



Research Working Papers

The Unintended Consequences of Employer Credit Check Bans for Labor Markets

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July 14, 2020

Job vacancies decline significantly when laws forbid employers from using credit reports in the hiring process.

RWP 20-04, July 2020

Over the last 15 years, 11 states have restricted employers' access to the credit reports of job applicants. We estimate that county-level job vacancies have fallen by 5.5 percent in occupations affected by these laws relative to exempt occupations in the same counties and national-level vacancies for the same occupations. Cross-sectional heterogeneity suggests that employers use credit reports as signals of a worker's ability to perform the job: vacancies fall more in counties with a large share of subprime residents, while they fall less for occupations with other commonly available signals. Vacancies fall most for occupations involving routine tasks, suggesting that credit reports contain information relevant for these types of jobs.

JEL Classification: E24, E65, J23, J63

Article Citations

- Cortés, Kristle, Andrew Glover, and Murat Tasci. 2020. "The Unintended Consequences of Employer Credit Check Bans for Labor Markets." Federal Reserve Bank of Kansas City, Research Working Paper no. 20-04, July. Available at <https://doi.org/10.18651/RWP2020-04>

Related Research

- Bartik, A. and Nelson, S., 2019. Deleting a Signal: Evidence from Pre-Employment Credit Checks. *University of Chicago, Becker Friedman Institute for Economics Working Paper*, (2019-137).
 - Corbae, Dean, and Andrew Glover. 2018. "[Employer Credit Checks: Poverty Traps Versus Matching Efficiency](#)." National Bureau of Economic Research working paper no. 25005, September.
 - Dobbie, Will, Paul Goldsmith-Pinkham, Neale Mahoney, and Jae Song. 2019. "Bad Credit, No Problem? Credit and Labor Market Consequences of Bad Credit Reports." *Kreisman Working Papers Series in Housing Law and Policy*.
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