

THE MISCLASSIFICATION OF WORKERS DAMAGES MORE THAN JUST THE WORKERS



Summary: *The misclassification of workers is seeing a crackdown by the U.S. Department of Labor in order to protect workers and taxpayers.*

There has been a growing trend the last few years in many industries to purposely misclassify workers in an attempt to avoid paying taxes and hold legal responsibility. **Construction companies** are the largest offenders of this trend. They hire workers for one day and then the next day they hire them as independent contractors.

A case in Arizona and another in Utah have come to a close with the judgment declaring the business model as illegal. The companies of CSG Workforce Partners and Universal Contracting, LLC started in Utah building houses. When the case went to court in Utah, the companies moved to Arizona under a new name, Arizona Tract/Arizona CLA. The companies were requiring employees to be members or owners of limited liability companies in order to eliminate their rights and protections under federal and state **wage and safety laws**. These employees were performing the same jobs at the same job sites from one day to the next but no longer getting any legal protection. In return, the company was able to avoid paying payroll tax in the amount of hundreds of thousands of dollars.

The court cases brought up by the Wage and Hour Division were able to shut down the companies and order \$600,000 in back wages and damages to be paid back to the workers. The company was fined an additional \$100,000.

Misclassification of workers prevents them from benefiting from minimum wage, overtime, workers compensation, and **unemployment insurance**. Companies that try to run this type of practice are cheating the system and hurting taxpayers and the companies that follow the rules.

Source: <http://blog.dol.gov/2015/04/23/battling-a-damaging-workplace-trend/>

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