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**A Guide
to**



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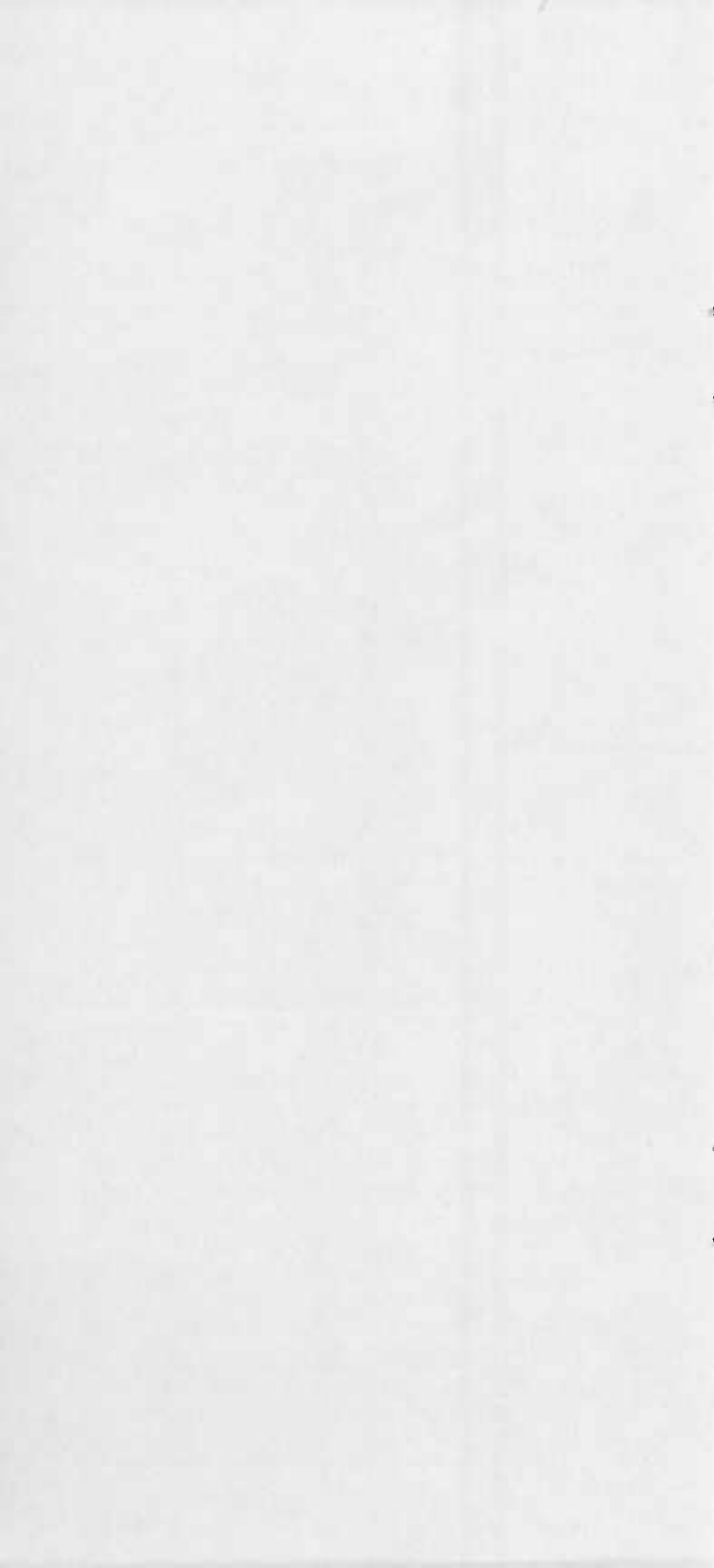
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This booklet is designed to give a brief outline of those labor laws and regulations that concern most employers. The outline contains a short statement about the purpose of the law, who must comply, the duties of the employer and employees, enforcement of the law, and who to contact for detailed information. While the process of employing people is complicated, and in some cases discouraging, the purpose of this booklet is to make this process easier to understand.

There has been no attempt made here to explain all the details of standards and regulations. For more complete information contact the addresses listed.

Acknowledgement is due the Oregon State Employment Division for their help in providing information for this booklet. I also acknowledge the Internal Revenue Service, the State Department of Revenue, the Oregon Workmen's Compensation Board, and Department of Labor offices for their help in reviewing portions of this publication.

*Prepared by Stanley D. Miles, Extension Economist,
Oregon State University Extension Service*



A Guide to Labor Laws and Regulations

Workmen's Compensation

Purpose of Workmen's Compensation: Workmen's Compensation coverage is insurance designed to compensate workmen injured on the job, at the same time protecting the employer from liability to the employee. When an employer is properly covered, an injured workman must look to the insurer solely, and has no right to proceed against the employer unless the injury was caused by a deliberate act of the employer to inflict damage to the workman.

Who must comply: With very few exceptions, all employers who have employees must comply (no matter how short the employment). This includes agricultural as well as non-agricultural business.

Duties of Employer and Employee: The primary responsibility of the employer under this law is to have Workmen's Compensation coverage. This insurance can be obtained from private insurance companies who are licensed with Workmen's Compensation, the State Accident Insurance Fund (SAIF) or, there is a provision for "self-insurance" which is usually used by companies with large numbers of employees. Employers pay the required insurance rate based on the jobs performed by the employees. Workmen, on the other hand, have to pay 8¢ per day (\$1.76 per month) which is withheld by the employer. The employer also contributes 6¢ per day (\$1.32 per month) which goes into a Retroactive Reserve account. The employer has to keep the necessary payroll records and make periodic reports and payments to the carrier. Some insurance carriers provide discounts or dividends depending on accident records in relation to premium paid.

Enforcement of the Law: This law is enforced by the Workmen's Compensation Board. The Compliance Division of the Board is the unit that checks on employers to see that they have the necessary coverage. The Accident Prevention Division makes inspections of machinery and work sites for violations of the law.

For More Information: Information on claims or employer coverage can be obtained from:

Oregon Workmen's Compensation Board
Labor & Industries Building
Salem, Oregon 97310

Workmen's Compensation Insurance Rates are Established By:

National Council on Compensation Insurance (New York)

Regional Office:

Northwestern Compensation Rating Bureau
421 S.W. 6th Avenue
Portland, Oregon 97204
Mr. Leary Jones, Manager

Oregon Safe Employment Act

Purpose of OSEA: The purpose of the law is to assure "job safety and health protection for workers through the promotion of safe and healthful working conditions."

Who Must Comply: Essentially all employers who hire people, no matter how short the employment period, must comply with this Act. This includes both farm and non-farm businesses.

Duties of Employers and Employees: Employers are to furnish employees with work sites free from recognized hazards which are likely to cause death or serious injury and comply with occupational safety and health standards issued under this Act. Employers must also display a poster explaining this law for the purpose of providing employees with an understanding of their rights under this Act. The employers must also maintain the necessary records and reports.

Each employee shall comply with all occupational safety and health standards, rules, regulations, and orders issued under the Act that apply to his or her own actions and conduct on the job.

Enforcement of the Law: The Accident Prevention Division (APD) of the Workmen's Compensation Board has the primary responsibility for administering the Act. APD issues occupational safety and health standards, and its trained safety and health compliance officers conduct job-site inspections to ensure compliance with the Act. There

are mandatory penalties for up to \$1,000 for serious violations and additional penalties if corrective action is not taken within a specified period of time. (Oregon's safety codes are sufficient to meet OSHA regulations.)

For More Information: Information on specific safety and health standards and other applicable regulations may be obtained from the nearest Workmen's Compensation Board, Accident Prevention Division District Office in the following locations:

Portland	Medford
Hillsboro	Coos Bay
Salem	Bend
Eugene	Pendleton

References: The Oregon Safe Employment Act, ORS 654. Rules for the Administration of the Oregon Safe Employment Act.

Unemployment Insurance

Purpose of Unemployment Insurance: Unemployment Insurance in the United States was established by the Social Security Act of 1935. The program was designed to provide survival with dignity for people who became unemployed. Insurance payments are made to "qualified workers" who became unemployed through no fault of their own. Qualification criteria is not based on need as is the case with welfare. The program is not intended to insure against total loss of wages.

An important aspect of Unemployment Insurance is that it serves as a stabilizer of local economies during off seasons.

Who Must Comply: "Subject" employers are the ones who must comply with the law. They are employers having one or more workers during each of 18 weeks during a calendar year, or who have a payroll of \$225 or more in any calendar quarter. Employers not subject to the law may request participation. "Agricultural labor" and a few other occupations are excluded from the law. Employers in these areas do not have to pay the tax.

Duties of Employer and Employee: Workers in Oregon do not contribute directly to the Unemployment Compensation Trust Fund. Employers pay the entire cost of Unemployment Insurance which is based on a tax levied on

their subject payroll. Employers must fill out quarterly report forms, indicating each employee's name, social security number, wages paid, and weeks worked (Forms 132 and 136). The tax is required on the wages paid (up to \$7,000 per employee¹) using a rate which is based on the employer's "experience rating." In Oregon, a 2.7 percent rate is used until an experience rating is established for an employer.² The insurance rate may vary from 2.6 percent to 4.0 percent, depending on the employer's rating.

In the filing of claims, the employee (claimant) must meet certain criteria to be eligible for Unemployment Insurance payments. The main criteria are (1) to have worked sufficient time for an employer who paid the tax and (2) be unemployed through no fault of the claimant.

Enforcement of the Law: The State Employment Division maintains a staff to administer and enforce "Employment Division Law" (Unemployment Insurance). Failure to comply or fraudulent claims can result in monetary penalties, liens, civil suits, etc.

For More Information: Both employers and those making claims can get assistance from the nearest Public Employment Service Office.

Federal Income Tax Withholding

Purpose of Withholding Provisions: The Department of the Treasury, Internal Revenue Service, follows a "pay-as-you-go" system with respect to employee income tax. This allows employees to keep fairly current on income tax payments and allows a more even flow of tax money into federal coffers.

Who Must Comply: With few exceptions, nearly all employers and employees must comply with this law. Generally, employers must withhold income tax from all employees whose wages exceed the allowance for withholding exemptions.

Withholding on wages paid "agricultural labor" is *voluntary* but can be done if both employer and employee agree.

¹ The maximum amount of employee wages on which the tax is collected is subject to change depending on the trend in average wage rates.

² .5 percent also goes to the Internal Revenue Service for the administration and operation of the Public Employment Service. This is reported on Form 940 following the close of the calendar year.

Duties of the Employer and Employee: The employer must make the required withholding, keep records, submit reports, and make deposits with the Internal Revenue Service. Employers are liable for the payment of the withholding tax whether or not it has been collected from the employee. At the end of the year, the employer must furnish each employee with copies of the W-2 form, "Wage and Tax Statement," which should indicate total wages paid and withholdings.

Employees need to complete the form W-4 on withholding allowances and provide employers with their social security cards for name and social security number.

Enforcement of the Law: The Law is enforced by the Internal Revenue Service. Both criminal and civil penalties are provided for willful failure to file the necessary reports and make the required deposits and tax payments.

For More Information: For specifics as to exemptions, amounts, and procedures, check with the Internal Revenue offices in: Portland, Salem, Eugene, or Medford; or, IRS people periodically visit "field offices" throughout the state; or, call Toll Free Number 1-800-452-1980.

References: Internal Revenue Service material:

Publication 539, "Withholding Taxes from your Employee's Wages"

Publication 15, "Employers' Tax Guide"

Form W-4, "Employees Withholding Allowance Certificate"

Form 501 + 941

Oregon Income Tax Withholding

Purpose of the Withholding Provision: Oregon follows a "pay-as-you-go" system with respect to employee income tax. This allows a more even flow of income tax money into the state coffers and allows employees to keep fairly current on income tax payments. Think of withholding taxes as "trust funds" that must be set aside until remitted to the Department of Revenue.

Who Must Comply: Employers who hire one or more employees that are subject to Oregon income tax must comply with the law. There are a few exemptions to the withholding provision: military forces, domestic servants, and casual labor. The most common exemption is for employees

in seasonal agricultural crops (strawberry picking, etc.) that earn less than \$150 per year with an employer. Regular agricultural employees are included and their employers must comply.

Duties of Employer and Employee: Responsibility under the law falls on the employer who must make the required withholding, keep records, submit reports, and make payments to the Department of Revenue (monthly, quarterly, or semi-annually). Taxes need to be withheld from "wages, commissions, bonuses, or other emoluments." The tax is computed on total earnings of the employee before any deductions are subtracted.

If the employer neglects to make the withholding, the Department of Revenue holds him or her directly responsible for payment (the employer in turn must look to the employee).

The duty of the employee is to accept the law and allow the employers to make the necessary withholding.

Enforcement of the Law: The Law is enforced by the Oregon Department of Revenue. After 30 days of delinquency, liens can be placed on real or personal property and warrants issued with the assistance of the Sheriff's office.

For More Information: Contact Department of Revenue offices in:

Astoria	Hillsboro	Pendleton
Bend	Klamath Falls	Portland
Coos Bay	Medford	Roseburg
Corvallis	Ontario	Salem
Eugene	Oregon City	The Dalles

References: Department of Revenue Publications:

"Withholding Provisions of the Personal Income Tax Law" (Includes Withholding Tax Tables)

Forms: W55; 96M; 96WM; 96R; W13

Social Security

Purpose of Social Security: The basic idea is as follows: "During working years employees, their employers, and self-employed people pay Social Security contributions which are pooled in special trust funds. When earnings stop or are reduced because the worker retires, dies, or

becomes disabled, monthly cash benefits are paid to replace part of the earnings the family has lost." There are also separate trust funds set up for supplemental bills (medicare provisions) and used to help pay hospital and medical insurance. The program is designed as supplemental and not as a complete retirement system.

Who Must Comply: Nearly all employees, employers, and self-employed people are required to participate in the Social Security program. For most occupations Social Security contributions start with the first dollar earned. The major exception to this is agricultural employees and employers who do not have to make contributions for those earning less than \$150 (and meeting some other requirements).

Duties of Employers and Employees: Employers are required to withhold the appropriate percentage from an employee's pay, and provide the employee a receipt for this deduction. The employer has to keep records of each employee, match the employee's contribution, and make periodic deposits, usually with the quarterly income tax report to the Internal Revenue Service. (Deposits are often made with a local bank.) The employer also needs to record the employee's name and Social Security number exactly as it appears on his or her Social Security card.

Employees are required to have a Social Security card and contribute their share to the program by paycheck deductions. The contribution rates as of January 1, 1976 are as follows:

Employee	5.85%	of First \$15,300 earnings
Employer	5.85%	of First \$15,300 earnings
Self-Employed	7.9%	of First \$15,300 earnings

Enforcement of the Social Security Law: Enforcement of the law and collection is handled by the Internal Revenue Service.

For More Information: Contact Social Security Offices in:

Albany	Klamath Falls	Portland—Area
Astoria	LaGrande	(3 offices)
Beaverton	Medford	Roseburg
Bend	Ontario	Salem
Coos Bay	Pendleton	The Dalles
Eugene		

Fair Labor Standards Act (Federal Minimum Wage)

Purpose of Federal Minimum Wage: The Fair Labor Standards Act establishes minimum wage, overtime pay, equal pay, and child labor standards for covered employment. The basic purpose is to insure employees of fair and equal treatment by employers.

Who Must Comply: In this case, "covered employment" generally means all workers who are engaged in or are producing goods for interstate commerce. In this context, interstate commerce is interpreted very broadly. It includes activities on items directly involved in interstate activities and even the production of ingredients or raw products which are eventually processed and then leave the state. Because of amendments to the law, there are very few types of employment that are not covered. Two exemptions are casual baby sitters and farm employees on farms employing a small amount of labor.

Duties of Employer and Employee: An employer who is covered by this Act must pay the minimum wage, pay the necessary overtime, not discriminate on the basis of sex in wage rates for similar work, and meet the other standards of the law. Employers must also keep accurate payroll records of earnings, hours worked, and other details on individual workers (Social Security number, etc.). An official "Notice to Employees" explaining their rights must also be posted where it can be easily read.

Workers must be honest with employers in providing their age, work experience, and other information necessary for record keeping.

Enforcement of the Law: The law authorizes the Department of Labor to investigate for compliance and, in the event of violations, to supervise the payment of unpaid minimum wages or unpaid overtime compensation owed to any employee. The law also provides for enforcement in the courts.

Minimum Wage: \$2.30 (with exceptions)

For More Information:

Wage & Hour & Public Contracts Division
U.S. Department of Labor
921 S.W. Washington
Portland, Oregon 97205

State Minimum Wage

General: There is also an Oregon Minimum Wage Law which is overlapped a great deal by the Fair Labor Standards Act. The intent and/or objectives of the Oregon Law is much the same as the minimum wage provisions of the Federal Law. Minors are under the state law except for jobs which are excluded.

For More Information: Contact State Bureau of Labor Offices in:

Bend	Medford	Portland
Coos Bay	Pendleton	Salem
Eugene		

Minimum Wage: \$2.30 per hour

\$2.00 per hour in agriculture (for those under the law)

Special Considerations for Youth Employment

Purpose of Special Considerations: Special laws and regulations exist for the protection of youth so that jobs will not be harmful to their health or interfere with their education.

These laws are not intended to prevent employment for young people. Youth employment can be very beneficial to 1) the development of the young person, 2) the employer as a supplementary work force, and 3) the community in which the youth lives.

Who Must Comply: Both the employer and the young employee must comply with the labor laws pertaining to "minors." (Minors are those who have not yet reached their 18th birthday.) Some of the more hazardous occupations such as making explosives, mining operations, logging operations, etc., are restricted for youth employment. Details of the regulations relating to 16- to 18-year-olds and those under 16 can be provided by the Employment Service or the Bureau of Labor. Generally, the rules do not apply to a minor working for a parent.

Duties of the Employer and Employee: A minor (under 18) is required to obtain a legal work permit which is issued by the State Bureau of Labor. Local Employment Service offices have work permit applications. (Permits are not required for baby sitting, yard work, or many jobs in agriculture.) It is the employer's duty to make sure the youth has a work permit before being given employment.

Employers, on the other hand, must obtain an employer's certificate before hiring minors. Employers must also com-

ply with other labor laws when employing minors (minimum wage, etc.) and keep complete personnel and payroll records.

Enforcement of the Law: Enforcement depends on the particular law in question and may come from various sources. The State Bureau of Labor serves as a watchdog over the youth employment laws.

For More Information: Contact your local Public Employment Service Office or Oregon Bureau of Labor at:

Room 115 Labor & Industries Building
Salem, Oregon 97310
Phone: 378-3292

or

State Office Building
Portland, Oregon 97201
Phone: 229-5751

or

School Districts that maintain high schools

References:

Work Permit Application
Employer's Certificate
Employment Division Publication "Youth Employment in Oregon"
U.S. Dept. of Labor Publication, "Child Labor" Bulletin No. 102.

Summary

This publication provides a brief outline of the labor laws confronting most employers. Not all of the laws have been covered. Others that may confront employers deal with motor vehicle use, housing, health and sanitation, etc.

In the process of hiring people, it is advisable that employers do the following:

1. Organize (on paper) a plan to meet all the regulations, and to make the most economical use of employees.
2. Contact the agencies mentioned to get the necessary forms and procedures to comply with the laws.
3. Develop a personnel file and a payroll report system (a good set of records is important).
4. Develop a system to file (on time) the reports and make deposits.
5. Make sure the employees understand their job responsibilities and your responsibilities to them.

This booklet will be up-dated and/or revised as needed. Please notify the author of your suggestions with respect to changes and additions. The laws are constantly changing, necessitating revisions in a publication of this sort.



OREGON STATE UNIVERSITY

**EXTENSION
SERVICE**

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