

# Executive Summary

**T**oday, it is common for employers to look at job applicants' personal credit history before making a hiring decision. A wide range of positions, from high-level financial posts to jobs doing maintenance work, offering telephone tech support, working as a delivery driver or selling frozen yogurt, may require a credit check. Yet despite their prevalence, little is known about what credit checks actually reveal to employers, what the consequences are for job applicants, or employment credit checks' overall impact on our society. This report uses new data from Dēmos' 2012 National Survey on Credit Card Debt in Low- and Middle- Income Households to address these questions. Overall, we find substantial evidence that employment credit checks constitute an illegitimate barrier to employment.

## KEY FINDINGS:

Among low- and middle-income households carrying credit card debt:

- **EMPLOYMENT CREDIT CHECKS ARE COMMON.** Among survey respondents who are unemployed, 1 in 4 says that a potential employer has requested to check their credit report as part of a job application.
- **PEOPLE ARE DENIED JOBS BECAUSE OF CREDIT CHECKS.** 1 in 10 survey respondents who are unemployed have been informed that they would not be hired for a job because of the information in their credit report. Among job applicants with blemished credit histories, 1 in 7 has been advised that they were not being hired because of their credit.
- **POOR CREDIT IS ASSOCIATED WITH HOUSEHOLD UNEMPLOYMENT, LACK OF HEALTH COVERAGE, AND MEDICAL DEBT.** These factors reflect the poor economy and personal misfortune and have little relationship with how well a job applicant would perform at work.
- **PEOPLE OF COLOR ARE DISPROPORTIONATELY LIKELY TO REPORT POOR CREDIT.** Our findings are consistent with previous research concluding that African American and Latino households have worse credit, on average, than white households. As a result, employment credit checks may disproportionately screen people of color out of jobs, leading to discriminatory hiring.
- **CREDIT REPORTING ERRORS ARE COMMONLY CITED AS A CONTRIBUTOR TO POOR CREDIT.** About 1 in 8 survey respondents who say they have poor credit cite "errors on my credit report" as a reason for their poor credit history. The finding is consistent with other research on the prevalence of errors in credit reports.

We conclude that employment credit checks illegitimately obstruct access to employment, often for the very job applicants who need work the most.