

Dept. of Workforce Development: Task Force on Payroll Fraud and Worker Misclassification meets to build on 2020 report, recommendations

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MADISON – Gov. Tony Evers’ Joint Enforcement Task Force on Payroll Fraud and Worker Misclassification met today to discuss implementation of its 2020 recommendations and make plans for the year ahead.

The Task Force released its first [report](#) earlier this year, which included several recommendations to better protect Wisconsin workers and businesses that follow the law against the practice of misclassifying workers and committing payroll fraud. The recommendations included creating a coordinated inter-agency enforcement team and a contractor registration program, among others.

The Department of Workforce Development (DWD) expressed its support and commitment to advancing the recommendations in its [budget request](#) submitted to the Governor in September.

“The COVID-19 pandemic has brought to the surface how vulnerable some of our workers are if they suddenly find themselves out of work, contract a virus at work, or have to care for a family member who gets sick,” DWD Assistant Deputy Secretary Danielle Williams, who chairs the Task Force, said. “Although the report came out earlier this year, 2020 has highlighted the importance of enforcing our

worker protection laws that are tied to the employer-employee relationship. While the federal government did step in to provide some short-term protections for those who might otherwise not be covered by certain programs, it is imperative upon all of us to make sure workers are properly classified in the long-term.”

The Task Force made plans to invite the public to its January meeting to hear directly from workers and employers who have been directly impacted by misclassification.

“Gov. Evers has emphasized his desire to hear directly from Wisconsin residents to help develop his biennial budget,” Williams said. “We look forward to providing the public the opportunity share their personal stories on how these issues have directly impacted them and their families so that the Governor and, ultimately, the State Legislature, fully understand the significance of making progress on these issues ahead of their 2021 budget deliberations.”

At today’s meeting, members discussed how state government could help educate employers on the rules, requirements, and penalties associated with worker misclassification. They heard from Patti Epstein, Division of Corporate and Consumer Services Administrator at the Department of Financial Institutions, on DFI’s role in registering new business entities to consider how DFI may help distribute informational materials to prevent potential violations.

“Our role as a business registration division is to receive, process, and maintain business records,” said Epstein. “We have the ability to inform businesses of information they may not know, and we look forward to working with the task force and across state agencies to help educate employers on worker misclassification through informational materials with new business registrations.”

Cindy Buchko, General Counsel at the Construction Business Group, also led a discussion of how CBG’s insurance fraud investigators often uncover instances of illegal labor trafficking aspect and the labor brokers.

“There seems to be a mistaken belief that payroll fraud is victimless. However,

there is a real and direct connection between payroll fraud and labor trafficking,” said Buchko. Exploitation of workers through wage theft, threats of violence, and coercion are tools of the trade for labor traffickers and part of the payroll fraud business model. Broader enforcement of laws prohibiting payroll fraud will make it harder for labor traffickers to operate.”

Members also received updates from Department of Revenue (DOR) Assistant Deputy Secretary Maria Guerra Lapacek on the development of the Interagency Coordinated Enforcement Team, which will facilitate worker misclassification investigations and enforcement efforts through data sharing improvements amongst state agencies.

DWD Division of Worker’s Compensation Administrator Steve Peters and Division of Unemployment Insurance Administrator Mark Reihl also summarized the activities of their respective Workers Compensation Premium Fraud and Upstream Liability working groups.

For more information on the Joint Enforcement Task Force on Payroll Fraud and Worker Misclassification, visit <https://dwd.wisconsin.gov/misclassification/>.

To learn more about Worker Misclassification, visit <https://dwd.wisconsin.gov/worker-classification/ui/>.