

Task force officially recommends policies to combat wage theft

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A state task force on wage theft and misclassification is recommending that Wisconsin adopt new rules to prevent insurance fraud and hold contractors accountable for misconduct committed by their subcontractors.

Those recommendations are part of a revised annual report that the Department of Workforce Development's Task Force on Payroll Fraud and Worker Misclassification delivered to Gov. Tony Evers on Tuesday. They come on top of similar proposals the task force issued in March 2020 in the hopes of combatting misclassification, wage theft and other forms of fraud that are believed to be widespread in the construction industry.

"The work performed by the Task Force members and support staff that assist them in their work was anything but routine business in 2020," said Danielle Williams, chair of the task force and DWD Assistant Deputy, in a statement. "Despite the challenges the past year has brought, the Task Force has once again produced a report with meaningful reforms designed to level the playing field for employers who follow the law and help enforce our state's existing worker protections."

The group's latest recommendations would change state statute to deal with more forms of fraud, make it mandatory for insurers to report fraud and strengthen the state's investigatory powers.

The task force also recommended soliciting advice from the industry on rules that could be used to hold general contractors accountable when subcontractors are caught skirting wage and insurance rules. This particular recommendation drew some objections from the task force's only general contractor member during a [meeting last month](#).

Specifically, the task force is recommending seven policy changes:

1. Amend statutes to include worker's compensation insurance fraud and application fraud as offenses that can be reported to the state's DWD. Now, only claimant fraud can be referred to the department.
2. Require insurers and self-insured employers to report worker's compensation premium and application fraud to the DWD when they see it.
3. Set up an Insurance Fraud Bureau of Investigations to investigate and prosecute insurance fraud. Most states — including Minnesota, Iowa and Illinois — have divisions to investigate insurance fraud, but Wisconsin hasn't.
4. Change a state insurance manual to require that auditors look for both cash and non-cash payments in the hopes of increasing the chances that premium fraud will be detected.
5. Ask the DWD and the state Department of Justice to review Wisconsin statutes and decide if the state needs better worker-misclassification protections.
6. With advice from stakeholders, develop an upstream liability standard that would hold contractors accountable for misconduct committed by subcontractors
7. Adopt something similar to a system in place in Pennsylvania requiring the DWD to investigate and enforce wage-theft laws as part of the state's labor standards, then publish an annual report listing the names of offending companies.

As for the task force's recommendations from last year, those have found a place [in Evers' 2021-2023 biennial budget](#) proposal.

Evers' budget, for instance, would revive Wisconsin's contractor registration system, which was in place until 2013 and then eliminated through the budget process. It would also increase penalties for

contractors that commit wage theft and misclassification and remove existing industry-specific exceptions in state law.

Misclassification is thought to be widespread in Wisconsin's construction industry, depriving workers of millions of dollars' worth of wages and costing the state millions in tax revenue. A report from the Midwest Economic Policy Institute last month suggested about [one in 10 construction](#) workers in Wisconsin are misclassified, causing the state to lose out on about \$40 million in revenue each year.