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## State task force targets underground economy

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FALL RIVER — Unscrupulous employers cost the state millions in unpaid workers' compensation and gain an advantage over businesses that follow the rules, a state task force says.

This type of cheating, part of the so-called underground economy, was the focus of a task force meeting Monday at UMass Dartmouth's Advanced Technology & Manufacturing Center. The group met Monday with local businesses, union officials and community activists to discuss the problem.

Responsible companies are forced to compete with employers that avoid withholding payroll taxes, fail to pay workers' compensation and unemployment insurance, and give employees substandard wages, said state Director of Labor George E. Noel, task force chairman.

"It's unfair to expect employers to operate with an uneven playing field," Mr. Noel said.

The Joint Task Force on the Underground Economy and Employee Misclassification, which was established in March by Gov. Deval L. Patrick, is holding regional meetings throughout the state. The group's role is to coordinate state agencies in rooting out fraudulent employment activities.

A 2004 Harvard University study on the underground economy in the Massachusetts construction industry estimated the state lost nearly \$100 million in unpaid income tax payments and another \$100 million in unpaid workers' compensation contributions from 2001 to 2003 alone.

Nationally, the Internal Revenue Service estimated taxpayers in 2001 shortchanged the government \$312 billion to \$353 billion in federal taxes.

"That's half a bailout," Freetown Selectman Jean Fox told the audience, comparing the revenue loss with the government's \$700 billion economic rescue plan.

The "underground economy" consists of individuals or businesses avoiding labor, licensing and tax laws and dealing in cash or other "off-the-book" arrangements. It also includes deceptive classification of employees as independent contractors to conceal a business' true activities or tax liability, according to the task force.

Information sharing is a goal of the task force. The Patrick administration earlier this year cited the February conviction of a North Dartmouth couple, owners of a temp agency, on fraud charges as an example of state and federal agencies cooperating.

Daniel W. McElroy and Aimee J. King McElroy ran Daily A. King, a temp agency that supplied low-skilled workers to New Bedford's fish houses. A federal jury convicted them of defrauding their insurance carriers and the government out of millions of dollars by paying their employees under the table and covering their tracks by funneling money through two phony businesses.

Labor and business representatives offered comments during the task force meeting on the harm caused by the underground economy.

Tax and insurance fraud can cut contractors' costs by 30 percent, said Ron Rheume, business manager for Local 1305 of the New England Regional Council of Carpenters.

To crack down, the state must go after developers and construction managers who perpetuate the schemes, not just contractors, Mr. Rheume said.

"We need to remain focused on the cheats and make it costly through fines and/or jail time to operate in the shadows," he said.

When bidding on private projects, Don Kinsman of Kinsman Electrical Services Inc. in Wareham said: "There are times when a project is awarded to a contractor at a price that is equal to the material costs of the project, which leads me believe that the contractor doing this work somehow is shortchanging their employees or not paying the same taxes I do."

The task force is not meant to address immigration, a federal matter, Mr. Noel said.

Still, the immigrant advocates are concerned with the treatment of workers in the underground economy.

"Some of the weapons that perpetrators in the underground economy use against these workers are abuses, exploitation and intimidation and threatening of workers," Adrian Ventura, president of Maya K'iche, a nonprofit immigrant assistance organization, said through a translator.

Mr. Ventura said he works on educating workers about their rights, but more needs to be done to educate some temp agencies about their responsibilities.

Problematic temp agencies either fail to register with the state or provide false information, classifying employees as contractors, said Laura Marlin, a task force member and commissioner of the state Division of Occupational Safety, after the meeting.

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