

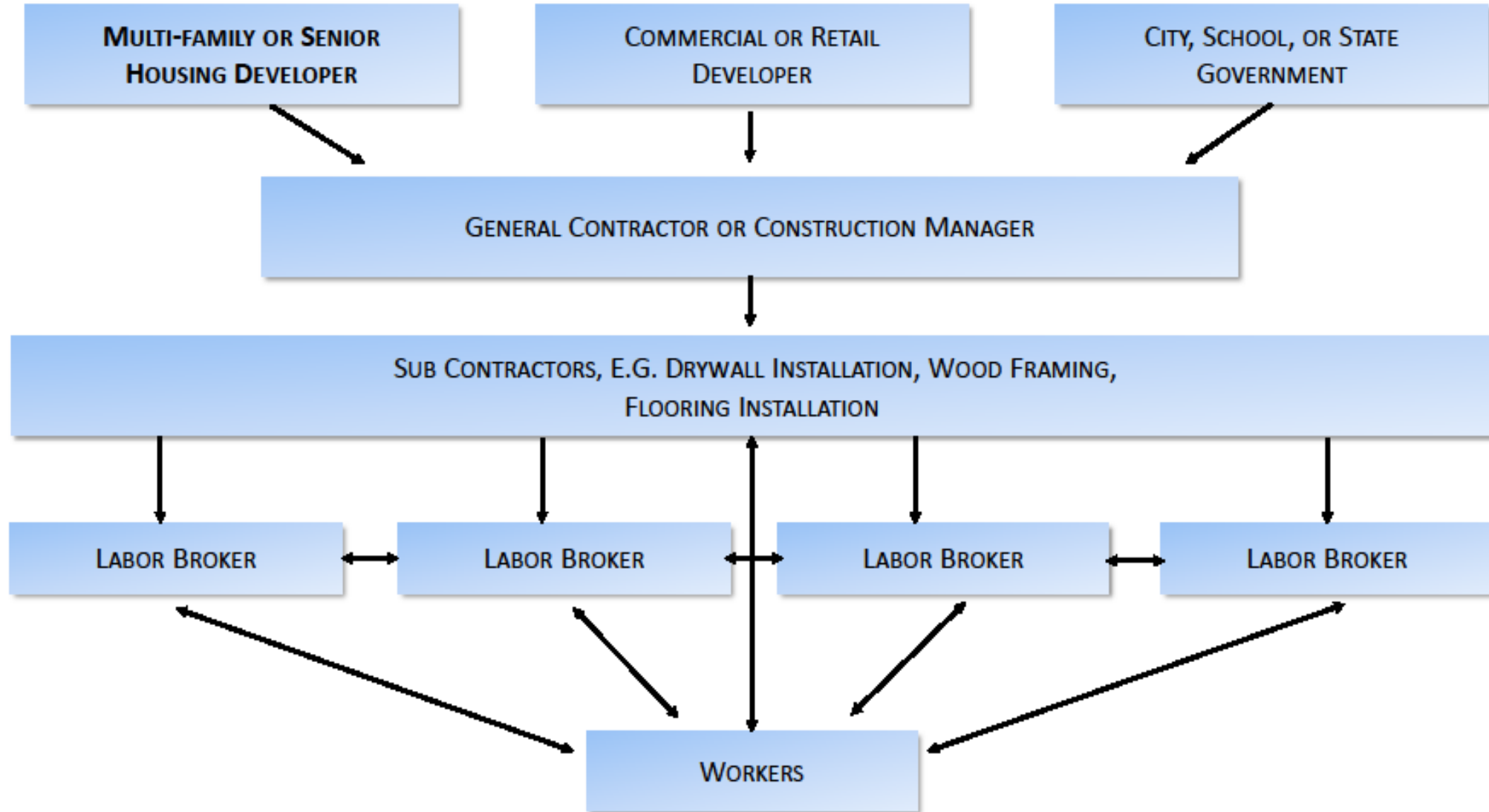
**Joint Enforcement Task
Force on Payroll Fraud and
Worker Misclassification
Intersection of Payroll Fraud and
Labor Trafficking in the
Construction Industry**

December 10, 2020

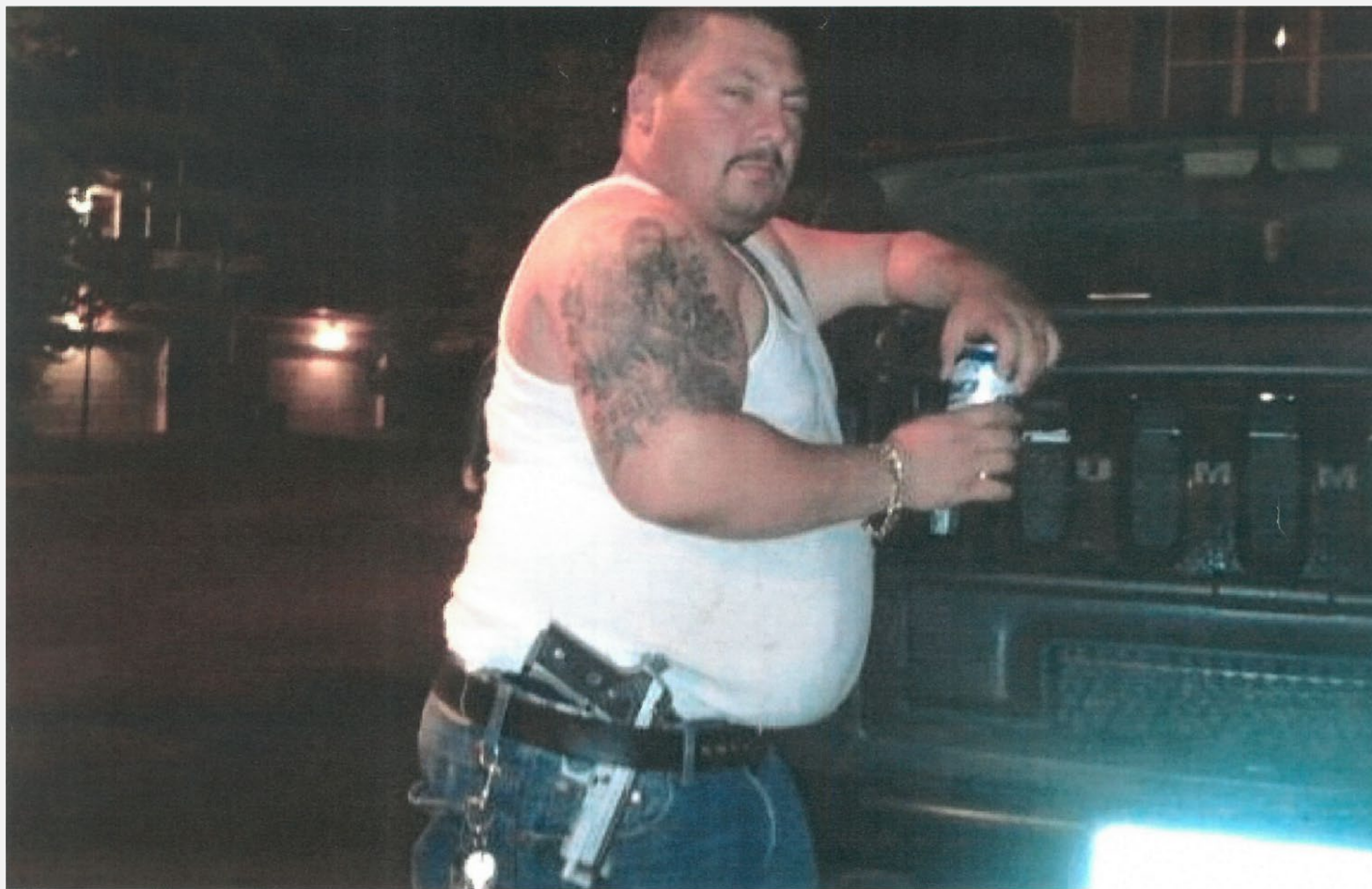
Payroll Fraud

- Worker exploitation is happening in the construction industry on public and private job sites in Wisconsin.
 - Misclassification (payroll tax avoidance)
 - Employer misclassifies a worker as an independent contractor
or
 - Employer pays employee cash off the books (most common)
 - No (or insufficient) unemployment insurance or worker's compensation coverage
 - Illegal deductions from pay
 - Failure to pay overtime after 40 hours a week
 - Kickbacks

PAYROLL FRAUD IN A CONSTRUCTION PROJECT



What is a labor broker?



Common Labor Broker Tactics

- Pay for drywall installation (6 weeks of work) but fail to pay the mudding and taping (18 weeks of work)
- Withholding all payment for a week if late for work one day
- Withholding payment on Job A (finished) until agree to work and commence work on Job B

Common Tactics (cont'd)

- Deductions from check
 - Inferior work, even when it's not
 - Materials or tools, even though the first-tier sub provided the materials and tools
 - Insurance (more on this one shortly)

Common Tactics (cont'd)

- Benefits rather than pay
 - Housing
 - Sleep at the jobsite
 - 10-15 people per apartment
 - Not to code (no hot water, no working bathrooms, etc.)
 - Vehicle “loan”
- Threats, intimidation, and coercion

Common Tactics (cont'd)

- Insurance “sale” or deduction
 - Labor broker owns/controls multiple LLCs
 - Cut Corners, LLC
 - Don’t Pay You, LLC
 - Will Cheat, LLC
 - LLCs have minimum general liability and worker’s compensation insurance (*e.g.*, one office worker)
 - Workers told that they are “independent contractors” and must have insurance
 - First-tier sub pays labor broker’s LLC
 - Labor broker pays workers cash and deducts “insurance costs”

Common Tactics (cont'd)

RECEIPT No. **268128**

DATE 3-28-17

FROM [REDACTED] Construction \$ 900

WC Policy DOLLARS

FOR RENT
 FOR _____

ACCT.		<input checked="" type="radio"/> CASH
PAID		<input type="radio"/> CHECK
DUE		<input type="radio"/> MONEY ORDER
		<input type="radio"/> CREDIT CARD

FROM _____ TO _____
BY ME

A-2501
T-46820

Human Trafficking

THE CRIME OF HUMAN TRAFFICKING IN WISCONSIN

Wis. Stat. 940.302

ACTION:	DONE BY ANY OF THE FOLLOWING:	FOR THE PURPOSE OF:
<p>Recruiting or Enticing or Harboring or Transporting or Providing or Obtaining ...an individual</p> <p>--OR--</p> <p>Attempting to do so</p>	<p>Causing or threatening to cause bodily harm to any individual or Causing or threatening to cause financial harm to any individual or Restraining or threatening to restrain any individual or Violating or threatening to violate a law or Destroying, concealing, removing, confiscating, or possessing, or threatening to destroy, conceal, remove, confiscate, or possess any actual or purported passport or any other actual or purported official identification document of any individual or Extortion or Fraud or deception or Debt bondage or Controlling any individual's access to an addictive controlled substance or Using any scheme, pattern, or other means to directly or indirectly, coerce, threaten, or intimidate any individual or Using or threatening to use force or violence on any individual or Causing or threatening to cause any individual to do any act against the individual's will or without the individual's consent</p>	<p>Labor or Services or A commercial sex act</p>

Human Trafficking (cont'd)

- Tough to prove
 - Victims unwilling/unable to testify
 - No/little documentation
- Supply vs. demand for exploited labor allows human trafficking to develop
- Strong enforcement of payroll fraud elements that DO NOT require workers as first party complainants diminishes opportunity for human trafficking
 - Payroll tax evasion/fraud
 - UI fraud
 - WC premium

THANK YOU

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