



DIVE BRIEF

# Carpenters' union protests wage theft, tax fraud

Across the U.S. and Canada, members will hold rallies to highlight the problems, which it says hurt workers, taxpayers and upstanding contractors alike.

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*A news conference with members of the Eastern Atlantic States Regional Council of Carpenters in Harrisburg, Pennsylvania, at the State Capital on April 15, 2024. Permission granted by UBC*

## Dive Brief:

- The United Brotherhood of Carpenters and Joiners of America is calling attention to wage theft and workers' compensation fraud in the construction industry in a series of events across the U.S. and Canada.
- The programs include news conferences and rallies at state and federal buildings and jobsite visits from elected officials across 22 states in April and May to raise awareness of the issues, which the union says hurt workers, taxpayers and upstanding contractors alike, according to a news release.
- Wage theft is a prevalent problem in the construction industry. In fiscal year 2023, the Department of Labor recovered over \$35.5 million in back wages for construction workers across 2,134 cases, the highest dollar amount for any industry. In addition, many workers are incorrectly classified as independent contractors.

## **Dive Insight:**

“Employer fraud is a cancer that has become a business model,” UBC General President Douglas J. McCarron said in a statement. “It’s a systemic problem that involves every size and type of construction jobsite and employers at every level, from the smallest subcontractors and labor brokers to the largest developers and construction company owners.”

In 2021, up to 2.1 million U.S. construction workers were misclassified or paid off the books, according to a report from the Century Foundation, a think tank and research group focused on equity in education, healthcare and work.

That would account for about 20% of the industry, and misclassification could cost taxpayers \$5 billion to \$10 billion a year in unpaid income tax funds, the Century Foundation found.

An example of the kind of fraud UBC is protesting came to light on April 11. Kent Bo Fridolfsson, former president and owner of the construction company Diversified Specialists in California, pleaded guilty to six charges of insurance fraud and grand theft, according to a California Department of Insurance release.

A joint investigation found Fridolfsson underreported his payroll by nearly \$1 million to save on workers’ compensation insurance and taxes. The fraud became apparent when an employee sustained a work-related injury and contacted the insurance provider.

## **Impact of wage theft on employers**

The nature of construction, where subcontractors serve as labor brokers for workers who often are not full-time employees further complicates the wage process, said Joe Natarelli, office managing partner in New Haven, Connecticut, for accounting firm Marcum.

Natarelli said contractors often claim they don't realize they're committing wage theft, especially when they're a non-union contractor that wins work on a job with a project labor agreement.

"I think a lot of folks get pulled into there without knowing the playground," he said.

Nonetheless, ignorance may not be a sufficient excuse, and can severely hurt employers in the long run. Wage theft on a company's record can affect its ability to find skilled workers or even win jobs, Natarelli said.

"Now I'm going to sound like an accountant, I'm sorry, but you need to make sure you set up the internal controls to mitigate any of these things falling through the cracks," he said.