"Stop Work" Legislation Puts Brakes On Employers Trying To Avoid State Laws

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WETHERSFIELD, Following compliance checks at construction sites throughout the state, the Connecticut Department of Labor has issued "stop work orders" to 60 companies this year for failing to comply with workers' compensation requirements.

The agency has been able to carry out these enforcement actions as a result of Public Act 07-89, a bill that was signed into law by Governor Rell in June of 2007. Known as "An Act Concerning Penalties for Concealing Employment or Other Information Related to Workers' Compensation Premiums," the legislation applies to businesses operating in Connecticut and gives the Labor Department's Wage and Workplace Standards Division the authority to stop work at any site until a company is in compliance with certain workplace regulations.

"During our first year working with this legislation, we have found it to be an effective tool in leveling the playing field in the construction industry," said Gary K. Pechie, Director of the agency's Wage and Workplace Standards. "Our site inspections have revealed cases where employers are misclassifying employees and identifying them as independent contractors so that they are not provided workers' compensation coverage. In other instances, we have found that employers are under-reporting the number of employees by paying wages in cash and not keeping accurate records."

According to Pechie, violations are discovered through routine inspections when agents from the Labor Department interview workers at job sites to determine whom they work for, and if wages are being paid in cash. Using mobile technology, wage investigators can quickly determine if the company has workers' compensation coverage in Connecticut and if there is adequate coverage for the workers. Investigators also determine if the company is properly registered with the Secretary of State's office.

"By failing to provide worker's compensation coverage, ignoring income taxes, unemployment taxes, and other protections, these employers place a drain on our state's

economy," Pechie noted. "When a company complies with these laws, it helps every employer by reducing workers' compensation premiums and lessens the burden on our state since we avoid using the Second Injury Fund to protect those employees.

"This law has allowed us to identify other potential violations that are referred to other jurisdictions, such as Homeland Security, Revenue Services, Internal Revenue Services and OSHA," Pechie said. "The legislation is effective in helping the Labor Department improve working conditions on construction sites, and helps to ensure that employers who violate state laws do not have an unfair advantage over others."

According to Pechie, investigations have shown that the majority of companies ordered to stop work have been out-of-state companies from as far away as Arizona and Georgia. Job sites have included condominium projects, hotels and retail plazas.

"Fortunately, many employers in this state do comply with our state laws," Pechie added. "But any time a company is in violation, their actions create an unfair economic advantage to those employers who do follow the rules. We are fortunate to have this new legislation to help combat an issue that has caused concerns throughout the country."

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