Incarceration, Recidivism and Employment

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Abstract: Is time spent in prison criminogenic or preventive? Prison could rehabilitate offenders, convince them crime does not pay, or provide vocational and life skills training. Conversely, prison could cause human capital to depreciate, expose offenders to hardened criminals, or limit opportunities due to societal stigma. However, estimating causal effects has proven challenging due to data availability and selection bias. In this paper, we exploit a rich panel dataset containing the criminal behavior and labor market outcomes of every Norwegian. We address threats to identification by exploiting the random assignment of criminal cases to Norwegian judges who differ systematically in their stringency in sentencing defendants to incarceration. Using judge stringency as an instrumental variable, we find that imprisonment discourages further criminal behavior, and that the reduction extends beyond incapacitation. Incarceration decreases the probability an individual will reoffend within 5 years by 25 percentage points, and reduces the total number of criminal charges over this same period by 10 crimes on average. Employment plays a large role in the recidivism drop. We find that defendants with little attachment to the formal labor market have a large reduction in recidivism, and a correspondingly large increase in post-incarceration employment. In contrast, previously employed defendants experience no significant change in recidivism and suffer a lasting hit to their employment. These IV results stand in stark contrast to OLS, which finds increases in recidivism and reductions in employment, even after conditioning on a rich set of controls. We discuss several features of the Norwegian penal system which help to explain our findings.

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