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The Epidemic of Wage Theft  
in Residential Construction  
in Massachusetts<sup>1</sup>

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# The Epidemic of Wage Theft in Residential Construction in Massachusetts

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## Executive Summary

Our research documents how the illegal theft of workers' wages has reached epidemic levels in residential construction in Massachusetts. We conducted three case studies examining: the subcontractors for Pulte homes; the drywall industry and specifically New Haven Drywall; and affordable housing construction by a community development corporation (CDC) based on 27 in-depth interviews with construction workers, contractors, homeowners, union staff, and community-based organizers. We detail how contractors in residential construction responded to their financial losses in the Great Recession by the wholesale and illegal misclassification of their workers as independent contractors. By not paying taxes on workers' wages and by not contributing to worker compensation funds, contractors reduced their building costs by 30 percent. In addition, we document how these contingent workers—the majority of who are undocumented immigrants—are routinely cheated out of their wages by contractors who pay late, do not compensate for overtime, and sometimes do not pay for work at all. Firms generate profits by victimizing some of the most vulnerable workers in Massachusetts, delivering poor quality homes to consumers, and leaving citizens of the commonwealth on the hook to make up for hundreds of millions in lost tax revenue. We also show that despite solid statutory language, enforcement mechanisms designed for regularized employers are woefully inadequate to protect workers from the illegal practices by the marginal firms that now dominate residential construction.

*Highlights of the research include:*

- Five subcontractors for the national homebuilder Pulte were assessed \$490,000 in back wages and penalties by the Commonwealth of Massachusetts for wage theft violations in the state.
- Pulte denied any knowledge about the practice, despite numerous accusations against the company for similar practices in a number of states and by the federal government.
- Although we demonstrate how Pulte financially benefited from this wage theft, the company was legally insulated from being charged with any wrongdoing.

- Few of these wages and fines were ever collected, as many of these marginal subcontractors closed their doors or reopened under new names.
- New Haven Drywall and other drywall firms, such as Jose Gutierrez and Tri State drywall, have a long history of illegal misclassification and wage theft. They have demonstrated how easy it is to reorganize and start new firms to avoid prosecution and to continue illegal misclassification and wage theft.
- Because no existing mechanism prevents such firms from avoiding prosecution, we have seen an explosion of firms that employ illegal misclassification and wage theft in the drywall industry. This phenomenon deeply threatens the economic viability of legitimate contractors who play by the rules.
- The growth of these firms who make their profits from illegal employment practices, supported by major firms such as Pulte, has begun to move beyond residential construction into more commercial and public types of construction.
- We make a number of policy recommendations for Massachusetts to combat illegal misclassification and wage theft. Our research shows that the commonwealth would be well served to follow the example of wage theft eradication programs in Connecticut.

*Policy recommendations include:*

- Real National Immigration Reform
- Public Identification of Misclassification and Wage Theft Violators
- Create Barriers for Law-Breaking Firms and Individuals to Reenter the Market
- Impose Real Penalties and Fines
- Better Permanent Interagency Coordination
- Dramatic Increase in Workplace Raids
- New Funding Mechanism to Combat Wage Theft
- Firms at the Top of the Supply Chain Must Be Held Responsible
- Formalize Relationship with Worker Centers and Unions Already in the Fight Against Wage Theft