

Costly Misdemeanors: Labour Market Effects of Low-Level Drink-Driving Violations

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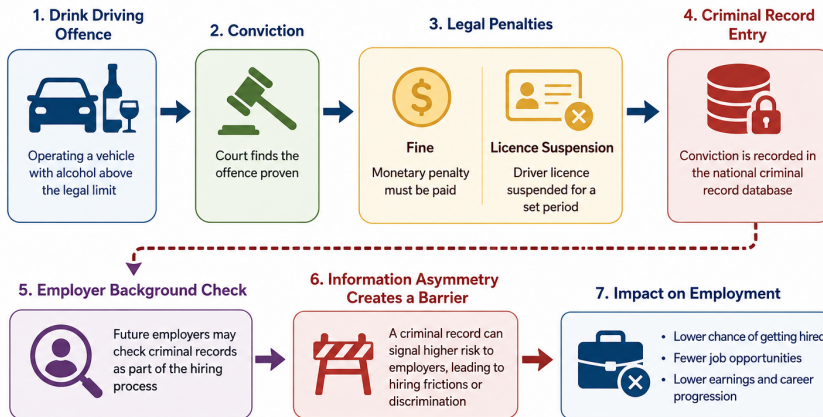


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From Drink Driving to an Employment Barrier

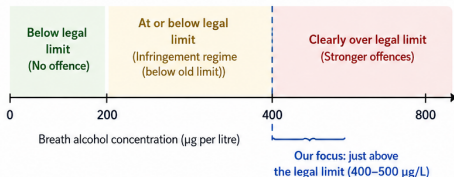


Key Insight: Even without jail time, a drink driving conviction can have long-lasting labour market consequences through the criminal record channel.

The study in a nutshell

IDENTIFICATION STRATEGY

Novelty in Identification: Using Offences Slightly Above the Legal Limit



Applying Two Complementary Methods



1. Staggered Difference-in-Difference

Compares changes in outcomes before and after conviction relative to similar individuals not convicted, using variation in conviction timing.



2. Exact Matching

Matches each treated individual to similar non-convicted individuals on observables characteristics (e.g., demographics, prior employment and earnings) and compares outcomes over time.

FINDINGS: PERSISTENT EMPLOYMENT AND EARNINGS LOSSES

Significant and Persistent Negative Effects (Working Age 20–55)



Likelihood entering employment
-8.2 pp
(percentage points)



Likelihood exiting employment
+2.2 pp
(percentage points)



Monthly earnings
-\$90
(dollars)



Effects are persistent over 2+ years after conviction.

What Drives the Effects?



Effects are driven mainly by reduced job entry rather than job loss, consistent with employer screening and criminal-record stigma rather than incapacitation or human capital depreciation.



Criminal record created



Employers screen



Reduced job opportunities



Lower employment and earnings

Research Question

- ▶ What is the causal effect of a drink-driving conviction on:
 - ▶ Employment
 - ▶ Earnings
 - ▶ Labour market transitions
- ▶ Focus: low-level, first-time offenders
- ▶ Key distinction: effects without incarceration

Institutional Context

- ▶ BAC limit: 400 $\mu g/L$ breath (court threshold)
- ▶ 400–800 μg : summary offence
- ▶ Penalties:
 - ▶ Fine
 - ▶ Licence suspension
- ▶ No incarceration for most cases

Data

- ▶ Statistics NZ Integrated Data Infrastructure (IDI)
- ▶ Linked datasets:
 - ▶ Ministry of Justice (court records)
 - ▶ Inland Revenue (earnings)
- ▶ Monthly panel structure

Sample Restrictions

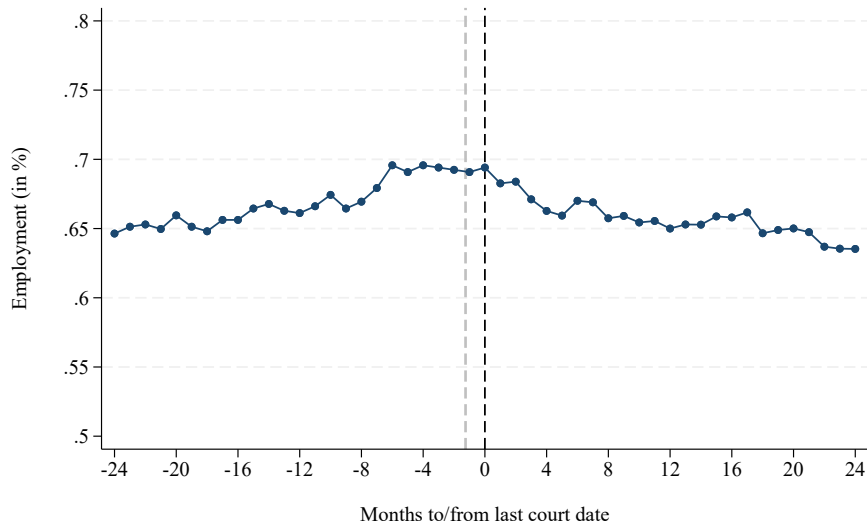
- ▶ First-time drink-driving offenders (last court date: 2007-2019)
- ▶ BAC: 400–500 μg (low-level) (only 15% of DD)
- ▶ Sentencing: Fine in similar level and DL suspension (180 days)
- ▶ Age: 20–55
- ▶ NZ-born individuals

Descriptive Statistics

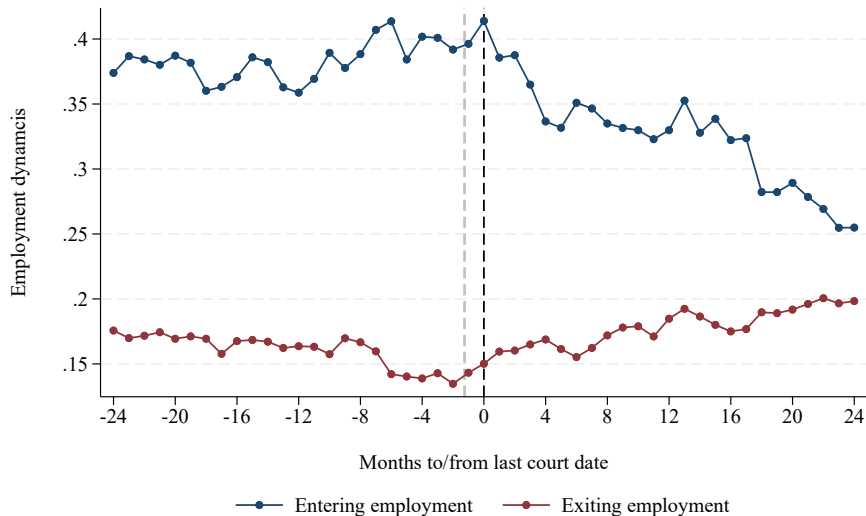
	Drink-driving sample	2013 Census sample
Date	2013m5	2013m3
Age	32.6	38.2
Male	0.556	0.474
Employed	0.691	0.566
Monthly earnings (NZD)	3946	4522
Manufacturing/Construction	0.292	0.194
Trade/Retail	0.310	0.237
Services/Health	0.284	0.441
Individuals	1,824	684,927

Drink-driving sample differs: younger, more male, lower earnings

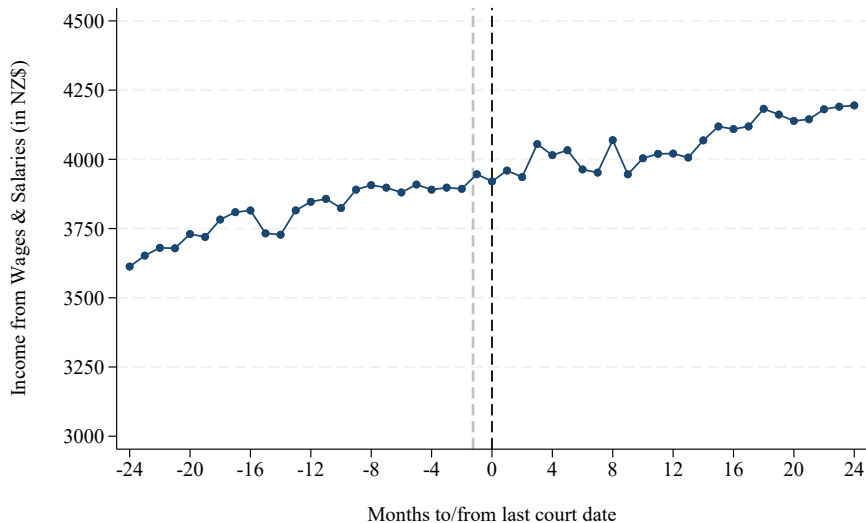
Raw trends: Employment



Raw trends: Labour market transitions



Raw trends: Wages & Salaries



Raw Trends

- ▶ Employment rises slightly pre-conviction
- ▶ Declines after conviction
- ▶ Entry into employment drops sharply
- ▶ Earnings trend upward for those employed

Empirical Strategy

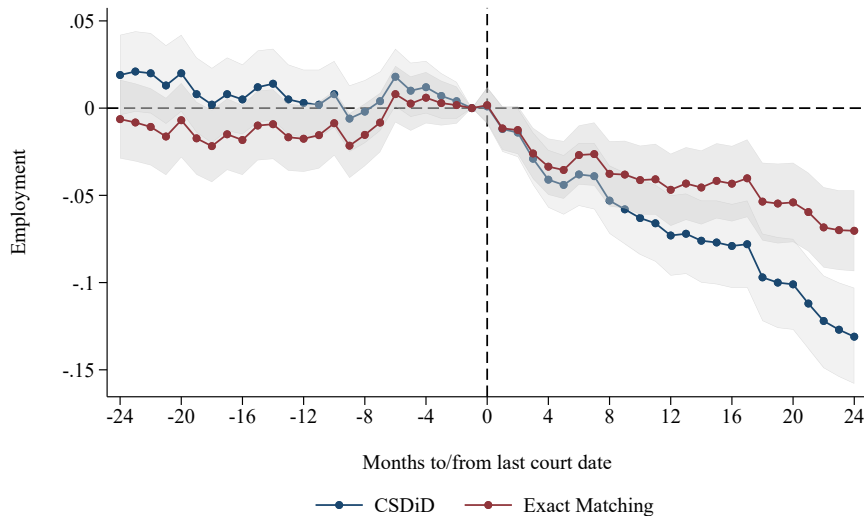
1. Staggered Difference-in-Differences:

- ▶ Treated individuals
- ▶ Not-yet-treated individuals
- ▶ Conditioning on eventual conviction

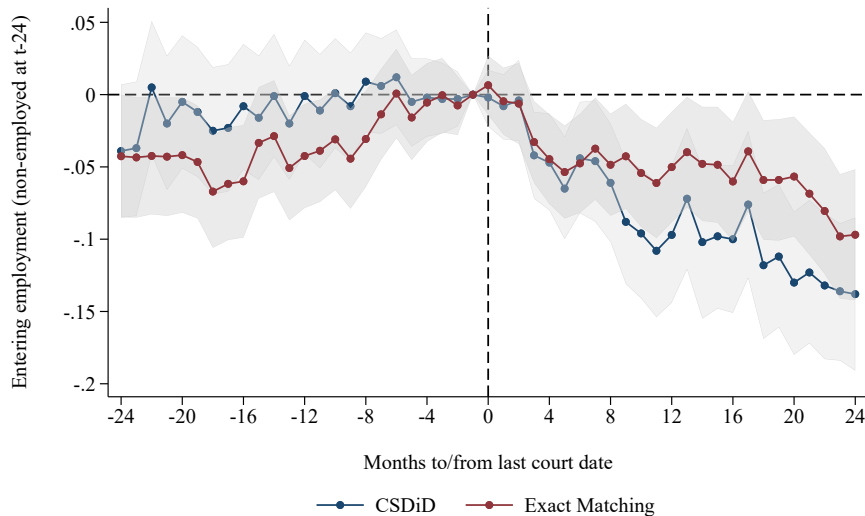
2. Exact matching (verifying findings):

- ▶ Convicted individuals
- ▶ Similar individuals (birth date, sex, ethnicity, employment/earnings) with no recorded court conviction

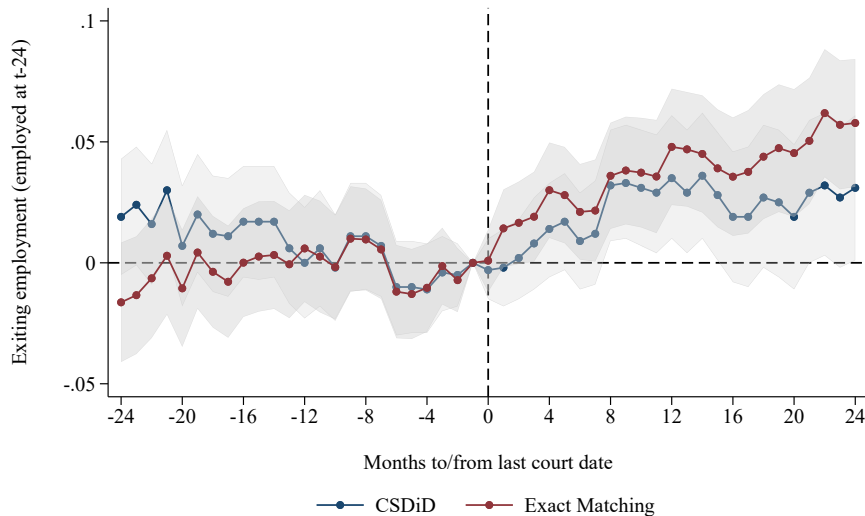
Baseline Results: Employment



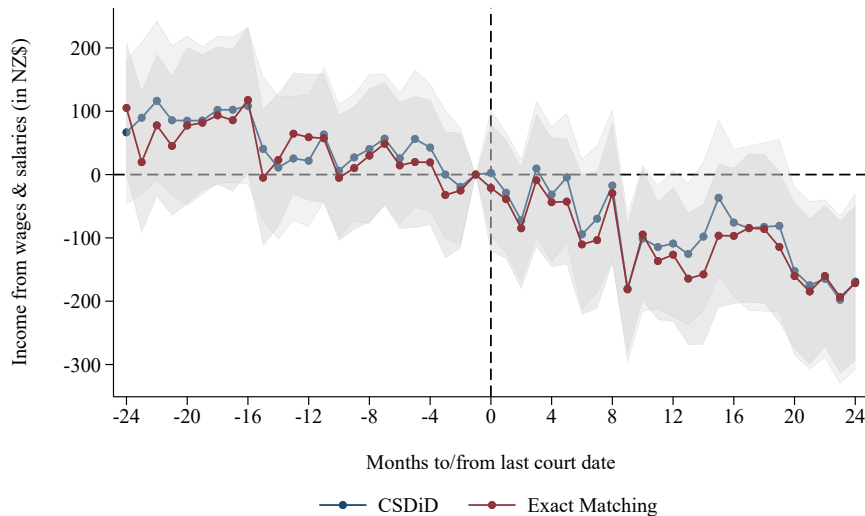
Baseline Results: Entering employment



Baseline Results: Exiting employment



Baseline Results: Wages & Salaries



Baseline Results

	CSDiD		Exact Matching	
	Pre-period $-24 \leq t \leq -2$	Post-period $0 \leq t \leq +24$	Pre-period $-24 \leq t \leq -2$	Post-period $0 \leq t \leq +24$
Employment	0.009 (0.008)	-0.068*** (0.009)	-0.010 (0.008)	-0.041*** (0.008)
Entering employment	-0.009 (0.015)	-0.082*** (0.015)	-0.034** (0.014)	-0.049*** (0.014)
Exiting employment	0.008 (0.008)	0.022** (0.009)	-0.002 (0.008)	0.037*** (0.009)
Wages & Salaries	53.933 (41.093)	-90.109** (40.853)	42.761 (40.058)	-107.673*** (38.558)

Mechanism: Labour Market Flows

- ▶ Large drop in job entry
- ▶ Small increase in job exit
- ▶ Suggests hiring barrier rather than job loss

Interpretation

- ▶ Evidence consistent with:
 - ▶ Employer screening
 - ▶ Criminal record stigma
- ▶ Not driven by:
 - ▶ Incarceration
 - ▶ Human capital depreciation

Additional Evidence: Hiring

- ▶ 2013 New Zealand Census, MoJ court charges register, and Inland Revenue tax records
- ▶ Individuals who were unemployed and actively searching for a job in March 2013
- ▶ Not received wage or salary income between December 2012 and March 2013
- ▶ Three mutually exclusive groups based on their most serious sentence
 - ▶ those with no prior convictions (*reference*)
 - ▶ those whose most serious sentence was imprisonment or home detention ('severe offenses')
 - ▶ those whose most serious sentence comprised other community-based or monetary penalties ('minor offenses')

Additional Evidence: Employment probability of job seekers by conviction history

	6 months	12 months	24 months
Imprisonment/Home detention	-0.024*** (0.008)	-0.028*** (0.009)	-0.054*** (0.010)
Other community/Monetary	-0.022*** (0.006)	-0.035*** (0.007)	-0.047*** (0.007)
Other community/Monetary & Traffic violation	-0.013** (0.005)	-0.017*** (0.006)	-0.015** (0.007)
Mean employment	0.222	0.296	0.364
Individuals	74,595	74,595	74,595

Policy Implications

POLICY IMPLICATIONS



Our findings show that a drink-driving conviction—though non-custodial—leads to persistent employment and earnings losses driven by hiring barriers and stigma. Policies can reduce these long-term costs and support reintegration.

1 Reduce Persistence of Criminal Records



Limit how long old convictions remain accessible to employers.



Why it matters:

Most harm to employment occurs long after the sentence is served. Reducing record persistence reduces unnecessary barriers.

2 Expand Clean Slate Protections



Automatically clear or seal eligible low-level convictions after a defined period.



Why it matters:

Clean Slate laws improve access to jobs, increase earnings, and reduce recidivism.

3 Consider Diversion for Low-Level Offences



Use diversion programs (e.g., education, treatment, community panels) for first-time low-level drink-driving offenders.



Why it matters:

Diversion can address behavior, avoid the stigma of conviction, and prevent long-term labour market harm.

4 Promote Fair-Chance Hiring



Encourage employers to focus on skills and potential, not criminal records.



Why it matters:

Fair-chance hiring expands opportunities, strengthens workforces, and benefits communities and the economy.



Targeted reforms can reduce the hidden labour market costs of minor offences, support productive lives, and build a fairer, more inclusive economy.



Smart policy today better outcomes tomorrow.

Limitations

- ▶ Focus on low-level offenders
- ▶ External validity
- ▶ Cannot fully observe employer behaviour

Conclusion

- ▶ Convictions reduce employment primarily via hiring
- ▶ Persistent labour market scarring
- ▶ Policy should target re-entry into employment

Thank You

Questions?