Legislation Text

File #: 200049, **Version:** 0

Authorizing the Committee on Labor and Civil Service to hold hearings to examine the prevalence of workplace misclassification, also known as payroll fraud.

WHEREAS, Workplace misclassification, also known as payroll fraud, is a practice whereby employers deliberately miscategorize employees as independent contractors; and

WHEREAS, By engaging in workplace misclassification, employers avoid paying for overtime and employee benefits, leaving working families with little recourse. Employers are also able to skirt payroll and wage taxes under these circumstances, shifting the burden of those taxes to businesses and individuals that operate honestly and in compliance with the law. Furthermore, because they are able to avoid a variety of taxes and other costs, businesses engaged in these practices have an unfair advantage over honest operators in bidding for contracts; and

WHEREAS, In 2010, the Commonwealth of Pennsylvania restricted this practice by enacting the Construction Workplace Misclassification Act, Act 72. Act 72 created a definition for independent contractors and prohibits employers from classifying employees as such if they do not meet the approved criteria. The law's enforcement has been handled primarily by the Pennsylvania Department of Labor and Industry's (DLI) Bureau of Labor Law Compliance (BLLC), but the Attorney General and District Attorneys maintain concurrent jurisdiction; and

WHEREAS, The BLLC's Philadelphia office, responsible for enforcing Act 72 along with 12 other laws aimed at preventing unfair labor practices, maintains only nine dedicated staff to cover the entire City, according to DLI's 2017 report on Act 72; and

WHEREAS, After a four-year period during which only 111 cases of potential misclassification were investigated statewide, BLLC stepped up enforcement in 2015 and investigated nearly 300, In 2016, 50 cases were investigated in Philadelphia alone. The BLLC's recent efforts to crack down on this misclassification are laudable, but the practice's adverse impact on working families in Philadelphia demands further scrutiny and a more robust response; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Hereby authorizes the Committee on Labor and Civil Service to hold hearings to examine the prevalence of workplace misclassification, also known as payroll fraud.