

Estimating Earnings Impact of Driver’s License Revocations in North Carolina

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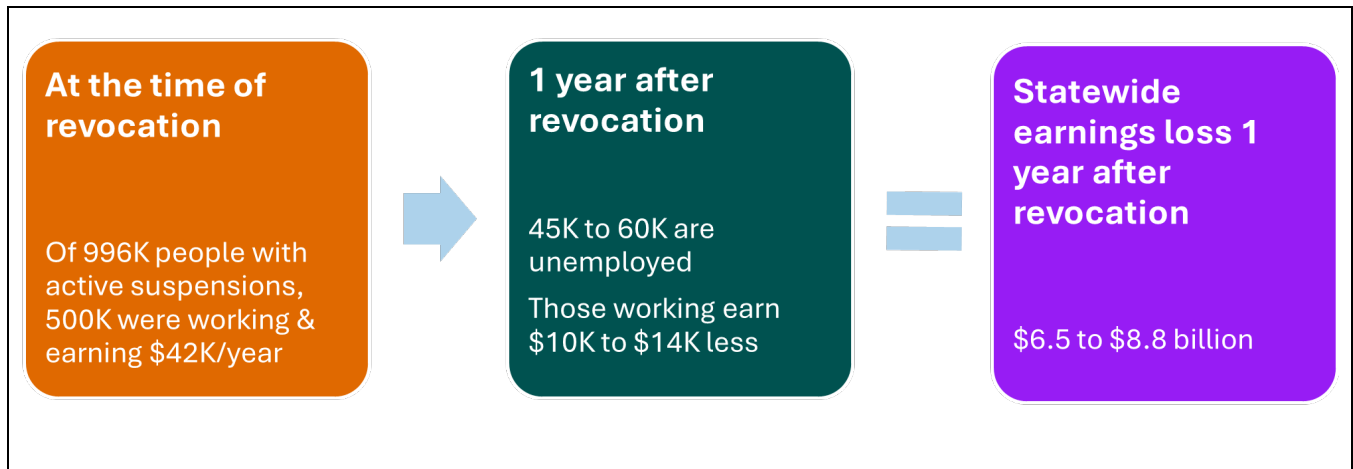
In North Carolina, driver’s licenses are revoked for failure to appear in court (FTA) and failure to pay court ordered monetary obligations (FTP). We were asked to provide a high-level estimate of the impact of these revocations on earnings. Additional time, data, and resources would be needed to conduct a more robust evaluation.

The statewide estimated earnings loss in 2024 dollars one year after revocation is between \$6.5 and \$8.8 billion.

The North Carolina Department of Motor Vehicles (NC DMV) reports that as of December 31, 2020, 996,000 people had active driver’s license revocations for FTA and FTP. These revocations occurred over time. To estimate earnings impact, we assume that about half of those people—500,000—were working at the time of the revocation and earning the North Carolina median wage (\$42,095/year). Based on research discussed in the notes below, we made two additional assumptions to assess the impact of revocation on earnings one year later. First, that 9% to 12% of people lost their jobs and were unemployed. And second, that those who were employed experienced an earnings reduction of 24% to 43%.

Even if we reduce the median wage to \$30,000/year—to account for the fact that people with an FTA or FTP may earn less than the statewide median wage—the estimated earnings impact is between \$4.6 and \$6.3 billion.

Estimated earnings impact of revoking driver’s licenses for FTA and FTP



Notes

- The most recent NC DMV data on the number of people with active revocations is from December 31, 2020; the current number likely is larger. The revocations occurred over time. To provide estimates in current dollars, we used an estimate of median earnings in North Carolina of \$42,095. To calculate that estimate, we used the 2022 state median earnings of \$40,679 (based on the American Community Survey) and adjusted it for inflation using the Consumer Price Index.
- We assumed that of the 996K people with active suspensions, nearly 50% (500K) were working at the time of their suspensions. There is no North Carolina official source of information on employment rates for all justice-involved people. To set a benchmark that is credible and would provide a conservative estimate of impact, we set the employment rate slightly above the rate for a group known to have a relatively low employment rate: people released from prison. According to the North Carolina Department of Commerce, the employment rate for people recently released from North Carolina state prisons in 2021 was 49%. Most of these people, however, have felony convictions. Those charges constitute a small part of overall criminal charging in North Carolina (11% in 2021), and a felony conviction presents a serious barrier to employment. Thus, our assumption of 50% employment for the impacted population is conservative.
- For the impact of revocation on employment and earnings, we used a 2020 peer-reviewed study involving nearly 67,000 observations nationwide for the years 1999-2015. The study assesses the impact of having access to a car both on work and earnings. It found that having access to a car increased the probability of working from a base of 70.5% to between 77.5% and 79.7% the following year. It also found that mean earnings increased from \$27,133 to between \$35,480 and \$41,196 the following year. We converted these findings into percentage changes for losing access to a car due to license revocation and applied those percentage changes to North Carolina data. The lower and the upper limits of the range for the percentage change of the impact on employment are computed as $(77.5-70.5)/70.5 = 9\%$ and $(79.7-70.5)/70.5 = 12\%$. The lower and upper limits of the range for the percentage change of earnings are computed as $(\$35,480-\$27,133)/\$27,133 = 30\%$ and $(\$41,196-\$27,133)/\$27,133 = 51\%$. The underlying study provides a range of estimates that depends on the number of cars per adult in the household. See Michael J. Smart and Nicholas J. Klein, 'Disentangling the Role of Cars and Transit in Employment and Labor Earnings', *Transportation*, 47.3 (2020), 1275–1309. The 24% to 34% reduction in earnings that we apply in our model is consistent with an estimate from a New Jersey study showing that the median household income for people with non-driving-related suspensions in 2018 was 25% lower than the median household income among people without any suspension. See Nina R Joyce et al, Individual and Geographic Variation in Driver's License Suspensions: Evidence of Disparities by Race, Ethnicity and Income, *Journal of Transport & Health*, 19 (2020), 100933.
- Due to limited data, the estimates do not capture the full impact of revocations on earnings. With appropriate data, one could, for example, assess the impact on people who are unemployed but looking for work at the time of their license revocation; the revocation likely impacts their ability to find a job and earnings if they get a job. Also, we do not have appropriate data to account for the fact that some people continue to drive for at least some time after their license is revoked.
- We found no recent study that accurately predicts the impact of FTA and FTP revocations on employment and earnings and could be reliably applied to North Carolina. We considered but chose not to use two existing and alternative estimates, based on samples in Phoenix, Arizona, and New Jersey. We did not use the estimates from the study in Phoenix because it uses data from a small and select sample of 75 people who elected to participate in a program to reverse their license revocations. See L. William Seidman Research Institute, The City of Phoenix Municipal Court's Compliance Assistance Program, 2016: An Economic Assessment (W.P. Carey School of Business: Arizona State University, 2 June 2017). We declined to use estimates from the New Jersey study for several reasons, including that it provides the impact on employment but no estimate of the impact on earnings. See Jon Carnegie, Driver's License Suspensions, Impacts and Fairness Study (Alan M. Voorhees Transportation Center: Rutgers University, 2007).

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