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“The Criminal Careers of Young Men”

Extended Abstract

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Every year hundreds of thousands of prisoners are released in the U.S. It is a continuous flow. Moreover, this flow will significantly increase in upcoming years. Many more are put on probation for less serious convictions, but cannot avoid the stigmatizing mark of a criminal record anyway. What are the reintegration prospects for these ex-offenders? The fact that many of these criminals are high school dropouts places an additional barrier for rehabilitation and reintegration.

The two main questions I seek to address in this paper are: a) What is the relationship between education and crime? and b) What is the effect of publicly available criminal histories on the career decisions of young men?

The teenage and early adulthood years are very important ones in everyone's life. Critical investments in human capital as well as the initiation of legal and criminal careers occur during these years. The fact that most crime<sup>1</sup> is committed by high school dropouts suggests the need to investigate the causal relationship between education and crime. While some consensus has been established regarding the negative sign of this causal relationship, specific magnitudes and channels seem to be unsettled issues in this literature. In particular, some disagreement exists on whether it is important to keep youths in school under “surveillance”, regardless of their schools progress, or whether it is precisely their school attainment what reduces crime by improving the returns to a “legal” career.

Employers’ access to criminal records has a crime-promoting effect, as ex-offenders see the chances of starting a “legal” life fairly reduced by the stigma of their criminal record. In this sense, current criminal records policy propels recidivism as it fuels deviant propensities in those whose behavior has already revealed some criminal proclivities. On the other hand, if individuals are rational

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<sup>1</sup> By crime, here I am referring to street or “blue collar” crime. See Lochner (2004) for a joint treatment of blue and white collar crimes.

and forward-looking, employers' access to criminal histories has, in addition, a crime-reducing impact, because it deteriorates labor market prospects in the event of conviction and therefore exerts further deterrence on individuals evaluating the start-up of a criminal career. This "dynamic deterrence" operates beyond and above the standard deterrent effects associated with certainty and severity of punishment by the criminal justice system (CJS). Of course, much of the aggregate research may have attributed to the recidivism effect what is, in fact, a combination of the two. The idea here is to measure these two counterbalancing effects, quantify their magnitude. While the net effect is important, knowledge of these two components is policy relevant as it informs what kind of intervention may be more useful.

Research on the effect of certainty and severity of punishment is vast, both in the criminology and economics literatures. On the other hand, much less research has been devoted to understand the effects of education or a particular criminal records policy.

Economic research on the relationship between crime and education has been particularly scarce. Witte (1997) emphasizes the "supervision" role of schools rather than their human capital accumulation role as, in her view, it's the time spent in school "under supervision" and not the level of educational attainment per se what reduces crime. Lochner & Moretti (2004) exploit exogenous variation from compulsory school laws and find a significant negative causal effect of education on incarceration probability. Their results seem to stand in contrast with those surveyed by Witte (1997). In particular, they highlight the earnings-enhancing power of additional schooling and the associated increase in the opportunity cost of crime, much in the spirit of classical human capital theory. They conclude with a strong policy recommendation:

*"...It is difficult to imagine a better reason to develop policies that prevent high-school drop."*

Lochner (2004) is the first to exploit a classic human capital framework to understand the relationships between, education, crime and work. Predictions from his model, regarding age-crime and education-crime profiles for white collar vs. blue collar offenses find support in NLSY79 and FBI-UCR data.

With regard to the impact of criminal records, a specific sub-literature has emerged in the last 15 years.<sup>2</sup> Most of these studies rely on offender data and provide an array of estimates of the impact of criminal records on post-conviction employment probabilities and earnings. While differing in magnitude, most of these studies, with the exception of Nagin & Waldgogel (1993,1995), find some negative effect of a criminal record on labor market outcomes. Pager (2002,2003), relies on an

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<sup>2</sup> See Lott (1990), Waldfogel (1994), Grogger (1995), Needels (1996), Kling (1999, 2004)

experimental audit design and finds very large negative causal effects of criminal records on employment probabilities. More recently, Bushway (2004) exploits cross-state variation in policies governing employer's access to criminal history records but finds no significant associations. Cross-state data comes from a compilation by the Legal Action Center.<sup>3</sup>

Having described where the literature stands on these pressing issues, and before proceeding, a few words about this paper's methodology are in order. While explicit social experimentation is the gold standard for policy evaluation in the social sciences, some experiments are costly or ethically difficult to undertake. As a result many have rightly searched for natural experiments that somehow generate the same kind of exogenous variation that experimental random assignment would produce. Furthermore, in the last two decades, advances in econometric methods and computational power gave rise to renewed interest in estimation of structural models for policy evaluation. When real or natural experiments are not available, fairly realistic and detailed models can be estimated on non-experimental samples and used to evaluate alternative policies. The idea is to "crash-test" counterfactual policies with a model that has been able to replicate the main patterns of behavior in the data at hand. In that spirit, this paper takes a forward-looking model as a serious vehicle to jointly capture the key determinants of criminal careers and schooling decisions. The model also allows for a "surveillance effect" associated with school attendance, in addition to the standard "earnings-enhancing" human capital effect, more related to school attainment. Therefore, I can test competing explanations advanced by Lochner & Moretti (2004) and Witte (1997) for the negative relationship between education and crime. The model helps to overcome dynamic selection biases that might threaten identification of the causal effects of education and publicly available criminal histories using observational, non-experimental methods. It deals with deterrence and stigma in an integral, consistent framework. Policy conclusions reached with other designs may be misleading when they fail to consider dynamic deterrent effects of criminal records policy and only focus on the stigma effects that propel recidivism. Estimates found in the literature do not seem to take explicitly into account that, as postulated by basic job search theory, optimal reservation wages will be lower once the arrival rate of jobs offers declines after conviction. This induces forward-looking individuals to accept jobs that they would've never accepted before their first conviction.<sup>4</sup>

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<sup>3</sup> This is a current cross-section of state variation on criminal records policy. It is a complicated task to construct a long panel with within-state variation in criminal records policy. I am not aware of the existence of any such compilation. The raw information to construct such a compilation is available in compendia from the Bureau of Justice Statistics, but only for recent years.

<sup>4</sup> Understanding the magnitude of this behavioral effect is important to help put in perspective the various estimates found in the literature.

In summary, while not an all-purpose model of criminal behavior, the model is quite general and it provides a complementary tool to evaluate policy interventions. It captures dynamic self-selection into a criminal career and it provides a joint treatment of schooling decisions vis-à-vis the development of legal and criminal career paths. Its predictions can be compared with experimental or quasi-experimental designs as those in Pager (2002,2003) for criminal records policy or Lochner & Moretti (2004) for crime-reducing education policy.

The paper uses the National Youth Survey (NYS) to estimate the model. Basic information on selected crime categories is available for all years 1976-1986. Retrospective information on arrests as well as convictions and incarcerations was collected in the last available waves. Data on schooling and job experience are fairly detailed and allow relatively accurate construction of educational and work histories.

Once the model is estimated, tested, and shown to provide a reasonable description of behavior observed in the estimating sample, alternative counterfactuals are simulated. Interventions ranging from criminal records policy to education policy and even “parenting” policies are explored. Regarding the connection between education and crime, I experiment with alternative implementations of Lochner & Moretti’s (2004) policy recommendation to reduce high school drop, and test competing explanations advanced by them and Witte (1997) on the role of schooling in reducing crime. From a policy perspective it is extremely important to understand whether more schools reduce crime because of the surveillance-incapacitation effects associated with the physical presence of youths in school or whether more schooling reduces crime by increasing its opportunity cost (i.e. more educated individuals have higher earnings prospects and therefore more to lose by engaging in criminal activities). With respect to criminal records policy, I experiment with the choices for sealing and opening criminal histories for adults and juveniles, departing from current standards. For example, there are two feasible alternatives to the current statu-quo: a) everything open (i.e. open juvenile records, whereas adult ones are already open) and b) everything sealed (i.e. seal adult records, whereas juvenile ones are already sealed). I simulate the net effect that these policies have on labor market outcomes and criminal behavior. For example, does the dynamic deterrent effect outweigh the recidivism effect? Furthermore, I get at the absolute magnitude of these two effects separately. Again, having this additional knowledge is policy relevant.

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