



March 3, 2020

**Employment Credit Checks  
SUPPORT: S2884E (Sanders) / A2611E (Dinowitz)**

Demos endorses S2884E / A2611E, which would enact a statewide prohibition on the use of credit history in hiring, compensation, or the terms, conditions or privileges of employment. The inclusion of section 2(f) is vital to Demos' support of the bill because this provision ensures that this legislation establishes a floor, not a ceiling, for regulating the use of credit history for employment purposes.

Demos is a dynamic “think-and-do” tank that powers the movement for a just, inclusive, multiracial democracy. Demos champions solutions that will create a democracy and economy rooted in racial equity. Over the past decade, Demos has conducted extensive research on employment credit checks and on debt among low- and middle-income households. We have particularly focused on the potential for employment credit checks to reproduce and worsen racial inequality.

Across New York State, many employers—outside of New York City, which already bans employment credit checks—review the personal credit histories of job applicants and employees and use the information as a factor in employment decisions. This practice blocks qualified workers—including job seekers whose credit was damaged as a result of medical debt, divorce, layoffs, predatory lending, or other life events beyond an individual's control—from finding employment they may desperately need.

Employment credit checks have a disproportionate negative impact on people of color because generations of discrimination in employment, lending, education, and housing have produced significant racial disparities in credit history. Past discrimination is baked into current determinations of creditworthiness: Today credit reports disproportionately continue to represent Black and Latinx consumers as “riskier” than white consumers. Black and Latinx consumers report more errors on their credit reports, carry more medical debt, and Black families in particular face greater hardships as a result of student loan debt, all of which shows up on credit reports and is judged by employers as individual shortcomings.

By screening out job applicants who have imperfect credit, employers are effectively judging a prospective employee on the basis of economic disadvantage—including disadvantages produced by generations of racial inequality—and then multiplying that disadvantage by denying a job. S2884E / A2611E would interrupt this cycle of discrimination.

Credit reports are notoriously inaccurate and there is no evidence that credit history has any bearing on one's ability to perform a job. Employment credit checks also create a vicious cycle:



People are unable to get a job because of damaged credit, and unable to repay debts and improve their credit because they can't get a job.

Employment credit checks also violate workers' privacy: A job applicant asked by a prospective employer to “explain” her imperfect credit history may feel compelled to divulge deeply personal information, including about medical conditions, a disability, domestic abuse, or a divorce.

It is important that S2884E / A2611E does not include the harmful exemptions that undermine the effectiveness of credit check laws in a number of other states. It is especially important to prohibit credit checks for management or supervisory positions, because checking credit for these positions limits the advancement of people struggling to pay their bills, regardless of their qualifications. This is particularly troubling given racial disparities in credit history and the relative scarcity of people of color in managerial positions. Given the discriminatory impact of employment credit checks, creating exemptions for management or supervisory positions could statutorily create two tiers of job opportunity depending on race and class. In effect, exemptions that permit credit checks for managerial or supervisory positions would keep people who are struggling to pay their bills stuck on the bottom rungs of the job ladder, no matter how skilled and qualified they may be.

This bill would build upon New York City's landmark ban on employment credit checks – Local Law 37 of 2015 – by expanding this critical protection statewide. Dēmos urges you to pass S2884E (Sanders) / A2611E (Dinowitz).

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