



Construction Risk Advisor

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WHAT TO EXPECT IN 2019

Industry leaders and economists who contributed to the 2019 Dodge Construction Outlook predict that total construction starts in 2019 will increase to over \$808 billion from this year's estimated \$806.8 billion. Experts see this small change as an indicator that the economy is in a tug of war between recent growth stimuli (e.g., tax cuts) and emerging risks (e.g., rising interest rates). Here are some more specific predictions:

- **Single-family housing**—Experts predict a 3 percent decline in homebuyer demand resulting from higher mortgage rates and reduced tax advantages for homeowners.
- **Multifamily housing**—Although demand in this area remained steady in 2018, it is expected to decline by 6 percent next year.
- **Commercial building**—A 3 percent decline is expected for 2019, as a slowing economy leads to an increase in vacancies.
- **Institutional building**—Although airport and amusement-related projects are predicted to remain steady, educational facilities and health care projects should see an increase in construction starts.

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THE COST OF WORKER MISCLASSIFICATION

When construction companies misclassify employees as independent contractors, they can gain a 30 percent bidding advantage, according to the United Brotherhood of Carpenters. This is because they avoid paying the labor costs that legitimate businesses pay.

Although there are legitimate independent contractors—small operations that have proper licenses, insurance, expertise and tools—some employers purposely misclassify employees as independent contractors in order to avoid paying benefits, insurance and taxes.

RECENT CRACKDOWN

Although a lack of resources makes it difficult for state and local agencies to crack down on the companies that get away with worker misclassification, some authorities are finding success.

For example, the Massachusetts attorney general's office recently fined a construction company \$837,341. In addition to misclassifying their employees as independent contractors, the company failed to make timely payments to workers and took illegal deductions from their paychecks.

States including Florida and New York have also recently arrested or indicted business owners for worker misclassification. In addition, Colorado recently created a state task force that will make the process of filing complaints easier.

As states and localities take more notice of worker misclassification, these examples should serve as a warning for employers in the construction industry.