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Press Release

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Department of Labor Cracks Down on Worker Misclassification Fraud *Department finalizes agreements to enhance enforcement against misclassification*

ANCHORAGE: In an effort to crack down on worker misclassification, the Department of Labor and Workforce Development has signed Memorandums of Understanding (MOUs) with the Division of Insurance, Department of Revenue, and the U.S. Department of Labor. Worker misclassification is the practice of mislabeling employees as independent contractors, or inaccurately classifying employees in lower paying job categories, in order to avoid paying state and federal taxes.¹ These MOUs will improve enforcement of the law and prevent unscrupulous businesses from undercutting legitimate enterprises that pay workers compensation and unemployment insurance.

“With these law enforcement agreements, we are standing up for businesses that play by the rules and for workers who are being exploited,” said Commissioner Heidi Drygas. “At a time of unprecedented fiscal pressure for the state, we will do everything in our power to reduce tax fraud perpetrated through worker misclassification.”

Alaska businesses support the department’s efforts: “We applaud the Alaska Department of Labor, U.S. Department of Labor, and other state departments for working to reduce tax fraud,” said Gene Desjarlais, owner of the building contractor BEK of Alaska. Mickey Love, owner of Designer Carpets, said, “These partnerships will save the state money and support businesses like mine that rely on construction for our livelihood.”

The non-partisan National Conference of State Legislatures [estimates](#) that misclassification costs states millions and, in some cases, billions of dollars per year. National studies indicate that misclassification affects some 15,000 to 20,000 Alaska workers. Those workers do not receive state and federal benefits and protections including Social Security, unemployment insurance, and workers’ compensation.

Misclassification also hurts law-abiding Alaska businesses. They face higher employee costs than competitors who cheat to get out of paying payroll taxes, unemployment insurance taxes, and workers’ compensation premiums.

Enforcement of state and federal laws related to misclassification is the responsibility of multiple state and federal agencies, and Alaska is working in partnership across these state and federal agencies to reduce

misclassification. Alaska is one of [25 states to sign an MOU with the federal government](#), and one of several states to establish worker misclassification task forces.

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¹ National Conference on State Legislatures [Employee Misclassification Database](#).