

## State closes in on penalties for cheating contractors

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A state task force is cooking up what could be stiff penalties for contractors that misclassify workers for the state.

By improperly classifying workers as independent, a contractor can pay them under the table and skirt payments for unemployment insurance and workers' compensation.

To counter the problem, a state Department of Workforce Development's task force on worker misclassification in the next two weeks will begin compiling recommendations to draft a report for a possible law punishing builders that do not play by state rules.

Although the penalties have yet to be determined, the task force Tuesday discussed prohibiting lawbreaking companies from working on state or municipal projects and filing criminal sanctions, including hefty fines and possible jail time, against those that willfully misclassify workers or do not pay workers' compensation.

"There's got to be teeth to the thing to make people pay attention," said James Macejkovic, a task force member and executive vice president of Milwaukee-based Building Service Inc.

Several of the punishments and proposals, including creating a state office to deal with worker misclassification, stemmed from a Massachusetts state law requiring state registration for all businesses and fines of up to \$25,000 or one year in jail for those who willfully misclassify workers.

Massachusetts also has a joint task force of 18 state agencies working to investigate labor law violations and a joint action strike team to investigate construction sites around the state.

While members of Wisconsin's Misclassification of Workers Task Force said they are impressed by the Massachusetts approach, discussion Tuesday revolved around how far the state could go with new laws.

The group wants to crack down on construction workers skirting state laws, but John Mielke, vice president of Associated Builders & Contractors of Wisconsin Inc., said people working under the radar will continue to do so.

"(The task force) will aid the problem," he said, "but it won't abolish it."

Macejkovic acknowledged changes to state law or stiffer penalties will not bring all offenders to the surface.

That is why Mielke said he wonders how hard the state should work to bust a select group of lawbreakers when the majority plays by the rules.

The Wisconsin Department of Commerce earlier this month enacted a rule requiring all contractors by July 1 to register with the state, a requirement several building groups said is enough.

But Hal Bergan, chairman of the DWD task force, said Wisconsin should focus the full force of state government on those who break the law.

In addition to possible punishment sections, the task force report could include recommendations for a specialized office or combined task force to deal exclusively with misclassification complaints. The report also could include a hotline to report complaints and a requirement that builders keep pay stubs as a record of worker payments.

Although members of the task force said they want an even playing field for all contractors in the state, Mielke said more regulation could just lead to more frustration.

"It's the whole argument of diminishing returns," he said. "If you can reach 70, 80 percent of the work force with what you have, and the people you're after are going to be very difficult to catch, do you crank up the pain for everyone to get all violators?"