



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
OPPOSING
HB-5061, AA ELIMINATING CREDIT REPORTS AS A BASIS FOR
EMPLOYMENT DECISIONS
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
FEBRUARY 18, 2010**

The National Federation of Independent Business (NFIB), Connecticut's and the nation's leading small-business association, respectfully submits the following comments opposing HB-5061, An Act Eliminating Credit Reports As A Basis For Employment Decisions:

Though we appreciate the proponent's willingness to listen to our concerns and work with us on last year's proposal, NFIB still feels that this legislation would unduly suppress relevant credit record information about prospective employees from employers. Once again, the legislature is attempting to micro-manage business operations. Without unfettered access to full information about potential employees, employers are unable to act to protect their business from potential loss and ensure the trust of their employees, vendors, and the general public, when making hiring decisions.

Eliminating the use of credit reports as a tool for employers is simply not conducive to the successful operation of our free enterprise system. Business owners must have all available information to best be able to make proper hiring decisions.

A recent article from the *Wall Street Journal* (How To Avoid Hiring A Bad Egg, February 10, 2010) stated: "Small businesses, unfortunately, are particularly vulnerable to embezzlement and other kinds of employee theft because they lack the checks and balances of big corporations. One report by the Association of Certified Fraud Examiners found that the median loss for small firms with fewer than one hundred employees was \$190,000. The most common schemes? Employees fraudulently writing company checks, skimming revenues and processing phony invoices."

NFIB/Connecticut is concerned that despite the attempts to define "substantially related to the employee's current or potential job", that the definition is still ambiguous, open to varying interpretations, and does not adequately protect small business interests.

Additionally, The Fair Credit Reporting Act already sets standards for employment screening, requiring employers to obtain consent from a potential employee before conducting a background check.

Despite the statement of purpose, the lack of a credit report for employers can only act to the detriment of the job applicant seeking to workforce. The result of this bill will be counterproductive to employment applicants because prospective employers, concerned about and unable to determine prospective employees' credit worthiness, will be constrained to reject the applicant out-of-hand. Again, access to accurate information is the best policy to advance fair employment and business growth and development.

Small businesses are often family operations. Even where employees are not related by blood, small business employees are often considered family members to each other. The owners of such businesses require full information about prospective employees to ensure trust and the continuation of the nature of such a business.

Finally, HB-5061 provides no legal protections for business owners who may be open to liability for financial or other damage to their business, employees, or vendors, as a result of their "blind" hiring decision, thus leaving employers in an untenable legal position.