



Human Rights Defense Center

DEDICATED TO PROTECTING HUMAN RIGHTS

Private Prisons: Business Model

All prisons, both public and private, must have many of the same programs and services, as well as infrastructure. All prisons have security staff, fences, dining areas, housing units, medical care, etc. Also, private prisons typically must follow the same policies and procedures as their public counterparts. Yet CCA reported net income of \$195 million in 2014, while GEO Group reported net income of \$143 million. So how do private prison companies generate profit?

Around 70-75% of a prison's operational expenses are related to staffing: How many employees are at the facility, how much they are paid, what benefits they receive, how much training they get and whether positions are fully staffed. This is where private prison companies cut costs.

In general, private prisons employ fewer staff members than comparable public prisons; they pay less than in the public sector; they offer fewer (or less costly) benefits; and they provide less training. They also understaff facilities by leaving positions vacant, as fewer employees means lower payroll costs and thus larger profit margins.

There is substantial evidence to support this business model. For example, according to the 2000 Corrections Yearbook (the last year for self-reported private prison data), the average starting salary for private prison officers was \$17,628 while the average starting salary in public prisons was \$23,002. More recently, when CCA announced plans not to renew its contract to operate the Hernando County Jail in Florida effective August 2010, the sheriff said he would resume control over the jail. He also said he would increase the salaries of qualified CCA employees retained at the facility by more than \$7,000 annually, to bring them in line with the salaries of corrections deputies – indicating the pay differential between the public and private sector.

In terms of training for corrections employees, CCA vice president Ron Thompson stated in June 2010 that the company provided “a minimum of 200 hours of initial training, along with at least 40 hours of annual training.” However, this is significantly less than the training that prison employees in some states receive. California, for example, requires 640 hours of training over a 16-week period. Federal correctional officers must complete 200 hours of training plus 120 hours of specialized training within 60 days of being employed. The New Jersey Dept. of Corrections requires a “14-week, in-residence NJ Police Training Commission course.” Less training allows private prison companies to cut costs, but at the expense of employing officers who are less prepared for work in a prison setting and who have fewer skills.

Please reply to Tennessee office:
5331 Mt. View Road #130, Antioch, TN 37013
Phone: 615.495.6568 • Fax: 866.735.7136
afriedmann@prisonlegalnews.org
www.humanrightsdefensecenter.org

In regard to job benefits, private prison employees do not enjoy government pension plans, civil service protection or health insurance to the same extent available in the public sector.

As a result of paying lower wages, providing fewer benefits and supplying less training, private prisons have much higher staff turnover rates than their public counterparts. According to the last self-reported data from the private prison industry, the average turnover rate at privately-operated facilities was 53%. The average rate in public prisons was 16%. More recently, a Texas Senate Committee on Criminal Justice report released in December 2008 found that the “correctional officer turnover rate at the seven private prisons [in Texas] was 90 percent (60 percent for the five privately-operated state jails), which in either case is higher than the 24 percent turnover rate for [state] correctional officers during FY 2008.”

Understaffing and less-experienced employees can result in higher levels of violence. Several studies have found that privately-operated prisons experience more violence than public prisons, including a 2004 report in the *Federal Probation Journal* that found private facilities had more than twice as many inmate-on-inmate assaults than public prisons, and a 2001 Bureau of Justice Assistance report that found private prisons had 50% more inmate-on-inmate assaults and 50% more inmate-on-staff assaults than public prisons with comparable security levels.

There is also anecdotal evidence that security problems and violence are more likely to occur at private prisons as a result of the industry’s business model, which leads to high staff turnover and understaffing. As just one example, during a four-month period from May to September 2004, CCA experienced four major riots at prisons in Colorado, Oklahoma, Mississippi and Kentucky, plus a hostage-taking at a jail in Florida.

A report by the Department of Corrections following the uprising in Colorado found that just 33 CCA officers were watching over 1,122 prisoners at the time of the riot – a ratio 1/7th that at state prisons. Some CCA employees had literally been “on the job for two days or less.” The CCA facility had a 45% staff turnover rate, and CCA officers were paid an average salary of \$1,818 per month compared with \$2,774 for public correctional officers. As indicated above, these deficiencies are a direct result of the business model of the private prison industry.

Also, private prisons often include “bed guarantees” in their contracts with corrections agencies, which guarantee a minimum level of payment based on bed occupancy. For example, with a 90% minimum bed guarantee, a corrections agency must pay the private prison an agreed-upon per diem rate based on 90% of the beds being occupied, even if they are empty. A 2013 report by In the Public Interest found that 65% of private prison contracts surveyed had bed guarantees.

So what poses a threat to the business model of private prison companies? This is from CCA’s 2014 annual report: “The demand for our facilities and services could be adversely affected by the relaxation of enforcement efforts, leniency in conviction or parole standards and sentencing practices or through the decriminalization of certain activities that are currently proscribed by our criminal laws. For instance, any changes with respect to drugs and controlled substances or illegal immigration could affect the number of persons arrested, convicted, and sentenced, thereby potentially reducing demand for correctional facilities to house them.”