



State of Connecticut

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Chairman Ryan, Chairwoman Prague, Ranking member Noujaim, Ranking member Guglielmo and other distinguished members of the Labor and Public Employees Committee, thank you for giving me the opportunity to testify in support of HB 5521, AN ACT ELIMINATING CREDIT REPORTS AS A BASIS FOR EMPLOYMENT DECISIONS.

For the record, I am Matthew Lesser, Representative of the 100th District.

The use of credit histories for employment decisions is a critical problem facing many Connecticut families. As it stands, even if you are otherwise qualified, you can be denied a job in the State of Connecticut, simply because a credit rating agency says that you are a credit risk.

This bill would have no effect on the right of employers to use criminal background checks on employees or prospective employees, which will continue to be permitted. Nor would it prevent credit checks when the credit history of the applicant is substantially job related, when it is otherwise required by law or when an employer has specific reason to believe an employee may have violated the law.

This bill has precedent. The State of Washington passed a nearly identical law in 2007. Five other states have passed restrictions on the use of credit reports for employment decisions. A front page article last week in USA Today reported more states are considering restrictions this year.

There are many reasons why it makes sense to restrict the use of credit histories for employment decisions. They are an invasion of an employee's right to privacy. Credit reports are notoriously inaccurate. They have little or no predictive value for employers, and they have been shown to reflect significant racial and ethnic biases. I will focus on one additional reason: They hurt families in this economy.

Perhaps at one point, credit histories told you something about a job applicant. Maybe they told you if an applicant was responsible or mature. Maybe they could predict if applicants were likely to steal from the register, to pay off their debts. Even if you assume that either or both were true, despite a lack of any evidence suggesting any correlation between credit history and job performance, they certainly are not now.

Today, with our constituents losing their jobs, with families losing their homes to foreclosure, with uninsured and underinsured people unable to pay off major medical expenses, and with nearly 40% of all electric bills owed to the United Illuminating Company in arrears, bad credit is no longer limited to the poor or the untrustworthy. Bad credit afflicts a wide swath of our society and many in the middle class.

The use of credit histories for employment decisions is a barrier to economic recovery. It prevents people who are victims of this economy from being able to get jobs and pay off their debts. It bars good workers, who were laid off from their jobs and fell behind in their bills, from getting back on their feet.

This is a mounting problem.

In 1996, the Society for Human Resource Management surveyed their members and found that 16% of employers were looking at applicants' credit histories. By 2004, the same survey reported that the number had increased to 35%. The background check industry is increasingly marketing credit history checks as a routine part of the employment screening process.

And, except for the few companies who profit off this practice, there is no obvious benefit for employers and great harm to those seeking employment.

By reporting on this bill favorably you have the opportunity to make a real difference in real lives. I thank you for raising this bill as a committee, and for providing me with the opportunity to testify on its behalf.