

## SOCIAL SECURITY NO-MATCH LETTERS: A SYMPTOM OF A BROKEN IMMIGRATION SYSTEM

**THE ISSUE:** The Social Security Administration (SSA) in 2002 sent out a record number of “no-match” letters that resulted in thousands of workers resigning or losing their jobs. As a result, employers found themselves suddenly facing worker shortages, and low- and semi-skilled service-oriented industries (many of which already suffer from worker shortages) were squeezed between an American workforce unwilling to fill these positions and an American immigration system with no effective legal channels for obtaining low- and semi-skilled foreign labor. This squeeze caused by the no-match letters is one of the many symptoms of a broken immigration system that needs to be reformed to allow U.S. businesses with labor shortages access to legal workers.

**BACKGROUND:** The SSA annually reviews W-2 forms and credits social security earnings to workers. If a name or a Social Security Number (SSN) on a W-2 form does not match SSA records, the Social Security earnings go into an earnings suspense file while the SSA works to resolve discrepancies. In recent years, the SSA has been unable to match employee information with SSA records for 6 million to 7 million workers a year. SSA has deposited over \$420 billion in wages in the earnings suspense file as a result of the cumulative effect of these no-matches.

In 2002, the SSA issued a no-match letter to each employer with at least one employee whose information did not match the SSA’s records. This policy resulted in the SSA issuing 900,000 letters to U.S. employers, the equivalent of 1 in 8 employers receiving these letters. Roughly 7 million workers were included on these letters.

Both employers and employees reacted to the no-match letters with panic and uncertainty. In some cases, employees resigned immediately after being notified of their no-match status. In other cases, employers immediately fired individuals appearing on the list. Others gave employees a limited timeframe to correct the inconsistent information. Reports indicate that U.S. employers lost thousands of workers due to the effects of the no-match letter. In several reported cases, individual employers lost hundreds of workers from their businesses over the course of a few days. For the industries that already faced worker shortages, such drastic labor losses were devastating. Although the SSA explicitly indicated that that a no-match could result from the use of hyphenated names or typographical errors within the SSA databases and that the no-match letter was not a basis for taking adverse action against an employee, these instructions often went unheeded as employers tried to comply with seemingly conflicting regulations issued by the Internal Revenue Service (IRS) and Immigration and Naturalization Service (INS) as well as employee protection laws.

In 2003 and 2004, the SSA took steps to reduce the panic associated with these letters. These no-match letters did not include any reference to IRS fines, and letters were sent only to those employers with more than 10 employees with mismatched information or for whom mismatched employees represented ½ of 1% of the W-2 forms filed with SSA. SSA sent out an estimated 121,000 employer letters and 130,000 letters in 2003 compared to about 900,000 in 2002. However, even with the change in determining which employers should receive letters, the total number of employees referenced by last year’s letters did not drop significantly from 2002. The SSA restructured its method for calculating which employers should receive no-match letters because very few employers submitted corrected information to the SSA, and much of the information received still did not match the agency’s database information.

**AILA's POSITION:** AILA supports a corrected and well functioning SSA database. However, a corrected database ultimately only will be achieved when Congress takes action to correct the broken immigration system that has created a class of undocumented workers that has contributed to the no-match problem.

The sheer volume of employees referenced by the no-match letters, although not entirely related to undocumented workers, is a symptom of an immigration system that is not responsive to current economic realities. This symptom can only be cured by comprehensive immigration reform. This reform would regularize the status of foreign nationals who are already here working, paying taxes, contributing to Social Security, and have no way to legalize their status. Reform also must address other problems inherent in the current immigration system by promoting family unity and devising a system of future flows whereby low- and semi-skilled workers would have a legal channel for entering the United States to help alleviate labor shortages. Adequate funding for implementing reform must also be appropriated.

Without such reform, the no-match letters and other symptoms of our broken immigration system will continue to reflect a system that needs to be changed.