

## Legislation Text

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Authorizing the Committee on Licenses and Inspections to conduct hearings to investigate the underground economy.

WHEREAS, The underground economy in Philadelphia involves businesses and individuals from a wide range of labor intensive sectors, including janitorial services, home care, transportation, trucking, delivery services and construction; and

WHEREAS, The underground economy is defined as any business or individual that operates without obtaining the necessary licenses; does not pay required taxes; fails to carry required insurance and worker's compensation coverage; forces workers into unsafe working conditions; or, in an attempt to gain a competitive economic advantage, avoids its responsibilities to pay taxes and protect working people; and

WHEREAS, In 2007, the Philadelphia City Controller identified a pressing need for the City of Philadelphia to curb the underground economy in the construction industry by enforcing long-standing employment laws, ensuring compliance with protections for working people, and eliminating unfair competitive advantage from contractors in the underground economy; and

WHEREAS, In 2013, the City of Philadelphia took steps to address the illegal activities of the underground economy after enacting Bill 120776 and Bill 120775-AA, which established appropriate licensing requirements and enforcement procedures for persons performing construction work in Philadelphia, and established that all persons on construction sites be appropriately and lawfully classified as licensed contractors pursuant to Title 9 or the employees of licensed contractors pursuant to Title 9 and in accordance with Federal, State and Local law; and

WHEREAS, Despite these efforts, the underground economy in Philadelphia is thriving as Philadelphia is experiencing a construction boom that has resulted in a recent wave of developers and construction contractors - many from out-of-state - taking advantage of Philadelphia's relatively inexpensive and abundant land parcels; and

WHEREAS, The damage caused by the contractors and developers of the underground economy is significant, resulting in the annual loss of tax revenue for the City, increased danger for Philadelphia citizens, damage to physical property and building collapses, and unfair working conditions for Philadelphia workers; and

WHEREAS, The significant problems caused by the underground economy were identified, however, the City of Philadelphia has not yet made meaningful progress in holding contractors and developers operating in the underground economy accountable; and

WHEREAS, The lack of progress in addressing these issues are the result of a shortage of qualified L&I and Revenue inspectors and a lack of commitment in prioritizing enforcement of the law on Philadelphia construction sites; now, therefore, be it

RESOLVED, The Committee on Licenses and Inspections is authorized to conduct hearings to investigate the impact of the underground economy on the construction industry, Philadelphia construction workers, the City of Philadelphia and the citizens of Philadelphia, and to evaluate the response of the City of Philadelphia's enforcement agencies to the underground economy.