



Connecticut **Business & Industry Association**

Testimony of Kia D. Floyd

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Before the Committee on Labor and Public Employees
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H.B. 931 (COMM) AAC The Hiring of Undocumented Aliens by Contractors (Opposed)

Good Morning Senator Prague, Representative Ryan and other members of the Committee. My name is Kia Floyd and I am an Assistant Counsel for Labor & Employment matters for the Connecticut Business and Industry Association (CBIA). CBIA represents more than 10,000 companies throughout the state of Connecticut, ranging from large corporations to small businesses. The vast majority of our companies employ fifty (50) or fewer employees, many of whom make up Connecticut's workforce. I am here today to speak on behalf of all of our member companies. CBIA generally supports any labor and employment related legislation that does not increase the costs of doing business in the state or unreasonably increase administrative burdens on employers in dealing with employment and workplace issues. Although we generally support the legislative intent and purpose of this legislation, we reserve the right to further discuss the details of this legislation to ensure that they comport with existing Department of Labor protocols and other labor/employment considerations. Therefore, we can offer only our general, qualified support of the legislative intent and must otherwise oppose this measure.

S.B. 931 would subject any employer who knowingly misrepresents an employee as an "independent contractor", or misleads or falsifies information regarding the number of its employees to a criminal liability and a "stop work" order by the Labor Commissioner. Employer non-compliance with the workers' compensation laws is a growing problem in Connecticut and many other states across the country. A company's failure to provide workers' comp coverage for its workers not only deprives the workers of needed coverage, but it also limits the pool of workers that are covered for the purposes of calculating insurance rates. This in turn causing law-abiding employers who do provide coverage for their employees to pay higher insurance premiums for doing so and the shortfall in revenue from the offending employers threatens the stability of the overall workers' compensation system. In response to this problem, many states such as Florida, California, New Jersey and Delaware have all aggressively responded to flagrant employer labor practices. Investigators in Florida close down construction sites for non-compliance and arrest violators. California and New Jersey are seeking to curb the mis-classification of workers as independent contractors and California has targeted "consultants" who promote illegal labor practices. Delaware recently strengthened its mandatory insurance requirements and increased penalties for employer violations.

The State of New York recently overhauled its workers' compensation system in large part to reduce fraud. Under the new system, New York state officials will be given the power to halt construction projects and shutter businesses where workers compensation coverage is not provided for all employees. The New York system will also make the intentional mis-classification of workers as independent contractors to avoid paying premiums a felony and the size of the anti-fraud division of the compensation commission will be doubled.

Given that several of our neighboring states now recognize fraudulent mis-classification of employees as independent contractors is a major problem which ultimately drain the workers' compensation and unemployment compensation systems, its time that Connecticut follow suit and enact measures that will address this issue in our state to protect the integrity of the workers' compensation system for those who need it the most- injured workers. However, we believe that this measure requires more discussion and analysis before we can be sure that this legislation is an effective means of addressing this problem. For the aforementioned reasons, CBIA must oppose this measure.

Thank you for the opportunity to testify.