



EMPLOYMENT SYSTEMS, INC.

Date: December 17, 2002
To: Clients of Employment Systems, Inc.
From: Michelle Hillman, President
Subject: New Regulations on the Use of Social Security Numbers

A new state law that took effect on July 1, 2002, places restrictions on employers in their use of employee social security numbers. The law, SB 168, was passed to help protect individuals against identity theft and applies in a variety of contexts, notably with consumer reporting agencies, not just in employment. The business practices that ESI follows do not conflict with this new law.

This law permits the use of social security numbers by employers when required by state or federal law. For example, ESI is required by state law to print social security numbers on paycheck stubs. However, the new law does prohibit an employer (an individual or entity) in using social security numbers in five specific circumstances:

1. The employer cannot publicly post or display an individual's social security number in any way. The new law states that publicly post or display means to intentionally communicate or make available the social security number to the general public.
2. The employer cannot print the individual's social security number on a card required to access the employer's products or services.
3. Unless a secure connection is used, or the social security number is encrypted, the employer cannot require an individual to transmit their social security number over the Internet.
4. Unless it is used in connection with a password or "unique personal identification number", the employer cannot require an individual to use their social security number to access the employer's website.
5. The employer cannot print the social security number on any material that is mailed to an individual, unless required to do so by a state or federal law. (Applications and forms sent through the mail are exempted.)

The new law permits the employer to continue to use social security numbers for "internal verification or administrative purposes" but it does not provide further definition of what those purposes might be. There are a few other restrictions and permissible uses of the social security numbers in the law, and



clients are directed to Section 1798.85 of the California Civil Code for the text of the new confidentiality of social security numbers regulations. **State and local agencies are exempted from these regulations.**