



Testimony of

Todd McCracken  
President

Before the

U.S. House Committee on Education and the Workforce  
Subcommittee on Workforce Protections

Regarding

EEOC Enforcement and Criminal Background Screening

June 10, 2014

***Celebrating 75 Years · 1937 - 2012***

1156 15<sup>th</sup> Street NW · Suite 1100 · Washington, DC 20005 · 202-293-8830 · Fax: 202-872-8543 · [www.nsba.biz](http://www.nsba.biz)

Mr. Chairman and Members of the Committee-

My name is Todd McCracken. I am President of the National Small Business Association (NSBA). Thank you for inviting us to be here today and to discuss some of the many federal enforcement issues that confront our nation's small business community. Today, I am going to focus my comments on criminal background screening in general and the recent initiatives in this area by the Equal Employment Opportunity Commission (EEOC) in particular.

NSBA was founded in 1937 to advocate for the interests of the nation's small businesses. NSBA is the oldest national small business organization, representing more than 65,000 small businesses throughout the country in virtually all industries and of widely varying sizes.

The EEOC enforces Title VII of the Civil Rights Act of 1964 which prohibits employment discrimination on the basis of race, color, religion, sex, or national origin; the Age Discrimination in Employment Act of 1967 which prohibits employment discrimination against individuals 40 years of age and older; the Equal Pay Act of 1963 which prohibits discrimination on the basis of sex regarding compensation, section 501 of the Rehabilitation Act of 1973 which prohibits employment discrimination against federal employees and applicants with disabilities; the Americans with Disabilities Act of 1990 which prohibits employment discrimination on the basis of disability; and the Genetic Information Non-Discrimination Act of 2008 which prohibits employment discrimination based on genetic information.

NSBA welcomes strong protection of the civil rights and liberties of all Americans.

*Background Screening Enhances the Safety of Employees and Customers of Small Businesses*

As we all know, not every individual is suited to be employed in every job. It is accepted that employers will qualify workers based upon credentials, experience, demonstrated skill, and other important factors. But it is also true that many factors related to employee character also play a role, particular for certain jobs or workplaces.

Employers want to provide a safe place for their employees to work and to do their best to prevent workplace crime. They want to ensure that the employees that they send to customers' homes as technicians, repair people, or sales people do not inflict harm on their customers. They need to take steps to prevent theft, fraud and embezzlement. Criminal background screening is an important tool – nearly the only tool – that employers have to protect their customers, their employees and themselves from criminal behavior.

***Celebrating 75 Years · 1937 - 2012***

1156 15<sup>th</sup> Street NW · Suite 1100 · Washington, DC 20005 · 202-293-8830 · Fax: 202-872-8543 · [www.nsba.biz](http://www.nsba.biz)

### *Government has the Obligation to Provide Clear Rules*

That said, small businesses are willing to comply with reasonable rules designed to ensure that criminal background screening is not having a disproportionate impact on protected groups, provided that those rules do not endanger their employees or customers, do not substantially increase their risk of being victims of property crimes or do not increase their risk of being found liable for the tort of negligent hiring.

For its part, the federal government—in this case, the EEOC—has an obligation to articulate rules that are comprehensible and can actually be implemented. It is fundamentally unfair and, in practice, counterproductive for the rules to be so opaque that few small business practitioners can understand them. Lack of crisp guidance leads to situations where enforcement is starkly arbitrary and the rules, since they cannot be understood, are effectively ignored.

As I will discuss in detail later, the EEOC guidance is not guidance at all. It provides no meaningful rules about how to proceed. It is really just a threat that the EEOC may proceed against employers if, in hindsight, it decides it wants to do so. Today, small businesses live with the threat that they may be sued for negligent hiring if they hire an unsuitable employee who subsequently commits a crime or tortious act in the workplace or in a customer's home or workplace. The complicated, confusing Guidance discourages small businesses from relying on checks, and—in tandem with the EEOC's stepped-up enforcement in this area—means that small businesses face greater legal exposure.

### *Small Businesses Caught between Competing Government Priorities*

Small businesses are caught between competing government priorities and perspectives among different federal agencies, the courts and the state and federal governments. The 2012 EEOC guidance, for example, explicitly stated that the fact that a small business was complying with a state legal requirement to conduct a criminal background check or to bar a felon from a particular position would not prevent an EEOC enforcement action. With respect, it is ridiculous that a small business is forced to choose between two conflicting government requirements. If the EEOC has a problem with a state statute, it should challenge the statute, not launch an enforcement action against a small business who complied with state law. Unlike the federal government, small businesses have limited resources, and defending such lawsuits can devastate the financial health of the business.

Small businesses really want to know what the rules are so they can comply with them and go back to running their businesses. They want the state and federal governments, including the courts, the legislative branch and the executive branch to set forth consistent and comprehensible rules. That does not seem like it is asking for too much. The rules applying to small businesses should not place them at substantial legal risk no matter what they do.

### *The EEOC Should Focus on Areas Where Discrimination is an Important Problem*

The EEOC should focus its enforcement efforts where unlawful discrimination is an important problem. A corollary of that proposition is that it should not expend its resources in areas where it is not an important problem. It should be particularly careful about focusing resources in areas that are not a demonstrated problem and where there are strong countervailing policy reasons for employers to engage in the activities that result in the alleged disparate impact.

One such area is criminal background screening.

NSBA has conducted a review of the legal and economics literature on these issues. We have discussed this with our members. We have found no evidence that criminal background screening is a significant civil rights problem.

On the other hand, preventing workplace violence, protecting customers and preventing property crime is a continuing and serious problem. Moreover, in the absence of criminal background screening, our members are subject to substantial risk of being successfully sued for the tort of negligent hiring.

### *The EEOC Needs to Seriously Rethink the Complexity of Its Guidance*

Neither the small business community nor the EEOC countenances discrimination. But the issues that I am discussing today do not involve attempted bigotry. Small businesses are conducting background checks to help promote public safety, not for the purposes of excluding minority employees. They are trying to hire qualified employees. They are trying to prevent their employees, their customers and, in the case of family-owned businesses, their own families, from becoming victims of crime. They are trying to avoid liability for crimes committed by employees. And they are trying to limit theft, fraud, embezzlement and other property crimes.

The vast majority of small firms are also trying to comply with the law and with EEOC guidance. In the current situation, they are unable to do so with any degree of confidence.

I can assure you that it is a rare small-business owner who is going to be able to read, absorb and apply the 55 page, 167 footnote “Enforcement Guidance on the Consideration of Arrest and Conviction Records in Employment Decisions under Title VII of the Civil Rights Act of 1964” issued by the EEOC on April 25, 2012. More importantly, we have had many discussions with sophisticated attorneys who grapple with these issues for a living, including those who work for large law firms advising large corporations. They struggle with how to advise their clients as well. If they are at a loss, then small firms and their generalist attorneys will fare no better.

In the real world, small firms and their advisors are not going to be able to understand what the EEOC regards as permissible with respect to the use of criminal background checks. The reason is fairly straight forward. The EEOC has not **clearly** stated what it expects from the small business community. All the EEOC has done is indicate that it expects small firms to conduct a

***Celebrating 75 Years · 1937 - 2012***

1156 15<sup>th</sup> Street NW · Suite 1100 · Washington, DC 20005 · 202-293-8830 · Fax: 202-872-8543 · [www.nsba.biz](http://www.nsba.biz)

complex individualized assessment weighing numerous factors regarding the use of conviction records in each hiring decision. How that is to be done in practice is anybody's guess.

The goal of the EEOC is to prevent discrimination. To do so, it must enunciate a coherent, intelligible policy that businesses, large and small, can actually understand and implement. I suspect that it would have done a far better job of developing such a policy had it provided for a notice and comment period prior to issuing guidance. Had it done so, I can assure you that the small business community would have provided the Commission with comments underscoring the need for straightforward rules that are understandable and practical.

The rules that business owners have to grapple with now are so opaque and complex that they will, in practice, have to be ignored. The clear and quite understandable concerns about tort liability and worker, customer, and family safety will take precedence over amorphous and ill-defined EEOC guidance. In short, the EEOC guidance does not achieve its objective.

### *Workplace Crime is a Significant Problem*

We do not believe that criminal background checks are being misused to any significant degree for an unlawful discriminatory purpose.

Workplace violence, on the other hand, is a significant problem. Workplace theft and embezzlement are also major problems. Both can be reduced through proper background screening. According to the Bureau of Justice Statistics, approximately 572,000 nonfatal violent crimes (rape, sexual assault, robbery, and aggravated and simple assault) occurred against persons age 16 or older while they were at work in 2009.<sup>1</sup> Workplace violence accounted for 15-percent of nonfatal violent crime against persons age 16 or older. In short, workplace violence remains a very serious problem even though it has declined over the past 15 years.

A Westlaw search of the law reviews regarding negligent hiring indicate that the trial bar is quite busy filing negligent hiring lawsuits. Businesses have to take that risk into account when making hiring decisions. The EEOC needs to consider the tort law in its guidance and, based on its discussion in the guidance, does not appear to have done so. It is not right that complying with EEOC guidance (such as it is) can lead to substantial and potentially devastating tort liability for a business that does so.

It is not in an employer's interest to fail to hire an otherwise qualified applicant because of a long-passed minor infraction. It is not in their interest, for example, to fail to hire someone that perhaps got in an altercation years ago and has otherwise had no problems with the law and a good employment record. Since employers have every interest in keeping their pool of potential

---

<sup>1</sup> Workplace Violence, 1993-2009 National Crime Victimization Survey and the Census of Fatal Occupational Injuries, U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, March, 2011. <http://bjs.ojp.usdoj.gov/content/pub/pdf/wv09.pdf>

job candidates as large as possible, it does not take a major enforcement effort to achieve these results.

Thank you for inviting us to testify today. We look forward to continuing to work to address these important issues.

***Celebrating 75 Years · 1937 - 2012***

1156 15<sup>th</sup> Street NW · Suite 1100 · Washington, DC 20005 · 202-293-8830 · Fax: 202-872-8543 · [www.nsba.biz](http://www.nsba.biz)