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March 4, 2013

Dear Members of the Senate Labor Committee:

**Re: Please Support S-1450 (Weinberg / Lesniak)
Establishes the Truck Operator Independent Contractor Act**

The New Jersey State AFL-CIO supports S-1450 and respectfully asks for your support. We commend the sponsors 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.

Recently the NJ Department of Labor & Workforce Development outlined their efforts before this Committee of the 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 we can further strengthen the UI fund by cracking down on misclassification and we believe this should be a key component of the DOL's anti-fraud initiative as well.

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. We know we are serious about protecting the UI fund from fraud and therefore we must strengthen our laws on misclassification, because it cheats the UI fund out of a significant amount of revenue.

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.

"The Voice for Working Families in New Jersey"

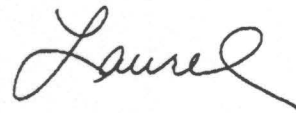
Misclassification is a national problem. However, states have an obligation to act to protect businesses that play by the rules and to protect workers and government entities that are cheated by this practice. As you know, New Jersey has acted, and in 2007 legislation passed in a bi-partisan fashion 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