Online Appendix for Credit Reports as Resumes: The Incidence of Pre-Employment Credit Screening

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A Data Appendix

Here we note a few additional features of interest regarding sample selection, variance-covariance matrices, and weighting.

Because PECS-ban states implemented their bans at different times, we balance the number of pre-ban years and post-ban years across all PECS-ban states, using the maximum number of balanced years available in our data.[1] For the CPS data this results in using four pre-ban years and three-post ban years: no more than four pre-years are available, because Washington enacted its ban in 2007 and a CPS redesign in 2003 presents considerable challenges in using earlier survey years;[2] no more than three post-years are available, because the majority of state PECS bans were enacted in the years 2010 to 2012, and as of this writing CPS data are only available through 2015. Similar data constraints result in using six pre-ban years and two post-ban years and one quarter in the LEHD J2J data, as the LEHD J2J data are currently only available through the second quarter of 2014.

These efforts to balance the number of pre-ban and post-ban years in PECS-ban states do result in excluding all post-ban years for states that have enacted PECS bans most recently: Colorado, Nevada, and Delaware. Including these states while balancing the number of post-ban years would require using only one post-year in the LEHD J2J data, which we view as undesirably restrictive.

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[1] We restrict the sample to a balanced panel of years. In the absence of heterogeneous treatment effects, the unbalanced sample would also provide an unbiased estimate of the average treatment effect. However, because there may be heterogeneous treatment effects we conservatively restrict our sample to the balanced set of event-years.

[2] Specifically, the CPS classification system for industries and occupations changed in 2003, which makes it impossible to define a consistent set of job groups to use both before and after 2003 for our job-level analyses.

In total, our balanced CPS data have 37% fewer post-ban observations in PECS-ban states than the unbalanced data have. Nevertheless, we note that all of our results are qualitatively and quantitatively robust to using unbalanced data, although our estimated effect on black job-finding in the CPS becomes about half the size of our estimated effect in the balanced data. Given this robustness, we present results from the balanced data, because we view the balanced data as yielding the most easily interpretable estimates of PECS bans' effects.

We also note that, because our measures of job-level variation among the unemployed rely on knowing job-seekers' most recent jobs, we exclude from our analysis any job-seekers who do not report a most recent job (new labor market entrants). For sake of consistency across specifications, we impose the same sample restriction when using state-level variation. Including these new entrants in our state-level analyses generally tends to attenuate, although not undo, our results. This restriction has the added benefit of making our CPS sample more similar to our LEHD J2J sample, which only includes individuals who recently separated from a job.

We use one additional sample restriction when we estimate models using job-level variation, as described in Section 6.2. Because we have been unable to find reliable evidence on which jobs were covered or exempted by Washington's PECS ban, we exclude data from Washington for all results at the job level.

Next we note that, following Bertrand et al. (2004), to account for correlated shocks within states over time, and also to account for instances in which the same individual has multiple unemployment spells in our CPS panel, all of our standard errors are clustered at the state level or the state-race level.[3]

Finally, we note that throughout our CPS analysis we use sample weights as suggested by CPS documentation (i.e., longitudinal weights when estimating flows, and cross-sectional weights otherwise). In the LEHD J2J, all specifications are weighted by the newly unemployed population in the given state-race-year.

[3]To be precise, all standard errors are clustered at the state level, except for the standard errors displayed as confidence intervals in Figure 6, which needed to be clustered at the state-race level due to computational constraints.

References

Bertrand, M., E. Duflo, and S. Mullainathan (2004): "How much should we trust differences-in differences estimates?" *Quarterly Journal of Economics*, 119, 249–275. A