

Is it time to let go of the past?

Effect of clean slate regulation on employment and earnings

Kabir Dasgupta[✓], Keshar Ghimire* & Alexander Plum[✓]

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[✓] New Zealand Work Research Institute, Auckland University of Technology

* Economics Department, University of Cincinnati - Blue Ash

Disclaimer

The results in this paper are not official statistics, they have been created for research purposes from the Integrated Data Infrastructure (IDI) managed by Statistics New Zealand (NZ). The opinions, findings, recommendations and conclusions expressed in this paper are those of the author(s) not Statistics NZ.

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Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the Privacy impact assessment for the Integrated Data Infrastructure available from www.stats.govt.nz.

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Research preview

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Research preview

Highlights

- Research question: What is the effect of New Zealand's clean slate intervention on labor market outcomes of former convicts?
- Motivation:
 - Past criminal records can hurt labor market prospects.
 - Several jurisdictions have instituted regulations to lessen the impact of criminal records on future labor market outcomes.
 - NZ's clean slate initiative presents a novel scope for exploring the labor market implications of large-scale rehabilitative reforms for former offenders.
- Preview of key findings:
 - The passage of clean slate regulation did not affect employability but was followed by increased monthly earnings by approximately 2-2.5% .
 - No empirical evidence of increased ethnically motivated discrimination during the post-implementation periods.

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Background

Background

- Social barrier: Past criminal records, e.g. formal arrests or convictions, can hurt employment prospects (Grogger 1992, 1995; Solomon 2012; Agan & Starr 2017; Bhuller et. al 2020).
 - Prior convictions often “*impart a stigma that makes employers less likely to hire ex-offenders*” (Schmitt & Warner 2010).
- Several jurisdictions now allow automatic expungement of criminal records, subject to certain eligibility criteria.
 - See Loucks et al., 1998 for EU; McAleese & Latimer for Canada; Naylor, 2005 for Australia.
- There have been some large-scale policy initiatives in the U.S. as well.
 - The state-specific ‘Ban-the-Box’ (BTB) program restricts employers from asking about a job applicant’s criminal background during the initial stages of a hiring process.
 - More recently, a few states (including PA, MI, UT) have implemented clean slate legislation to remove outdated criminal records from the respective states’ crime register.

NZ's Clean slate scheme

- Effective on November 29, 2004, officially known as the Criminal Records Act.
- Allows automatic concealment of criminal records for a large swath of eligible ex-convicts.
- Eligibility conditions for clean slate scheme:
 - (i) not have any convictions within the previous seven years since the last sentencing;
 - (ii) not have received any custodial sentences (prison, corrective training, preventive detention, borstal training);
 - (iii) not have convictions for sexual offense;
 - (iv) have paid in full all financial penalties and criminal offense obligations as ordered by the court;
 - (v) not have received any indefinite disqualification from driving vehicles; and
 - (vi) not have been ordered by the court to be admitted to hospital for mental health treatment instead of being sentenced.

Empirical contribution

- Several studies have looked into the BTB program's effect on labor market wellbeing and inadvertent consequences.
 - Prominent studies include Agan & Starr (2018), Craigie (2020), Doleac & Hansen (2020), Rose (2020).
 - Effects on employment appear to be mixed (Shoag & Veuger, 2016; Craigie, 2020; Rose, 2020).
 - However, BTB can trigger statistical discrimination by employers (Agan & Starr, 2018; Doleac & Hansen, 2020).
- NZ's clean slate regulation presents an important research scope.
 - Alternative legislative approach to restrict employers' access to criminal background information.
 - Highly detailed national-level administrative data on criminal convictions (court charges) and employment (monthly tax records).
 - Can further test if clean slate legislation prompts statistical discrimination across demographic groups.
- Potential mechanisms:
 - Individuals with cleaner records have higher employability, relative to ex-offenders.
 - Bargaining power increases with cleaner records.

Data & Analysis

Data sources

- Integrated Data Infrastructure (IDI) administered by Statistics NZ.
- Data collected from several government agencies and nongovernment agencies and can be linked using unique confidentialized identifiers.
- **Court charges** data linked with **Personal Details** files, **Inland Revenue (IR)** tax records, **Border Movements** data, and **Census 2013** data.

Court charges data - Sample selection

Selection criteria	Unique individuals
-Last recorded court charges between 1992 and 2003	296,085
-Not deceased during the study period	275,154
-Last court charge received a conviction	146,658
-No custodial sentence, driving disqualification, or court orders for mental health treatment	61,839
-No sexual or violence-related offense	57,915

Descriptive summary

- 57,915 convicted individuals (25-64 year old males) with 85,359 convictions in total.
- 1,264,860 person-month observations spanning the period Jan 2000-Dec 2009 after linking with monthly labor market data.
- No real differences in employment status of eligible and ineligible convicts in pre-implementation era.
- Earnings of eligible convicts slightly higher than ineligible convicts in the pre-implementation era.
- Earnings of ex-convicts significantly are lower than that of comparable non-convicts in pre-implementation era.

Identification strategy: Difference-in-Differences

- Clean-slate eligible ex-convicts are compared to ex-convicts approaching eligibility.
- Elapsed time since last conviction is allowed to vary within the range of 2 years below the clean slate threshold (5 years) to 2 years above the threshold (9 years).

$$Y_{it} = \alpha_0 + \alpha_1.(Post_t * Eligible_{it}) + \alpha_2.Post_t + \alpha_3.Eligible_{it} + \mathbf{X}'_i.\alpha_4 + \lambda_t + A_{it} + \Omega_i * t + \epsilon_{it}$$

such that

$$Post_t = \begin{cases} 1 & \text{if time} \geq \text{December 2004} \\ 0 & \text{otherwise} \end{cases} ; \text{ and}$$
$$Eligible_{it} = \begin{cases} 1 & \text{if time elapsed since} \\ & \text{last sentence} \geq 7 \text{ years} \\ 0 & \text{otherwise} \end{cases}$$

Triple-Difference specification

- We add a third group, comprised of randomly selected sample of non-convicts.
- Eligibility status (i.e. last conviction date) is randomly assigned to non-convicted individuals.

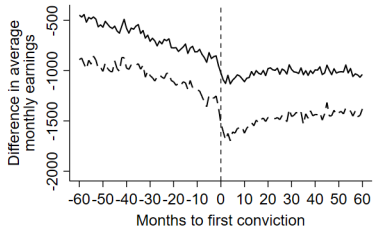
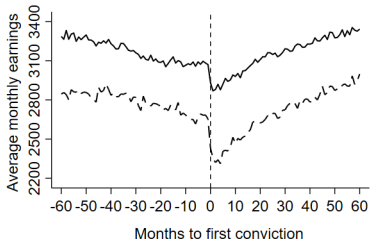
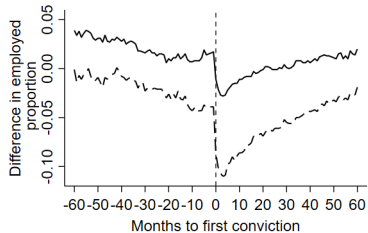
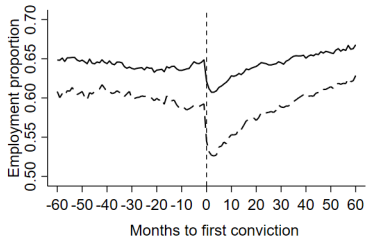
$$Y_{it} = \rho_0 + \rho_1.(Convict_i * Post_t * Eligible_{it}) + \rho_2.(Convict_i * Post_t) + \rho_3.(Post_t * Eligible_{it}) + \rho_4.(Convict_i * Eligible_{it}) + \rho_5.Convict_i + \rho_6.Post_t + \rho_7.Eligible_{it} + \mathbf{X}'_i.\rho_8 + \lambda_t + A_{it} + \Omega_i * t + v_{it}$$

where

$$Convict_i = \begin{cases} 1 & \text{if ever convicted} \\ 0 & \text{otherwise} \end{cases}$$

Key findings

Labor market trends relative to first conviction



— All convictions - - Non-traffic convictions

Effect of clean slate on employment & earnings- DD

Outcome:	Employment	Log of Monthly earnings
Sample proportion/mean:	0.565	4791.40
Clean Slate	0.0025 (0.0053)	0.0218*** (0.0081)
Observations	1,264,860	727,827

Notes: All models control for individual characteristics, month fixed effect, age fixed effect and age specific linear trends. Standard errors are clustered at the individual level and are reported in parentheses. ***, **, * = statistically different from zero at the 1%, 5%, 10% level.

Effect of clean slate on employment & earnings- DDD

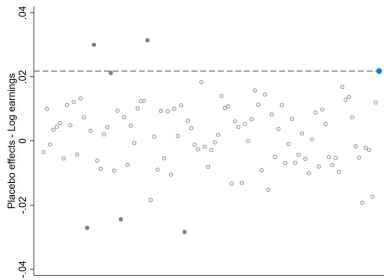
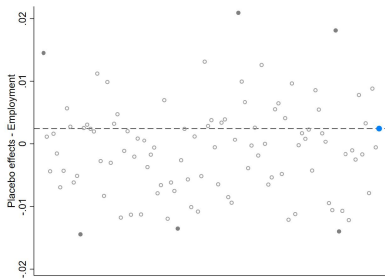
Outcome:	Employment	Log of Monthly earnings
Clean Slate	-0.0031 (0.0066)	0.0214** (0.0108)
Observations	3,511,458	2,037,258

Notes: All models control for individual characteristics, month fixed effect, age fixed effect and age specific linear trends. Standard errors are clustered at the individual level and are reported in parentheses. ***, **, * = statistically different from zero at the 1%, 5%, 10% level.

Additional sensitivity analyses

- Empirical test of parallel trends assumption.
 - No statistically significant differences in labor market outcomes prior to passage of clean slate legislation.
- Estimation of alternative specifications.
 - Consistency in DD estimates was tested in models ranging from a baseline specification to more saturated models, including individuals fixed effects regressions.
 - Subsample analysis - By narrowing down the elapsed time since last conviction to enhance comparability; by offense type; and by removing global recession periods.
- Falsification tests by comparing the main DD estimate with models where 'fake' last conviction dates were randomly assigned.

Falsification test - Employment & monthly earnings



Extensions

- Potential mechanism: change in main job and change in industry
- Difference in the impact of law across ethnicities: Māori, Pacific peoples, and Asians relative to reference group of NZ Europeans.

Conclusion

- Main findings:
 - NZ's clean slate regulation increased earnings of ex-convicts.
 - No evidence of impact on their employment prospects.
- Implications:
 - Might seven year be too long of a wait for clean slate to have any impact on employability?
 - In light of prior findings that BTB type policies may encourage discrimination, could clean slate have more desirable outcome?

Thank You

Thank you very much for your time!

Preliminary draft is available upon request sent to:
kabir.dasgupta@aut.ac.nz