

Submitted by SHAMALAH TURNER
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Cambridge City Council

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Good afternoon members of the Council,

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My name is Karen Chen and I am resident of Cambridge, an organizer at Chinese Progressive, and a member of the Community Labor United coalition. I am here to expose bad employers such as Callahan, INC. for their bad labor practices. Callahan has a history of unethical labor practices like using child labor and committing payroll fraud and hiring bad contractors that misclassify workers who don't pay taxes, don't pay Workers' comp, and don't pay Unemployment insurance.

These irresponsible practices force local communities to pay the price!

Increased subcontracting and outsourcing are central factors driving wage theft and overall lower wages and poorer working conditions in our economy today.

- Misclassification hurts workers and our economy: At least one on seven Massachusetts employers misclassify workers as independent contractors, meaning they under-report worker wages and unemployment tax liability, and fail to pay workers compensation—costing the Commonwealth over \$200 million a year (in 2001 dollars)
- Vanishing benefits: Over half of Massachusetts's temporary workers do not get health insurance from their employer. 37% depend on public health insurance and 13% have no health insurance at all
- Lower and unstable wages: Employees of temporary agencies are twice as likely to live below 200% of federal poverty level as their permanently employed counterparts
- Conscientious employers can't compete: Conscientious employers are harmed, too, as they are unable to compete with lower-bidding companies reaping the benefits of rock-bottom labor cost

For all these reasons, unregulated subcontracting laws are harmful to our economy in general. If we continue to allow bad businesses like Callahan exploit their workers, our local economies will continue to be affected by the reduced pay that workers receive and the public lose out when taxpayer-funded benefits need to subsidize the low wages and provide insurance that employers should be responsible for.

On behalf of Community Labor United, I urge the City Council to pass the resolution introduced by Councilors, Simmons, McGovern and Cheung.

Thank you for the opportunity to speak to you this evening.

Karen Chen



Who's the Boss?

An Act to Prevent Wage Theft and Promote Employer Accountability (H. 1748)

Lead sponsors: Rep. Aaron Michlewitz and Rep. Kate Hogan, Senator Sal DiDomenico

In Massachusetts and across the country, employers are subcontracting and outsourcing their work and distancing themselves from their responsibilities to their employees. **Through practices such as multi-layered contracting, use of staffing or temp firms, franchising, misclassifying employees as independent contractors, and other means, employers are turning traditionally secure jobs into poverty jobs.** While some of these outsourcing practices reflect more efficient ways of producing goods and services, others are the result of explicit employer strategies to evade labor laws and erode worker protections.

The Problem:

Increased subcontracting and outsourcing is one of the central factors driving lower wages and poor working conditions in our economy today.

- **Lower and unstable wages:** Employees of temporary agencies are twice as likely to live below 200% of federal poverty level as their permanently employed counterparts
- **Vanishing benefits:** Over half of Massachusetts's temporary workers do not get health insurance from their employer. 37% depend on public health insurance and 13% have no health insurance at all
- **Misclassification hurts workers and our economy:** At least one in seven Massachusetts employers misclassify workers as independent contractors, meaning they under-report worker wages and unemployment tax liability, and fail to pay workers compensation—costing the Commonwealth over \$200 million a year (in 2001 dollars)¹
- **Conscientious employers can't compete:** Conscientious employers are harmed, too, as they are unable to compete with lower-bidding companies reaping the benefits of rock-bottom labor costs.
- **Our economy suffers:** Local economies and the public lose out when paychecks shrink, taxpayer-funded benefits subsidize the low wages, and employers skirt payroll and other workplace insurance payments.

The Solution:

The use of abusive outsourcing, misclassification and other subcontracting schemes are demolishing 80 years of labor protections that were based on the direct relationship between employer and employee. Our coalition's legislation, An Act to Prevent Wage Theft and Promote Employer Accountability (H.1748), seeks to update our Commonwealth's labor laws to address this new economic structure, to ensure conscientious businesses are not undercut by unscrupulous employers, and to clarify who is ultimately responsible for fair **labor standards in Massachusetts**. When all those who employ workers and enjoy the fruits of their labor are accountable for their pay and working conditions, we will see a dramatic improvement in our well-being as a Commonwealth.

Campaign Committee:

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UNITE HERE Local 26
New England Regional Council of Carpenters
International Union of Painters and Allied Trades (DC 35)
Massachusetts Coalition for Occupational Safety and Health

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¹ Francoise Carre, Randall Wilson, Elaine Bernard, and Robert Herrick, *The Social and Economic Costs of Employee Misclassification in Construction* (Construction Policy Research Center, Labor and Worklife Program-Harvard Law School, and Harvard School of Public Health, December 2004).

For more information, contact Community Labor United Senior Organizer Phillip Reason at phil@massclu.org or Greater Boston Labor Council Organizer Lindsay McCluskey at lmcccluskey@gblc.us