

Thesis Abstract

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A Search Model of Early Employment Careers and Youth Crime

The school to work transition and the early career path can be difficult for disadvantaged youth. Their labor market is usually studied ignoring the presence of the criminal sector, and yet a large share of them participate in crime. To study these outcomes jointly and explore how they relate, I build and estimate a two-sector search model allowing for a rich set of interactions between the two sectors. The legal labor sector has implications for the choice of whether to engage in crime due to higher opportunity costs of getting arrested. The criminal sector affects the legal labor sector since crime takes time that has to be re-allocated from leisure or legal employment. I estimate the model using a rich panel dataset of young offenders, the Pathways to Desistance. Search frictions in the legal labor sector are found to be significant, with these individuals being offered low-quality jobs that are characterized by short durations, low earnings, and large destruction rates. The criminal sector provides an attractive alternative to the legal labor sector, offering an earnings premium. I find that there are sizable interactions across sectors, and that policies in one sector can have important implications in the other sector.

Separating State Dependence, Experience, and Heterogeneity in a Model of Youth Crime and Education (with Salvador Navarro and David Rivers).

In this paper we study the determinants of youth crime using a dynamic discrete choice model of crime and education. We allow past education and criminal activities to affect current crime and educational decisions. We use the Pathways to Desistance to estimate the model. Taking advantage of a series of psychometric tests, we estimate a model of cognitive and social/emotional skills which feed into the crime and education model. This allows us to separately identify the roles of state dependence, returns to experience, and heterogeneity in driving crime and enrollment decisions among youth. We find small effects of experience and stronger evidence of state dependence and heterogeneity for crime and schooling. We provide evidence that, as a consequence, policies that affect individual heterogeneity (e.g., social/emotional skills), and those that temporarily keep youth away from crime, can have important and lasting effects even if criminal experience has already accumulated.