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## A Crackdown on Cheating Companies

Some labor-force experts predict that 50% of jobs created in the economic recovery will go to contractors, consultants, or other temporary employees. That's good news for employers, since these "contingent workers" cost 30% less than full-time staff. But studies by the U.S. Department of Labor and the Internal Revenue Service suggest that thousands of companies may be calling workers "contractors" when they're really full-time.

True independent contractors control when and how they work, rather than obeying directives from an employer. By misclassifying workers, businesses get all the advantages of full-time employees but save millions of dollars. They also gain an edge over their competitors, deprive the government of billions in tax revenue, and hurt employees by making them ineligible for worker's compensation, unemployment insurance, medical leave, and other benefits.

President Obama has allocated \$25 million to the Department of Labor to combat employee misclassification, mostly by hiring additional investigators. Meanwhile, the IRS is expanding company audits, and states from Nebraska to Maine are announcing initiatives to find—and fine—companies that aren't playing fair.

"Misclassification is a spreading epidemic," says Connecticut Attorney General Richard Blumenthal, who recently proposed higher fines and criminal sanctions for businesses in his state that misclassify workers. These companies, he adds, "not only victimize workers, who don't get the compensation they deserve, but also honest businesses who are underbid or outpriced by those that illegally cut costs."

— Rebecca Webber