



February 6, 2024

TO: Members of the Senate Committee on Judiciary

FR: Derek Sangston, Oregon Business & Industry

RE: Opposition to SB 1573

Chair Prozanski, Vice-chair Thatcher, members of the Senate Committee on Judiciary. For the record, I'm Derek Sangston, policy director and counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify in opposition to SB 1573. OBI opposes this bill because it would unfairly punish businesses that have done no wrong, increase construction costs, and ignore other remedies that would more directly reduce wage theft in Oregon.

Without any misconduct on their part, SB 1573 would hold general contractors jointly and severally liable for any unpaid wages owed to the employees of their subcontractors. Making this change won't help those workers get paid quickly because the increased lawsuits filed against general contractors due to this bill would take years to resolve. More importantly, making this change also won't deter bad-acting subcontractors from breaking the law. In fact, it would give them cover.

SB 1573 also would have the unintended consequence of increasing the costs for construction projects throughout the state. By shifting liability for unpaid wages, general contractors would either raise prices to offset the costs for lawsuits that arise from bad acts outside of their control or forego the risk of hiring new, unknown and unproven subcontractors. Either by directly increasing the costs of construction projects or indirectly by limiting the marketplace for subcontractors, SB 1573 would increase construction costs even as Oregon seeks to build 36,000 houses a year.

Finally, employers who do not pay their workers are breaking the law already. Those employers should be punished. Fortunately, there are remedies under current law to hold them accountable and ensure their workers get paid the wages they are owed. The workers may file a lawsuit against the subcontractor or file a BOLI complaint to receive their compensation. While those remedies may be inadequate in some circumstances, OBI requests that the Legislature look to improve on them instead of passing this bill. For instance, investing more resources in BOLI's wage division, which has one investigator for every 204,000 workers compared to one investigator for every 98,500 workers in Washington, should be considered before forcing liability upon general contractors who are blameless.

For these reasons, OBI respectfully asks this committee to reject SB 1573. Thank you for your consideration.

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