



by Kevin Marsh

In the UK it is estimated that each new prison place costs £119,000 and that the annual average cost for each prisoner exceeds £40,000. Such huge public expenditure should not be spent without question. But where value for money models are widely applied in other state services like healthcare, they have rarely been used to test the value of the criminal justice sector.

An economic approach to assessing the value for money of prison would involve comparing the cost of prison against its benefits. The latter comprise four different effects: the reduced offending as a consequence of incarcerating offenders, rehabilitating offenders, deterring offending, and the value of the sense of justice associated with punishing offenders.

It is reasonable to presume that prison costs more than community-based alternatives. Does this extra cost represent good value for money? Is this higher cost justified by the effect of prison in reducing offending, as well as the possibility that a greater sense of justice may be associated with punitive sentences?



The debate for and against prisons has historically focused on the moral, political and social arguments for sentencing. But public money is scarce; we need to make sure that the benefits of our prisons outweigh their costs.



These are the questions Matrix Knowledge Group sought to address in a number of recent pieces of research. The first of these, The Economic Case For and Against Prison, compared the cost of prison against its rehabilitative and incapacitation effects on re-offending. Using data from the US and the

The real cost of prison

In 1993, the UK prison population was 51,880. Today it is over 92,400. This trend is set to continue: the government has recently announced an extra £3.8bn to create 20,000 more prison places



UK from 1996, we measured the net benefit of alternatives to prison. The result? Alternatives to prison seem to deliver a better return on public money.

Residential drug treatment programmes, for example, offer a £200,000 net benefit over prison over the lifetime of an offender. This is because drug treatment programmes are cheaper to run than incarceration systems and because they deliver lower re-offending rates. Similarly, using surveillance instead of cells saves the taxpayer £45,000 per convict.

This research could be used to argue that we simply have to reduce the cost of prison per prisoner to make it deliver value for money. If we cut corners and McDonald's-ise our cells, wouldn't prisons then deliver value for money? Our research suggests not. Investing more in prisons per head actually delivers increased savings in the long run. Because of associated reductions in re-offending rates, prisons which include educational and vocational programmes save society £70,000 for each inmate whilst prison with drug treatment saves £110,000.

The Economic Case For and Against Prison focused on two of the four effects of prison – the reduction in offending associated with incapacitating and rehabilitating offenders. Focusing on just these effects, the research suggests that prison does not represent good value for money. However, this analysis excludes the deterrent effect and justice value associated with prison. Would prison be considered value for money if these effects were included in the analysis?

In a recent article I published in the Howard Journal, in collaboration with Chris Fox of Manchester Metropolitan University and Carol Hedderman of Leicester University, searched the existing evidence base to attempt to answer these questions. The deterrent effect of prison has been the subject of a number of research studies. However, the findings of these studies are inconclusive. Some studies identify a deterrent effect, while other studies fail to identify an effect. To some extent these differences rest on complicated statistical matters. However, the jury is still out regarding whether prison has a deterrent effect.

Our review only identified one study that could be used to estimate the economic value of the justice associated with a prison sentence. Daniel Nagin, an economist in the US, assessed people's willingness to pay to fund the provision of two sentence types that produced exactly the same offending outcomes: a two year prison sentence for drug using offenders, and a one year prison sentence with a rehabilitative treatment programme for drug using offenders. He found that people attached a greater value to the rehabilitative programme than the more punitive sentence. One interpretation of this result is that people value punitive less than rehabilitation. However, much more research is required before this conclusion can be made with any certainty.

The debate for and against prisons has historically focused on the moral, political and social arguments for sentencing. But public money is scarce; we need to make sure that the benefits of our prisons outweigh their costs. Whatever penal policy we decide to pursue, ignoring the economic dimension to this argument is something we can no longer afford to do. The current research suggests that prison is not an efficient use of public resources. However, further work is required to fill the gaps in the evidence base and to determine in which circumstances and for which offenders prison is and is not value for money.

Kevin Marsh is Head of Economic Evaluation at Matrix Knowledge Group

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