

Illegal Hiring Practices

Testimony before Congress on lax enforcement of wage reporting

by Matthew James Reindl

Mr. Chairman and members of the subcommittee: I am extremely honored, and I thank you for the privilege to testify at today's hearing. My name is Matthew Reindl and I am an operator of a small family owned woodworking factory. I am not a paid lobbyist, and I do not draw a salary from any political or social advocacy group. I believe I am speaking for the tens of thousands of law abiding small business owners, who are being adversely affected, many forced to close, because of illegal hiring practices of employers.

I am thankful that President Bush has appointed someone to the Social Security Administration who has taken steps to have businesses comply with the law. On behalf of those tens of thousands of small businesses who carefully comply with federal tax and wage reporting requirements, I want to applaud Commissioner Barnhart for directing the agency to send out the much

publicized letters to employers and employees with mismatched W-2 wage items.

A mismatch of social security numbers could mean one of two things. In many cases it could be a simple typographical error. Our company is familiar with this type of error. The correct number can be resubmitted to the Social Security Administration, and the problem will be solved.

However, if it is not the case of a simple mix-up, it means that the person supplying the documents has falsified his or her identification, and neither the employer nor the government has any idea who this person is, or where this person came from, or what this person is doing here in this country. We have no way of knowing if this unknown undocumented person is a terrorist here with the intent to destroy this nation. If verifying social security numbers can prevent terrorism it is a necessity. In the wake of the 9/11 murders, no American can be opposed to the Social Security Administration's need to share this information with INS. INS needs to investigate those companies which knowingly employ illegal workers and penalize them.

Our country has maintained rational laws for legal immigrants. Our immigration laws provide an organized procedure for people to enter our country legally and obtain legal employment. Our company has been employing legal immigrants for more than fifty years. Seven of our ten current employees were legal

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immigrants when they joined us. In fact, our company's skilled workforce has been built by the positive effects of our immigration laws.

The Reindl Family Business

Many Americans emigrated from another country. Parents, grandparents, great-grandparents, made a journey to America and came for the opportunities America had to offer. My grandfather, who was a trained cabinetmaker, made that journey from Europe in 1930. Back in those days an immigrant had to be sponsored in order to enter our nation legally, and thus he did so. He was a man that always obeyed the law and taught his family to respect the rules and laws of the country.

In 1951, 20 years after he entered this country he was bold enough to open a woodworking factory with the money he saved through the years. With other legal immigrants at his side he made the American dream happen. Hand in hand, different cultures working together to fulfill many dreams. The factory was passed onto my father and now onto me, the third generation. Today, as it was 50 years ago, I work with American citizens and legal immigrants. Our company has employed Turks and Armenians, Jamaicans and Haitians, Italians and French, Polish and Germans, Yugoslavians and Dutch, El Salvadorans, and also a Jewish holocaust survivor from Holland. The diversity of our shop makes our conversations lively. It seems like a UN assembly meeting. Our employee with the longest longevity (25 years) is a Muslim immigrant from Turkey. The company went through all the legal channels to sponsor him. In addition to him, our company has sponsored other employees throughout the years. We work hard. And no job is too demeaning for anyone, including myself. I normally work at least 60 hours a week. This is what is required to run a small business. This is the strength of America.

One thing I am grateful for is the fact that my grandfather instilled in my father excellent morals and taught him to always abide by the law. This philosophy, too, was passed on to me. Our company has always paid its fair share of taxes and its fair share of salary. We do everything ethically and by the book. We also have always paid the entire cost for the employee's health benefits, years before others in our industry did. However, if illegal immigration continues to drive our selling price down, I fear we will not be able to provide

health insurance to our employees in the future. In fact, I may even be forced out of business.

The following shows the diversified representation of the current employees in my shop:

Ahmet — Legal immigrant now American citizen born in Turkey
 Luis — Legal immigrant from Colombia
 Alrick — Legal immigrant from Jamaica
 Chaplin — Legal immigrant from Jamaica
 John — American born citizen
 Roberto — American born citizen from Puerto Rico
 Borgdan — Legal immigrant from Croatia
 Krzystof — Polish legal alien under 1986 amnesty
 Mark Reindl — American born family member
 Fred Reindl — American born father of family

Employer's Responsibility

The INS has placed the responsibility of immigration enforcement on American employers. Every employer receives a handbook for completing form I-9, and in this handbook it states:

Employment is often the magnet that attracts persons to come to or stay in the United States illegally. The purpose of the law is to remove the magnet by requiring employers to hire only citizens and aliens who are authorized to work here.

This law requires that every newly hired employee and employer fill out an I-9 and proper documentation must be verified by the employer. As a small business, we certainly know the requirements of the law and how to pick one from column "a" or one from column "b" and one from column "c." It is hard to believe that a big corporation with a professional staff cannot figure out how to fill out this I-9 form.

Stylecraft Interiors Inc. complies with these federal laws:

Verify immigration status and complete Federal form I-9;
Deduct federal income tax and process W-4 forms;
Deduct Social Security and Medicare contributions;
Match Social Security and Medicare contributions;
Pay Federal Unemployment Tax.

Stylecraft Interiors Inc. also complies with these New York State Laws:

*Deduct state income tax;
Deduct Disability Insurance;
Pay New York State Workers' Compensation Insurance;
Pay New York State Unemployment insurance tax;
Pay New York State disability insurance;
Fill out State form N-96-2, sending that and a copy of w-4 or equivalent to the State.*

These are the labor laws that every New York State employer is required to obey. However, from the newspaper articles it is clear that a growing percentage of businesses are not complying. If laws are not enforced, even a greater number of businesses will not comply with these labor laws thus driving wages down.

If the laws, which I just mentioned, were enforced and obeyed, I believe that there *would be much less illegal immigration*. I know people in my community are well aware that many day-workers who are illegal aliens work for employers who are paying off the books and committing worker's compensation fraud, unemployment fraud, Federal and State tax fraud, and Social Security fraud.

Several years ago a hiring site emerged in Glen Cove, NY. In 1995 we lost two legal immigrant employees to this Glen Cove site. They both left our company because they made more money standing at the Glen Cove site, or doing street corner work off the books and not paying taxes. They told me they were clearing between \$75 to \$100 a day off the books, much more than what I could pay them after taxes. They were very happy that the local government set up a site where they would be hired illegally, and not pay into the tax system. When I asked about health insurance for their family they replied: if I get sick, I go to the hospital and it is free. Organized and unorganized hiring sites are popping up on Long Island. Towns such as Farmingville, Farmingdale, Freeport, and Huntington have these sites and many more are emerging. Bishop Murphy of the Roman Catholic Church has gone on record saying the Catholic Church will do everything it can to help establish day laborer sites. Local governments and Catholic Charity organizations seem eager to build them. Illegitimate contractors are not getting audited at these sites. Business owners and we the taxpayers foot the bill for our ex-employees' health care. Also, the employers who hire illegal aliens are not paying into worker's

compensation insurance. When they get hurt, guess who pays the bill? — the law abiding business owner and taxpayer. I believe that the sole purpose of hiring sites is to try to indoctrinate the American people into believing that it is somehow legal for illegal aliens to be here and to be hired at these sites.

I believe that the endorsement of any hiring of illegal aliens is an attack on our laws and on every single law abiding employer. All it is doing is undermining the labor laws of this great country.

Economics of Illegal Labor Practices

The [actions of] contractors and factory owners who disregard immigration laws and disregard labor and insurance laws result in a profitable but illegal advantage over legitimate business owners who play by the rules. I am not an accountant but I do pay bills, and our company has prepared the following breakdown for a single person with himself as a dependant. It compares the costs of a legitimate employer to those of a lawbreaking employer who pays \$500 per week off the books. Gross pay on the books would have to be \$670 in order to net \$500 because of these expenses:

Social Security and Medicare	\$51.26
Federal withholding	\$83.63
N.Y. State withholding	\$35.62
N.Y. State disability	\$0.60

This yields \$499 net pay.

Now, the legitimate employer also has additional costs. He has to match social security, Medicare, and pay New York State workers' compensation and N.Y. State unemployment insurance:

Social Security and Medicare	\$51.26
Workers' Compensation (+/-)	\$50.25
N.Y. State Unemployment (+/-)	\$5.06

The legitimate employer is now paying \$776.57 a week compared to \$500 net pay "off the books." This represents a 55 percent higher cost to the honest, law-abiding employer.

Add health insurance, which is \$77.86 a week; plus one week's vacation and five holidays averages out to \$35.00 a week.

The total cost a legitimate employer would be paying to equal that \$500 net pay a week now adds up to \$889.43. This represents a 78 percent higher cost to the honest, law-abiding employer.

The Federal Government loses \$83.63 in Federal

withholding when employers pay “off the books.” However, in view of the fact that current federal accounting standards co-mingle Social Security and Medicare contributions into the federal budget (not into a separate trust fund) we must add the \$51.26 employee contribution plus the \$51.26 employer contribution, totaling \$102.52 for the total Social Security and Medicare contribution. Add \$83.63 plus \$102.52, and the total cost to the Federal Government becomes \$186.15 — 37 percent of the \$500 net pay a law-abiding worker would receive.

Please note: unemployment and workers’ compensation rates are variable. Low rates were used, and Federal unemployment contributions were not included. Also note that only one-week vacations and five holidays create a very low comparison. The actual cost to a legitimate employer would probably be higher.

Due to the unscrupulous employers who hire illegal aliens I do not know if Stylecraft Interiors can continue to survive. Illegal immigration lowers my wage and that of my employees, too. The legal immigrants in my shop are very aware of this. Many of my employees waited five to seven years to enter our country legally. They did the right thing. They obeyed our laws, and now people who broke the law are keeping down their wages. They wonder why both our Federal and State governments refuse to enforce any laws when it comes to illegal immigrants. They ask me why people who did not wait their turn are being rewarded.

Conclusion

Without employment or the hope of employment, illegal aliens would not be tempted to enter our country in violation of our immigration laws. Employers need to be actively penalized for hiring illegal workers, and legal immigrant workers need to believe that all employers respect our laws. I honestly believe that there is a growing number of businesses that hire illegal aliens. If there is no enforcement, that number will grow and grow and grow. The federal government can’t allow a criminal minority of employers to profit from illegal labor practices, because it undermines the founding principles of this country.

As an employer, I am pleased to

know that the Social Security Administration is finally cracking down on workplace fraud.

When employers ignore immigration laws it tends to lead to other laws being broken, such as Social Security fraud, workers’ compensation fraud, and income tax fraud. Because of the lax enforcement from all other agencies of the government, honest employers are being punished.

Lax enforcement of immigration and labor laws penalizes all those employers who comply with federal and state laws. Our company obeys the law and we refuse to hire illegal aliens. If my competitors are allowed to break the law, and hire low-wage illegal immigrant workers, they gain an unfair and illegal advantage over my company. My competitors will undercut my prices, and take away my business and could possibly cause me to be put out of business. •