

# RESEARCH IN ACTION:

Wharton's [Damon J. Phillips](#) shows how incarceration leads to entrepreneurship for returning citizens

## THE PROBLEM:

People who have been incarcerated don't have a wide array of job prospects after serving their time. With employers hesitant to hire them, a majority of returning citizens face a dearth of low-wage jobs in industries such as construction and service. That's why they are more likely to turn to entrepreneurship to overcome discrimination in the labor market, especially formerly incarcerated Black men who contend with the highest barriers to employment.



## THE RESEARCH:

In his co-authored [study](#), Wharton management professor [Damon J. Phillips](#) found that previously incarcerated individuals are 5% more likely to start their own business, compared with the general public. For Black men who have been incarcerated, entrepreneurship leads to higher incomes than traditional employment and less recidivism.

The research was sparked by conversations Phillips and his co-author had with incarcerated people. Phillips was leading a program to provide business education in prisons outside New York City, where he encountered a common refrain: Returning citizens wanted to know how to start their own businesses because they realized limited opportunities awaited them after prison.

“The set of stereotypes we have about people who have been incarcerated works against the goal of having a strong workforce,” he said. “Given that almost a third of adults have some form of criminal record, the health of the economy and public safety is improved when you provide employment opportunities for these citizens.”

Phillips’ analysis included data on ban-the-box policies, which prohibit employers from conducting criminal background checks until later in the application process. In jurisdictions with the policy, formerly incarcerated Black men were the only group less likely to become entrepreneurs. That finding is consistent with the idea that labor market discrimination is greater for Black men, who are incarcerated at significantly higher rates than any other group.

## THE SOLUTION:

Phillips said the study results should be eye-opening for employers who distrust and discriminate against job applicants with a criminal past, and for policymakers allocating resources to help the imprisoned population. More education and support could boost success for returning citizens wanting to become entrepreneurs, such as helping them write a strong business plan or increasing access to capital. Company leaders should also rethink procurement rules to consider vendors and contractors who were once imprisoned.

Phillips, who testified before a U.S. Senate Committee on the research, said there is a business case for not “leaving talent on the table” and giving returning citizens the chance to add value to their employers.

“In a better world, people with criminal records have better job opportunities, education and training so that if they start a business, it’s because they really want to. Until we get to that better world, we owe it to them – and society – to help them start businesses when it is their best option,” he said.



## **THE SCHOLAR:** *DAMON J. PHILLIPS*

Damon J. Phillips was a professor at Columbia University Business School and the University of Chicago's Booth School of Business before joining the faculty at Wharton in 2021. He holds a bachelor's degree in physics from Morehouse College; a master's in aeronautics and astronautics from the Massachusetts Institute of Technology; and a master's in sociology and doctorate in business from Stanford University. Before pursuing his Ph.D., he worked as an engineer and researcher affiliated with the U.S. Air Force and was an executive in a family-owned electronics manufacturing business.

Phillips is an expert in social structural approaches to labor and product markets, entrepreneurship, innovation, organizational change, strategy and structure, as well as social network theory and analysis. His industry specialties are markets for professional services (law, consulting, investment banking) and culture. His 2013 acclaimed book, "Shaping Jazz," is a study of the emergence and evolution of the market for recorded jazz.

The Wharton Coalition for Equity and Opportunity (CEO) creates research-driven solutions to help current and future leaders ensure equity in business relationships and leadership. Dean Erika James, who is Wharton's first Black and first female dean, is emblematic of a paradigm shift in executive leadership. She has launched the Wharton Coalition for Equity and Opportunity as the hallmark of her leadership commitment to diversity, equity, and inclusion. The initiative is being led by Kenneth L. Shropshire, Wharton emeritus professor of legal studies and business ethics. Shropshire is the former director of the Wharton Sports Business Initiative and former CEO of the Global Sport Institute.