

# Pacific Northwest Regional Council of Carpenters



*Affiliated with*  
*United Brotherhood of Carpenters and Joiners of America*  
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March 4, 2019

TO: Chair Paul Holvey, Vice-Chair Jennifer Williamson, Vice-Chair Carl Wilson, Members of the House Rules Committee

FR: Matt Swanson, Political Director

RE: Support for HB 2498, Updating Oregon's Independent Contractor Tests to Address Current Industry and Workforce Misclassification

The Pacific Northwest Regional Council of Carpenters represents more than 24,000 members throughout Alaska, Idaho, Montana, Oregon, Washington and Wyoming. We are pleased to offer our support of House Bill 2498 as it offers a chance to improve standards for workers in the construction industry. House Bill 2498 would expand the definition of independent contractor to include that the "does not provide services that are within the usual course of the other person's business."

Misclassification is nothing new to the construction industry. The latest study by the IRS of taxes lost to misclassification was in 1984. Even then, the study disclosed, 15 percent of all employers misclassified their workforces, while the construction industry was the worst violator, at 19.8 percent.

Here is how it could work in our industry. A dry wall company may put out a call for workers. Upon arriving they are signed up as independent contractors or "1099'd". While they pull from the same stack of drywall and often work in the same space as workers on the job they are not treated as employees -- instead these are paid as independent contractors. In this case, one set of drywall could be hung by an independent contractor, working side by side with another independent contractor who is pulling from the same materials after also being contracted with as an independent contractor.

I have heard of carpenters called for a job who are told that if they sign paperwork to form an LLC, they will be given plenty of work for you and your friends. In this case we heard that the company didn't bring anyone onto the job without them first forming an LLC. They are essentially setting up a network of labor brokers.

Labor brokers in our industry often become a source of paying cash under the table to skirt taxes and wage and hour laws.

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This business model creates several problems. First, these workers are deprived protections for minimum wage and civil rights standards. Second, the contractors who employ these complicated business models can undercut contractors who are employing and training our future workforce. Finally, by classifying these workers as independent contractors the state and federal government realize less tax revenue from this economic activity.

We are very excited to take part in this conversation and hope that the committee will move forward this legislation to clarify who is an employee and who is an independent contractor in our industry.