

# NEW JERSEY STATE AFL-CIO

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October 15, 2012

Dear Members of the Assembly Labor Committee:

**Re: Please Support A-1578 (Wisniewski / Prieto / Giblin)  
Establishes The Truck Operator Independent Contractor Act**

The New Jersey State AFL-CIO supports A-1578 and respectfully asks for your support. We commend the sponsors, Assemblymen Wisniewski, Prieto and Giblin for their efforts in combating widespread misclassification of employees in the trucking and parcel delivery industry.

The bill before you today is a win-win for the state, taxpayers, employees and employers that play by the rules in this industry, because when misclassification occurs, costs that are traditionally borne by the employer are shifted onto employees, thereby reducing their earnings, while simultaneously cheating state administered funds such as unemployment insurance and temporary disability insurance out of revenue. Just this month, the NJ Department of Labor outlined their efforts before the Senate Labor Committee of progress being made in protecting the UI fund from various types of fraud. This work is helping the UI fund return to solvency. We believe that cracking down on misclassification should be a key component of that mission as well. In fact, it has been documented by the Department of Labor that in 2011, there were over \$15 million in underreported contributions for the state's UI and disability funds and \$5 million in lost state income taxes. If we are serious about protecting the UI fund from fraud – which I know all of us are, then we must strengthen our laws on misclassification.

It should be noted that in 2007, the State Department of Labor found that between 38% - 42% of all employers audited were either paying "off the books" or engaging in misclassification. Furthermore, it was stated by the Department that in 2005 in New Jersey, \$625 million in unreported wages were discovered and 28,200 workers were misclassified. These statistics illustrate the severity of this problem and the legislation before you today would help remedy it.

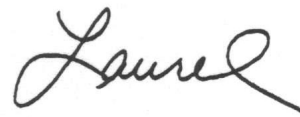
Misclassification is a national problem, as indicated by AR-79, also before you today. However, state's have an obligation to act to protect businesses that play by the rules and to protect workers and government entities that are cheated by this practice. As you know, New Jersey has acted, and in 2007 legislation passed in a bi-partisan fashion a law to address the issue in the construction industry. That law had many of the same provisions as the bill before you today, including criminal penalties for knowingly misclassifying workers.

This legislation is a "get tough" and much needed approach to addressing the problem of misclassification and we respectfully ask for your support.

Sincerely,



Charles Wowkanech  
President



Laurel Brennan  
Secretary-Treasurer

CW:LB:jn  
OPEIU:153