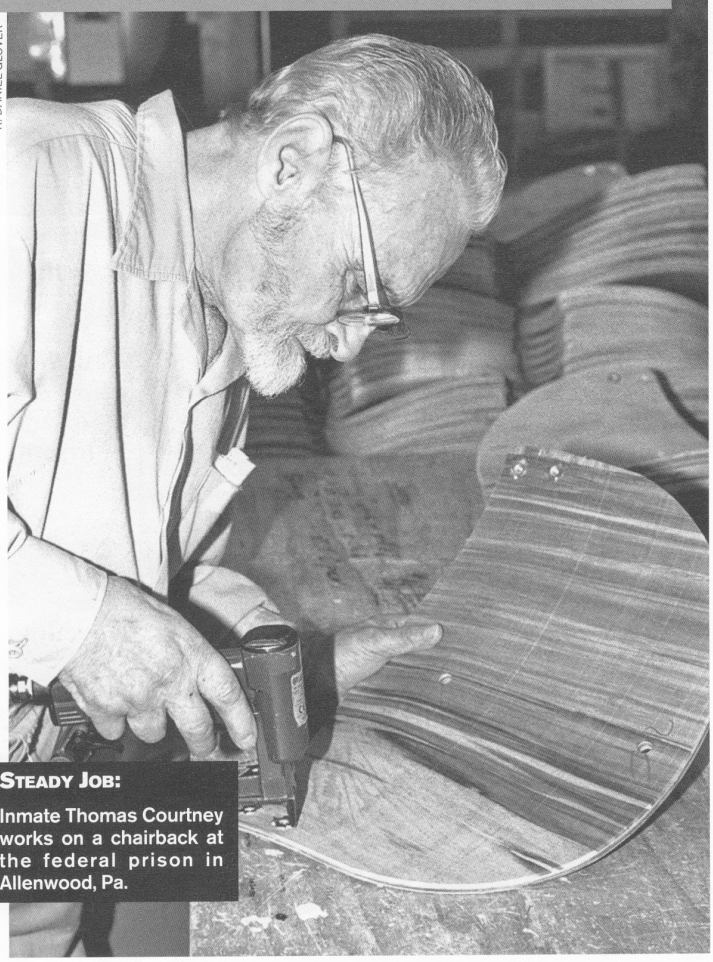


K. DANIEL GLOVER

STEADY JOB: Inmate Thomas Courtney works on a chairback at the federal prison in Allenwood, Pa.

Inside Job

LAWMAKERS WANT FEDERAL PRISON INDUSTRIES TO COMPETE WITH THE PRIVATE SECTOR FOR GOVERNMENT CONTRACTS.

BY K. DANIEL GLOVER ■

ALLENWOOD, Pa.—A 30-mile stretch of U.S. 15 on the way north to this village looks just like the road to prison. Pornography shacks, private clubs, and bars dot the landscape, and road signs blare ominous warnings like "D.U.I.: You Can't Afford It" and "Target Enforcement Area." Even the advertisement for Dr. Tom's Leather Goods features a foreboding skull with a devilish half-smile.

But those emblems are far from where the highway meanders to the Federal Correctional Complex just north of Allenwood, where officials are equally concerned about the road away from prison. More than 41,000 federal prisoners nationwide have returned to the streets in each of the past three years, and no one in the Justice Department's Bureau of Prisons wants to see them take a wrong turn onto Recidivism Road.

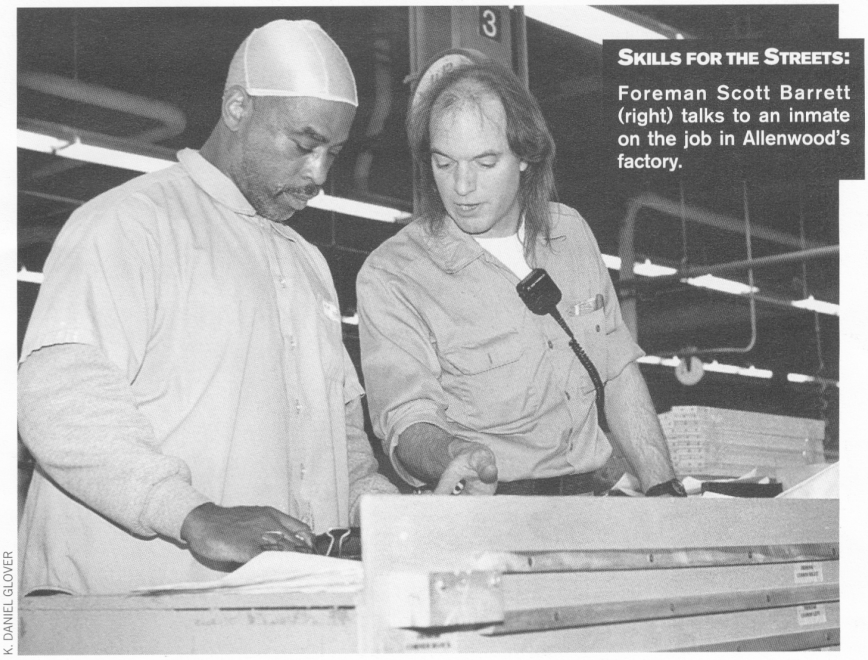
The desire to steer convicts away from repeat offenses is part of the rationale behind Federal Prison Industries, a quasi-governmental agency that trains inmates in various trades. FPI's goal, said Joseph D. Dubaskas Sr., the associate warden of industries at the Allenwood complex and chief of its three factories, is to employ as many prisoners as possible and to "teach them a skill [and] a work ethic that they can take with them when they go to the street."

"If they're medically able to work and they want to work," he said, "we put them to work."

Some 200 miles away in Washington, the concept of prison labor is a far more complicated matter. Most believe that FPI serves a valuable function. The program keeps the prisoners busy and the penitentiaries more secure, and it teaches trade and business skills to people who may never have worked before. "We get people in here where their only job was to sell drugs on the street," Dubaskas said.

Yet many lawmakers and interest groups have grown

increasingly unhappy with the way FPI conducts its business. Twice in the past few years, Congress has voted to force FPI, which sells products such as furniture to the federal government, to compete with the private sector, and last fall the House overwhelmingly passed a bill that would mandate broader reforms. The measure would require FPI to compete for its contracts with federal agencies and to fulfill orders in a timely manner. It also would authorize money for inmate rehabilitation and training to address concerns that changes in FPI's procedures could force prisoner layoffs and thus put a greater strain on prison security. The competing Senate bill, which focuses on forcing FPI to compete for contracts, is expected to move through the Governmental Affairs Committee early this spring. One of the panel's subcommittees held a hearing on the bill on Wednesday. FPI has also been embroiled in a legal dispute with the Coalition for Government Procurement.



K. DANIEL GLOVER

SKILLS FOR THE STREETS: Foreman Scott Barrett (right) talks to an inmate on the job in Allenwood's factory.

"The current management of FPI is full of deceptive, ineffective people," said Rep. Pete Hoekstra, R-Mich., a leading FPI critic. "The current management has shown no empathy in their business decisions for the impact they've had in the private sector."

PRIVATE-SECTOR PAIN

Federal Prison Industries, also known by the trade name UNICOR, has its roots in the Great Depression. At the urging of President Franklin D. Roosevelt, Congress created FPI in 1934 and made it the "mandatory source" for products sold to federal entities. Under that system, if FPI wants a particular government contract, private businesses cannot compete for it—even if they can offer lower prices, better quality, or faster delivery.

The system worked fairly smoothly for several decades, in part because government was smaller then and prisons were not overcrowded with inmates who needed to be kept busy. Back then, with fewer departments and agencies to buy the goods, and fewer prisoners to make them, the program's impact on the private sector was minimal. FPI's sales totaled only $29 million in 1960.

But sales soared by more than 400 percent, to $117 million, by 1980. The total more than doubled again, to $238.9 million, in the next five years, and it peaked at $678.7 million in 2002.

Some of the private-sector industries that make competitive products, meanwhile, have been in decline. Textile and office-furniture manufacturers have been hit the hardest, and they have been frustrated in their attempts to secure or keep government contracts that would help protect them from the broader economic downturn caused in part by the loss of jobs to overseas companies. FPI "decimated the textile business," Hoekstra said. He added that prison labor has also undercut companies that make signs for federal agencies.

The toll on the office-furniture business is particularly frustrating to Hoekstra, who was a furniture executive for Herman Miller before he was elected to Congress in 1992. His district is also home to two more of the nation's biggest manufacturers. As FPI has grown 25 percent, Hoekstra said, the office-furniture industry has declined 30 to 40 percent. "I've got people who make perfectly good office furniture who would love to compete for this business [but] who are laid off."

Larry Allen, executive vice president of the Coalition for Government Procurement, argued that FPI "doesn't really need mandatory-source protection in order to be successful," and he cited the program's role in manufacturing certain goods for the military as evidence. FPI, he said, has not been the mandatory source in that arena for four years, yet it still gets the work.

"This is no longer a prisoner work program," said Allen, whose coalition thus far has failed to convince a federal court that FPI has overstepped its statutory authority in producing and selling office furniture. "It really has become a sole-source government procurement program."

Years of congressional debate have generated anecdote after anecdote about companies that have fought FPI for existing or potential business. Sometimes firms have prevailed, typically after vigorous lobbying campaigns and congressional intervention. A few years ago, for instance, Glamour Glove of Long Island, N.Y., won the right to make gloves for the military. But more often than not, according to critics, companies must trim their payrolls or close shop entirely because of business lost to FPI.

During House floor debate last year, Rep. Charlie Norwood, R-Ga., recounted one of the more ironic tales about FPI. Habersham Metal Products, a company in his district, saw its work for one project cut from three months to three weeks because FPI snagged a large part of the contract. The work order called for the construction of prison doors.

"This is not an isolated incident," Norwood said. "It has happened in this company alone many other times. But

beyond money and the employment concerns, where in the world is the logic for allowing inmates to build their own prison doors? It makes no sense."

Such stories have furthered the push for reform, with the U.S. Chamber of Commerce, the AFL-CIO, and the Federal Managers Association, which represents managers and supervisors in the federal government, allied against FPI. The chamber included the final floor vote on the FPI reform bill, which the House passed on a 350-65 vote, in its scorecard of how well lawmakers supported the business community in 2003.



RICHARD A. BLOOM

PETE HOEKSTRA:

FPI management "has shown no empathy ... for the impact they've had in the private sector."

Congress later included in the omnibus spending package for fiscal 2004 a provision that temporarily waives FPI's mandatory-source authority. As a result, federal entities cannot buy UNICOR goods or services unless UNICOR offers "the best value." The language extends to civilian agencies a rule that was imposed on the Defense Department in 2002.

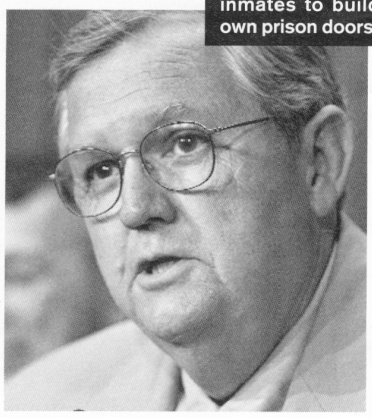
Brad Miller, the manager of communications and government affairs for the Business and Institutional Furniture Manufacturer's Association, said FPI's actions have forced such steps. "We find ourselves today with a prison-factory program where the bureaucrats running it may have learned more than they have taught from some of those they imprison—more about strong-arming their way through life than meeting the needs of customers with quality service."

JOBS AND ATTITUDES

Opponents of legislative mandates on FPI emphasize the program's benefits: improved prison security; lower rates of repeat criminal behavior by UNICOR workers who leave prison with new skills; jobs for small businesses that provide the raw materials for FPI products, and for the industry experts who oversee and train the prisoners; and the payment of victim restitution, fines, and even child support from the wages of FPI workers, who earn from 23 cents to $1.15 an hour.

FPI jobs are so popular with inmates that factories tend to have long waiting lists. Allenwood has three separate factories, and all of them have far more applicants than jobs. In mid-March, the factory at Allenwood's low-security prison employed 125 prisoners and had nearly twice that number seeking work there. The medium-security prison employed 225 inmates, with 134 on the waiting list. And 129 inmates wanted jobs at the high-security penitentiary, which employed 160 at the time.

For prisoners, FPI work is more desirable than other jobs, which at times are designed just to keep them occupied. For example, 60 men—instead of five to 10—are sometimes assigned to landscape the compound. "The inmates within UNICOR pretty much behave," Dubaskas said, "because if they don't, they lose the job."



ROLL CALL PHOTOS/TOM WILLIAMS

CHARLIE NORWOOD:

"Where in the world is the logic for allowing inmates to build their own prison doors?"

FPI is also self-sufficient. The money for both raw materials and the wages of inmates and their supervisors comes solely from sales. "It's a program that works, a program that reduces crime and pays for itself," said Rep. Bobby Scott, D-Va.

Scott downplayed FPI's effect on the private sector. "In some applications, the implementation of mandatory source hasn't been perfect," he said, but the impact involves a few million dollars in industries that generate billions in sales.

He added that FPI is not the only competition for U.S. firms in sectors such as textiles. "Chances are that somebody else is going to get the work anyway.... You can't blame prison industries.... You can't blame a couple of thousand [prison jobs] for hundreds of thousands of jobs lost."

Philip W. Glover, president of the Council of Prison Locals, said that the criticisms of FPI are overblown. He called the reform effort a "labor of love" for former furniture executive Hoekstra. "The reform initiative is really more about perception than it is about fact," Glover said.

He also dismissed the argument that FPI has cornered the market for government procurement. "Our program takes up one-quarter of 1 percent of federal procurement," Glover said. The goal of his group, which represents unionized correctional officers and others who work in prisons, is to employ as many laborers as possible without hurting private industry, he said.

FPI tries to be involved in as many product lines as possible and actually loses money on many of those fronts, Glover said. "We never worried about being in the red in certain areas; we just sort of compensated for it."

Glover and Rep. Frank Wolf, R-Va., warn that dramatic changes in the business structure of the prison labor system could have dire consequences. Glover noted that the rule requiring Defense to get the best value for goods, even if that means not contracting jobs to FPI, has forced UNICOR to idle some 2,000 jobs. The new rule that applies that approach to civilian agencies this fiscal year will worsen the impact, he said. "We're going to be in a crunch. Our feeling is that somebody's going to get hurt" in the prison system.

"If there's no work," Wolf added, "it's very dangerous for a prison guard.... If you don't have work, you lose control of the prison."

But Steve Schwalb, FPI's chief operating officer, is not as pessimistic. Some layoffs are possible in the production capacity for office furniture, he said, but he does not expect any-

where near the number of job cuts that FPI saw from fewer contracts with Defense. "I'm not as concerned about the impact being replicated. I think it will be smoother this time," Schwalb said.

Reform on the Inside

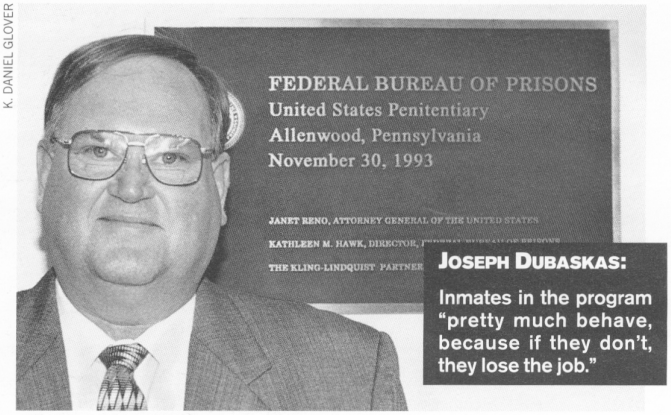
The Bush administration has refused to take a stand on legislative reform efforts—a decision that Wolf has criticized as "morally reprehensible"—but FPI is pursuing reforms on its own. FPI board Chairman Kenneth R. Rocks, who is national vice president of the Fraternal Order of Police, said, "We are very much cognizant of the manufacturing business in the United States dwindling" and want to strike a balance.

Rocks cited recent changes in two manufacturing sectors that seem to trigger the loudest outcry: textiles and office furniture. FPI has reduced its sales in office furniture to about $150 million, down from a high of $250 million, and has removed gloves from its list of clothing products for the Defense Department. The latter decision lets the three remaining private firms compete for the glove business. "What we have to do," Rocks said, "is look to other methods and means to carry out our mission."

One place where FPI is looking to expand is in the services sector. "We've seen for a long time the need to move away more and more from strictly products or predominantly products," Schwalb said. State-based prison industries began offering services such as data processing and computer recycling about 20 years ago. Schwalb said that the states' success in those areas led him to pitch the idea to FPI's board about six years ago. The services side of FPI's business has soared since then.

UNICOR had no computer-recycling factories five years ago but now has six. Inmates who work at those units get training to diagnose problems in donated computers, and the parts are then sold to small businesses. The goal is to keep the product from ending up in landfills, Schwalb said, and "it takes a lot of labor" to keep that from happening.

The foray into services, a rapidly expanding sector of the global economy, has sparked new criticisms of FPI on two points: The law that created the program authorized FPI to produce only goods, and it authorized sales of those goods only to the government. FPI is now selling services to the private sector.



K. DANIEL GLOVER

JOSEPH DUBASKAS: Inmates in the program "pretty much behave, because if they don't, they lose the job."

Schwalb said a legal opinion from the Justice Department concluded that the law is silent on the issue of services and thus does not prohibit FPI's involvement. But he also noted that FPI must compete for such work because the mandatory-source rule does not apply, and he said the board limited FPI's role to the "repatriation" of U.S. private-sector jobs lost to other countries. Ultimately, Schwalb added, the new work returns jobs to the United States, produces work for inmates who otherwise might cause trouble in prison, and creates jobs for supervisors.

Glover said one contract to recycle parts for Dell Computer brought jobs to the United States that had been done in the Philippines until about two years ago. The contract also led to new runs for United Parcel Service and Roadway Express. Such "peripheral jobs" represent real economic growth, he said. "That's what I think people are missing in this whole thing."

The same potential exists in the market for goods, Rep. Wolf said. Citing the production of televisions as an example, he said Congress should change the rules governing FPI to try to reclaim jobs in long-dead U.S. industries. "You would in essence be repatriating jobs … and developing high-tech skills among men in prison," who would later take those skills into private industry, he said. "Imagine what it would do for the good of this country. We could create jobs here."

Rep. Scott touted a third potential business front for FPI: Let prisoners work for charities like Habitat for Humanity, and have Congress appropriate the money to cover costs. But, he acknowledged, "the only problem is, we may not appropriate the money."

Rocks is wary of charity-related ventures for another reason, and his view reflects the complicated reality of Federal Prison Industries. "We're just creating another entity where we could be subject to more criticisms," he said, "and I'd rather deal with one controversy at a time." ■

The author can be reached at dglover@nationaljournal.com.

■ The Fruits of Prison Labor

Congress created the Federal Prison Industries in 1934 and made it the "mandatory source" for federal entities. By the 1980s, the program's sales were soaring, making FPI a serious competitor with private-sector industries.

Federal Prison Industries' Growth

	Number of Factories	Sales (in millions)	FPI Workers	Total Inmates	Product Groups
1985	71	$238.9	9,995	36,042	4
1990	80	343.2	13,724	57,331	5
1995	97	459.1	16,780	90,159	5
2000	105	546.3	21,688	128,122	5
2001	106	583.5	22,560	156,572	8
2002	111	678.7	21,778	163,436	8
2003	100	666.8	20,274	172,785	8

SOURCE: Federal Bureau of Prisons

STAYING IN THE STORM

Steve Schwalb is the lightning rod in the long-running debate on federal prison labor. Whatever stance he takes as the chief operating officer of Federal Prison Industries, Schwalb is sure to have to absorb high-voltage criticism from those who believe that FPI has an unfair advantage in selling office furniture and other products to federal entities.

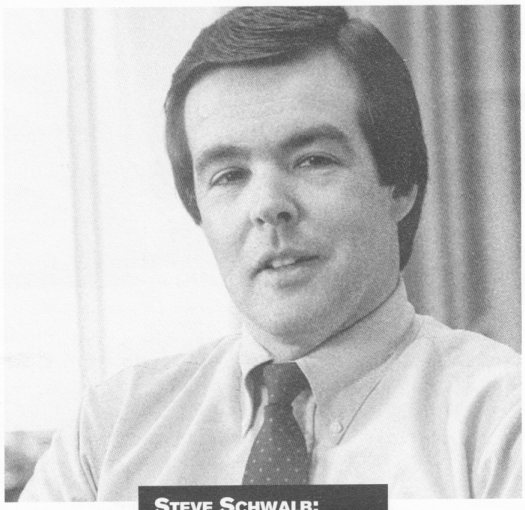
The scene at a November 2002 hearing of the House Small Business Committee illustrates Schwalb's situation. According to an account in the *San Antonio Business Journal,* Kenneth R. Rocks, national vice president of the Fraternal Order of Police, represented FPI at the hearing in his role as chairman of the FPI board and Schwalb sat in the audience, but Republicans Pete Hoekstra of Michigan and committee Chairman Don Manzullo of Illinois focused their ire on Schwalb.

Hoekstra told Rocks that FPI needed a new, and trustworthy, COO. And Manzullo told Schwalb to remove a reference from FPI's Web site that Manzullo said falsely suggested a collegial relationship between FPI and Manzullo's panel.

Reflecting on that day in a recent interview, Schwalb dismissed it as political gamesmanship. "Those things happen," he said. "The situation was a little heated. The cameras and lights were on." But the spotlight is still on Schwalb, where it has been for much, if not all, of his 10-plus years on the job at FPI.

Hoekstra's animosity for Schwalb remains strong. A key advocate of legislation that would change the way FPI does business—and a former furniture industry executive—Hoekstra acknowledges that "teaching prisoners business skills ... is a necessary function." But he accused Schwalb of crushing troubled manufacturing sectors such as textiles and office furniture.

When an industry is down, Hoekstra said, "you can bet that Steve Schwalb is going to take a stick and poke them in the eye and kick them one more time."



PATRICE GILBERT/LEGAL TIMES

STEVE SCHWALB: Laments "personal attacks" and says they "detract our attention from the real issue."

DESPITE THE ANGER DIRECTED AT HIM, STEVE SCHWALB INSISTS THAT HIS POST WITH FEDERAL PRISON INDUSTRIES IS 'THE BEST JOB I'VE EVER HAD.'

Hoekstra still wants Schwalb to resign, but Brad Miller, the manager of communications and government affairs for the Business and Institutional Furniture Manufacturer's Association, thinks Schwalb's opponents can profit from his staying in the job. "His arrogance has been a big help in convincing many members of Congress that they need to step in," Miller said. "They see clearly that the program will never be reformed from within."

People in the correctional world defend Schwalb. When Schwalb's name surfaced in an interview at the Federal Correctional Complex in Allenwood, Pa., associate warden Joseph D. Dubaskas said simply, "He's a good man." Dubaskas declined to comment on the criticisms aimed at Schwalb and instead repeated his personal observation: "I have great respect for him. He's a good man."

"He is the fall guy of FPI," said Philip W. Glover, president of the Council of Prison Locals. He contended that Schwalb "has done what he's been asked to do" by his superiors at the Federal Bureau of Prisons and the Justice Department. "Steve Schwalb is in a difficult position. He is required by statute to keep as many inmates as productively occupied in industry programs [as possible], yet he can't step on [the toes of] any industries opposed to us."

Glover also said that Schwalb is open to the concerns of the council, which represents union workers affiliated with FPI. "He's a problem solver and, frankly, over the last several years has had to solve many problems," Glover said.

Despite the anger directed at him, Schwalb insists that his current post is "the best job I've ever had." He lamented Hoekstra's "personal attacks" and said they "detract our attention from the real issue." But he refused to respond in kind. "I don't want to get into a tit-for-tat with the congressman.... This is a complex public policy issue."

Schwalb said that a 30 percent decline in FPI's production of office furniture from fiscal 2002 to fiscal 2003 shows that the program is responsive to industry sensitivity about fair competition. He said he welcomes constructive criticism and urges his critics "to help us think through alternatives, the better ideas."

The satisfaction Schwalb finds in his work means that his resignation isn't likely. "The more difficult the public policy implementation is," he said, "the more rewarding it is when you do it well." **—K.D.G.**