

Out of Jail and Off the Books: Employment, Wages, and Child Support Arrangements Among Former Inmates*

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Abstract

Research on employment in the underground economy suggests that the urban poor are immersed in a wide and dense web of economic exchanges that increase their level of subsistence beyond conventional living standards associated with wages from the formal labor market. Yet previous work is limited by the geographic space, as well as the unit of analysis, in exploring how employment and wages from “off the books” work affects family support and downward transfers to children. In this paper I explore how employment in the underground economy structures child support agreements between unwed parents, and I estimate the causal effect of incarceration on both “off the books” employment and wages using a Boolean probit model and propensity score matching methods. While existing research shows that incarcerated men face barriers to formal employment, results from my analysis indicate that former inmates are more likely to work in the underground economy, work longer hours in their “off the books” profession, and earn significantly less (per hour) than their similarly situated, never incarcerated counterparts. Additionally, I find that the “off the books” wage premium former inmates pay for having a criminal record accounts for 81% of the observed difference in monthly child support payments between ever and never incarcerated fathers and that working in the informal labor market structures the amount of monthly child support but not what is owed or paid in support of children. These results indicate that the underground economy is another system of stratification that marginalizes former inmates despite providing financial means that narrow the child support gap between never and ever incarcerated fathers.

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