



LECE

# LECE News

March 2007

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## Employee Misclassification Study Completed

Funded in part by Chicago Area LECE, the University of Missouri-Kansas City Department of Economics recently published a report titled *"The Economic Costs of Employee Misclassification in the State of Illinois."* The study examines the impact of illegally classifying workers as "independent contractors" when they should rightly be wage or salaried employees.

Chicago Area LECE made the decision to help fund this study and spread the word about its pervasiveness in our industry after other research showed that employee misclassification is a growing problem in Illinois, and particularly acute in the construction sector.

When an employee is classified as an independent contractor, the employer is not required to pay a variety of taxes, fees, and benefits such as social security, unemployment insurance, income taxes, workers compensation, and health benefits.

There is a legal and very legitimate use for this practice of hiring subcontractors and

classifying them as such. However, there are also companies who take advantage of it and abuse the system by purposely misclassifying workers as independent contractors to avoid the aforementioned taxes and fees.

### Definition:

#### Employee Misclassification:

The practice of classifying workers who meet the legal definition of "employees" as "independent contractors" in order to gain a competitive advantage by avoiding taxes, insurance costs and other payroll deductions.

The resulting consequences are many fold, and impact businesses, workers, all facets of government, and the general public alike.

Specifically, the practice of misclassifying employees as independent contractors:

- Illegally shifts the aforementioned employment costs from the employer to the employee.
- Creates a loss of state income tax revenue.
- Shortchanges the state unemployment insurance system.
- Impacts workers compensation premiums, and shifts the burden of paying such premiums to employers who clas-

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# Employee Misclassification

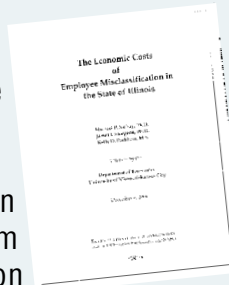
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sify properly, while allowing employers who misclassify to avoid paying such costs.

- Sabotages the conditions for a fair and competitive marketplace by allowing firms who misclassify employees to illegally decrease payroll costs, which places law-abiding companies at a distinct competitive disadvantage.

You can see that this problem has wide-reaching consequences, and why it's such an important issue to bring to the forefront and continue to study. Particularly for those in the construction industry, where fair and competitive bidding is the backbone of the business and where many still try to live by the age-old adage, "an honest day's work for an honest day's pay." Also, the insurance coverage abuses are heightened in the construction industry because of the inherent safety risks in the nature of the work.

"Speaking on behalf of our members, I can tell you that it's a growing problem" said Jim O'Connor, Executive Secretary of the Mason Contractors Association, which represents over 125 mason contractors in the Chicago Area. "They're very aware of the practice of misclassification and the competitive discrepancies it creates, and they very much want to be part of a positive solution to it."



Download this complete study at [www.lectchicagoarea.org](http://www.lectchicagoarea.org)

LECET has mailed copies of the study to all state Representatives and Senators in our nine-county area for their review and in an effort to help give them the resources to address the problem. New laws and other possible misclassification enforcement and monitoring measures are being considered, and LECET will be sure to keep abreast of all developments and work on behalf of our union contractors and Laborers regarding this matter.

"The study reinforces and sheds even greater light on the various far-reaching implications of employee misclassification," said LECET Executive Director Patrick Hosty. "It's clearly something that needs to be addressed not only by government and law enforcement, but by the business community and individuals as well."

## Who Should be Concerned?

**Misclassified Employees:** A worker improperly classified as an independent contractor is not fully protected by various employment laws, and are forced to pay costs normally borne by employers.

**State Government:** The Illinois State Government is cheated out of income tax revenue and sees a loss in unemployment insurance taxes.

**Honest Employers:** An illegal competitive advantage is gained by dishonest employers who misclassify their employees. Also, those playing by the rules are left to bear the entire burden of the unemployment insurance system.

**All Taxpayers:** When the state gets cheated out of revenue due to misclassification, the ramifications can range from the loss of state-funded programs to higher tax rates across any number of sectors.

# Amalgamated Bank Opens Suburban Branch

Widely known as "America's Labor Bank," Amalgamated Bank will open a new branch in the western Chicago suburb of Warrenville this April.

The branch will offer the bank's full array of products and services, including 2 drive-through lanes and 24-hour ATM service. They look to strengthen their position as a leading financial institution for working

men and women, as well as unions, associations and businesses.

The branch will be located at 28600 Bella Vista Parkway in Warrenville, IL. The building is also the headquarters and apprentice training facility of IBEW Local #701.

For more information visit [www.aboc.com](http://www.aboc.com).



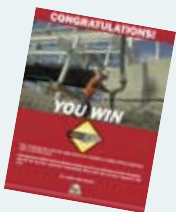
# Safety Incentive Program

## 3rd Quarter 2006 SIP Award Winners \$250 Gift Card to Sears!

Laborer	Company	Local #
Kendall Rouse	Alps Construction, Inc.	5
Luis Reina	Avalanche Demolition, Inc.	225
Chris Jacobs	B A Bish Underground LLC	149
Mario Munguia	Blast It All, Inc.	225
Mike Peterson	Brandt Builders, Inc.	75
Barry Southall	Brieser Construction Co.	75
Robert Steele	Calumet City Plumbing & Heating	2
Joshua Harmon	Ceco Concrete Const LLC	152
Robert Bavone, Sr.	Cel-Lite Decking, Inc.	96
Christopher Osbourne	Crystal Sewer & Water, Inc.	75
Paul Middleton	D & H Excavating, Inc.	149
Eric VanGampler	Dalton Brothers, Inc.	5
Joaquin Tovar	Ed Henry Concrete Construction	75
Jesus Martinez	Etolen & Buchanan, Inc.	4
Gordon Free	Evans & Son Blacktop, Inc.	96
Dan Dissell	G Porter & Company	149
Justin Grandfeldt	Gehrett Plumbing, Inc.	96
Mark Uzitas	Henkels & McCoy, Inc.	582
Omero Torres	Humir Construction	76
Derek Hardy	J & D Mech Indust Inc	1
William Russo	J S Riemer, Inc.	6
James Bartels	John A. Eby & Sons, Inc.	25
Gerry McCue	John Keno & Co.	152
Travis Roach	JR Castle Construction, Inc.	75
James Nagy	Kara Plumbing, Inc.	2
Todd Johnson	Kats & Sons, Inc.	5
Teodoro Abarca	Keno & Sons Const Co.	152

Laborer	Company	Local #
Carl Schlack	Kole Construction Co, Inc.	75
Jorge Torrez	Lamberti Concrete Co., Inc.	118
John Alcott	Larson-Danielson Construction	5
Jesus Zaragoza	LCB Construction, Inc.	96
Jakub Owsiany	MBB Enterprises of Chicago	4
Leonides Escobar	Mahler Construction Co.	118
Rigoberto Barrientos	Manusos General Contracting, Inc.	288
Jeanette Schimpf	Meccor Industries Limited	4
Charlie Williams	Millenium Construction	6
John Scharnhorst	National Acid-Proofing, Inc.	5
Salvador Hernandez	O'Hare Paving, Inc.	5
Alan Foss	Odin Concrete Cutting	288
Matthew Barrett	Palade, Inc.	1035
Luis Guerrero	R Berti & Son Contractor, Inc.	2
Gilberto Cordero	Randle Masonry Construction Co.	6
Rene Silva	Reliable Contracting & Equipment	2
Dominic Lia	Revcon Construction Corp	4
Robert Wilson	Rich Wilson Blacktop	5
Jason Wennerholm	Scott Pacatte Concrete	152
Frank Wleklinski	Shales McNutt LLC	582
Donovan M. Brown	Silvestri Paving Co.	5
Scott Guffey	Strata Contractors	6
Jeff Rahman	Swallow Construction Co.	288
Michael Torres	Swanson Plumbing Service, Inc.	149
Keith Eddy	The Luse Companies FKA LU	225
Edward Chernyshov	Tropical Environmental, Inc.	225
Steve Mason	WM A Duguid Company	4

## Contractors, Keep Your Eyes on the Mail!



This red notice in your mailbox means YOU have been selected to nominate Laborers to join the above list as quarterly award winners! Every quarter of 2007 and beyond, LECET will be notifying 250 contractors to submit names of Laborers to win gift cards. Please take the time to participate when you see this notice. Visit our website for full SIP details.

[www.lecetchicagoarea.org](http://www.lecetchicagoarea.org)

# 5th Annual Safety Incentive Program Award Luncheon Around the Corner

On Friday, March 2nd one Laborer will have a very good day.

That's the date of Chicago Area LECET's annual Safety Incentive Program Awards Luncheon. One Safety Driven Laborer will win the grand prize and drive away in a brand new 2007 Chevy Silverado – his reward for completing work in 2006 accident and incident free.




The luncheon will take place in the Rosemont Ballroom of the Hyatt Regency O'Hare, where we will gather one finalist from each of the 17 participating LIUNA locals of the Laborers' District Council of Chicago and Vicinity. Lunch will be served followed by an address by Illinois State Comptroller Dan Hynes. Then, the grand prize truck giveaway, in which each Laborer will randomly select a key from a pool of 17 total keys...one opens the door of the truck, the rest are blank. Whoever's key unlocks that door, wins the truck!



2007 Chevy Silverado

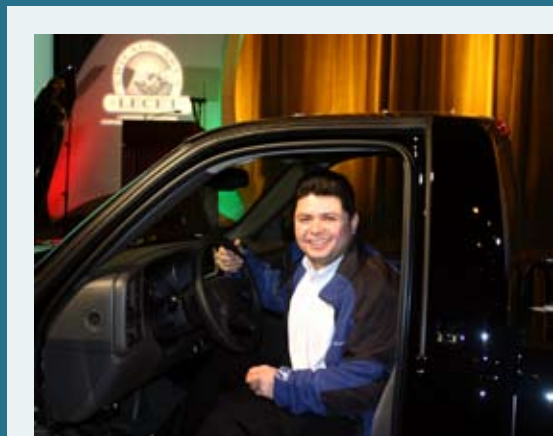
It's an exciting event meant to bring attention to the excellent job that the signatory contractors and union Laborers do in the field to keep themselves safe and healthy each day. Staying safe is an extremely important challenge that all contractors and Laborers face and that LECET values deeply. That is why we developed the Safety Incentive Program.

If you wish to attend this event, please contact LECET at 630-655-8935. For full details on the nomination and selection process, please visit our website at [www.lecetchicagoarea.org](http://www.lecetchicagoarea.org) and click to the Safety Incentive Program page. 

Here are the 2006 Finalists...one of these guys will drive home a truck on March 2nd!

Laborer	Company	Local #
Derrick Sampson	National Restoration Systems, Inc.	1
Jeff Brandau	Alsterda Contracting	2
Michael Harrity	Roughneck Concrete	4
Jose Martinez	Dawn Companies	5
Arie Clayton	Dunnet Bay Construction	6
Hugo Silva	J Squared Masonry	25
John Pifer, Sr.	Diamond Unlimited, Inc.	75
Tadeusz Bielanski	Diamond Coring	76
Jose A. Fernandez	Elliot Construction Corporation	96
Juan Carlos Acevedo	Osman Construction Corporation	118
Mike Deere	Allied Waterproofing, Inc.	149
Gonzalo Tellez	Manusos General Contracting, Inc.	152
Jose A. Cossio	Site Recovery Services, Inc.	225
Danny Rogers	Bigane Paving Co.	269
David Mitrius	Dixon Interiors, Inc.	288
Antonio Sepulveda	Larmco, Inc.	582
Matthew Barrett	Palade, Inc.	1035

\*Finalist List is Subject to Change



2005 Grand Prize Winner Moises Garcia Sits in his New Chevy Truck

# Spotlight on the Builders Association



One hundred years is a very long time. Look back to what the world was like in 1906 and you'll likely find more things different than the same.

But one thing you will find that has remained is the Builders Association. They've always been here.

After celebrating their 100th anniversary in late 2006, the Builders Association can reflect on how they defied the odds to remain relevant and integral to their members and the construction industry in general for over 100 years.

"I think it all comes back around to the member organizations," said Association President Al Leitschuh. "They have always been the ones that drive what we do. They're a group of dynamic, extremely successful organizations that understand how to develop and utilize the services and programs a trade association like this can offer them."

One such program that the Builders Association feels is extremely important and innovative is the Construction Career Opportunity Program (CCOP). The CCOP is a collective effort of the City Colleges of Chicago, three community action groups and the Builders Association. Minority students take construction courses through Dawson Technical Institute. They are then provided the opportunity to interview for trade construction jobs and, if successful, are sponsored for apprenticeship in their trade by participating Builders Association contractors. The Association also provides the students with funds for tools and apprentice fees.

"The CCOP has been an excellent way to focus on construction as a viable career option, as well as open doors for people from all backgrounds" said Leitschuh. "Finding good employees with solid construction skills can be a challenge for companies. We are very pleased with the initial efforts of the program. It has developed many skilled workers whom our members have been able to hire."

The Builders Association also publishes an excellent newsletter – *The Builder* – and a weekly email on construction related topics – *The Builder Blast*. Both strive to keep their readers on the cutting edge of construction – highlighting trends and developments in the industry and spotlighting issues of importance to Builders Association members.



Education, safety, networking and labor are other focal points. The Builders Association is one of the few local organizations with a full-time Director of Labor, which demonstrates the importance of labor issues to the members. They regularly host seminars and forums on a variety of issues including safety, building trends, and business strategy. There are also three membership meetings each year and a golf outing that benefits the Builders Foundation Scholarship Fund.

"What it all comes down to is advancing the business landscape for our members" said Leitschuh. "We're here to provide a forum for them to continue to learn how to best position their companies in the industry both now and in the future."

As they embark upon their second century of existence, it's clear that the Builders Association is excited about continuing its contribution to building Chicago. While many more things are sure to change in the next 100 years, it's a good bet the Builders Association will remain. 

**For More on the Builders:**  
9550 W. Higgins Road  
Suite 380  
Rosemont, IL 60018

847-824-0146  
[www.bldrs.org](http://www.bldrs.org)

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## LECET Presents on Responsible Bidding at Prevailing Wage Conference

For the second year in a row, Chicago Area LECET was asked to host a Responsible Bidder workshop at the Construction Industry Service Corporation Midwest Prevailing Wage Conference on February 6, 2007.

The 2-day conference was attended by approximately 250 people with an interest in learning more about the issues surrounding prevailing wage legislation, including Responsible Bidding efforts. Attendees included public body officials, union officials, contractors, and attorneys.

Drawing on their knowledge of the benefits of a Responsible Bidder Ordinance, what a comprehensive ordinance includes, and the process of adopting one, LECET Executive Director Patrick Hosty and Governmental Affairs Director Mike Macellaio presented an informative workshop designed to increase state-wide knowledge of all facets of responsible bidding and Responsible Bidder Ordinances.



Patrick Hosty and Mike Macellaio address the crowd at the CISCO Prevailing Wage Conference

