

# *Contemporary Comment*

## *The Job Compact and Crime:*

### Submission to the Committee on Employment Opportunities

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We wish to support the concept in the Green Paper, *Restoring Full Employment*, of a Job Compact that would put an obligation on the Commonwealth Government, working with a responsible private sector, to give all long term unemployed an opportunity to prove themselves in a job, even if only a temporary one. As criminologists, our support is based on concern about the future of the crime problem in Australia.

We know that labour market programs are difficult to design properly. It is not within our expertise to advise on how to design them successfully. For the purposes of analysis, we presume correct the judgement of the authors of the Green Paper that there have been improvements in the delivery of labour market programs during the past decade. Assuming further improvement is possible, we see the government as having a responsibility to learn how to develop the nation's capacity to offer jobs to the long term unemployed through innovative programming with determined quality assurance. Moreover, we see the private sector, the voluntary welfare sector and the unemployed as having responsibilities to contribute constructively to the development and seizing of opportunities in a Job Compact.

#### *1. Unemployment and the Cost of Crime*

The Green Paper, like Chapman's Discussion Paper,<sup>1</sup> neglects crime as a consequence of long term unemployment. Only one rather vague sentence is to be found on the subject on Page 25 of the Green Paper. Given the economic importance of crime and the effect of long term unemployment on crime, we consider this neglect of considerable economic importance in the way it shifts the balancing of the benefits and costs of the Job Compact proposal.

The Job Compact is costed by the Green Paper to average approximately \$1.0 billion a year between 1994 and 1997. In 1992, the Australian Institute of Criminology estimated the cost of crime in Australia between \$17 and \$27 billion.<sup>2</sup> Most criminologist regard this as a serious underestimate because of the covert nature of the black economy. The Institute of Criminology estimates include only direct costs, excluding, for example, the costs of reduced employment in the legitimate economy. In the Institute study, homicides are costed at \$1 million each. But this estimate excludes the costs of the prosecution/trial and any costing of the value of a human life and the suffering of loved ones of the victim and the convicted offender.

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1 Chapman, B, *Long Term Unemployment In Australia: Causes, Consequences and Policy Responses* (1993).

2 Walker, J, "Estimates of the Costs of Crime in Australia" (1992) *Trends and Issues in Crime and Criminal Justice*.

Even accepting the Institute of Criminology estimate of \$17–27 billion, the number is sufficiently high as to have a major effect on the cost-benefit ratio for a \$1 billion Job Compact. This is especially so when one considers that the cost of crime in Australia is very low compared with the cost in the United States and some other countries. Our fear as criminologists is that two or three decades of continued relegation of more than 300,000 Australians to long term unemployment may put us at risk of crime problems closer to those of the United States.

### A. *Swapping Places with the US?*

Why does the United States have a homicide rate of four or five times as high as Australia's? While there are many reasons, we believe that the single most important reason has to do with the creation within the United States of a semi-permanent underclass of *The Truly Disadvantaged*<sup>3</sup> with minimal prospects in the legitimate labour market. Cross-nationally, income inequality is a strong predictor of homicide rates<sup>4</sup> with the United States always falling at the high-inequality-high-homicide end of the plot. Americans who are not members of the underclass actually have homicide rates rather similar to Australian rates. Obversely, our "truly disadvantaged", Aborigines, have a homicide rate 13 times higher than non-Aboriginal Australians.<sup>5</sup> These Aboriginal homicide rates are two to three times US homicide rates. If the percentage of our population who are truly disadvantaged (like long term unemployed Aborigines) approached the proportionate size of the US underclass, our homicide rate would probably approach the US rate.

It follows that there is no reason for Australians to be complacent about its lower crime rates compared with the US. One reason US crime rates exploded during the 1960s and 70s to a degree that they did not in Australia, Europe or Japan was that the United States sustained chronically higher unemployment rates, particularly long term unemployment rates, during this period of its history compared with other rich countries. This was combined with poor health and welfare provisions for the long term unemployed by international standards.

Compared with the 60s and 70s as decades when Australia had much lower unemployment than the US, we are now well into a decade (probably at least a decade) where the reverse will continue to be true. Currently, our unemployment rate of 11 percent compares with 6 per cent in the US. While year to year changes in the unemployment rate have some effect on crime,<sup>6</sup> we believe the more important effect is the longer-term impact of whole generations of truly disadvantaged people, year after year, being left without hope,

3 Wilson, W J, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (1987).

4 See Braithwaite, J, *Inequality, Crime and Public Policy* (1979) at 203–8; Braithwaite, J and Braithwaite, V, "The Effect of Income Inequality and Social Democracy on Homicide" (1980) 20 *Brit J Crim* at 45–53; Hansmann, H and Quigley, J, "Population Heterogeneity and the Sociogenesis of Homicide" (1982) 61 *Social Forces* at 206–224; LaFree, G and Kick, E, "Cross-National Effects of Developmental, Distributional and Demographic Variables on Crime: A Review and Analysis" (1986) 24 *Int'l Annals Crim* at 213–235; McDonald, L, *The Sociology of Law and Order* (1976); Messner, S, "Modernization, Structural Characteristics, and Societal Rates of Crime: An Application of Blau's Macrosociological Theory" (1986) 27 *Sociol Q* at 27–41.

5 Strang, H, *Homicides in Australia, 1991–92* (1993).

6 Chiricos, T G, "Rates of Crime and Unemployment: An Analysis of Aggregate Research Evidence" (1987) 34 *Social Problems* at 187–212.

giving up on their own future and that of their children. It is not year to year variation in short term unemployment which is responsible for the creation of an underclass; it is long-term unemployment. Fortunately, the crime-reducing effects of the changing age structure of the Australian population will probably buffer Australia from substantial increases in crime that we might otherwise expect to occur as a result of chronic long term unemployment. That is, as the average age of the Australian population increases, the percentage of the population in the high crime 15–25 age group drops, so an ageing population benefits significantly from a declining crime rate.

### B. *Unemployment and Crime in Australia*

The association between unemployment and crime is strong in Australia. Fewer than one third of Australians convicted of homicide in 1991–92 were in paid employment at the time they killed.<sup>7</sup> Of all Australians in prison on the National Prison Census of 1992, fewer than a quarter were in paid employment at the time of their arrest.<sup>8</sup> There is a strong reason for suspecting that a similar situation applies to the most important part of our hidden crime problem, domestic violence. When violence between sexual intimates did come to police attention because it resulted in death, only one third of the mostly male offenders were in paid employment.<sup>9</sup>

The Australian findings are consistent with an international literature that shows unemployed people to be much more likely to be arrested for or convicted of crime than employed people.<sup>10</sup> Even with self-report delinquency studies, where the disadvantage-crime relationship is most hotly contested,<sup>11</sup> there is some suggestions of an unemployment effect that is strong where more global measures of class have weak effects.<sup>12</sup> Within cities, neighbourhoods with high unemployment rates have high crime rates.<sup>13</sup> Indeed in both Australia and the US, neighbourhood disadvantage seems to have substantial effects in increasing crime over and above the summed effects of the individual disadvantages of the

7 Above n3 at 29–30.

8 Walker, J, and Salloom, S, *Australian Prisoners 1992: Results of the National Prison Census 30 June 1992* (1993) at 32.

9 Eastel, P, *Killing the Beloved: Homicide Between Adult Sexual Intimates* (1993) at 55; see also Devery, C, *Domestic Violence in NSW: A Regional Analysis* (1992).

10 See many studies cited in Belknap, J, "The Economics-Crime Link" (March 1989) *Crim Just Abstr* 145–146; Braithwaite, above n4 at 23–63; Clinard, M and Abbott, D, *Crime in Developing Countries: A Comparative Perspective* (1973); note also Duster, T, "Crime, Youth Unemployment and the Black Urban Underclass" (1987) 33 *Crime & Delinq* at 300–16; Farrington, D, Gallagher, B, Morley, L, St Ledger, R and West, D, "Unemployment School Leaving and Crime" (1986) 26 *Brit J Crim* at 335–56.

11 Tittle, C, Villemez, W and Smith, D, "The Myth of Social Class and Criminality: An Empirical Assessment of the Empirical Evidence" (1978) 43 *Amer Sociol R* at 643–656; Braithwaite, J, "The Myth of Social Class and Criminality' Reconsidered" (1981) 46 *Amer Sociol R* at 36–57.

12 Brownfield, D, "Social Class and Violent Behaviour" (1986) 24 *Criminology* at 421–38.

13 Allison, J, "Economic Factors and the Rate of Crime" (1972) 68 *Land Economics* 193–6; Becholdt, B, "Cross-Sectional Analysis of Socioeconomic Determinants of Urban Crime" (1975) 33 *R Soc Econ* 132–40; Bloom, B, "A Census Tract Analysis of Socially Deviant Behaviour" (1966) 1 *Multivariate Behav Res* at 307–20; Fleisher, B, *The Economics of Delinquency* (1966); Shaw, C and McKay, H, *Juvenile Delinquency and Urban Areas* (1969); Sjoquist, D, "Property Crime and Economic Behaviour: Some Empirical Results" (1973) 63 *Amer Econ R* 439–46; Vinson, T, and Homel, R, *The Coincidence of Medical and Social Problems Throughout a Region* (1972); Braithwaite, above n4 at 29–32; Chiricos, above n6 at 195; Sampson, R and Wooldredge, J, "Linking the Micro and Macro Levels of Lifestyle-Routine Activity and Opportunity Models of Predatory Victimization" (1988) 3 *J Quant Crim* at 371–93.

people living in those neighbourhoods.<sup>14</sup> Moreover, this research shows that the combined effect on crime of coming from a disadvantaged family and living in a disadvantaged neighbourhood is greater than the sum of their separate effects.<sup>15</sup> This has important implications for the Job Compact challenge of delivering jobs to the unemployed in those disadvantaged areas where jobs are hardest to deliver. In Australia, the correlation between the level of unemployment and the level of crime neighbourhoods suffer is very high. Across the 43 Sydney census areas, the correlation between the unemployment rate and the rate of crimes against the person during the current recession was 0.87.<sup>16</sup> The ecological correlation between unemployment and crimes against property was 0.89.

Time-series studies have not produced such consistent results on the effects of unemployment on crime. Time-series studies address the question of whether crime rates increase during periods when unemployment is high, whereas cross-sectional studies examine whether people or areas with high unemployment rates experience higher crime rates (where the association is measured at one point in time). Time-series studies have been bedevilled by puzzles such as the Great Depression, where crime actually fell in countries such as the US and Australia. Unlike the 1990s recession, in the US at least, the Great Depression hit the rich harder than the poor, actually reducing the income inequality.<sup>17</sup> The most exhaustive review of time-series studies by Chiricos<sup>18</sup> clearly supports and unemployment-crime association, as does the recent Australian review by Braithwaite, Chapman and Kapuscinski.<sup>19</sup> Chiricos finds that the studies become progressively more likely to find unemployment effects when they include more up-to-date data. Even so, time-series unemployment-crime associations are weak compared to cross sectional correlations. The next section presents just one of a number of reasons for this.

## 2. Crime Causing Unemployment

Recently, it has been established empirically that some of the relationship between unemployment and crime is a result of crime causing unemployment rather than the reverse. Hagan<sup>20</sup> has shown that youths who are embedded in criminal networks become isolated from the networks that enable legitimate adult employment. Consider, for example, a person who, after spending their teenage years in prostitution and/or drug dealing, decides to get out of the game in their early twenties. She or he has few contacts to help with finding work in the legitimate job market, no relevant experience and no-one who can write a suitable reference. In contrast, she may have good contacts, solid experience and influential referees in the black economy, so she sticks with the black economy until it discards or kills her. Even though her story is more one of crime causing unemployment than unemployment causing crime,<sup>21</sup> this causal story actually makes a stronger case for the Job

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14 Reiss, A and Rhodes, A, "The Distribution of Juvenile Delinquency in the Social Class Structure" (1961) 26 *Amer Sociol R* at 720–32.

15 Braithwaite, above n4.

16 Devery, C, *Disadvantage and Crime in NSW* (1991).

17 Menderhausen, H, *Changes in Income Distribution During the Great Depression* (1946).

18 Above n6.

19 Braithwaite, J, Chapman, B and Kapuscinski, C, "Unemployment and Crime: Resolving the Paradox" (1992) American Bar Foundation Working Paper 9201.

20 Hagan, J, "The Social Embeddedness of Crime and Unemployment" (1993) 31 *Criminology* at 465–92.

21 In criminological theory, it is important to distinguish between the causes of the onset of a criminal career

Compact than the story of unemployment causing crime. In a competitive labour market, prudent employers do not risk hiring job applicants such as this. If they were given an incentive (moral and financial) through a Job Compact to take the risk, however, they might find that they have an employee who is highly motivated to succeed in a decent career, who has acquired extraordinary social skills in handling difficult situations and difficult people, and who has learnt how to manage money, bearing in mind the commercial complexity of money laundering in the black economy. But because no risk-averse employer has an incentive to release those entrapped criminal careers, the economy both bears the costs of their continuing crime and loses the benefits of the skills they have acquired in the black economy.

### 3. *Is Economic Growth Enough?*

Media critics of Job Compact argue that we will do better to rely on the jobs created by normal economic growth than to resort to artificial labour market programs. Non one could deny that economic growth is the most important way to create jobs. As criminologists, we are not well equipped to join the debate over the Green Paper's and Chapman's<sup>22</sup> claim that a Job Compact would actually increase economic growth by improving the efficiency of the matching process between vacancies and job seekers and by reducing the unemployment rate at which wage inflation has no tendency to accelerate. What we want to do is underline five quite independent social and economic reasons for focusing on the long term unemployed in the way proposed by the Job Compact rather than simply concentrating on market-driven economic growth:

1. Market-driven economic growth is most likely to deliver employment to the short term unemployed rather than the long term unemployed whose despair and alienation renders them most prone to crime and to having children who graduate into crime.
2. Market-driven economic growth is least likely to deliver jobs to the truly disadvantaged communities (eg fringe Aboriginal settlements) that have ecological effects on increasing crime over and above aggregated individual effects.
3. Market-driven economic growth fails to deliver jobs to people released from prison who have a desire to go straight.<sup>23</sup>
4. Market-driven economic growth does not deliver jobs to people in the drug trade, theft, prostitution and other areas of the black economy who find it impossible to move into the legitimate economy.
5. Market-driven employment growth secures increased labour force participation as well as unemployment reduction. Unfortunately, some data suggest that increased labour force participation actually has some crime-reducing effects,<sup>24</sup> at the same

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and the causes of its termination. Hence, in a case like this, an unknown cause X was responsible for the commencement of a criminal career, which in turn caused unemployment. Unemployment then became the reason for the non-termination of the criminal career. One problem with time-series models of unemployment and crime is that they are simple onset models that do not specify termination mechanisms.

22 Chapman, above n1.

23 Braithwaite, J, *Prisons, Education and Work: Towards a National Employment Strategy for Prisoners* (1980).

24 Braithwaite et al, above n19.

time as unemployment reduction has crime-reducing effects. For example, increased labour force participation can increase burglary when its effect is that more houses are left unguarded by any adult during the day.<sup>25</sup> It follows that programs which concentrate resources on unemployment reduction (like the Job Compact) should be more cost-effective for crime reduction than programs that increase employment generally.

#### 4. Conclusion

We agree with Professor Bob Gregory<sup>26</sup> when he says: "We're going to need something extra. And anybody who says that 'I'm against all those extra proposals', what they're really saying is that they're prepared to live with long term unemployment in Australia". Our addition is that they are prepared to live with the economic and human costs of a higher crime rate that we need to have and that those costs could well exceed the \$1 billion a year projected for the Job Compact. There is no way of being sure about these costs given the limitation of the data available to us. Yet is not a silly speculation to worry that our crime rate could double, or worse, in the long run if we allow a permanent underclass to occupy large sections of our cities. The costs of this scenario would be over \$10 billion a year. During the past decade or so we have seen this happen in Northern English cities such as Liverpool. In the longer term we have to worry that many parts of Australia could go the same way (like Dandenong, suffering from a tripling of unemployment and a 25 percent increase in major crime during the recession). Western New South Wales towns, like Wilcannia, Bourke, Walgett and Moree, already suffer the worst crime rates in that state because of the problems of unemployed Aboriginal citizens with even less of a future than the underclass in American cities. Rejection of the laissez faire in favour of determined effort over many years on many fronts, determination not to give up on all programs when some programs fail, is needed to avert the social calamity of a growing culture of underclass anger and hopelessness. National commitment to a Job Compact would be a good start.

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The Committee on Employment Opportunities is currently seeking submissions. This represents an important opportunity for criminologists to engage in the wider political debate and to make the connections between broad social policy and crime and criminalisation. Letters in support of John Braithwaite and Duncan Chappell's submission, or separate submissions, may be sent to: Dr Alan Stretton, Committee On Employment Opportunities, Department of Prime Minister and Cabinet, 3-5 National Circuit, BARTON ACT 2600.

25 Cohen, L and Felson, M, "Social Change and Crime Rate Trends: A Routine Activity Approach" (1979) 44 *Amer Sociol R* 588-608; Cohen, L, Kluegel, J and Land, K, "Social Inequality and Predatory Criminal Victimization: an exposition and test of a formal theory" (1981) *Amer Sociol R* 505-24.

26 Gregory, R, quoted in *Australian Financial Review*, 1 October 1993 at 2.