

**EDUCATION & LABOR COMMITTEE**

**Congressman George Miller, Chairman**

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*Strengthening America's Middle Class*

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**Chairwoman Woolsey Statement At Subcommittee Hearing On  
“Providing Fairness to Workers Who Have Been Misclassified as  
Independent Contractors”**

WASHINGTON, D.C. – *Below are the prepared remarks of U.S. Rep. Lynn Woolsey (D-CA), chairwoman of the House Subcommittee on Workforce Protections, for a subcommittee hearing on “Providing Fairness to Workers Who Have Been Misclassified as Independent Contractors.”*

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Good morning and welcome to all of the witnesses who were able to join us here at this workforce protections subcommittee hearing. Today we will be examining the misclassification of workers as independent contractors. We know of course that there are true independent contractors out there but the thrust of the hearing is on workers who are misclassified and are really employees.

Our witnesses are principally from the building trades to tell us what is happening in that industry. But it is clear that this problem reaches workers in all employment sectors.

And of course this practice affects the most vulnerable workers among us, many of whom are part of the “underground economy,” where there is no documentation of the worker’s relationship with the employer and workers are paid in cash.

The practice hurts everyone: workers who are not afforded the protection of labor laws; honest contractors who can’t compete with contractors who misclassify their workers in order to lower their costs; and all of society as state and federal governments lose millions of dollars in revenue each year.

As our economy changes and employers are increasingly seeking ways to lower their costs, misclassification is becoming more prevalent.

I am especially concerned that workers misclassified as independent contractors are not entitled to essential employee benefits. One of these benefits is workers compensation if workers are injured. The U.S. Department of Labor has stated that the number one factor for employers in misclassifying workers is the desire to avoid paying workers comp premiums and to otherwise avoid workplace injury and disability disputes.

A low wage worker who is injured or disabled and is not covered by workers' compensation – or health insurance for that matter – is devastated. There is no income when he or she cannot work and no help with medical treatment, prescriptions or bills.

In my own state of California, the problem is widespread as well. The California State Department of Insurance has reported that of 800,000 employers in the state, 30 percent do not carry workers' compensation insurance. The state is currently in a lawsuit with Fed Ex over the misclassification of its couriers as independent contractors.

There is some good news coming out of California. Legislation in the State Assembly, S.B. 622, which if passed, will include penalties for misclassification violations, and the attorney general has started a program to protect vulnerable workers from unscrupulous employers.

But it is clear that this is a national problem with implications for federal laws and our federal coffers; a problem we must solve.

Again, welcome to all of you, and I am looking forward to the testimony today.

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