

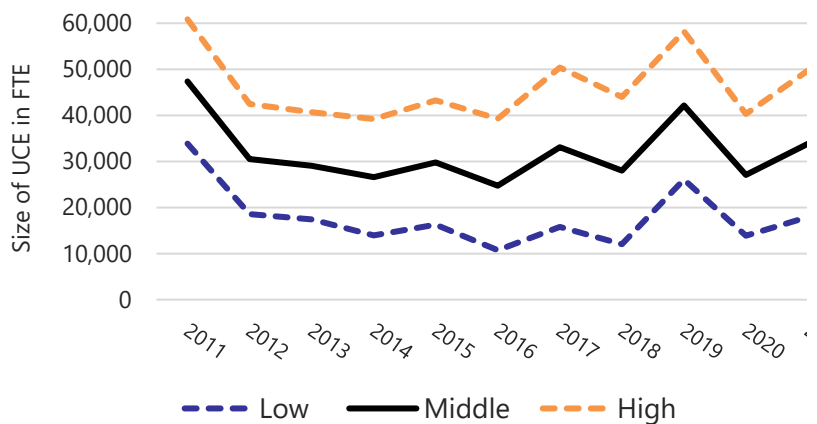
The Underground Construction Economy of Washington State: Size, Cost, and Government Enforcement Efforts

Following 2022 legislative direction, WSIPP undertook a study on the nature of the underground construction economy (UCE) in Washington to estimate its size and cost to workers and the state. WSIPP also examined policies to improve cohesion and transparency between state agencies.

Background

The UCE encompasses all activity in the construction industry that would be legal if fully reported to local, state, and federal authorities. Underreporting (whether intentional or accidental) allows businesses and individuals to avoid taxes and regulations. The UCE also causes financial losses to workers, consumers, businesses, and governments.

Estimated Size of UCE in Washington



Findings

- On average, the UCE is equivalent to 14.2% of all construction employment in Washington per year.
- Estimated costs to workers topped \$197 million in lost wages and benefits in 2021.
- Losses to Washington’s workers’ compensation and unemployment insurance programs totaled nearly \$60 million in 2021.

While state agencies employ many tactics to combat UCE activity, agencies could further communicate and collaborate on active investigations. It is common for several agencies to simultaneously investigate the same individual or business without knowing the others’ actions, leading to missed opportunities to share information or resources. Policies from other states to increase communication may be beneficial if implemented in Washington.

Limitations

Not all forms of UCE activity are included in our size and cost estimates due to a lack of data. Our estimates come with wide ranges, reflecting uncertainty in the underlying data.

Assignment Details

Assigned in 2022 Legislative Session
ESSB 5693, Supplemental Operating Budget

Full report available on [WSIPP’s website](#)

Project lead: Cory Briar
cory.briar@leg.wa.gov
 360.664.9801