

THE COUNCIL ON THE UNDERGROUND ECONOMY (CUE)

ANNUAL REPORT

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MAY 1, 2025

Dear Chair Oliveira and Chair McMurtry,

In September 2024, Governor Healey re-launched the Council on the Underground Economy (CUE) to bring together state and federal agencies and re-commit to the CUE mission of working collaboratively to protect workers from fraud and misclassification and promote an even playing field for standards among Massachusetts employers.

Upon re-launching the CUE, I had the pleasure as Chair to reconvene several state and federal agencies in the fall of 2024 — the first meeting since 2019. Participating agencies continue to promote programming and policy to reduce unfair business practices and ensure compliance within applicable laws. The CUE is governed by Massachusetts General Law Chapter 23, Section 25.

While the CUE only recently resurrected a quarterly meeting cadence, CUE investigators representing many agencies continued to meet regularly throughout 2024 to discuss themes, promote enforcement, and coordinate on shared investigative cases. Additionally, the group of investigators have helped to improve technology that will strengthen outcomes for the CUE including plans underway to launch a new online system in 2025 to receive and track CUE tips. In 2024, the CUE received over 200 calls and emails with allegations ranging from wage and hour violations to more complex employee misclassification issues. These tips led to interagency collaboration and action including further investigation or the assessment of fines and penalties from non-compliant employers. As a result, the CUE reported \$11.8 million in fines and penalties returned back to the Commonwealth of Massachusetts.

As Chair of the CUE, I would like to thank all executive agency partners as well as the Fair Labor Division with the Office of the Attorney General, the Insurance Fraud Bureau, the Alcoholic Beverages Control Commission with the Office of the State Treasurer and Receiver General, and federal partners at the US Department of Labor for their ongoing contributions.

Building on the collaboration achieved in 2024, the CUE looks forward to enhanced partnerships especially among state agencies to deliver fairness among employers and ensure integrity for employers, workers, and taxpayers who represent the Commonwealth of Massachusetts.

Sincerely,

LAUREN JONES

SECRETARY OF LABOR AND WORKFORCE DEVELOPMENT

PARTNER AGENCY ABBREVIATIONS

ABCC: Alcoholic Beverages Control Commission
AGO-FLD: Office of the Attorney General - Fair Labor Division
DCAMM: Division of Capital Asset Management and Maintenance
DFML: Department of Family and Medical Leave
DIA: Department of Industrial Accidents
DLS: Department of Labor Standards
DOB: Division of Banks
DOL: Massachusetts Division of Occupational Licensure
DOR: Massachusetts Department of Revenue
DPH: Department of Public Health
DUA: Department of Unemployment Assistance
EBSA: USDOL Employee Benefits Security Administration
EOLWD: Executive Office of Labor and Workforce Development
IFB: Insurance Fraud Bureau
JTF: Joint Enforcement Task Force on the Underground Economy
MCAD: Massachusetts Commission Against Discrimination
MOBD: Massachusetts Office of Business Development
NLRB: National Labor Relations Board
OPSI: DOL Office of Public Safety and Inspections
ORI: Massachusetts Office for Refugees and Immigrants
OSD: Operational Services Division
USDOL: United States Department of Labor

THE COUNCIL ON THE UNDERGROUND ECONOMY



The Council on the Underground Economy (CUE) works to stop unfair business practices and promote compliance with Massachusetts law. The CUE serves employers, taxpayers, industries, and workers across the Commonwealth by engaging in coordinated investigations and related enforcement actions. This is a collaborative effort between the state and federal governments and their partners. By pursuing tips and engaging in outreach, the CUE works to hold businesses accountable, bringing them into compliance with Massachusetts law and related tax requirements.

The “underground economy” refers to individuals and businesses who conceal or misrepresent their employee populations to avoid one or more of their responsibilities related to wages, payroll taxes, insurance, licensing, safety, or other legal or regulatory requirements. To combat these inappropriate practices, the CUE and participating agencies work collaboratively to ensure Massachusetts workers are treated fairly and to create an even level playing field for all businesses based or operating in the Commonwealth.

An underground economy denies basic rights and protections while legitimate businesses face unfair competition, consumers receive unregulated goods and unlicensed services, and the state experiences lost revenue that could otherwise benefit state programs and services for Massachusetts residents.

[Massachusetts General Laws Chapter 23, Section 25](#) formally established the CUE in 2015. In 2024, after the CUE was dormant for several years, the Healey-Driscoll Administration revamped the formal council led by the Executive Office of Labor and Workforce Development (EOLWD). Chaired by the Secretary of Labor and Workforce Development, the CUE is a partnership involving the federal government, state agencies across the Commonwealth, and a collaboration with the legislature, businesses, organized labor, nonprofits, and other organizations. When the CUE reconvened as a council in 2024, it revisited the primary focus areas as outlined by statute including:

- streamline collaborative and targeted investigation and enforcement actions;
- educate business owners and employees about applicable requirements and potential harms caused by the underground economy;
- help to restore competitive equality for law-abiding businesses;
- assess and evaluate investigative and enforcement methods and develop and recommend strategies to improve these methods;
- collaborate to assist vulnerable populations that have been exploited by the underground economy and misclassification, including, but not limited, to immigrant workers;
- preserve taxpayer dollars and ensures proper payment of taxes;
- protect worker health, safety, wages, rights, and benefits.

The CUE is the successor entity to the Joint Enforcement Task Force on the Underground Economy and Employee Misclassification, established by Executive Order in March of 2008.

Important Definitional Terms

- The “underground economy” refers to businesses and/or individuals that utilize schemes to conceal or misrepresent their employee population(s) to avoid legal or reporting obligations. Specifically, the underground economy means any individual or business that deals in cash or uses other means to conceal its true tax liability from government licensing, regulatory, or taxing agencies, including tax evasion or fraud, employee misclassification, wage theft, or unreported wages.
- Cash wages are wages illegally paid in cash (or “under the table”) to avoid payroll related expenses (e.g., business expenses associated with taxes or insurance).
- Child labor violations, in the context of the CUE, constitute work performed illegally by minors who are either too young to work generally, lack statutory permission to work, or who are too young to perform work in the times of day, cumulative hours or, at the specific job they are doing.
- Employee misclassification violations occur when a worker is paid as something other than an employee (such as an independent contractor), when by law that worker is really an employee. When employees are incorrectly classified, costs for insurance (including unemployment and workers compensation), payroll taxes, licenses, employee benefits, and safety equipment and conditions are reduced, in turn negatively impacting workers, other businesses, and Commonwealth taxpayers more broadly.
- Licensure is the practice of ensuring that qualified individuals are credentialed in a particular area or trade. Credentialing requirements are frequently established by law, regulation, or licensing entity. Fair and consistent enforcement of licensing laws and regulations ensures that licensed, qualified individuals and businesses are providing services to consumers.

- Prevailing wage is the minimum hourly rate that must be paid on a public works project. These rates vary by craft, trade, or location and are maintained by the Department of Labor Standards (DOLS) and apply to union and non-union employers and employees on any public works project. The Fair Labor Division within the Office of the Attorney General enforces these laws.
- Tax evasion is a crime, frequently stemming from an individual or business's failure to pay taxes or file a tax return.
- Wage and/or hour violations occur when employers are not in compliance with Massachusetts's wage and hour laws. Wage and hour laws establish how, when, and how much workers must be paid, including provisions regarding minimum wage, overtime, timely payment, sick time, meal breaks, temporary worker protections, domestic worker protections, recordkeeping, and more.
- Workers' compensation violations occur when businesses fail to secure and maintain workers' compensation insurance coverage for their employees.
- Worker health and safety violations may exist where workers are exposed to hazardous circumstances, conditions, practices, or operations.

Reporting Agencies

The following agencies report tips and referrals to the CUE monthly on the identified issues:

Members	AGO-FLD	DPL	ABCC	DUA	DLS	IFB	DOR	DIA	OSHA	USDOL W/H	EBSA	DFML
Cash Wages	✓			✓		✓	✓	✓		✓	✓	✓
Child Labor	✓									✓		
Prevailing Wage	✓									✓		
Wage and/or Hour Violations	✓									✓		
Misclassification	✓			✓		✓	✓	✓		✓		✓
Tax evasion	✓			✓			✓					✓
Workers' Compensation								✓				
Workers' Health & Safety					✓				✓	✓		
Benefits Fraud										✓	✓	✓
Licensure		✓	✓		✓							

2024 Results

The CUE's investigators meet monthly and review complaints, referrals, and tips from the CUE tip line. The investigators coordinate to help bring businesses into compliance and level the playing field across the state.

In 2024, the CUE received 200 tips. Based on these tips and the investigative efforts of CUE member agencies, \$11,838,353.68 were ordered or assessed. These recovered dollars were then re-distributed, either back to the enforcing agency, or in some cases, as restitution directly to the affected workers.

Figure 1: 2024 Results

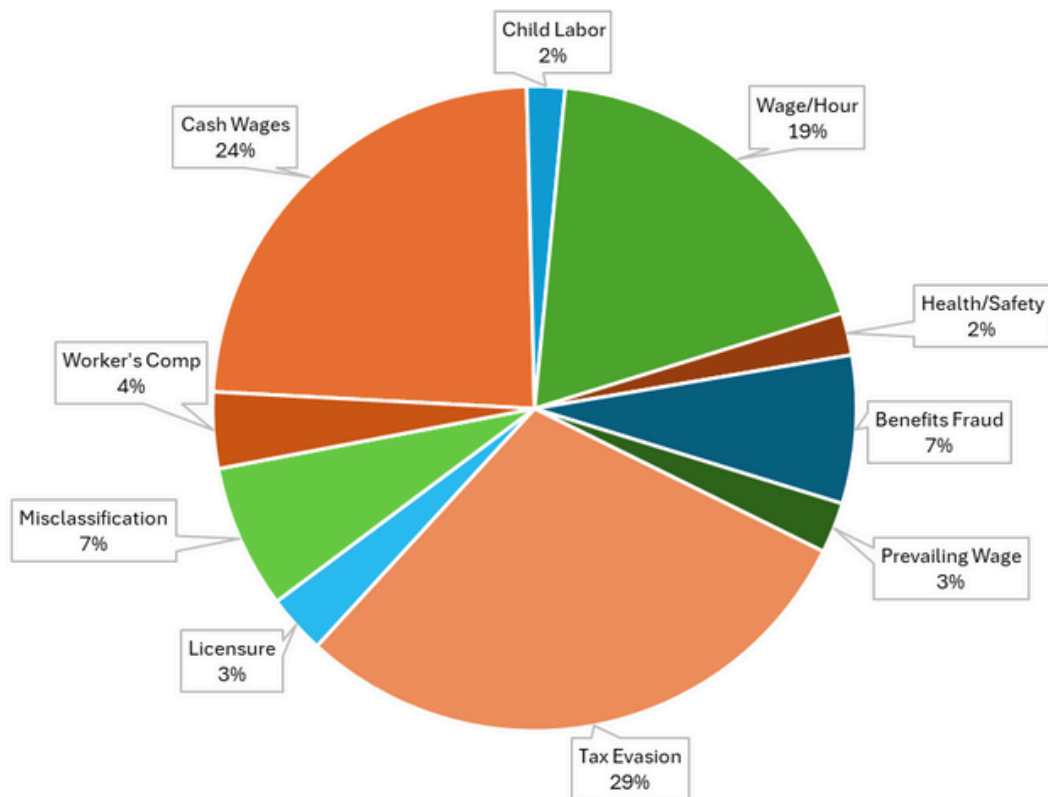
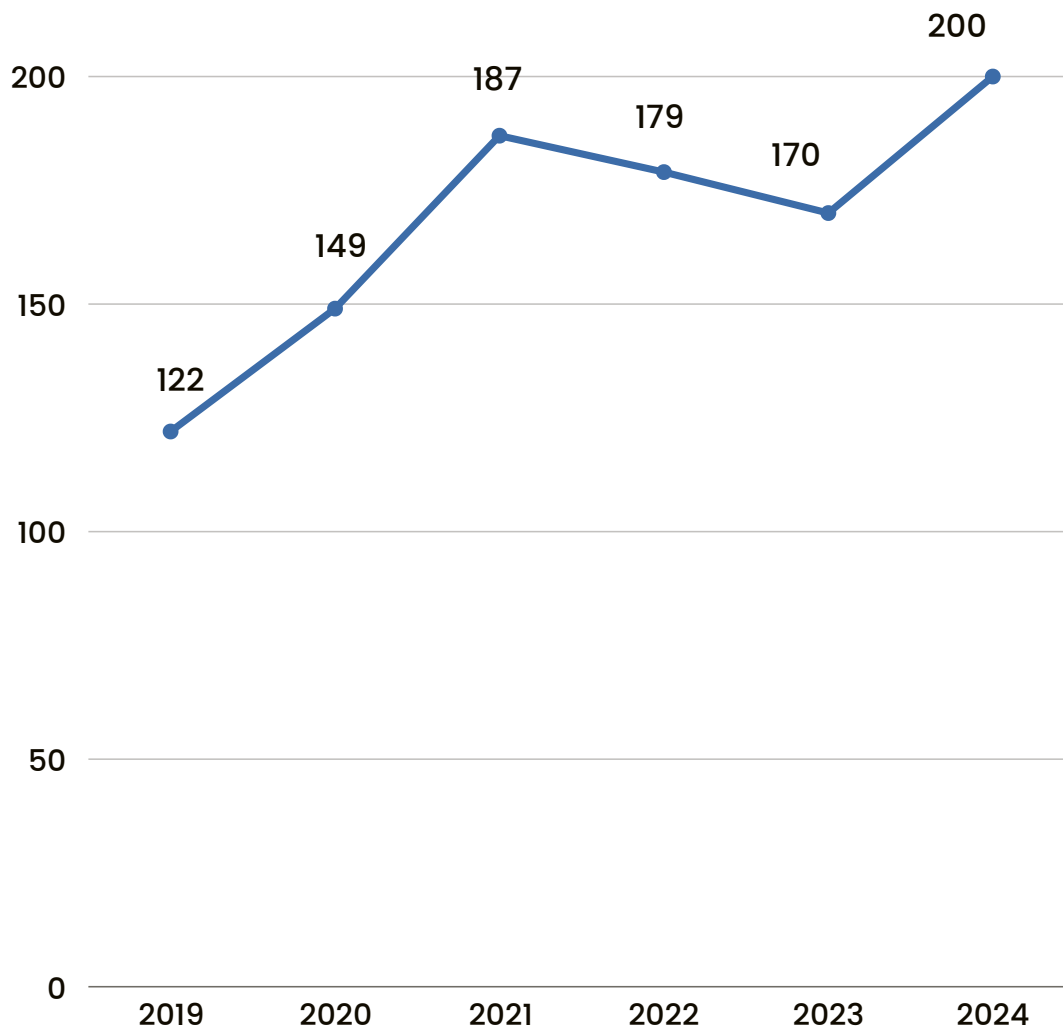


Figure 2: Number of tips received by the CUE between 2019 - 2024



2024 Funds Ordered and Assessed by Reporting Agencies

Department of Unemployment Assistance	\$11,596,714.00
Attorney General's Office	\$204,855.00
Department of Revenue	\$25,284.68
Department of Labor Standards	\$10,000.00
Division Of Occupational Licensure	\$1,500.00
Total:	\$11,838,353.68

**The following agencies did not receive any cases referred by the CUE that led to fines or restitution being ordered or assessed:*

*Insurance Fraud Bureau
 Alcohol Beverage Control Commission
 Department of Industrial Accidents
 Occupational Safety and Health Administration
 US DOL Wage and Hour Division
 Employee Benefits Security Administration*

When workers are paid in cash, they are deprived of protections and benefits available to other workers.



2024 Fund Orders and Assessments for CUE-Related Cases

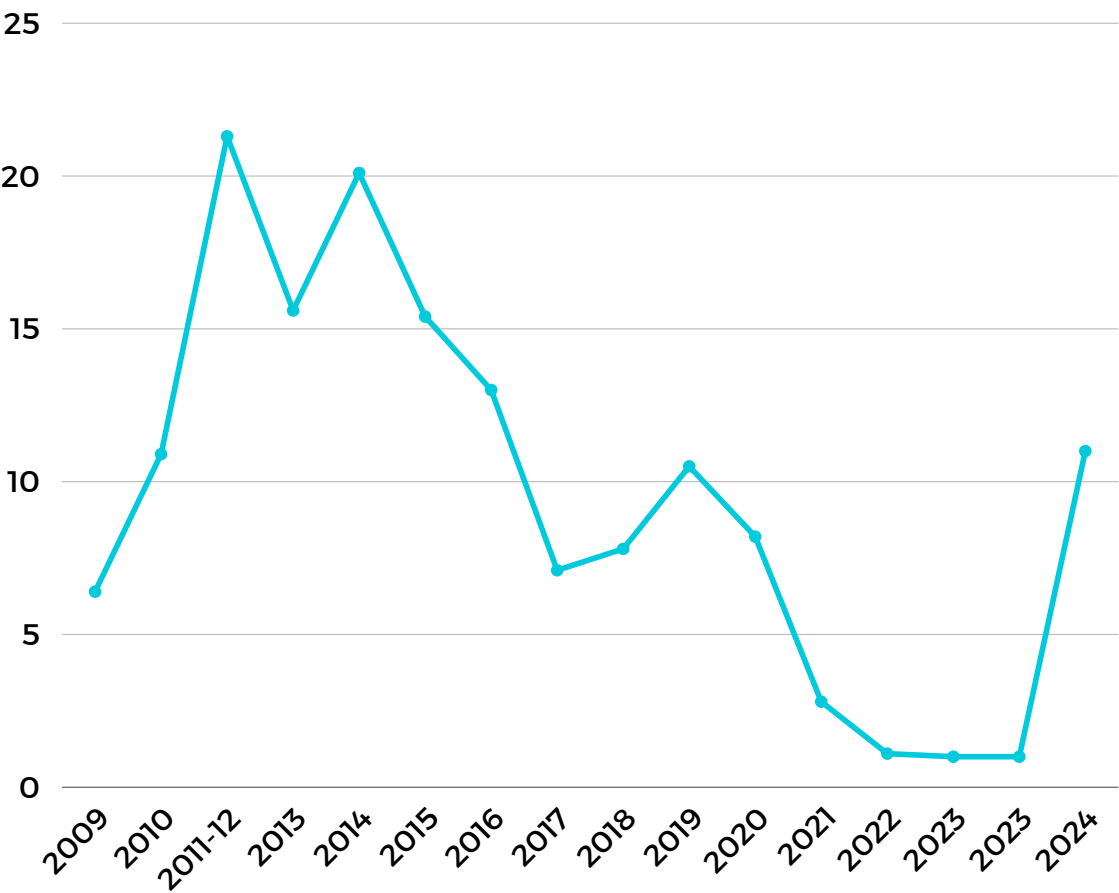
Department of Unemployment Assistance	\$6,613,666
Department of Labor Standards	\$31,914
Department of Industrial Accidents	\$29,000
Attorney General's Office	\$175,463,832.70
Department of Revenue	\$397,469.64
Insurance Fraud Bureau	\$5,425,070
Occupational Safety and Health Administration	\$13,183,658
US DOL Wage and Hour Division	\$273,000,000
Employee Benefits Security Administration	\$4,515,000
Total:	\$478,659,610.34



Revenue 2009-Present

Since 2009, CUE operations have ordered/assessed more than \$155 million from non-compliant businesses. These collections are the result of tips, complaints, or referrals given to the CUE’s investigators.

Figure 3: Revenue Generated by the CUE between 2009 - Present (Measured in Millions)



2024 total ordered/assessed: \$11,838,353.68
TOTAL ordered/assessed: \$155,378,832.86 (March of 2008 - December 2024)

What's Next for the CUE?

Under the leadership of the Healey-Driscoll Administration, the reconvened CUE meets quarterly with regular operations maintained by EOLWD throughout the year. The CUE operations include 1) management of the tip line and email, 2) coordination with agency investigators, 3) development of improved infrastructure, 4) development and follow up of quarterly CUE meetings, and 5) tracking of outcomes from investigations led by participating agencies.

In 2025, EOLWD plans to overhaul the CUE's online presence to build a new tip line and a new web portal, infrastructure enhancements that will strengthen the activity of the CUE's key operations. In doing so, these improvements will manage inbound inquiries combined with greater cross-agency collaboration between state and federal agencies. Specifically, the web portal will allow seamless integration of the investigative workflow across CUE partner agencies. Individual complaints, tips, or referrals will be streamlined using these improved resources. Workers, advocates, employers, and other stakeholder will more easily report tips anonymously, which will be prompted for CUE investigators from relevant agencies to subsequently investigate.

The CUE remains committed to promoting worker safety, fairness, and opportunity across the Massachusetts economy. The CUE will continue to meet regularly to strategize ways to continue to improve.