

Brief Overview of the Positive and Negative Aspects of Mandating Workers' Compensation and Unemployment Insurance for Independent Contractors

Workers' Compensation

Positive Aspects	Negative Aspects
Positive premium impact	Large increase in the number of workers' compensation accounts. Many of these new accounts would consist of just one or two business owners.
May decrease the abuse of setting up employees as "independent contractors"	Much larger pool of construction firms requiring compliance intervention.
	Opportunity for claims abuse or fraud
	Increased claim adjudication and need for more personnel
	Independent contractor abuse would not be eliminated.
	Difficult to audit "owner" hours because there would be no pay to tie to the work.

Unemployment Insurance

Positive Aspects	Negative Aspects
Increased taxes and number of accounts for administrative funding.	Significant statutory changes must be made to accommodate new eligibility criteria and new funding mechanisms.
	The built-in check and balance system is removed when an independent contractor is the only source of information going into the unemployment insurance system. (The system currently uses two independent sources of information – the employer and employee.)
	Opportunity for fraud and abuse. The independent contractor could receive UI benefits for every week he or she is not working full-time. The independent contractor could lay him/herself off due to lack of work and request standby, exempting the individual from work search activities or monitoring.
	Independent contractor abuse would not be eliminated.

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