, was a problem the WHO was watching closely; it represented a “silent pandemic, an issue which affected millions of people around the world, but there was a problem of market failure,” Vasudeva says. Doctors were reluctant to prescribe new antimicrobial drugs out of fear that overuse would lead to more drug resistance; as a result, companies did not see the drugs as profitable. In response to this market-driven reluctance, public institutions and companies were working together on many of the drugs in the pharmaceutical development pipeline.

To test their theories about how well these partnerships worked and how efficiently they produced drug and analyzed 176 drug-development contracts from a biomedical database to see how terms differed when public and private organizations worked together.

The researchers found that private companies and public institutions struggle to get as much done together as private companies working together in groups.