

Moving to job opportunities? The effect of 'Ban the Box' on the composition of cities

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“Ban the Box” (BTB) laws prevent employers from asking about a job applicant’s criminal record until late in the hiring process. These policies get their name from the prevalence of a box on job applications that individuals are asked to check if they have a prior criminal conviction.¹ The first BTB law was passed nearly two decades ago, but in recent years such laws have increased in popularity. By the end of 2016, twenty-four states and 150 cities and counties had adopted BTB policies (Natividad and Avery, 2016). While the laws vary in scope (with some affecting public employers, others affecting public contractors, and others affecting private employers), they are similar in underlying intent: helping individuals with criminal records to more easily integrate into the labor force.

While BTB laws are well-intentioned, theory and empirical evidence suggest that BTB laws may have unintended consequences. The consensus of prior studies is that providing more information to employers about traits they care about typically increases minority employment, because in the absence of that information employers may statistically discriminate based on race. For instance, when criminal background checks became more widely available during the 1990s and early 2000s, employment increased for black men (Bushway, 2004; Holzer, Raphael and Stoll, 2006;

Finlay, 2009). Similarly, Wozniak (2015) finds that drug testing increases employment for low-skilled black men, and Bartik and Nelson (2016) find that checking credit histories improves employment outcomes for black job-seekers. Given that employers have concerns that individuals with criminals histories might be less reliable, productive, or a legal liability, preventing employers from asking about criminal histories could encourage employers to statistically discriminate against groups that contain more people with recent convictions – particularly the young, low-skilled black men many BTB advocates hoped to help.

Indeed, recent studies have shown that BTB laws do have the unintended effect of reducing employment for young, low-skilled black men. This is consistent with predictions based on models of statistical discrimination, but contrary to the goals of policy-makers. Agan and Starr (2016) examine call-back rates in a field audit of employers in New York City and New Jersey. They randomly vary the underlying criminal background and race of hypothetical applicants while keeping other traits of individuals constant. Before BTB, individuals with criminal backgrounds are far less likely to receive a call-back for a subsequent interview (with slightly more call-backs for white applicants than black applicants). After the BTB policy went into effect, that racial disparity in call-backs increased six-fold, consistent with the hypothesis that employers use race as a proxy for criminal history when they aren’t able to ask applicants about criminal convictions. Doleac and Hansen (2016) take a different and complementary approach, utilizing variation in the timing of policy adoption across labor markets (defined as Metropolitan Statistical Areas, or MSAs) to test the net impact of BTB laws in a generalized

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¹Other communities have referred to similar policies as “Fair Chance” laws.

difference-in-difference framework. The advantage of this approach is that they can see not only who gets interviews but who gets jobs. (Since employers can check criminal backgrounds before making a job offer, people with criminal records who get callbacks might be rejected at that later stage.) They find that employment for young black men without a college degree fell by roughly 3 percentage points (a 5 percent decline) after BTB went into effect, with a similar but noisier decrease for young Hispanic men with no college degree.

In this paper, we add to the growing literature on BTB policies by investigating whether BTB laws affect migration behavior. It is possible that some individuals who have criminal records choose to move to job markets that implemented BTB, because they expect it will be easier for them to find a job there. If such migration occurs, it could bias empirical analyses of these policies' effects on employment. First, we consider how MSAs adopting BTB laws compare to MSAs that do not. Second, we test whether the demographic composition of MSAs passing BTB laws changes following the implementation of the policy. Finally, we assess the impact of BTB laws on migration decisions, including within-county, within-state (but across county), and interstate moves.

I. Data and Methods

Our analysis considers BTB policies effective by December 2014. Details about the timing of BTB policies and the sample construction are found in Doleac and Hansen (2016).

Information on individual characteristics and employment outcomes comes from monthly Current Population Survey (CPS) data for 2004 through 2014.² The CPS is a repeated cross-section that targets those eligible to work. It excludes anyone under age 15 as well as those in the Armed Forces

²We use the public-use CPS files available from the National Bureau of Economic Research (NBER). These raw data contain item non-response codes when a respondent did not answer a question, rather than imputed responses.

or in an institution such as a prison. Each monthly sample consists of about 60,000 occupied households; the response rate averages 90 percent (CPS, 2016).

In our empirical analysis, we consider whether the adoption of BTB policies affects the racial composition of MSA residents, or the likelihood that MSA residents recently moved, based on a linear probability model. We use the following specification:

$$Y_i = \alpha + \beta_1 BTB_{m,t} + \delta_m + \lambda_{t,r} + e_i,$$

where i indexes individuals. Y_i are the demographic characteristics of individuals, or their decisions to move (within county, across counties within a state, or across states) in the past year. δ_m are MSA fixed effects. $\lambda_{t,r}$ are time-by-region fixed effects (where time is the month of the sample, 0 to 132, and region is the Census region). BTB is equal to 1 if any BTB policy (affecting public employers and possibly public contractors and/or private firms) is in effect in the individual's MSA. When the regression outcome is the decision to move, we also include a vector of individual demographic characteristics as controls. Standard errors are clustered by state.

The coefficient of interest, β_1 , tells us the effect of a BTB policy on the demographics of the population in the MSA, or the likelihood that residents of the MSA moved in the previous year.

II. Results

To set the stage, we first consider how similar places that adopt BTB policies are to those that do not adopt BTB, based on raw, cross-sectional data. In Figure 1 we compare key demographic characteristics across MSAs. Utilizing the period 2004-2014, we examine how the fraction black, the fraction young and male (between 25-34) and the fraction of individuals with a college degree compare respectively across communities that never pass a BTB law, those that pass a BTB law affecting public employers only, those that pass a BTB law affecting public contractors, and those that pass a BTB law affecting private firms.

Insert Figure 1 here

Some apparent differences emerge in the cross-sectional comparisons using raw data. In communities that eventually adopt BTB laws, a larger share of the population has a college degree, is black, and/or is young and male. Within BTB-adopting MSAs, there are fewer differences between places that adopt different types of BTB laws.

Insert Table 1 here

In Table 1 we examine how MSA residents' demographic traits change, on average, as a result of BTB laws.³ They could change because the timing of law adoption is endogenous – that is, the law was a result of changing demographics in that place. Even if the adoption of BTB laws was exogenous to pre-existing demographic trends, individuals might selectively migrate to regions with BTB laws — perhaps seeking employment in regions where individuals do not have to report their criminal history. The point estimates reflect separate regressions of a demographic characteristic on BTB adoption, and show the effect of BTB on the likelihood that local residents belong to particular demographic groups. We find no evidence that the demographics of MSAs are changing following the adoption of BTB laws.

To more directly test the migration hypothesis, we utilize the March CPS supplements, which contain additional questions on residential moves within the previous year. We focus on three types of moves based on the migration questions: a within-county move, a move to a different county within the same state, and cross-state moves. We examine migration patterns separately for low-skilled individuals in four demographic groups: all men, black men, young men, and young black men. The point estimates are reported in Table 2.

Again we find no evidence that BTB adoption is associated with differential intra-state or inter-state migration rates for

each demographic group. The only statistically significant and economically meaningful estimate is for within-county moves for young, low-skilled black men. This estimated relationship – fewer within-county moves after BTB – would not affect the composition of the population in the labor market (defined at the MSA level, spanning multiple counties). If individuals tend to move in response to a job offer – rather than in anticipation of one – this result would be consistent with BTB's reducing labor market opportunities for young, low-skilled black men. This would echo the findings of Agan and Starr (2016) and Doleac and Hansen (2016).

Insert Table 2 here

III. Conclusions

BTB policies continue to gain political momentum across the country. We document that regions that adopt BTB laws have populations that are more likely to have a college degree and that have a greater share of black residents. This is in large part because most policies have been implemented in cities.

We find no evidence that the adoption of BTB laws is associated with demographic shifts or increased migration into (or out of) labor markets affected by BTB. These findings provide evidence supporting the relative exogeneity of BTB adoption. While this may reduce concerns about selection bias in studies of BTB's effects on employment, those using BTB laws as a natural experiment must take care to examine other evidence that any common trends assumptions are satisfied.

If BTB policies are adopted by jurisdictions that are different from the places that adopted BTB through 2014, these results might not generalize to those additional locations. Future research will need to determine the net impact of these laws in areas with less-educated, less racially diverse, and more rural populations.

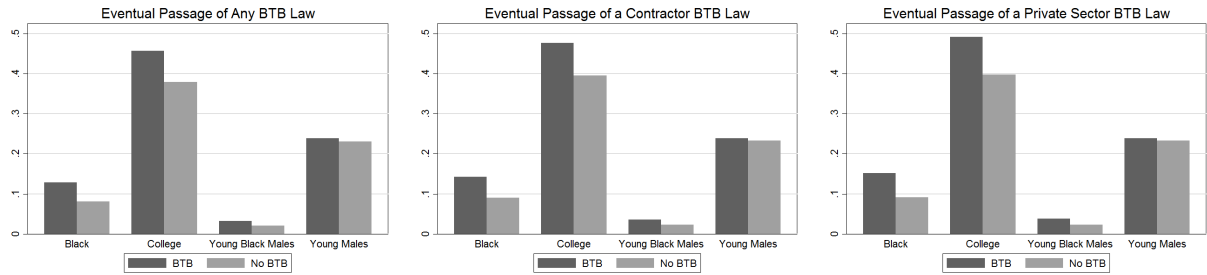
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³Given the underlying similarity between the demographic patterns and the types of BTB laws, we focus on the adoption of any law in order to conserve space and maximize power.

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FIGURE 1. DEMOGRAPHICS AND EVENTUAL PASSAGE OF A BTB LAW



Source: Authors' calculations based on the CPS from 2004-2014.

TABLE 1—BTB LAWS AND DEMOGRAPHIC SHIFTS

| | College Graduation | Young Male | Black | Young Black Male |
|--------------|--------------------|---------------------|---------------------|---------------------|
| BTB | 0.0039 (0.0032) | -0.0022 (0.0060) | -0.0006 (0.0035) | -0.0017 (0.0021) |
| Observations | 8,773,758 | 8,773,758 | 8,773,758 | 8,773,758 |

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Each cell represents a separate regression, testing the effect of BTB on residents' demographic traits. Standard errors (in parentheses) are clustered by state. Data source: monthly CPS from 2004-2014.

TABLE 2—BTB LAWS AND MIGRATION

| | Effect of BTB on the probability of a recent move | | |
|------------------------------------|---|---------------------|---------------------|
| | Within-County | Within-State | Inter-State |
| Males (497,645 Obs.) | -0.0009 (0.0027) | -0.0004 (0.0011) | 0.0009 (0.0010) |
| Black Males (56,736 Obs.) | -0.0022 (0.0063) | 0.0004 (0.0037) | -0.0028 (0.0027) |
| Young Males (102,742 Obs.) | -0.0025 (0.0055) | 0.0007 (0.0029) | 0.0008 (0.0028) |
| Young Black Males (10,782 Obs.) | -0.0281** (0.0140) | 0.0034 (0.0073) | -0.0072 (0.0078) |

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Each cell represents a separate regression, testing the effect of BTB on residents' moves within the previous year, for each of the four demographic groups listed on the right-hand side. Standard errors (in parentheses) are clustered by state. Data source: monthly CPS from 2004-2014.