

News Release

WHD News Release: [09/19/2011]

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Release Number: 11-1373-NAT

Labor secretary, IRS commissioner sign memorandum of understanding to improve agencies' coordination on employee misclassification compliance and education

11 state agency leaders also sign, agree to memorandums of understanding

WASHINGTON — Secretary of Labor Hilda L. Solis today hosted a ceremony at U.S. Department of Labor headquarters in Washington to sign a memorandum of understanding with the Internal Revenue Service that will improve departmental efforts to end the business practice of misclassifying employees in order to avoid providing employment protections. In addition, labor commissioners and other agency leaders representing seven states signed memorandums of understanding with the department's Wage and Hour Division and, in some cases, its Employee Benefits Security Administration, Occupational Safety and Health Administration, Office of Federal Contract Compliance Programs and Office of the Solicitor. **The signatory states are Connecticut, Maryland, Massachusetts, Minnesota, Missouri, Utah and Washington. Secretary Solis also announced agreements for the Wage and Hour Division to enter into memorandums of understanding with the state labor agencies of Hawaii, Illinois and Montana, as well as with New York's attorney general.**

The memorandums of understanding will enable the U.S. Department of Labor to share information and coordinate law enforcement with the IRS and participating states in order to level the playing field for law-abiding employers and ensure that employees receive the protections to which they are entitled under federal and state law.

"We're here today to sign a series of agreements that together send a coordinated message: We're standing united to end the practice of misclassifying employees," said Secretary Solis. "We are taking important steps toward making sure that the American dream is still available for all employees and responsible employers alike."

"This agreement takes the partnership between the IRS and Department of Labor to a new level," said IRS Commissioner Doug Shulman. "In this new phase of our relationship, we will work together more efficiently to address worker misclassification issues, and better serve the needs of small businesses and employees."

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 — for example, if an employee is misclassified as an independent contractor and subsequently denied rights and benefits to which he or she is entitled under the law. In addition, misclassification can create economic pressure for law-abiding business owners.

These memorandums of understanding arose as part of the department'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.

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.