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MASSACHUSETTS RECOVERS MILLIONS IN REVENUE BY REDUCING EMPLOYER FRAUD AND WORKER MISCLASSIFICATION

BOSTON – Thursday, September 5, 2013 – Labor and Workforce Development Secretary Joanne F. Goldstein today announced Massachusetts has recovered more

than \$21 million over an 18-month period in owed revenue recaptured through the collaborative work of the state's Joint Enforcement Task Force on the Underground Economy and Employee Misclassification (the Joint Task Force). This recovered amount is greater than the sum of all previous years combined as detailed in the [Joint Task Force's 2012 Annual Report](#) .

In March 2008, Governor Deval Patrick established the Joint Task Force to restore fairness to the Massachusetts economy by addressing employer fraud and misclassification. Working towards this goal, the Joint Task Force is composed of various state agencies including representatives from the Executive Office of Labor and Workforce Development (EOLWD), as well as other executive branch agencies, the Office of the Attorney General's Fair Labor Division, the Office of the Treasurer's Alcoholic Beverages Control Commission and the Insurance Fraud Bureau.

"Thanks to Governor Patrick's leadership, the Joint Task Force continues to successfully work together to confront fraud and abuse among employers, to provide an equal playing field for all businesses to compete in Massachusetts and to protect workers," said Secretary Goldstein. "While each participating agency has the ability to recoup revenue on its own, our collective efforts provide greater enforcement and compliance, yields significantly more in revenue for the Commonwealth and delivers better outcomes for both employees and employers in the state."

Joint Task Force agencies work together to reduce fraud and abuse within the "underground economy," a term often referred to those individuals and businesses that choose to conceal or misrepresent their employee population to avoid one or more of their responsibilities related to wages, payroll taxes, insurance, licensing, safety or other regulatory requirements. Often the employees are mischaracterized as independent contractors or paid in cash to avoid these obligations. The underground economy also encompasses other activities such as tax evasion, payroll fraud, under-the-table work and wage theft.

"The collaborative efforts of the Joint Task Force have worked successfully to bring businesses and individuals into compliance with our state laws," said Attorney General Martha Coakley. "The money recovered this year demonstrates both the scope of the problem and our aggressive response to combat fraud and abuse. As the state's sole wage enforcement authority, our office will continue to take action to protect workers, stop unlawful business practices and level the playing field for all companies."

The Joint Task Force's 2012 Annual Report describes a breakdown of recovered funds and details noteworthy accomplishments and results achieved between July 2011 and December 2012, the most recent period of available collected data. During this 18-month period, Massachusetts recouped \$21.39 million in owed revenue and ensured greater compliance with the state's labor, licensing and tax laws.

Among notable accomplishments was the collection and disbursement of \$1.17 million in unreported wages by subcontractors on the Marriott Copley Place, Boston (Host Hotels) renovation project, following a multi-month Joint Task Force investigation that began in the fall of 2011. Joint Task Force agencies also identified sub-minimum wage payments to workers; employers without workers' compensation insurance policies; misclassification of workers; and unpaid Unemployment Insurance taxes by contractors and subcontractors working on this renovation project.

"The Joint Task Force is an excellent example of good government at its best and is validated by proven results," said Heather Rowe, Director of the Department of Labor

Standards and Interim Director of the Joint Task Force. "Along with our success stories, we are increasing awareness and forging a successful partnership among responsible business owners, labor, advocates, and government to bring fair employment conditions to Massachusetts and stem unfair competitive advantages some individuals seek."

Member agencies of the Task Force also regularly conduct cross agency compliance checks. An example of this cooperative partnership included a joint effort between DUA's Revenue Audit Department, the Alcohol Beverages Control Commission, Division of Capital Asset Management and Maintenance, Department of Career Services, Department of Industrial Accidents and Department of Labor Standards to track down unpaid taxes, fees and assessments. Over this 18-month period, the state recovered more than \$17 million from employers in unpaid unemployment taxes. Of this \$17 million, close to \$13 million was generated in 2012 alone, nearly double the amount collected in 2011.

"The work of the Task Force is invaluable in reducing the growth of the underground economy in the state's construction industry," said Mark Erlich, Executive Secretary-Treasurer of the New England Regional Council of Carpenters. "Taking on the illegal practices of wage theft, misclassification and tax and insurance fraud creates a more level playing field, which ultimately benefits legitimate employers, tradesmen and women and taxpayers."

"When businesses cheat in the underground economy, it is very tough for good businesses to compete," said Greg Beeman, President of the Massachusetts Chapter of Associated Builders and Contractors. "This, in turn, means fewer legitimate 'above ground' jobs for Massachusetts' workers. In hard hit industries like construction, what Secretary Goldstein and the Task Force are doing to keep a level playing field is an important part of the recovery."

Now in its fifth year, the Joint Task Force is focused on an expanded set of goals and objectives including: 1) Advancing technological capabilities for capturing and tracking referrals; 2) Building upon existing channels of multi-state and federal cooperation and maximizing future potential cooperation; 3) Completing the Task Force research study on employee misclassification and the underground economy in Massachusetts; creating education and outreach material for businesses and workers; 4) Continuing to provide and expand cross-agency training opportunities; expanding Task Force partnerships outside the Executive Branch Agencies; and 5) Working towards implementing objectives to achieve the strategic goals set by EOLWD to increase transparency in government as part of Governor Patrick's MassResults Plan.

To learn more about the Joint Enforcement Task Force on the Underground Economy and Employee Misclassification or to read the Massachusetts Underground Economy and Employee Misclassification 2012 Annual Report, visit www.mass.gov/lwd/jtf.

Workers who believe that their rights have been violated and businesses who believe they are at an economic disadvantage because of unscrupulous competitors are strongly urged to call the Attorney General's Fair Labor Hotline at (617) 727-3465 or the Joint Task Force Referral Line at (877) 965-2267, email tips to jfttips@state.ma.us, or visit the Joint Task Force website at www.mass.gov/lwd/jtf to submit complaints. More information about the wage and hour laws is also available in multiple languages at the Attorney General's Workplace Rights website at www.massworkrights.com.

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