



**Testimony of Amy Traub
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Before the
Joint Committee on Labor and Workforce Development
General Court of the Commonwealth of Massachusetts
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Thank you Chairman Wolf, Chairman Scibak, and Honorable Members of the Committee for this opportunity to present testimony. My name is Amy Traub and I am a senior policy analyst with Dēmos. Dēmos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. I'm pleased to be here today to testify on Senate Bill 123, "An Act regulating the use of credit reports by employers."

This legislation would prohibit employers, prospective employers, and employment agencies from using consumer credit reports for any employment purpose, except as otherwise required by state or federal law.

The bill is critical because today in Massachusetts, qualified job seekers are being turned away from employment solely because of their personal credit history. People whose credit is damaged as a result of medical debt, student loans, a layoff, divorce, predatory lending, identity theft, or simple error are shut out of jobs—despite a lack of social science evidence connecting someone's credit history with their job performance. Looking at job listings recently posted around the state of Massachusetts, credit checks are required for entry-level retail workers, caterers, delivery drivers, engineers, maintenance workers, financial employees, security guards, and auto mechanics, just to name a few positions.

The Society for Human Resources Management finds that about half of employers nationwide check credit as part of their hiring process for some or all positions. My own research at Demos finds that employment credit checks have a real impact – people are shut out of job opportunities because of their credit. At Demos we surveyed low- and middle-income households that were carrying credit card debt. Among those who had poor credit, one in seven report that they have been advised that they would not be hired for some position because of their credit.

I believe that this understates the true extent to the problem because many job applicants do not even realize that their credit is the reason they are rejected from job after job.

Credit checks are a serious barrier to employment and can create a vicious cycle: people with flawed credit because of medical debt or any other reason cannot get jobs because of their damaged credit, and cannot

repay their debts and improve their credit because they can't get a job. This legislation would end the vicious cycle.

Ten other states, including Connecticut and Vermont, have recognized the danger and have passed laws restricting the use of employment credit checks. Unfortunately, as a result of industry lobbying, the ten state laws currently in effect were weakened to include numerous exemptions that undermine the efficacy of the legislation. These exemptions – which often carve out broad general categories or specific job positions for which employment credit checks can still be conducted – are **not** substantiated by research showing that credit checks are valid for the exempted positions. Massachusetts has an opportunity not only to follow in the footsteps of these other states but to pass a stronger and more protective law without unwarranted exemptions. New York and Maine are currently considering strong laws similar to Senate Bill 123.

I will conclude by noting that Senator Elizabeth Warren has sponsored national legislation known as the Equal Employment for All Act that mirrors Senate Bill 123, banning employment credit checks without unjustified exceptions. Yet her legislation faces an uphill battle in the United States Congress. I urge you to enact this important bill in the state of Massachusetts.

Thank you! I'd be very pleased to answer any questions and to share copies of my research.