

**TESTIMONY OF BRUCE LYDEM, DISTRICT DIRECTOR, CONNECTICUT
CARPENTERS, IN FAVOR OF SB 181, BEFORE THE LABOR COMMITTEE**

Good afternoon, members of the Labor Committee. My name is Bruce Lydem, and I am the Connecticut District Director for the New England Regional Council of Carpenters. We represent approximately 4,500 Connecticut union carpenters.

I am here today to testify in favor of **S.B. 181, An Act Requiring the Standard and Prevailing Wage Be Paid to Certain Employees of Employers Who Received Financial Assistance from the State Economic Development Entities.**

Over the past fifteen years, the state has grown increasingly aggressive in using economic development subsidies to attract jobs to Connecticut. Many of these subsidies have created construction job opportunities for Connecticut construction companies and their workers. Unfortunately, not all the companies receiving state subsidies have hired local workers and local contractors. Back in 2004, for instance, the Lowe's Distribution Center in southeastern Connecticut received \$20 million in tax credits on a \$90 million project but insisted on importing cheaper workers from Indiana to do much of the work.

We applaud the current Governor's effort--and the efforts of previous administrations-- to attract businesses to Connecticut. We understand how competitive the business world is today thanks to rapid advances in technology, globalization, competition from other states and countries, as well as the financial uncertainties following the Wall Street collapse in 2008.

As many of you know, the last four years have been extremely difficult for the Connecticut construction industry. For other industries, this has been a recession. For the construction industry, it has been a depression. While the overall state unemployment rate has edged down to 8.2%, the unemployment rate in the Connecticut construction industry is at least double that and for some trades the rate is approaching 30 to 40 percent.

Unfortunately, some companies are taking advantage of the current economic conditions by requiring subcontractors to submit unrealistically low bids in order to get the job. The results of unrealistically cutting costs can have tragic

consequences for construction workers and for their families. On the same day NBC Sports announced its move to Stamford, a roofer named Javier Salinas fell to his death on the Chelsea Piers jobsite, located on the same property where NBC Sports will build its new headquarters. Attached is an op-ed from The Stamford Advocate written by my colleague, John Cunningham, President of Carpenter's Local 210, describing what is happening on jobsites throughout Stamford as efforts to cut bottom line costs have resulted in lower industry standards—which ultimately led to the tragic death of Javier Salinas, an immigrant from Ecuador, whose wife and three young children observed their first Christmas without a husband or father.

Our longstanding concern is that companies receiving state assistance to relocate or to expand in Connecticut will be tempted to hire out-of-state companies who import out-of-state workers, pay them substandard wages or misclassify them to illegally cut costs and fail to properly train and monitor jobsite safety conditions.

We don't pretend to be experts on which incentives are the most effective in creating jobs in Connecticut. It is our understanding that the Governor has appointed a nine-member task force to examine this issue. But we are demanding that no matter which incentives the state uses to attract businesses to Connecticut, the state subsidies not turn into a full-employment program for out-of-state workers while skilled Connecticut tradesmen sit idly at home.

One of the best ways to make sure that doesn't happen is to require that the contractors working on those sites pay prevailing rate, which helps insure that workers are properly paid, receive good benefits, have worker's compensation, participate in state-certified apprenticeship programs and are not misclassified.

This is the most effective way to make sure that the tragedy of Javier Salinas is not repeated on projects that receive state incentives.

Thank you for your time. I would be happy to answer any questions.

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In late October, an Ecuadorian immigrant named Javier Salinas was blown off a roof while working for American Building Group at Chelsea Piers. He suffered fatal multiple blunt force traumatic injuries. Despite working 50 feet above the ground in windy weather, he was given no harness or other standard protective equipment that could have saved his life. The Advocate reported that, prior to Salinas' death, "OSHA officials have documented a history of increasingly serious lapses at American Building Group construction sites."

In the following week, American Building Group reneged on a promised donation for Salinas' funeral as well as \$6,800 wages owed coworkers, including his two brothers, who intended to use the money for a decent burial.

The tragedy of Jose Salinas goes beyond his preventable death and the callous behavior of this particular employer. Unfortunately, these kinds of irresponsible practices have become far too common in much of our region's construction industry.

After the accident, the state Department of Labor issued stop work orders to the American Building Group and two other subcontractors on the site for violations including misclassifying workers as "independent contractors." This misclassification of employees allows employers to avoid state and federal taxes, as well as workers compensation obligations,

shaving 30 percent off their labor costs and giving them a significant bidding advantage over legitimate contractors that play by the rules.

Stamford-based AP Construction hired American Building Group for the Chelsea Piers project and is no stranger to the misclassification scheme. In addition to Chelsea Piers, more than 13 other SWOs have been issued on AP projects over the past two years in Stamford and other sites in southwestern Connecticut.

This illegal and fraudulent practice is spreading like a cancer. BLT is the owner and developer on Harbor Point, one of Stamford's other large developments. Subcontractors on BLT projects have been the subject of at least eight SWOs for misclassifying workers and other violations. One subcontractor, Heritage Drywall, was ordered to pay more than \$100,000 in owed wages and penalties on a BLT project.

RMS Construction, another active Stamford contractor, has set the fraud bar particularly high, having had at least 37 SWOs issued on its projects. In addition, an electrical subcontractor working for RMS at the Hotel Zero Degrees started an electrical fire, burning one of its workers. The subcontractor was issued one of the largest OSHA fines on a Stamford site in many years.

Why do construction employers misclassify their employees as independent contractors? They



reason that the gains are greater than the potential liabilities — lower operating costs and higher profits while maintaining control over a workforce without any accountability. Over the past decade, the federal government and numerous state agencies have taken steps to curb the misclassification epidemic by launching inter-agency investigations into the growing under-

ground economy in construction. The aggregate costs to the taxpayer are significant.

A GAO report estimated more than \$2.7 billion is lost annually due to misclassification. A similar study in New York estimated over \$4 billion lost in taxable wages and \$175 million in unemployment insurance. Ironically, honest contractors are hurt twice. They pick up the

slack for education, public safety, and medical costs while operating at a competitive disadvantage against those who brazenly flaunt legal requirements.

Contractors who misclassify often cut other corners. Compromised safety standards and the abuse of undocumented immigrant workers have become standard operating procedure on major

projects in Stamford and other area sites.

The uncertain legal status of the workforce allows unscrupulous employers to lower wages while minimizing the risk of whistle-blowers.

As The Advocate pointed out in a 2009 editorial, the real responsibility for what happens on construction sites lies with the general contractors and developers. They smile at the groundbreaking and ribbon cuttings and strengthen their balance sheets. On the very day Javier Salinas fell to his death in an entirely preventable accident, NBC held a press conference to boast about job creation at Chelsea Piers.

As a response to the decline in standards in the local construction industry, the City of Stamford passed a responsible employer ordinance in 2001, setting basic standards for contractors building with public money. The state has also made a valiant effort to step up enforcement and put bad actors on notice.

The time has come to insist that private owners adopt a similar code of conduct. Unless responsible contractors are building these projects, workers and taxpayers will continue to be compromised and there will be more, rather than fewer, cases like Jose Salinas.

John Cunningham, a native of Stamford, has worked as a carpenter for 30 years. He is president of Carpenters Local 210, which represents union carpenters in western Connecticut.

Stamford Advocate PA17 Dec 16, 2011