

Is it time to let go of the past?

Effect of clean slate regulation on employment and earnings

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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.

Access to the anonymised data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business or organisation and the results in this [report, paper] have been confidentialised to protect these groups from identification.

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.

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.

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).
- Several jurisdictions now allow automatic expungement of criminal records, subject to certain eligibility criteria.
- Effective on November 29, 2004, 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 admitted to hospital for mental health treatment instead of being sentenced.

Empirical contribution

- NZ's clean slate regulation presents an important research scope.
 - Several studies have looked into the US's BTB program's effect on labor market wellbeing.
 - 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.
- Data source: Integrated Data Infrastructure (IDI) administered by Statistics NZ.
 - Sourced from several government and nongovernment agencies. 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.

Identification strategy: Difference-in-Differences

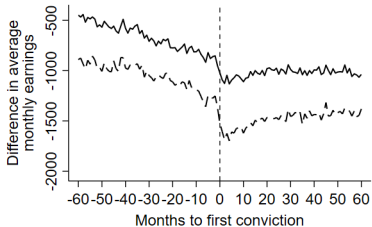
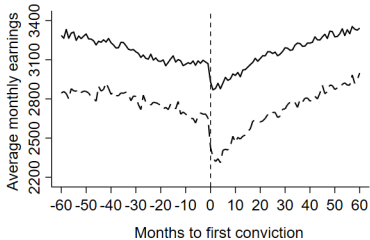
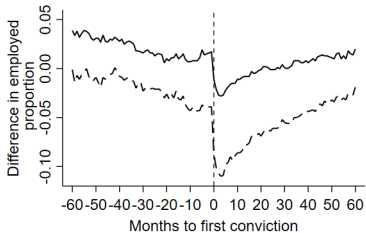
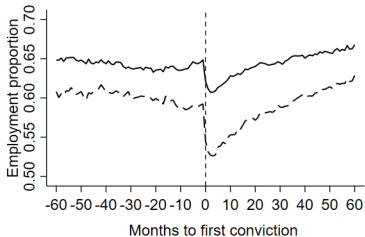
- Clean-slate eligible ex-convicts are compared to ex-convicts approaching eligibility.
- Elapsed time since last conviction is allowed to vary within the range of 2 years below the clean slate threshold (5 years) to 2 years above the threshold (9 years).

$$Y_{it} = \alpha_0 + \alpha_1.(Post_t * Eligible_{it}) + \alpha_2.Post_t + \alpha_3.Eligible_{it} + \mathbf{X}'_i.\alpha_4 + \lambda_t + A_{it} + \Omega_i * t + \epsilon_{it} \quad (1)$$

- We add a third group, comprised of randomly selected sample of non-convicts.

$$Y_{it} = \rho_0 + \rho_1.(Convict_i * Post_t * Eligible_{it}) + \rho_2.(Convict_i * Post_t) + \rho_3.(Post_t * Eligible_{it}) + \rho_4.(Convict_i * Eligible_{it}) + \rho_5.Convict_i + \rho_6.Post_t + \rho_7.Eligible_{it} + \mathbf{X}'_i.\rho_8 + \lambda_t + A_{it} + \Omega_i * t + v_{it} \quad (2)$$

Labor market trends relative to first conviction



— All convictions - - Non-traffic convictions

Effect of clean slate on employment & earnings

Difference-in-Differences:		
	Employment	Log Monthly earnings
Sample proportion/mean:	0.565	4791.40
Clean Slate	0.0025	0.0218***
	(0.0053)	(0.0081)
Observations	1,264,860	727,827
Triple-Differences:		
Clean Slate	-0.0031	0.0214**
	(0.0066)	(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.

Conclusion

- Additional sensitivity analyses and underlying mechanisms -
 - Parallel trends assumption and falsification exercise.
 - Testing consistency in estimates from a baseline specification to more saturated models and in additional subsamples.
 - Tested the likelihood of changing main job or industry
- 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:
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