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# **The For-Profit Prison as Social Enterprise: Problems with Classification and Ethical Assessment**

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## **ABSTRACT**

This article explores the problems presented to taxonomies and definitions of social enterprise by a specific kind of organization, for-profit prisons. While these organizations are often and rightly criticized for their performance, they are fundamentally social enterprises by many of the definitions and taxonomies offered in the literature. This analysis uses a naïve matrix for classifying social enterprise to outline the problems created by these ethically and socially challenged organizations.

## **The For-Profit Prison as Social Enterprise: Problems with Classification and Ethical Assessment**

At this point, social enterprise suffers as a concept from too many definitions and descriptions. It is difficult to classify social enterprises and assess their outcomes unless we can answer two simple questions: What is social enterprise? And how do we judge the outcomes of social enterprise—once we figure out what it is?

In this paper, we discuss the difficulty of classifying and assessing a specific type of social enterprise, for-profit prisons. We illustrate this difficulty by trying to put two of these organizations into a taxonomical matrix first introduced by AUTHORS (2018). This matrix attempts to sort social enterprises by their sources of income and their social purpose. In this model, social enterprises would lay out along a vertical matrix based on sources of funds ranging from sales of goods and services at the top to charitable donations at the bottom. The horizontal axis goes from purely for profit on the left side to purely social purpose on the right. The matrix is intended to allow the placement of bubbles on the matrix, with the size of the bubble indicating the size of the organization in terms of revenue.

However, the ability to place organizations in this matrix goes back to one of our major questions: What is a social enterprise? This paper first addresses this question by describing for profit prisons, their purpose, and their relationships with government entities. It then examines the literature on the definitions of social enterprise and outlines what allows the matrix to work and what challenges the matrix. It closes with a discussion of the assessment of the performance

of social enterprises on their purported purposes. It then combines the two ideas and develops a call for further research and better conceptual development.

### **For Profit Prisons**

We will be the first to acknowledge that the proposed matrix has problems at the periphery. In this analysis, we intend to document the difficulty of classifying organizations with specific sources of revenues. We are using two firms that rely primarily on government contracts for their revenue, so it is difficult to classify them on the financial axis as it was originally proposed. We find that it is also difficult to classify these kinds of organizations on the social axis, not because they lack a social purpose, but because placement by purpose alone fails to acknowledge how well or poorly they carry out that purpose. But it is precisely these kinds of organizations that lead us toward an improved version of the matrix.

The two organizations that challenge the matrix generate most of their revenue from operating and owning for-profit prisons and detention centers. That means the bulk of their revenue comes from state and federal government contracts, although they also generate some revenue from goods and services produced by prison labor. Their primary social purposes are clear: contain prisoners and protect the public from them. This is the key to their role in creating social value, and it is a role that has subjected them to much criticism. For example, research has shown that for-profit prisons keep prisoners for months longer than publicly owned and operated prisons, and that for-profit prisons do no better at cutting recidivism than to their public counterparts (Siegelbaum, 2018).

Those are not their only social purposes. They are also expected to care for the prisoners, including health care, rehabilitation, food, drink, and exercise. It is in these areas that the for-profit prisons are most often criticized—the treatment of prisoners, the conditions in the prisons, the use of prison labor, and so on. Seldom are they criticized for their role in keeping the prisoners off the streets. However, they are often criticized for their work in these other areas (Siegelbaum, 2018).

For example, the Canadian retirement system has been criticized precisely because it invested in these firms (Siegelbaum, 2018). Specifically, the Canada Pension Plan Investment Board (CPPIB) holds \$5.9 million of stock in Geo Group and CoreCivic, both involved not only in running for-profit prisons in general, but also in the retention centers for children who were separated from their parents at the U.S.-Mexican border (Bauer, 2018).

### **Social Enterprise**

Social enterprise has been defined many ways. That is a major problem in using a matrix of the type that we are discussing here. First, it means that the matrix must fit all definitions of social enterprise, but it clearly cannot. Second, it should fit in with other typologies of social enterprise. Third, it should cover the full range of social enterprises. “Most scholars and practitioners agree that social enterprises are organizations or ventures that combine a social purpose with pursuit of financial success in the private marketplace” (Young and Lecy, 2013, p.1309).

For example, Matthew (2008) defines social enterprise as ‘an organization that applies commercial strategies to maximize improvements in financial, social, and environmental well-being.’ The Good Trade, a fair trade-oriented organization, defines it as ‘a cause-driven business whose primary reason for being is to improve social objectives and serve the common good’ (Thegoodtrade.org, 2018).

These two definitions alone offer adequate ammunition for conflict. The first starts the definition with ‘organization’ while second uses the far more narrow term, ‘business.’ Further definitional conflict arises when history is introduced. Social enterprise arose in the United Kingdom as labor-owned cooperatives while the idea developed in the United States as a new form of philanthropic organization. One typology classifies social enterprise as trading, financial, community, and NGOs and charities (Wikipedia, 2018). Virtue Ventures LLC (2017) classifies social enterprise as Mission Centric, Mission Related, and Unrelated to Mission, but then lays this along a continuum of motives from mission motive to profit motive. Yet another typology uses innovation, employment, and give-back as its categories and clearly focuses only on for-profit organizations (Kerlin, 2006; Porter, 2015; Brouard & Larivet, 2010).

This suggests that definitions and typologies of social enterprise fall into three major categories: 1) definitions that suggest that social enterprises are primarily charitable organizations that now generate money through market activities; 2) organizations that were established around a purpose focused on human welfare and reinvest in their purpose rather than distribute funds to stockholders; and 3) organizations that generate revenues from market activities that are independent of their social purpose, but then donate substantial sums to social purposes. That makes it nearly impossible for a typology of social enterprise to fit with other typologies or even to replace them, so the second problem remains unsolved.

The third problem is the focus of the rest of this paper. The difficulty we face with for-profit prisons is that they fit these definitions, and fit them too well. But most people don’t want them to fit. The next section explains why.

### **For Profit Prisons: Two examples from the U.S.**

Prisons serve a clear social purpose: protecting the public from criminals and carrying out the penalties imposed by local, state, and national justice systems. In the developed world, they are often expected to meet other social purposes, most notably responsibilities to the prisoners themselves: rehabilitation, personal safety in the prison, adequate food and health care, oversight by well-trained guards. That is, they have responsibilities to the prisoners, as well as to their indirect employers, the general public.

In the U.S., two companies dominate the for-profit prison market: CoreCivic (42% of the market) and GEO Group (37%) (The Week, 2018). CoreCivic has been criticized for failing to protect prisoners, permitting far more prisoner-on-prisoner and prisoner-on-guards assaults, higher levels of recidivism, inadequate healthcare, and host of other unsavory outcomes (Bauer, 2018). A judge in Mississippi described the circumstances of a facility for minors in Mississippi

this way: “ “ (). Both CoreCivic and the GEO Group have celebrated the rise in the number of immigrants being held in detention camps because they operate detention camps and get paid by the head (). If this seems to challenge the ethical standards that some would apply to organizations that have been contracted to replace government agencies, then it is because it does challenge them.

Corrections Corporation of America’s website has extensive material on ethics and social responsibility. It addresses issues like ‘protecting prisoner and detainee rights, adding value for taxpayers, and returning prisoners to communities (CCA.com, 2018). For each of the items on CCA’s list, you can find a news story that suggests that the firm’s performance is less than perfect. The GEO Group touts itself as the global leader in evidence based rehabilitation. Its website is otherwise similar to CCA’s with tabs devoted to social responsibility and ethics (GEOGroup.com, 2018). An online search that contradicts many of its ethical claims is also likely to produce much contradictory evidence.

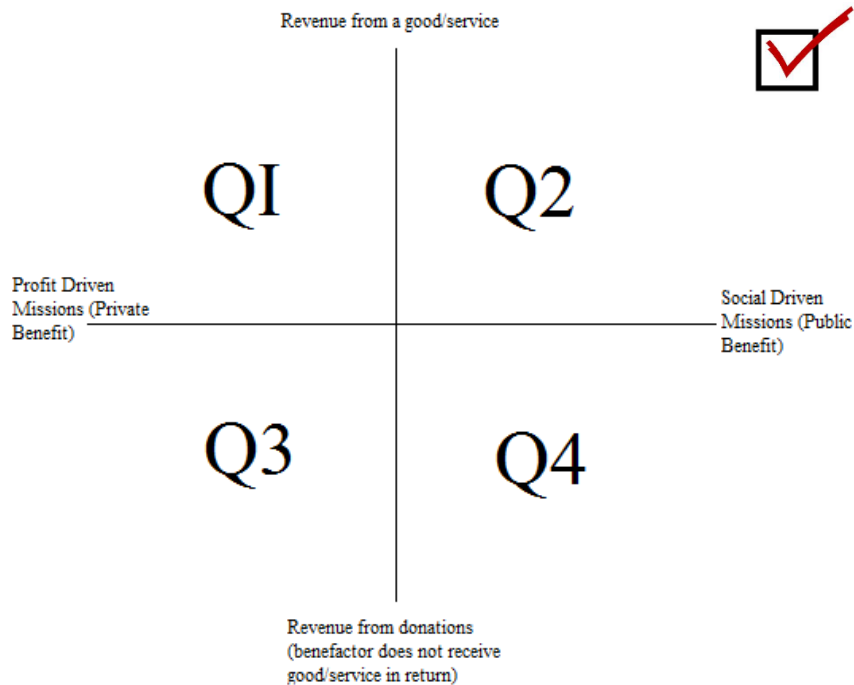
But who sets the standard? Is it sufficient for a for profit prison to carry out the will of the voter? That may be to pick up the prisoners and hide them away until they are released and to “Please don’t bother the voters with this any longer.” If the voters don’t want to hear about problems in the prisons because conditions there don’t affect most of them, then isn’t the for profit prison living up to its obligations as a social enterprise? Or is it even a social enterprise?

This paper will not attempt to cover the ethical challenges and moral hazards that have been documented with respect to these two companies. Suffice it to say that they have been roundly and frequently criticized for ethical failures. By the same token, ethical standards come from outside the organizations. The moral status of the organization depends on the character of the people who run them. If they choose to run their organizations strictly for profits, then that defines their moral center. If they are about shareholder value over everything else, then they are hardly alone.

Figure 1 shows the Barbee-LeMay Matrix with a single checkmark in the upper right hand corner. This represents where both GEO Group and the Corrections Corporation of America would be placed. This shows that they generate all their revenue from sales and that their entire mission is socially driven. Based on the discussion so far, what is at issue is not whether their mission is social, but how well are they carrying out that social mission.

Several considerations come into play here. First, in this instance, the for-profit prisons are substituting for what would more commonly be a government service. This becomes a question of typology. Is a prison a social enterprise? Are all government services social enterprises?

## \*Fitting For-Profit Prisons into Social Enterprise—Or Not



**Figure 1. Classification Matrix for Social Enterprises, AUTHORS, 2018**

In some ways, one would hope so. If government is not improving social objectives and serving the common good, then what is its purpose? So a for-profit firm that takes over a government function should also be a social enterprise. Yet, somehow, we don't seem to want it to be one. It doesn't fall into line with the more common examples where charities adopt market practices or entrepreneurs come up with socially responsible products and services. A way to use all forms of trash as fuel for power without adding to pollution? This would be a clear example of a social enterprise and of social entrepreneurship.

But locking people away and maybe not rehabilitating them effectively? The social purpose is clearly there. These organizations protect the public from some people who really would do additional harm. Evidence suggests, however, that they either do or permit other activities that may diminish the social good.

### **Conclusion**

Our analysis quickly concluded that many definitions of social enterprise would include for-profit prisons under their umbrella, or at least they could if you consider protection of the public a social benefit and if you conclude that prisons actually do that. Many issues need further study, however. In this document, we raised questions that have been raised elsewhere—like what is a social enterprise? We suggest that a more inclusive definition be devised and that a more comprehensive taxonomy is called for. What seems to be missing is some way judging not

only the purpose of the social enterprise, but also the quality with which that purpose is being carried out.

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