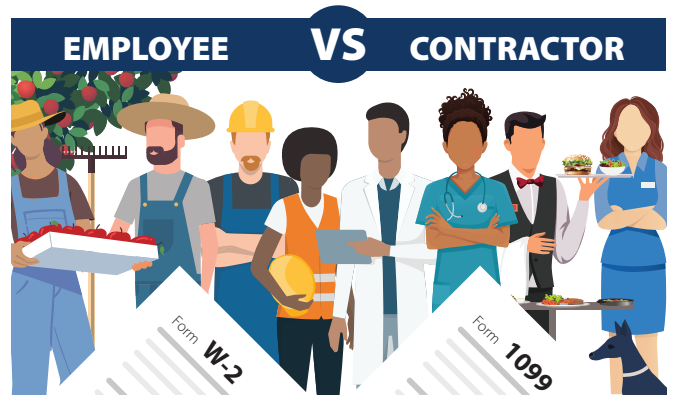


# When workers are misclassified, *everyone* loses



## What is Worker Misclassification?

Worker misclassification occurs when an employer treats individuals as independent contractors when they are employees. Under the law, workers are presumed to be employees unless the employer proves that the worker meets the legal criteria to be an independent contractor.

## Why is misclassification bad?

**Employers who misclassify workers as independent contractors gain an unfair competitive advantage against other employers**

EMPLOYERS who intentionally misclassify workers as independent contractors avoid:

- ▶ Unemployment insurance taxes
- ▶ Withholding state and federal income taxes
- ▶ Worker's compensation coverage
- ▶ Paying social security taxes and Medicare taxes

**Misclassified workers are often denied access to critical benefits and protections they are entitled to by law.**

EMPLOYEES who are misclassified as independent contractors:

- ▶ May not be eligible for unemployment benefits
- ▶ May not be covered under worker's compensation
- ▶ May not be protected under wage and hour laws
- ▶ May not be protected under civil rights laws
- ▶ May not be protected under the Family and Medical Leave Act (FMLA)
- ▶ Are paying both the employer and employee share of social security and Medicare taxes

## What happens when an employer misclassifies?

DWD vigorously investigates misclassification, and when it's found, employers can face:

- ▶ Taxes
- ▶ Interest Charges
- ▶ Civil Penalties
- ▶ Possible Criminal Prosecution when warranted