

Does Welfare Prevent Crime? The Criminal Justice Outcomes of Youth Removed from SSI

Based on BFI Working Paper 2022-28, “Does Welfare Prevent Crime? The Criminal Justice Outcomes of Youth Removed from SSI,” by Manasi Deshpande, University of Chicago; and Michael Mueller-Smith, University of Michigan

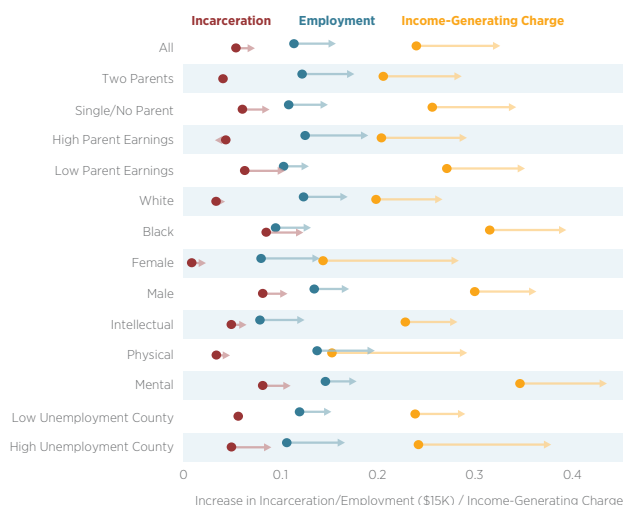
Losing Supplemental Security Income (SSI) at 18 increases the number of criminal charges over the next two decades, with the costs of enforcement and incarceration from SSI removal approaching the savings from reduced SSI benefits.

The U.S. Supplemental Security Income (SSI) program provides cash assistance to the families of 1.2 million low-income children with disabilities. When these children turn 18, they are reevaluated to determine whether their medical condition meets the eligibility criteria for adult SSI. About 40% of children who receive SSI just before age 18 are removed from SSI because of this reevaluation. Relative to those who stay on SSI in adulthood, these children lose nearly \$10,000 annually in SSI benefits in adulthood.

Among other issues, this raises questions for policymakers and researchers about the long-term effects of providing welfare benefits to disadvantaged youth on employment and criminal justice involvement. On the one hand, cash assistance could provide a basic level of income and well-being to youth who face barriers to employment and thereby reduce their criminal justice involvement. On the other hand, welfare benefits could discourage work at a formative time and discourage the development of skills, good habits, or attachment to the labor force, potentially even increasing criminal justice involvement.

To investigate these questions, the authors build a unique dataset that allows them to measure the effect of SSI on joint employment and criminal justice outcomes, and to follow the outcomes of youth for two

Figure 1 • Heterogeneity in Effects of SSI Removal by Subgroup



Note: Figure plots change in outcome variable (annual incarceration rate, likelihood of income-generating charge, or likelihood of earning more than \$15,000 annually from 1997–2017) resulting from SSI removal at age 18, by subgroup. Each arrow starts at the control mean for that subgroup and ends at the control mean plus IV estimate of the effect of receiving an unfavorable age 18 medical review (so that the arrowhead represents the level of criminal charges for those removed as a result of the age 18 review). “High/low parent earnings” indicates children with parental earnings above/below the sample median (\$5,500 annually) when the child was between 12 and 17 years of age. “High/low unemployment county” indicates children living in above/below median unemployment rate county, where the unemployment rate is the county’s average annual unemployment rate from 1997 to 2017 from the Bureau of Labor Statistics. Sample is SSI children with an 18th birthday within 10 months of the August 22, 1996, cutoff who reside in a county with CJARS coverage.

decades after they are removed from SSI. The first-ever descriptive statistics from this linkage indicate that nearly 40% of recent SSI cohorts are involved in the criminal justice system in adulthood, making criminal justice involvement a high-powered outcome for individuals who received SSI benefits as children.

Among other results, the authors find the following:

- SSI removal at age 18 in 1996 increases the number of criminal charges by a statistically significant 20% (2.04 to 2.50 charges) over the following two decades, with concentration in activities for which income generation is a primary motivation.
- “Income-generating” charges (such as burglary, theft, fraud/forgery, robbery, drug distribution, and prostitution) increase by 60%, compared to just 10% for charges not associated with income generation.
- The likelihood of incarceration in each year from ages 18 to 38, averaged over the 21 years, increases from 4.7 to 7.6 percentage points, a statistically significant 60%, in the two decades following SSI removal.
- Men and women respond differently to SSI removal. For men, the largest and most precise increase is for theft charges, and the annual likelihood of incarceration for men increases from 7.2 to 10.8 percentage points (50%).
- The effect of SSI removal on criminal charges is even larger for women than for men, and for women is concentrated almost exclusively in activities associated with income generation. Like men, the largest effects for women are for theft charges, but unlike men, women also have large increases in prostitution charges and fraud charges. The annual likelihood of incarceration for women increases from 0.7 to 2.4 percentage points (220%).

- Illegal income-generating activity leads to higher rates of incarceration, especially for groups with a high baseline incarceration rate, including Black youth and youth from the most disadvantaged families.
- Broadly, this work suggests that contemporaneous SSI income during adulthood is not the primary driver of criminal justice involvement. Instead, it is more likely the loss of SSI income in early adulthood that permanently increases the propensity to commit crimes throughout adulthood.
- Finally, the costs of enforcement and incarceration from SSI removal approach, and thus nearly negate, the savings from reduced SSI benefits.

This work raises key questions for future research that have important implications for policymakers, especially concerning the likely effects of new or expanded general welfare programs. For example, should we expect the broader population of disadvantaged children to respond similarly to welfare benefits compared to children receiving SSI? And are the effects of gaining and losing welfare benefits symmetric, or does losing benefits have a larger effect than gaining benefits?

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