

Is a worker full-time or independent? The answer counts a lot

Workers misclassified as contractors are excluded from benefits such as health care and pensions.

YARMOUTH — Gov. LePage recently decided to scrap the Employee Misclassification Task Force. This seems to me an unfortunate decision in pursuit of his promise to make life easier for businesses in Maine.

I hope that in dealing with the many different, and complicated, issues connected to misclassification, Gov. LePage truly understands the effect it has on the people and businesses in our state.

Misclassification is the term used to describe the improper classification of an employee by a company as an independent contractor.

When a worker is not classified as an employee, the business does not pay payroll taxes, workers' compensation premiums, or unemployment

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insurance on that employee and, of course, does not provide health insurance or pension benefits.

In terms of creating a good business environment, the widespread problem of misclassification in Maine creates an uneven playing field for Maine companies.

Maine businesses that obey the law and treat their employees fairly are at a serious disadvantage to businesses that ignore the law and don't classify their workers as employees.

While the law-abiding businesses pay payroll taxes, work-

ers' compensation premiums, and unemployment insurance for employees, the businesses who skirt the law are able to offer substantially lower prices by shifting the cost of unpaid taxes and insurance premiums to the general public.

It is estimated that at least one in seven construction businesses in Maine misclassify their employees. That means that one in seven of these businesses have an unfair advantage over other Maine businesses.

These are not the businesses Gov. LePage — and the state of Maine — should cater to. These companies should be fined and put on a watch for future transgressions of the law.

If you think misclassification does not affect your life as a typical Maine resident, you are wrong.

As Gov. LePage looks to balance the budget by either cutting spending or raising taxes, this illegal practice is costing

our state millions.

According to a study conducted by Harvard University between 1999 and 2002 (the latest complete study done), misclassification cost the state \$36 million in income tax revenues annually; the cost is no doubt much higher today.

There are other implications as well. Employees who were misclassified and who were either injured at work or laid off receive no workers' compensation or unemployment, and are left to depend on the social services of our state.

Many people who are misclassified are unaware of the implications of this false status. They assume that they are considered employees of the companies they work so hard for.

They assume their employer is following the law, and thus taking care of unemployment and workers' compensation insurance. And so, when workplace injuries or layoffs take

place, it comes as a surprise to many of these misclassified employees that they may, in fact, not be covered by the protections many of us take for granted.

Nationally, a PriceWaterhouseCoopers study has calculated that misclassification costs billions of dollars in unpaid taxes each year — almost \$35 billion in the period 1996-2004.

The Obama administration is working to end that by pursuing a proposal that would: eliminate incentives in the law for employers to misclassify their employees; enhance the enforcement of the law to penalize employers who misclassify; and restore protections to employees who have been misclassified.

The federal government is hoping to spend an additional \$25 million in the 2011 budget to target misclassification with more enforcement personnel as well as offering competitive

grants for states to address this problem. That outlay of money is estimated to increase Treasury receipts by more than \$7 billion over 10 years.

When Gov. LePage looks to balance Maine's budget and help Maine businesses succeed, he should consider the same proactive approach our federal government is using.

Instead of looking for the quickest way to deal with the problem, it would be worth it to spend some money now — not just to enforce laws governing employee classification but also to educate Maine businesses about how to properly classify their employees.

Money spent now to reduce misclassification would reap rewards for years to come.

Our state budget would be healthier, our business environment would be stronger, and our workers would get the protections they deserve.