



# Job Loss, Credit and Crime in Colombia

Download Other Working Papers Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Gaurav Khanna Carlos Medina Anant Nyshadham Christian Posso Jorge Tamayo  
The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc).

Publication Date: Friday, 8 of November 2019

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

## Abstract

We investigate the effects of job displacement, as a result of mass-layoffs, on criminal arrests using a novel matched employer-employee-crime dataset in Medellín, Colombia. Job displacement leads to immediate earnings losses, and an increased likelihood of being arrested for both the displaced worker and for other youth in the family. We leverage variation in opportunities for legitimate reemployment and access to consumption credit to investigate the mechanisms underlying this job loss-crime relationship. Workers in booming sectors with more opportunities for legitimate reemployment exhibit lower increases in arrests after job losses. Greater exposure to an expansion in consumption credit also lowers the increase in arrests after employment shocks.