



**Maryland Senate - Finance Committee**

**Chair: Melony Griffith**

**Vice Chair: Katherine Klausmeier**

**Senate Bill 0838 - Workplace Fraud and Prevailing Wage - Violations - Penalties and Referrals**

**Position: Support**

The Baltimore DC Metro Building Trades Council supports SB 0838. The construction industry features an extensive underground sector in which workers are misclassified as independent contractors or paid in cash off the books, denying the public necessary tax revenues and denying workers the protection of wage and hour laws. This "underground economy" has long been the case in single-family residential construction and renovation, today this form of workplace fraud has penetrated the largest commercial construction sites. Employers who force their employees into this underground economy, either by misclassifying them as independent contractors or by paying them off the books, routinely violate wage and overtime laws. Responsible businesses that classify their workforce as employees operate at a competitive disadvantage with employers that illegally treat their workers as independent contractors. The cost savings associated with misclassification are sufficiently substantial that law-abiding firms in highly competitive industries either lose work opportunities or feel the pressure to consider evading the law in order to compete on what is no longer a level playing field. When you have to "cheat to compete" it becomes "how low can you go". All taxpayers are negatively impacted because their payments make up for the lost revenues and effectively subsidize those who cheat the system.

We urge the Committee for a favorable report. Thank you.

Sincerely,

Jeffry Guido

(E) consultingbyjlg@gmail.com (O) 301-743-5334 (C) 240-687-5195

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5829 Allentown Rd Camp Spring MD 20746

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