Statement on
“Electronic Employment Verification Systems (EEVS)”

Before
The House Subcommittee on Social Security of the Committee on Ways and Means

Angelo I. Amador
Director of Immigration Policy
U.S. Chamber of Commerce

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Good Morning Chairman McNulty, Ranking Member Johnson, and distinguished members of the Subcommittee. Thank you for inviting me to testify on the subject of employment eligibility verification systems. My name is Angelo Amador and I am director of immigration policy for the U.S. Chamber of Commerce. I am encouraged that the Subcommittee is examining the potential impact that a new electronic employment verification system (EEVS) would have on workers and employers.

The Chamber is the world’s largest business federation, representing more than three million businesses and organizations of every size, sector, and region. The Chamber co-chairs the Essential Worker Immigration Coalition (EWIC), a coalition of businesses, trade associations, and other organizations from across the industry spectrum that support reform of U.S. immigration policy to facilitate a sustainable workforce for the American economy while ensuring our national security and prosperity.

The Chamber is also on the executive committee of the Employment Eligibility Verification System Working Group, or EEVS Working Group. This group was formed to serve as the voice of business exclusively on the issue of a new employment verification system and it is now made up of companies and trade associations from across the industry spectrum. The reason is simple: there are over seven million employers and this will affect all of them, whether or not they hire immigrants.¹

The stakes are extremely high, and the concerns of the business community of how a new system will be constructed cannot be overstated. While much of the press has been focused on the issues of the undocumented and new worker programs, we certainly view the employer verification system provisions as equally important. After all, a new EEVS will have an impact in the day-to-day activities, obligations, responsibilities, and exposure to liability of every U.S. employer.

¹ U.S. Census Bureau “Number of Firms, Number of Establishments, Employment, and Annual Payroll”
http://www.census.gov/csd/susb/uss04.xls
I. Overview

The Chamber supports a new EEVS within the context of comprehensive immigration reform because employers want the tools to ensure that their workforce is in fact authorized to work. Currently, each new employee must be verified as eligible to work under the paper-based I-9 system and we expect that new employees would have to be verified under any future EEVS. All the proposals under consideration by Congress require employers to bear a greater share of the burden of enforcing the nation’s employment eligibility policies. The new EEVS must recognize that the over seven million employers in the U.S. are extremely different in both size and levels of sophistication and, accordingly, the system should accommodate these differences. If the system is not constructed and implemented properly, there is great risk of very real confusion among employers and employees alike, which could have significant consequences for every individual worker, as well as the employer community.

There are common concerns across the business, labor, and ethnic groups’ advocates because of the broad reach of any new program. However, the Chamber believes that a new law should not be used to open the door to a barrage of new causes of action unrelated to the hiring or firing of employees based on their work authorization status and should, instead, clarify that only the Department of Homeland Security has enforcement jurisdiction over this issue. Likewise, employment verification, as discussed below, should not be combined with the enforcement of labor laws. Before concentrating on the specifics of a future system, I will briefly address why this issue should be dealt with only within the context of comprehensive immigration reform.

II. New EEVS Within the Context of Comprehensive Immigration Reform

Current immigration laws are severely flawed and have failed to curb the flow of undocumented workers into the U.S. It has been more more than 20 years since the passage of the Immigration Reform and Control Act of 1986 (IRCA), and we are still experiencing the entry of undocumented workers into the U.S. at a rate of about 500,000 per year. IRCA’s goal was to address the undocumented in the country and create a worksite enforcement regime that deterred the employment of the undocumented, but it did not address the future need for workers in the U.S. economy. There was no provision for the legal flow of lesser skilled or semi-skilled (“essential”) workers when there was a shortage of U.S. workers.

Studies have shown that the principal element in determining the level of immigration into the U.S., both legal and illegal, in the last decade is the strength or weakness in our economy, while enforcement has had only a “small” effect. “The single macroeconomic/demographic variable most highly correlated with the annual flows is the U.S. unemployment rate.” Therefore, any new earned legalization program with a new worksite enforcement regime must be promulgated together with a new essential workers program. This new essential workers program must have the flexibility to respond to the needs of our vibrant and diverse economy.

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4 Id. at 13.
There have been recent attempts to revamp the current worksite enforcement regiment in isolation at the federal legislative level and through the administrative process. Although the goal of fixing the worksite enforcement program is admirable, such attempts, outside comprehensive reform, could be severely detrimental to the economic security of the country. Noted national security experts have also reinforced that enforcement alone at any level is not the solution.\(^5\)

### III. The Current Employment Verification System

IRCA created the current paper-based employment verification system in the U.S. An employer must wait for a newly hired employee to start work before attempting to verify work eligibility in the U.S. Within the first three days, the employee shows the employer a document or combination of documents to prove identity and eligibility to work from a list of 27 possible options. The employer must fill out the Form I-9 and retain it. The process is susceptible to fraudulent documents, as well as identity fraud. Employers are not document experts. If a document looks valid on its face, an employer may not legally ask questions without the risk of violating anti-discrimination laws.

The current system has made it impossible for employers to really know who is actually authorized to work and who is not. It is important to note that often, when the Department of Homeland Security (DHS) conducts an audit or raid of an employer, the employer is generally not found at fault because it has followed the law, filled out the proper forms and documents, and could not have known that its employees were not authorized to work. While the company might not suffer any legal action or fines, losing valuable members of the workforce and possibly closing down for even a short amount of time can often add up to significant financial losses, not including the less quantifiable harm such as negative publicity.

In 1998, DHS rolled out an electronic employment eligibility system, the Basic Pilot Program. The Basic Pilot Program is a strictly voluntary, internet based, automated system where an employer checks a new hire’s name and social security number against a government-run database to make sure the name and number matches those on record. As numerous studies and reports have shown, the databases maintained at DHS and the Social Security Administration are not always up-to-date, there is a high error rate in determining work authorization, and the program is incapable of capturing identity fraud.\(^6\) It is worth noting that in its current form, it would be problematic to expand it to all existing employers and employees. A future EEVS will

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\(^5\) Coalition for Immigration Security, composed of numerous former DHS officials, stated in their April 2006 letter that there is a relationship between adequate legal channels of immigration and enhanced border security. See also Stuart Anderson “Making the Transition from Illegal to Legal Migration” National Foundation for American Policy, November 2003.

need to take into account the failures and successes of the Basic Pilot Program to ensure that it is workable.

IV. Potential Costs and Increased Workloads

In your invitation, I was asked to address the potential costs and increased workloads that would be faced by the Social Security Administration (SSA). The Chamber would like to point out that in addition to the government cost of hiring more verifiers, modernizing the system, and purchasing and monitoring additional equipment, the Government Accountability Office (GAO), relying on independent studies, estimated “that a mandatory dial-up version of the pilot program for all employers would cost the federal government, employers, and employees about $11.7 billion total per year, with employers bearing most of the costs.” (Emphasis added.)

Employers would also need to train employees to comply with the new law’s requirements and devote a great deal of human resources staff time to verifying and re-verifying work eligibility, resolving data errors, and dealing with wrongful denials of eligibility. In particular, data errors and technological problems would lead many employees to start work as “would-be employees.” This could lead to a substantial decrease in productivity, especially when the work to be done is seasonal or time-sensitive. Employers would also have to deal with the possibility of another level of government bureaucracy with random “on-site auditing” powers. Finally, employers who already will incur many internal costs of meeting the requirements of a new EEVS, should not be subject to a fee to pay for the cost of building the system itself—that is a government function and should be paid for by the government.

V. Principles for a New Employment Eligibility Verification System

Businesses want a reliable, streamlined, and easy to use method to verify the employment eligibility of their workforce. To start, it is imperative that adequate funds and resources be allocated to develop and implement the program to accommodate the over seven million employers in the U.S. This will be a significant expansion of the less than one percent of the employer community that currently uses the Basic Pilot Program on a voluntary basis. The Chamber has testified many times during the immigration reform debate and has consistently called for the development of an EEVS that carefully addresses: who is to be verified; what documents will be accepted; how the system will be phased in; how the system will function and who will certify functionality; how the system will be enforced; and, how DHS will protect good faith actors.

The Chamber’s foremost concern is to ensure that any new system does not become too costly or burdensome for employers. Businesses already spend approximately 12 million hours each year

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8 Sparapani, Memorandum on Problems with Employment Eligibility.
9 Id.
10 Id.
12 As of December 2006, over 12,000 employers were registered with the Basic Pilot Program, approximately 0.2 percent of all employers, http://www.uscis.gov/files/nativedocuments/EEV_FS.pdf.
documenting the legal status of the nation’s 50 to 60 million new hires. This new system will not only be used by companies with large Human Resources departments and in-house legal counsel, but also by employers operating in the field out of the back of a pickup truck. These small employers create millions of jobs in the U.S. economy, and the burdens placed upon these entrepreneurs must be considered.

A. Preemption of State Laws and Local Ordinances

The current immigration system is clearly broken and states and localities have responded to the lack of action at the federal level with a patchwork of immigration laws and enforcement—exposing employers who must deal with a broken legal structure to unfair liability. Many states and local governments are attempting to either force employers/retailers to bear the cost of helping shield undocumented workers or are attempting to impose additional worksite enforcement provisions. These attempts run the risk of undermining the ability of the federal government to oversee and enforce national immigration laws and also put undue burden on businesses attempting to deal with the current broken system.

A new worksite enforcement regime needs to address specifically these attempts to preempt jurisdiction of federal immigration law. Employers must know what their responsibilities are under immigration law, and having one federal law will help alleviate any confusion about employers’ role under the law.

B. Fair Enforcement Provisions

Full and fair enforcement of a new, functional verification system coupled with comprehensive immigration reform will be more feasible and more likely to focus on the true egregious violators than is currently the case. Enforcement should take into account transition times for the new system and should protect employers acting in good faith. Furthermore, DHS should have primary authority over the enforcement provisions of any new system.

Enforcement of employment verification laws resides properly with the federal government. Accordingly, the Chamber maintains that DHS, as the federal agency tasked with responsibility for immigration enforcement, should have sole enforcement authority over prosecutions for violations of section 274A of the immigration code, and this should also be the case for all other enforcement provisions in any new employment verification system.

You may be aware that the federal RICO statute has recently been used by private attorneys seeking to enforce immigration law. Not only does this invade the province of

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14 A record number of immigration-related bills are under consideration, or have been enacted, in all 50 states. Nationwide, 1,169 immigration bills are in the works, and at least 57 bills in 18 states have been enacted, according to the National Conference of State Legislatures, http://www.ncsl.org/.
the federal government as sole enforcer of federal immigration policy, it also perverts the federal RICO statute into a use that is contrary to the intent of the statute.

Thus, there should be language prohibiting private rights of action against employers for matters that should be enforced by DHS. Furthermore, the power to investigate any labor or employment violations should be kept out of a system created exclusively for the purpose of verifying employment eligibility. The Chamber continues to call for a simple and reliable system, which includes reasonable penalties for bad actor violators.

C. Liability Standards and Penalties

The Chamber agrees that employers who knowingly employ illegal aliens ought to be prosecuted under the law. This current “knowing” legal standard for liability is fair and objective and gives employers some degree of certainty regarding their responsibilities under the law and should, therefore, be maintained. Lowering this test to a subjective standard would open the process to different judicial interpretations as to what an employer is expected to do. Presumptions of guilt without proof of intent are unwarranted. Furthermore, while the government should punish intentional violators, those employers whose only error was a simple oversight or mistake should be given an opportunity to rectify such error.

We do not oppose efforts to increase penalties. However, the penalties need to be proportionate to the offense and comparable to other penalties in existence in the employment law arena. If penalties are too high, and too unyielding, an employer who is assessed a penalty, but believes that they did not violate the law, will be forced into an unnecessary settlement because they cannot afford to pay both the legal fees necessary to fight the citation, and gamble that they might end up with a penalty that is so high that it devastates their business. Penalties should not be inflexible, and we urge you to incorporate statutory language that allows enforcement agencies to mitigate penalties, rather than tying them to a specific, non-negotiable, dollar amount.

It is also critical to the employer community that it does not bear vicarious liability for subcontractor actions unless the contractor knew of the actions of the subcontractor. In other words, the contractor should not be held liable for undocumented workers hired by a subcontractor, both of which would be required to independently participate in the new EEVS for their own employees, without evidence of direct knowledge of the general contractor. Without such protection, an employer could be open to liability even for the violations of its peripheral contractors – e.g. a water delivery company or landscaping contractor.

A number of additional penalties and causes of action have been suggested as proper penalties in a new verification system. These range from debarring employers from federal government contracts to expansion of the current antidiscrimination protections. Penalties must be tailored to the offense and the system must be fair. Automatic debarment from federal contracts is not an authority that should be given to DHS. Indeed
a working process already exists in current law under the Federal Acquisition Regulations (FAR).

Additionally, the Chamber objects to expansion of antidiscrimination provisions found in current law. As stated above, a new, functional system coupled with comprehensive immigration reform should provide adequate assurances that it will not be used to discriminate against workers. Employers should not be put in a “catch-22” position in which attempting to abide by one law would lead to liability under another one.

D. Employee Population to be Covered

Pursuant to IRCA, each new employee hired after November 6, 1986 must be verified as eligible to work under the current paper-based I-9 system. IRCA grandfathered employees hired prior to November 6, 1986 so as not to cause undue disruption of businesses. It is critical that any new process only mandate that new hires need to be verified under any future electronic employment verification system. Employers should only be required to verify new employees, as existing employees have already been verified under the applicable legal procedures in place when they were hired. Re-verifying an entire workforce is an unduly burdensome, costly proposition, and unnecessary given how often workers change jobs in the United States.

E. Acceptable Documents for Proof of Identity and Employment Authorization

The issues of document fraud and identity theft have been exacerbated under the current paper-based I-9 system because of the lack of reliable and secure documents. Documents should be re-tooled and limited so as to provide employers with a clear and functional way to verify that they are accurate and relate to the prospective employee. There are two ways by which this can be done, either by issuing a new tamper and counterfeit resistant work authorization card or by limiting the number of acceptable work authorization documents to, for example, social security cards, driver’s licenses, passports, and alien registration cards (green cards). All of these documents could be made more tamper and counterfeit resistant. In fact, in 1998, the federal government began issuing green cards with a hologram, a digital photograph and fingerprint images and by 2010 all green cards currently in existence should have these features.

With fewer acceptable work authorization documents, the issue of identity theft can more readily be addressed. The new verification process will need to require a certain degree of inter-agency information sharing. When an employer sends a telephonic or internet based inquiry, the government must not only be able to respond as to whether an employee’s name and social security number matches, but also whether they are being used in multiple places of employment by persons who may have assumed the identity of other legitimate workers. In the long run, as the verification system is developed and perfected, it should move closer towards the use of biometric technology that can detect
whether the person presenting the document relates to the actual person to whom the card relates.\textsuperscript{15}

F. Fair and Reasonable Roll Out of New System

The Government Accountability Office (GAO) reported last year that there are still some unresolved issues with the Basic Pilot Program, including delays in updating immigration records, false-negatives, and program software that is not user friendly.\textsuperscript{16} Specifically, GAO has reported additional problems and emphasizes, “the capacity constraints of the system [and] its inability to detect identity fraud.”\textsuperscript{17} Given these and other concerns, the new system should be phased in and tested at each stage, and expanded to the next phase only when identified problems have been resolved. The best approach would be for the program to move from one phase to the next only when the system has been improved to take care of inaccuracies and other inefficiencies ascertained through the earlier phase. This would also allow DHS to properly prepare for the new influx of participants. In addition, if industry sectors are carved out, these need to be delineated and defined. For example, there needs to be clear guidelines of what exactly falls within the broad term of “critical infrastructure” if that is used as one benchmark.

G. Response Times

The employer needs to be able to affirmatively rely on the responses to inquiries into the system. Either a response informs the employer that the employee is authorized and can be retained, or that the employee is not and must be discharged. Employers would like to have the tools to determine in real time, or near real time, the legal status of a prospective employee or applicant to work. DHS and the Social Security Administration must be given the resources to ensure that work authorization status changes are current to avoid the costs and disruption that stems from employers having to employ, train, and pay an applicant prior to receiving final confirmation regarding the applicant’s legal status.

The Chamber understands that due process concerns must allow the employee to know of an inquiry and to then have the ability to challenge a government determination. Thus, at the very least, employers should be able to submit an initial inquiry into the system after an offer of employment has been made and accepted. Presumably this could be done two weeks before the first day of employment so the clock starts running earlier. The start date should not be affected by an initial tentative nonconfirmation. Of course, for employers that need someone immediately, the option of submitting the initial inquiry shortly after the new employee shows up for his or her first day at work should continue to be available. In the case of staffing agencies, current law allowing for submission of the inquiry when the original contract with the agency is signed should be kept in future.

\textsuperscript{15} Obviously, as biometric technology is rolled out, it is important to address who would actually pay for the readers and the implementation of the technology. Further, there will be legitimate issues of practicality in implementing biometrics in many workplaces.

\textsuperscript{16} Bovbjerg, Barbara D., Director, Education, Workforce, and Income Security Issues at GAO, Testimony before the Subcommittee on Oversight of the House Committee on Ways and Means, February 16, 2006.

\textsuperscript{17} Id.
laws. A maximum of 30 days, regardless of when or how the inquiry is made, and taking into consideration time to submit additional information and manual review, should be the outer limit that the system should take from the date of initial inquiry until a final determination is issued by the government.

**H. Government Accountability**

The government must also be held accountable for the proper administration of the new system. There must be an administrative and judicial review process that would allow employers and workers to contest findings. Through the review process, workers could seek compensation for lost wages due to a DHS agency error. Meanwhile, if an employer is fined by the government due to unfounded allegations, the employer should be able to recover some attorneys’ fees and costs—capped at perhaps $50,000—if they substantially prevailed in an appeal of the determination. Additionally, workers should have access to review and request changes to their own records to avoid issues when changing jobs.

**I. Limited Bureaucracy and Additional Cost Concerns**

It is imperative that the new system be workable, simple, easy to use, and not be costly or burdensome to employers. DHS will need adequate funding to create, maintain and implement the new system. This cost should not be passed on to the employer with fees for inquiries or through other mechanisms. Additionally, there should not be overly burdensome document retention requirements. The more copies of official documents are kept in someone’s desk drawer, the increased likelihood of identity theft. Under current law, an employer does not need to keep copies of driver licenses, social security cards, birth certificates, or any other document shown to prove work authorization. The employer must certify under penalty of perjury that those documents were presented. The requirement to copy and store copies of this sensitive documentation in any new program should be carefully analyzed not only from the cost perspective to employers, but also from the privacy perspective of workers.

**J. No Further Expansion of Employment Law**

Finally, the new system needs to be implemented with full acknowledgment that employers already have to comply with a variety of employment laws. Thus, verifying employment authorization, not expansion of employment protections, should be the sole emphasis of a new employment verification system.

In this regard, it should be emphasized that there are already existing laws that govern wage requirements, pensions, health benefits, the interactions between employers and unions, safety and health requirements, hiring and firing practices, and discrimination statutes. The Code of Federal Regulations relating to employment laws alone covers over 5,000 pages of fine print. And of course, formal regulations, often unintelligible to the small business employer, are just the tip of the iceberg. Thousands of court cases provide an interpretive overlay to the statutory and regulatory law, and complex treatises provide
A GAO report titled “Workplace Regulations: Information on Selected Employer and Union Experiences” identified concerns regarding workplace regulations that employers continue to have to this very day. The report noted that enforcement of such regulations is inconsistent, and that paperwork requirements could be quite onerous. Most importantly, the report concluded that employers are overburdened by regulatory requirements imposed upon their businesses and many are fearful of being sued for inadequate compliance.

The cost of compliance continues to grow at an alarming pace. A 2005 study by Joseph Johnson of the Mercatus Center estimated the total compliance cost of workplace regulations at $91 billion (in 2000 dollars) and a follow up study by W. Mark Crain for The Office of Advocacy, U.S. Small Business Administration, estimated the total compliance cost of workplace regulations at $106 billion (in 2004 dollars). Within a four year span, the cost grew at a rate of $15 billion, or $3.75 billion per year.

**VI. Conclusion**

The Chamber urges you to continue to engage the business community to create a workable electronic employment verification system within the context of comprehensive immigration reform. This requires an overall system that is fast, accurate and reliable under practical real world working conditions, and includes:

- Clarification that federal jurisdiction preempts state and local laws with DHS-only enforcement authority;
- An investigative and enforcement system that is fair, with penalties commensurate to the offense;
- Provisions to protect first-time good faith “offenders” caught in the web of ever-changing federal regulations;
- No expansion of liability beyond the knowing standard for contractor/subcontractor relationships;
- No expansion of antidiscrimination laws or debarment outside the FAR system;
- A new verification system that only applies to new hires;
- A reasonable number of reliable documents to reduce fraud;
- A telephone based alternative to accommodate all employers;
- A phase-in with independent certification as to accuracy and workability;
- Congressional oversight authority with independent studies;

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• Verification to begin when firm offer of employment is made and accepted, followed by reasonable system response times—at the most 30 days;
• Accountability structures for all involved—including our government;
• Limited bureaucracy and sensible document retention requirements that takes into consideration privacy concerns;
• No artificially created incentives favoring automatic fines or frivolous litigation; and,
• No expansion of labor laws within the electronic employment verification system.

Employers will be required to utilize and comply with the new electronic employment eligibility verification system, and therefore, we should continue to be consulted in shaping such a system. We at the Chamber, EWIC, and the EEVS Working Group, stand by to continue to assist in this process. Thank you again for this opportunity to share the views of the Chamber, and I look forward to your questions.