Oil, Gas Industry Faces Scrutiny for Labor Practices

by Frank L. Brunetti on August 16, 2013

In light of a recent government report that shed light on the prevalence of incorrect worker classification, many companies are coming under fire for their own labor practices. However, some industries are facing more scrutiny than others, particularly the oil and gas industries, a new report reveals.

The Pittsburg Post-Gazette reports that the U.S. Department of Labor has been focusing more attention on oil and gas companies, citing historic patterns of labor and tax law violations as the primary reason for its focus on these sectors. The agency notes that many companies operating in these sectors have demonstrated a history of employee misclassifications, failing to keep viable employment records, and paying employees a day rate without calculating how many hours are worked in a week, the newspaper reports.

In addition, some companies may assume that simply having a contract with workers in which they classify themselves as independent contractors may protect them during an audit or investigation. However, this is not always the case as federal agencies will rely upon the IRS and Labor Department definitions of a contractor, rather than a formal contract signed between workers and employers, the Post-Gazette notes.

Further, many states currently participate in an information-sharing agreement between the Labor Department and the Internal Revenue Service. This means that if companies are audited or cited for violations from one agency, it is also likely that they may soon hear from the other. This can lead to a number of consequences, including fines, penalties, interest, back taxes, and reputational damage. As such, it's important that companies fully understand how their tax and labor policies fall in line with federal laws, and make potential changes if there are compliance questions. Working with a reputable law firm may help companies better understand their obligations under these laws and establish policies that are sound.