

Recessions typically raise youth unemployment and leave long-term labour market ‘scars’ on the young people concerned. Research by **Brian Bell**, **Anna Bindler** and **Stephen Machin** finds that they also have a disturbing and substantial impact in launching criminal careers.

# Crime scars: can recessions produce career criminals?

**R**ecessions typically lead to an increase in youth unemployment rates, leaving young people to face more difficulties in finding jobs. Concerns about the long-term impact on young people arise when youth unemployment rates are very high. One prominent example is the current policy debate about the Great Recession’s ‘lost generation’ – single, jobless and often still living with their parents. We know, for example, that unemployment at young ages can have persistent negative effects on future wages (Oreopoulos et al, 2012) and career progression (Oyer, 2008).

Our research shows that recessions have a more disturbing and substantial impact in that they initiate and form a higher proportion of criminal careers: young people who leave school during recessions are significantly more likely to become involved in crime than those who

leave school while labour markets are more buoyant.

So why is it that young people who join the labour market during recessions are more likely to engage in crime? Those who leave school during a recession, when youth unemployment rates are particularly high, struggle to find a job and do not yet have financial insurance. Hence, following the notion from Gary Becker’s seminal work on criminal choices (Becker, 1968), low expectations on returns to legitimate activity (in terms of both job quality and wages) may lead to initial involvement in crime and subsequently to a first encounter with the criminal justice system.

Knock-on effects can then lead to criminal careers for the young. On the one hand, those who initially get involved in criminal activity learn the ‘criminal know-how’ (Mocan et al, 2005). On the other hand, those who have criminal records early on in their career may reduce their

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job opportunities and expected returns in the legitimate labour market (Baert and Verhofstadt, 2015).

There is a substantial body of criminological evidence that illustrates the importance of young people’s experiences for our understanding of crime. In particular, research has established a strong age-crime pattern with crime rates typically peaking during the late teenage years. Yet crime is not only a feature of the teenage years – crime rates decrease with age but do not disappear subsequently. This suggests that there is an initial effect but criminal activity is somewhat persistent over the lifecycle.

Can that persistence be explained by the long-term impact of recessions? A typical recession leads to an unemployment rate that is five percentage points higher than normal. What is the long-term impact of leaving school in such economic conditions? Our empirical analysis of the link between crime and unemployment at labour market entry is based on a variety of US and UK cohort and individual-level data sources.

We analyse cohort-level data for both countries to estimate the average effect of initial labour market conditions on the criminal activity of cohorts that enter the labour market at different points in time,

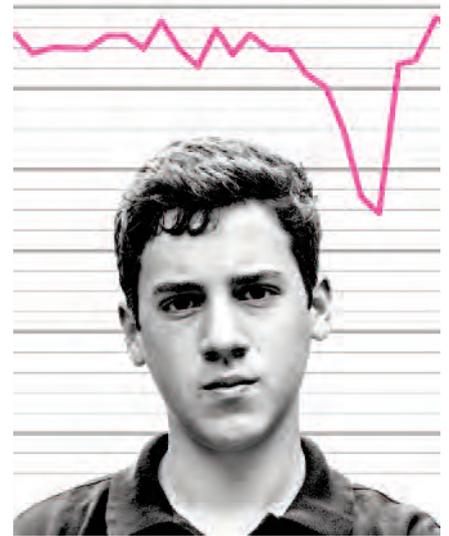
taking account of differences in cohort composition.

For the United States, we use data on arrest rates from the FBI Uniform Crime Reports and the Current Population Survey. We find that the average arrest rate for a cohort entering the labour market during a recession is 10.2% higher than for an otherwise similar cohort entering a more buoyant labour market.

For the UK, we use data on conviction rates from the Offenders Index Database and the Police National Computer. We find that the average conviction rate for a cohort entering the labour market during a recession is 4% higher than for an otherwise similar cohort.

Moreover, when we add subsequent unemployment rates over the cohort’s lifecycle to the analysis, we find that what matters is indeed the unemployment rate at the time of labour market entry. This finding contributes to understanding a puzzle thrown up by previous research where the overall link between crime and unemployment appears to be relatively weak. Our findings suggest that the key impact of unemployment on crime is the early experience of unemployment rather than the average unemployment experienced over the cohort’s lifecycle.

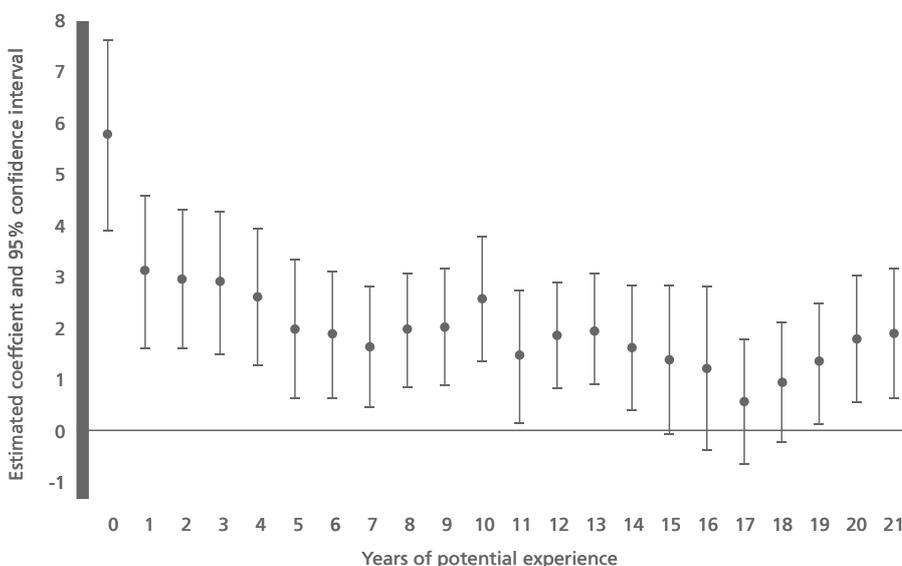
## Knock-on effects of early unemployment can lead to criminal careers for the young



How should we understand these results? Our results refer to the effect on the average cohort arrest and conviction rates. Presumably, a large share of individuals in a cohort never get involved in crime, independent of initial labour market conditions. A much smaller share is actually at the margin of becoming criminal, and in that respect, these are the individuals affected by economic conditions when first entering the labour market. The average effect is a combination of the effects for both groups, which implies that the effect on young people at the threshold of criminal activity may be even more substantial than the average effect suggests.

Studying individual-level data adds to that picture. Using data from the US Decennial Census and the American Community Survey, we find that entering the labour market during a recession increases the probability of being incarcerated at some point over the next two decades by 5.5% in the United States.

Figure 1:  
Entry unemployment effects by experience, United States



**Note:** The chart shows the estimated coefficients and 95% confidence intervals when we allow the coefficient on initial unemployment to vary by years of potential experience. Years of potential experience are years since labour market entry.

Using data on self-reported arrests from the British Crime Survey and taking account of an extensive set of individual characteristics such as family background, education and geographical location, we find that entering the labour market during a recession is associated with a 5.7% increase in the probability of ever being arrested in life.

In both cases, the effects are even stronger for young people who leave education early and are less qualified for the labour market. This confirms the notion of the average effect being a conservative estimate.

What about the persistence of the effect of recessions and the forming of criminal careers? Figures 1 and 2 show the estimated effects by year since labour market entry for the United States and the UK. Albeit slightly decreasing, the effect of entering the labour market during a recession is indeed persistent, with the initial unemployment effect pushing some young people towards a criminal career, implying sizeable and long-lasting effects.

Our results have important implications that contribute to the current policy debate about the long-term impact of recessions on young people. We demonstrate a disconcerting long-run effect of economic downturns. Recessions

not only lead to short-term negative outcomes in the labour market but can produce career criminals. This suggests the need for an increased focus on policies that help young people get a step on the employment ladder and keep them out of trouble.

We find robust evidence of an initially strong and eventually long-lasting detrimental effect of entering the labour market during a recession for individuals at the threshold of criminal activity. These effects are economically substantial and potentially more disturbing than short-run effects.

This article summarises 'Crime Scars: Recessions and the Making of Career Criminals' by Brian Bell, Anna Bindler and Stephen Machin, CEP Discussion Paper No. 1284 (<http://cep.lse.ac.uk/pubs/download/dp1284.pdf>).

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## Further reading

Baert, Stijn and Elsy Verhofstadt (2015) 'Labour Market Discrimination against Former Juvenile Delinquents: Evidence from a Field Experiment', *Applied Economics* 47: 1061-72.

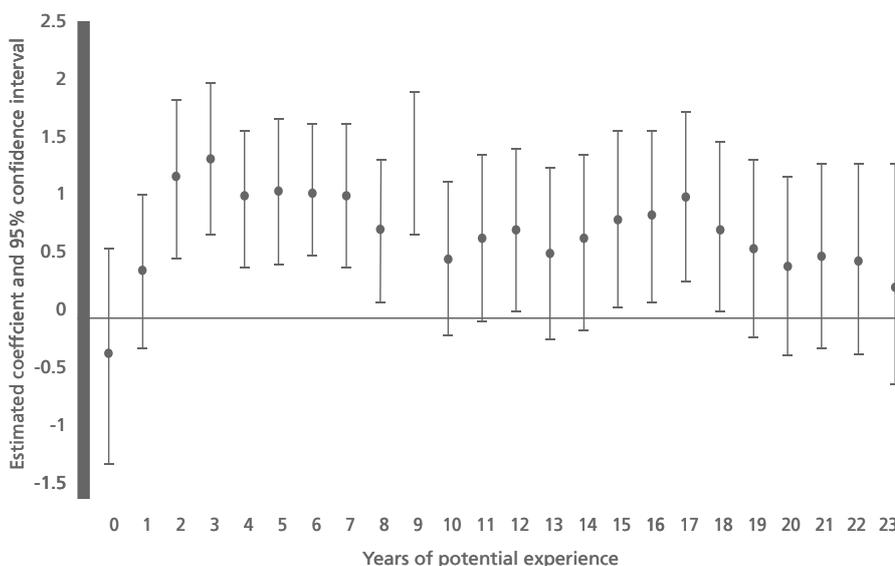
Becker, Gary (1968) 'Crime and Punishment: An Economic Approach', *Journal of Political Economy* 76: 175-209.

Mocan, Naci, Stephen Billups and Jody Overland (2005) 'A Dynamic Model of Differential Human Capital and Crime', *Economica* 72: 655-81.

Oreopoulos, Philip, Till von Wachter and Andrew Heisz (2012) 'The Short- and Long-term Career Effects of Graduating in a Recession', *American Economic Journal: Applied Economics* 4: 1-29.

Oyer, Paul (2008) 'The Making of an Investment Banker: Macroeconomic Shocks, Career Choice and Lifetime Income', *Journal of Finance* 63: 2601-28.

Figure 2:  
Entry unemployment effects by experience, UK



**Note:** The chart shows the estimated coefficients and 95% confidence intervals when we allow the coefficient on initial unemployment to vary by years of potential experience. Years of potential experience are years since labour market entry.

The key impact  
of unemployment  
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