

Job Loss and Crime:
What's income got to do with it?

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PRELIMINARY AND INCOMPLETE: PLEASE DO NOT CITE

Abstract: We investigate the impact that loss of employment has on criminal behaviour. We make use of matched administrative data containing information on income (earnings from work + social transfers) and arrest status for all prime age males in the Netherlands. We first illustrate the complexity of the relationship by showing substantial pre-arrest earnings drops for individuals committing economically motivated crimes. Causal estimates of the *overall* impact of job loss on crime are then obtained using exogenous job separation resulting from a firm's (partial) closure. As in previous studies, we find that arrest probability strongly increases after workers are displaced. Our main contribution is to attempt and disentangle whether this effect is mainly driven by income or the other 'shocks' associated with job loss. Uniquely, we observe two types of workers: a first group who receives substantial social transfers after employment separation and another who does not. This enables us to implement a difference-in-difference approach which reveals that does not detect any larger crime impact for the group experiencing a much stronger income shock. We conclude that non-financial factors are the main reasons why individuals participate in criminal activity after job loss.

Keywords: Crime, Job Loss, Income Shock, Time Use

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