



## CONNECTICUT

**TESTIMONY OF  
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)  
BY  
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR  
OPPOSING  
HB-6641, AAC THE USE OF CREDIT REPORTS IN EMPLOYMENT DECISIONS  
BEFORE THE  
JUDICIARY COMMITTEE  
APRIL 4, 2011**

*A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees and membership is scattered across the state and ranges from sophisticated high technology enterprises to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:*

NFIB/Connecticut strongly *opposes* this bill which would unduly suppress relevant credit record information about prospective employees from employers. Once again, the legislature is further adding to the negative perception about Connecticut's business climate by attempting to micro-manage small 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. This bill does not take into account small business owners and their employees who regularly deal with thousands of dollars in cash and/or have access to company checks and/or credit cards, customers' credit information, and other personal or sensitive information, including social security numbers, residential or commercial alarm codes, vault or safe combinations, proprietary data or equipment, etc. There needs to be some tool in the tool box for a small business owner to use a credit check when they feel they need to use it.

An article from the *Wall Street Journal* last year ("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."

Long-term and recent research on employee theft strongly reinforces its frequency and the substantial impact it can have on employers, particularly small employers. For example:

- According to retail-industry research, employee theft is one of the most significant threats to employers. In 2007's National Retail Survey, 47 percent of retail shrink is due to employee theft versus only 32 percent being attributable to shoplifting.
- U.S. Department of Commerce estimates that 30 percent of business failures result from employee theft.
- A 2006 report by the Association of Certified Fraud Examiners showed that businesses with fewer than 100 employees suffered a median of \$190,000 in fraud losses.

Unfortunately, some research in the HR arena shows that 40-70 percent of job applicants embellish or outright lie on their resumes. Therefore, other sources of information are crucial if an employer wants to minimize the impact of potential employee theft on their bottom line. Some of the tools that are helpful to address these issues include reference checks, criminal background checks, credit checks, interviews and written integrity testing.

NFIB/Connecticut feels that this bill is unnecessary as the Fair Credit Reporting Act (FCRA) already sets standards for employment screening, requiring employers to obtain consent from a potential employee before conducting a background check.

Additionally, despite the statement of purpose - to provide additional employment opportunities for individuals - the lack of a credit report for employers can only act to the detriment of the job-seeking 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-6641 provides no legal protections for business owners who may be open to liability for financial or other damage to their business, employees, customers or vendors, as a result of their "blind" hiring decision, thus leaving employers in an untenable legal position.

Thank you for the opportunity to comment, and NFIB/Connecticut urges rejection of HB-6641.