

Research Briefs

IN ECONOMIC POLICY

CAIO
INSTITUTE

SEPTEMBER 2017 | NUMBER 85

Incarceration, Recidivism, and Employment

BY MANUDEEP BHULLER, UNIVERSITY OF CHICAGO; GORDON B. DAHL, UNIVERSITY OF CALIFORNIA—SAN DIEGO; KATRINE V. LOKEN, UNIVERSITY OF BERGEN; AND MAGNE MOGSTAD, UNIVERSITY OF CHICAGO

Over the past several decades, incarceration rates have risen dramatically in many Organisation for Economic Co-operation and Development (OECD) countries. In the United States, for example, the incarceration rate has increased from 220 per 100,000 residents in 1980 to more than 700 per 100,000 in 2012. In Europe, the increases (and levels) tend to be smaller but still substantial, with the average incarceration rate per 100,000 residents rising from 62 in 1980 to 112 in 2010 in Western European nations. These increases raise important questions about how well ex-convicts reintegrate into society after incarceration, and in particular, whether they return to a life of crime. Prison time could convince offenders that crime does not pay, or rehabilitate them by providing vocational and life skills training. Conversely, prison time could cause human capital to depreciate, expose offenders to hardened criminals, or limit opportunities due to employment discrimination or societal stigma. Indeed, the effects of incarceration could vary in magnitude and sign depending on a prisoner's background (e.g., work history), as well as prison conditions (e.g., availability of prison programs and sentence lengths).

Understanding whether, and in what situations, time spent in prison is criminogenic or preventive has proven challenging for several reasons. One problem is data availability. The ideal dataset would be a long and representative panel with individual-level information on criminal behavior and labor-market outcomes. In most countries, however, the required data sources cannot be accessed and linked together. Another major challenge is that while ex-convicts have relatively high rates of criminal activity and weak labor-market attachment, this correlation could be driven by unobserved characteristics as opposed to the experience of being in prison.

Because of these challenges, evidence on the causal effects of incarceration is scarce. Our paper overcomes both the data and the unobservables challenges in the context of Norway's criminal justice system, offering new insights into how imprisonment affects subsequent criminal behavior.

Our work draws on two strengths of the Norwegian environment. First, by linking several administrative data sources, we are able to construct a panel dataset containing complete records of the criminal behavior and labor-market outcomes of every Norwegian. Second, we exploit

the random assignment of criminal cases to Norwegian judges who differ systematically in their stringency. Our baseline sample consists of suspected criminals who appear in court with a non-confession case. Our measure of judge stringency is the average incarceration rate in other cases a judge has handled. This stringency measure is highly predictive of the judge's decision in the current case, but as we document, uncorrelated with observable case characteristics.

Our paper offers three sets of results. First, imprisonment discourages further criminal behavior. Using our measure of judge stringency, we estimate that incarceration lowers the probability of reoffending within five years by 27 percentage points and reduces the corresponding number of criminal charges per individual by 10. These reductions are not simply due to an incapacitation effect; we find sizable decreases in reoffending probabilities and cumulative charged crimes even after defendants are released from prison.

Second, bias due to unobservables, if ignored, leads to the erroneous conclusion that time spent in prison is criminogenic. Consistent with existing descriptive work, our estimates show positive associations between incarceration and subsequent criminal behavior. This is true even when we control for a rich set of demographic and crime category controls. In contrast, our estimates that utilize judge leniency, which address the issues of selection bias and reverse causality, find that incarceration is strongly preventive for many individuals, both on the extensive and intensive margins of crime.

Third, the reduction in crime is driven by individuals who were not working prior to incarceration. Among these individuals, imprisonment increases participation in programs directed at improving employability and reducing recidivism, and ultimately, raises employment and earnings while discouraging criminal behavior. The effects of incarceration for this group are large and economically important. Imprisonment causes a 34 percentage point increase in participation in job training programs for the previously nonemployed, and within five years, their employment rate increases by 40 percentage points. At the same time, the

likelihood of reoffending within five years is cut in half (by 46 percentage points), and the average number of criminal charges falls by 22. A very different pattern emerges for individuals who were previously attached to the labor market. Among this group, there is no significant effect of incarceration on either the probability of reoffending or the number of charged crimes. Moreover, they experience an immediate 25 percentage point drop in employment due to incarceration, and this effect continues out to five years. This drop is driven almost entirely by defendants losing their jobs with their previous employers while they are in prison.

Taken together, our findings have important implications for ongoing policy debates over the growth in incarceration rates and the nature of prison. Our estimates indicate that the high rates of recidivism among ex-convicts is due to selection, and not a consequence of the experience of being in prison. Indeed, the Norwegian prison system is successful in discouraging crime and encouraging employment, largely due to changes in the behavior of individuals who were not working prior to incarceration. These individuals had no job to lose, and they had low levels of education and work experience. Norwegian prisons offer them access to rehabilitation programs, job training and re-entry support. Upon release, these previously unemployed individuals become more attached to the formal labor market, and they find crime relatively less attractive. In contrast, for individuals with some attachment to the labor market, many of them had an actual job to lose and human capital to depreciate by going to prison. These negative effects may well offset any positive impacts of rehabilitation, and therefore help explain why incarceration does not seem to materially affect their criminal behavior or labor market outcomes.

NOTE:

This research brief is based on Manudeep Bhuller, Gordon B. Dahl, Katrine V. Loken, and Magne Mogstad, "Incarceration, Recidivism, and Employment," NBER Working Paper no. 22648, September 2016, <http://www.nber.org/papers/w22648>.