



## Eastern Atlantic States REGIONAL COUNCIL OF CARPENTERS

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### TESTIMONY

#### HB436 / SB436 - WORKPLACE FRAUD AND PREVAILING WAGE - VIOLATIONS - PENALTIES AND REFERRALS

#### FAVORABLE

Dear Chair Wilson, Chair Beidle, and members of both the Economic Matters Committee and the Finance Committee:

On behalf of the Eastern Atlantic States Council of Carpenters (EASRCC), representing 42,000 members throughout the region, I write today to express our strongest support for HB436 / SB436 - Workplace Fraud And Prevailing Wage - Violations - Penalties And Referrals, and to ask for a favorable report.

This legislation is extremely consequential, in that it addresses two of the most egregious practices of social, racial and economic injustice: Wage Theft and Misclassification. Within these two practices exist a range of other injustices that harm workers, government, and the general public, by draining public revenues that serve public social services, health care and education: Tax Fraud, Payroll Fraud, Insurance Fraud, and Workers Compensation Fraud.

As you may be aware, the Joint Audit and Evaluation Committee recently instructed the Office of Program Evaluation and Government Accountability to conduct an evaluation of the Worker Classification Protection Unit (WCPU) of the Maryland Department of Labor. Among the issues found, the Maryland Department of Labor, Licensing and Regulation, has one field inspector for the entire state of Maryland, which explains the exorbitant wage theft, UI Insurance fraud, Workers Comp fraud, misclassification, and other payroll violations uncovered, that can be attributable to both the structure of the state agency, and the inadequacy of the state statutes as means to enforce these practices.

When employers target defenseless workers through Misclassification and wage theft, particularly large numbers of women and other workers of color within certain sectors of the construction industry, it stifles the very progress and upward mobility of hard- working Maryland families.

In addition, these practices allow for unscrupulous employers to gain an unfair bidding advantage of up to 30 percent by knowingly misrepresenting the classification of workers as independent contractors, hiring off the books, and utilizing exploitative human trafficking labor brokers. In doing so, these employers

engage in wholesale Tax Fraud, Payroll Fraud, Overtime Fraud, Insurance Fraud, and Workers Compensation Fraud.

That's why the Eastern Atlantic States Council of Carpenters (EASRCC) strongly supports this legislation. By elevating Misclassification from a mere civil violation to a misdemeanor criminal violation, Maryland will begin to address the "safe haven" that Maryland has become for bad actors from other states. In addition, by requiring referrals from the Maryland Department of

Labor to the Comptroller of Maryland, this legislation enables prosecution of tax violations,

which are already a crime in the state, by effectively cross referencing the Labor and Employment Article of the statute (which addresses wage violations as civil violations) with the Tax General Article of the statute (which currently addresses tax and other related frauds as criminal violations).

For these reasons, we urge a favorable report on HB436 / SB436.

Sincerely,

William C. Sproule

Executive Secretary-Treasurer