

Senator Miller,

My name is Brandon Fishbaum, I am the Community Relations Manager for the Carpenter Contractor Trust.

We are a labor management cooperative that works to educate and advocate on behalf of organized labor and our signatory contractors. Misclassification is a major issue in the construction industry, that hurts workers, contractors and communities.

The construction industry is a highly competitive one, where contractors need to count every penny of material, labor and overhead cost to ensure they can win a bid. The competitive nature of the industry incentivizes contractors to do whatever they can to cut costs. This includes misclassifying workers, cutting workers' wages and avoiding mandated financial obligations like paying into workers compensation and unemployment insurance.

In "*An Empirical Methodology to Estimate the Incidence and Costs of Payroll Fraud in the Construction Industry*" a team of researchers find that up to 20.5% of construction workers are not properly accounted for, and this saves the contractors billions that should have been going to local workers and local communities. This allows contractors who skirt the legal system to win bids by taking advantage of vulnerable workers.

Unfortunately, labor law enforcement is lacking. This allows the contractors who take advantage of vulnerable workers, and to win bids over contractors following the rules. If good contractors struggle, so do workers and if workers struggle, their communities suffer. The lack of enforcement takes wages from local workers, who pay taxes and spend money in the communities they live in.

Like most issues, misclassification hurts every taxpayer. By using misclassification to steal wages and benefits, workers must use government programs like Medicaid, SNAP and TANF. This forces the taxpayer to subsidize the low wages and high profit margin. UC Berkely Center for Labor and Research estimates that between 2015 and 2019, construction families in Pennsylvania received about half a billion dollars in social safety net programs. If these workers were paid lawfully, the combined tax revenues and savings could be used to male community improvements like putting air conditioning in schools throughout the state.

When we tell our kids and neighbors that a job in the trades is a valuable career, we need to make sure they are protected, and the laws meant to protect them are enforced.

If you have any questions or concerns, please feel free to contact me at Bfishbaum@cctnetwork.org or on my 732-609-6847.

Best Regards,

Brandon Fishbaum
Workforce and Community Affairs Manager
Carpenter Contractor Trust