

Misclassifying workers takes millions from state

As Gov. Jennifer Granholm and the state Legislature move into the next budget battle, it's no secret Michigan is entrenched in a serious financial crisis.

Our state budget includes deep K-12 education cuts, proving that crisis has now reached the classroom. There are no easy decisions in this battle.

In a time like this — when cuts impact our safety, our quality of life and our children's future, there is one widespread concern that is costing our state millions of dollars and remains overlooked — employee misclassification.

Misclassification occurs when an employer hires and classifies a worker as an independent contractor rather than an employee. By doing so, that employer prevents the worker from receiving the proper benefits. In the process, the state loses tax revenues, and the employer gains an unfair competitive advantage.

Misclassification is a loophole, a form of tax fraud. It has been allowed to continue, here in Michigan and across the country, for far too long. Together with the Teamsters and Michigan Building and Construction Trades Council, the Michigan Regional Council of Carpenters and Millwrights is battling this national problem. Misclassification has cost our state more than \$129 million in Social Security taxes, unemployment taxes and federal and state income taxes.

One question remains — why are we allowing Michigan employers to cheat? Without the proper penalties and checkpoints in place, this unlawful practice drains our already-limited financial resources. We must put a stop to this fraudulent activity.

A 2008 statewide study showed that within the Michigan construction industry, 26 percent of employers misclassify their workers. By acting in this unscrupulous manner, they saved 30 percent in labor costs. Misclassification hurts all working families.

That is why the MRCC is working to refine language that will strengthen laws on misclassification, establish penalties for those who abuse the system and institute incentives for employers who play by the rules. By enforcing fair practices, our state stands to gain millions it has lost in unpaid taxes.

Companies that allow misclassification of their workforce are preying on the livelihood of all working families. In these critical times, Michigan cannot afford to allow this to continue.

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