

"Job Loss, Social Insurance, and Criminal Behaviour: Evidence from Brazil"

Paolo Pinotti – (Bocconi University, Milan)

Abstract

We study the effect of job loss and unemployment benefits on the criminal behavior of displaced workers and their household members exploiting individual-level data on the universe of workers and criminal cases in Brazil over the period 2009-2017. We combine difference-in-differences, exact matching, and event study approaches to identify dynamic treatment effects in the period after job loss allowing for treatment effect heterogeneity. The probability of criminal prosecution increases by 26% upon job loss and remains approximately constant during the following years. Our unusually large dataset allows us to detect significant increases in all types of economically-motivated and violent crimes, including rare but extremely serious crimes such as kidnappings and murders (48 and 32 percent, respectively) as well as spillover effects on the criminal activity of other household members. These estimates are robust to exploiting plausibly exogenous variation from mass layoffs and to restricting the analysis to "in flagrante" arrests, which attenuate identification concerns and measurement issues. We then evaluate the role of unemployment benefits in mitigating the effects of job loss on criminal behavior, leveraging on discontinuous changes in eligibility with the time elapsed from previous unemployment spells. Regression discontinuity estimates suggest that unemployment benefits covering 3 to 5 months after displacement completely offset potential increases in crime induced by job loss, but this effect completely vanishes when benefits expire.