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Off-the-Book Construction Jobs Soar in City, Study Shows

By STEVEN GREENHOUSE

An economic study set to be released today found widespread illegal practices in New York City's residential construction industry, estimating that one-fifth of the 82,000 workers who build housing in the city work off the books.

The study by the Fiscal Policy Institute, a nonprofit organization financed in part by unions, noted that while the volume of residential construction in New York City more than doubled from 2000 to 2005, official employment among residential construction companies rose just 16 percent over that period. An increasing amount of the additional construction work is being done by off-the-book workers.

The report said the underground use of workers was greatest in the construction of low- and moderate-income housing, and estimated that two-thirds of such construction took place in the underground economy.

"Clearly a huge number of workers go to work every day but don't show up in the Labor Department statistics," said James Parrott, the chief economist for the institute, a liberal research group.

The study lauded Mayor Michael R. Bloomberg's plans to create or preserve 165,000 low- and moderate-income housing units over 10 years. But the report said it was unfortunate that many of the construction workers building those units were paid off the books and received low wages and few fringe benefits.

The report urged the city to make sure that companies that receive city subsidies to build low- and moderate-income housing pay their employees properly and provide safe conditions.

The Fiscal Policy report found that construction workers employed off the books in New York City average \$10 an hour, or \$18,400 a year in wages, without overtime. Unionized workers in residential construction average \$24.70 an hour, or about \$45,448 a year, and receive good health and pension benefits. Nonunionized laborers who work on the books make \$14 an hour, or about \$25,760 a year, the report says.

Industry experts say the number of residential construction workers employed off the books has soared because the industry needs so many workers, because so many illegal immigrants are eager to take construction jobs and because unions have made few inroads in organizing workers in residential construction.

The report said that employers that hire people off the books also often cut corners on safety,

contributing to the increase in construction deaths. According to federal officials, 28 workers died on New York City construction sites in the fiscal year that ended last Sept. 30, compared with an annual average of 20 for the last four years. Most of those killed were nonunionized workers for small companies.

"There's tremendous volume of construction activity in the city, and I think there are a lot of firms, contractors and sometimes owners who are looking to increase their margins and are willing to do it by jeopardizing safety, skirting the city's building code, and taking many shortcuts," said Louis Coletti, president of the Building Trades Employers' Association, a group of unionized companies in New York.

Many unionized employers say unionization leads to faster, safer and more efficient construction practices, although some economists say union wages are so high it is hard to build low- and moderate-income housing while using union labor.

The report asserted that one of the most common illegal practices was for construction companies to classify workers as independent contractors rather than as employees. In that way, many companies seek to avoid paying Social Security taxes, unemployment insurance taxes and workers' compensation premiums.

The report says that 13,350 workers, nearly one-sixth of the city's residential building workers, were misclassified as independent contractors. Such misclassification, the report argued, foists costs, such as workers' compensation costs, onto other employers.

"As close as we can tell, \$85 million to \$126 million of costs are evaded by employers that pay people off the books and misclassify some employees as so-called independent contractors," Mr. Parrott said.