

106 West State Street
Trenton, New Jersey 08608

(609) 989-8730
FAX (609) 989-8734
www.njaficio.org



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February 26, 2007

Dear Members of the Assembly Labor Committee:

**RE: Support A-4009 (Caraballo)
Concerns the Misclassification of Construction Workers as Independent Contractors**

The New Jersey State AFL-CIO supports A-4009 and respectfully asks for your support. The bill is a “win-win” for workers, responsible employers as well as the State and Federal Government in regard to fairly and accurately collecting various revenues. The bill “levels the playing field” for responsible contractors because if enacted, fair market competition will thrive in the industry and will not be hindered by certain firms receiving a unfair advantage by cheating workers, taxpayers and the government. Unfortunately taxpayers of the state are currently being forced to make up for these lost government revenues that irresponsible contractors are profiting from.

Let us be clear, the current abuse that is occurring by employers misclassifying independent contractors is illegal and constitutes tax and insurance fraud. This is a serious problem that is grand in scope and sacrifices hundreds of millions of dollars annually in state and federal revenues. This is priority legislation for the New Jersey State AFL-CIO and if enacted will well serve the taxpayers of New Jersey.

This issue was brought to light during the 2005 Corzine Administration Transition process where I was serving as Co-Chairman of the Labor and Workforce Development Policy Group. At the conclusion of the transition, the issue of reform of the State classification of independent contractors was deemed to be one of ten priority issues for the policy group that were recommended to the Governor for action. A variety of business and labor representatives served on that committee and I am proud that we reached a consensus on the importance of reforming this problem.

At that time, we reviewed the misclassification of workers and identified it not only as opportunity to protect and fund pro-worker programs, but also as a revenue issue for the State. If the proper penalties are in place to serve as a deterrent and if vigorously enforced, reforming misclassification has the potential to generate significant revenue for the State, revenue that currently is falling by the wayside and that benefits unscrupulous employers.

The New Jersey State AFL-CIO thanks Assemblyman Caraballo for his sponsorship of this legislation and we respectfully ask for your support.

Sincerely,

Charles Wowkanech
President

Laurel Brennan
Secretary/Treasurer

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