

PRESS RELEASE

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For Immediate Release

Date: December 5, 2011
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US LABOR DEPARTMENT, COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT PARTNER TO REDUCE MISCLASSIFICATION OF EMPLOYEES AS INDEPENDENT CONTRACTORS

WASHINGTON – Today, Deputy Administrator Nancy J. Leppink, head of the U.S. Department of Labor’s Wage and Hour Division, and Ellen Golombek, executive director of the Colorado Department of Labor and Employment, signed a memorandum of understanding on the improper classification of employees as independent contractors. This is the eleventh such state partnership announced by the U.S. Department of Labor.

Following the signing, Leppink and Golombek hosted a press teleconference where they discussed how the U.S. Department of Labor and the Colorado Department of Labor and Employment will embark on new efforts, guided by this memorandum, to protect the rights of employees and level the playing field for responsible employers by reducing the practice conducted by some businesses of misclassifying employees.

“This memorandum of understanding helps us send a message: We’re standing united to end the practice of misclassifying employees,” said Deputy Administrator Leppink. “This is an important step toward making sure that the American dream is still available for employees and responsible employers alike.”

“Misclassification costs everyone,” says Executive Director Ellen Golombek. “It destabilizes the business climate by causing responsible businesses to suffer unfair competition. The efforts we will be launching with the U.S. Department of Labor will promote accountability that Colorado employers and employees will welcome.”

(More)

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Employee misclassification is a growing problem in our economy. In 2010, the Wage and Hour Division collected nearly \$4 million in back wages for minimum wage and overtime violations that were a result of the employees being misclassified as independent contractors or otherwise not treated as employees. This is an increase of almost 400 percent from FY 2008, when the division found just over \$1.3 million owed for the same reason.

Business models that attempt to change, obscure or eliminate the employment relationship are not inherently illegal, unless they are used to evade compliance with federal labor laws. The misclassification of employees as something other employees, such as independent contractors, presents a serious problem for affected employees, who are often denied access to critical benefits and protections – such as family and medical leave, overtime, minimum wage and unemployment insurance – to which they are entitled. In addition, misclassification can create economic pressure for law-abiding business owners, who often find it difficult to compete with those who are saving money by skirting the law. Employee misclassification also generates substantial losses for state unemployment insurance and workers compensation funds.

These memorandums of understanding arose as part of the U.S. Department of Labor's Misclassification Initiative, which was launched under the auspices of Vice President Biden's Middle Class Task Force with the goal of preventing, detecting and remedying employee misclassification. Connecticut, Hawaii, Illinois, Maryland, Massachusetts, Minnesota, Missouri, Montana, Utah and Washington have signed similar agreements with the U.S. Department of Labor. More information is available on the Department's misclassification web page at <http://www.dol.gov/misclassification/>.

The mission of the U.S. Department of Labor is to foster, promote and develop the welfare of the wage earners, job seekers and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights. To learn more about the FLSA's requirements, call the Wage and Hour Division's toll-free hotline at 866-4US-WAGE (487-9243). Information also can be found on the Internet at <http://www.dol.gov/whd/>.

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