



STATE OF NEW JERSEY

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT



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Washington D.C., July 24, 2007 – Commissioner David J. Socolow of the New Jersey Department of Labor and Workforce Development testified today about the Corzine Administration's efforts to curtail the dangerous and widespread practice of worker misclassification by employers in New Jersey. Commissioner Socolow appeared before a joint hearing of two subcommittees of the U.S. House of Representatives Education and Labor Committee: the Subcommittee on Health, Employment, Labor and Pensions and the Subcommittee on Workforce Protections.

"New Jersey Governor Jon S. Corzine has led our state in an important initiative to protect workers by fighting independent contractor misclassification and rooting out the abuses of the underground economy," said Commissioner Socolow. "The Governor recognizes that the misclassification of employees as independent contractors, in addition to putting workers at risk and unfairly disadvantaging honest employers, costs the state millions of dollars in foregone tax revenue."

Commissioner Socolow presented five suggestions to the members of the joint committees for consideration by the Congress:

1. Establish a strong, universal, federal definition of employee by using New Jersey's clearly defined ABC test.
2. Improve coordination and collaboration among federal enforcement agencies.
3. Amend section 530 of the Revenue Act of 1978 to empower the IRS by allowing it to reclassify workers prospectively as employees, strengthening reporting requirements for employers who make payments to independent contractors, and increasing penalties for employers who pay their workers under the table.
4. Empower workers to take an active role in ensuring their own proper classification.
5. Increase enforcement by expanding the types of unemployment insurance tax audits that states may count in the statistics reported to USDOL, establishing

adequate administrative penalties for the knowing and willful misclassification of workers and for record-keeping violations, targeting enforcement in industry sectors known to have high rates of misclassification and assisting states in their enforcement efforts through supplemental funding.

Please follow this link for a copy of his formal testimony.
<http://edworkforce.house.gov/hearings/help072407.shtml>

Please follow this link to watch the archived hearing webcast.
<http://edworkforce.house.gov/hearings/help072407.shtml>

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