

INTRODUCTION TO VERMONT STATE LABOR COUNCIL AFL-CIO, 1/13/17

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The Vermont State Labor Council AFL-CIO is voice of unionized workers at the state level. Essentially we work to promote improved wages, hours, health and retirement benefits, and working conditions with regard for the autonomy and integrity of affiliated unions. Legislatively we are charged with safeguarding and promoting the principles of collective bargaining, the rights of working people and consumers, and the security and welfare of all people.

I currently serve as both the President of the Vermont State Labor Council AFL-CIO and the Vermont State Association of Letter Carriers AFL-CIO. We support legislation for raising the minimum wage, paid sick leave, and enforcement of current statutes concerning worker misclassification because these are issues relevant to the lives of working Vermonters. Many union workers have the benefit of wages higher than the current minimum wage, sick leave, and retirement plans but we believe these to be rightful compensation for any worker.

This committee has the opportunity to protect the integrity of workers in the new millennium. Technology is changing the face of the workplace we must continue to recognize the value of working people and their claim to a share of the wealth they make. McDonald's Corporation wealth exists because there is someone there to flip the burgers.

Policy decisions should recognize the rights and protections of workers in an on demand economy. Let's not lose sight of the fact only workers defined as "employees" are protected by the National Labor Relations Act and earn minimum wage, overtime pay, unemployment insurance, workers' compensation, and family and medical leave. Most protections against discrimination on the basis of race, gender, religion, age, disability, and national origin are only available to employees and job applicants.

Public policy should not favor the 1099 over the W-2. It is estimated a business can save 30 percent on labor cost (National Conference of State Legislators). This is not a new concept, reducing the cost of an employee has led to outsourcing and off shore jobs facilitated by NAFTA and other international trade agreements. For decades misclassified workers have been a growing sector in the workforce, especially people of color, immigrants and women. One only need to look at the peril of the migrant farm workers here in Vermont living en masse in housing formerly occupied by a single family, working deplorable hours, and easily cheated out of pay if their employer has a mind to do it. Public Assets Institute notes single mothers with children under 5 are the most likely to live in poverty here in Vermont.

Tax Revenue: Misclassification of workers has serious consequences for state and federal governments. Improperly classifying workers as independent contractors rather than employees deprives the state and federal governments of properly due tax revenue, including income, Social Security, Medicare and unemployment taxes, that are needed to pay for public services and benefits such as unemployment insurance. A report by the Government Accountability Office estimated that in 2006 alone, the federal government lost out on \$2.72 billion in Social Security, unemployment and income taxes because of employee misclassification.

States report similar tax losses. Rhode Island estimated that more than 6 percent of its workers were improperly classified as independent contractors, costing the state an estimated \$50 million in uncollected income, unemployment and other payroll taxes. A study on misclassification in Illinois showed the state lost close to \$125 million in income tax revenue from 2001 to 2005. A New York task force investigating workplace fraud found that, in 2008, misclassification cost the state more than \$4.8

million in unemployment taxes alone, a significant loss when that tax revenue is needed to pay unemployment claims. (NCLS Employee misclassification Tax Revenue) I firmly believe enforcement of existing law should be the focal point of this legislation.