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Misclassification Is Costly: How a Single Claim for Unemployment Benefits Cost \$7 Million

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When a former worker of PDX North, Inc., a New Jersey trucking company, filed a claim for unemployment, it ended up costing the company \$7 million.

A former worker had been classified as an independent contractor. After filing a claim for unemployment benefits, a full review of the company's employment practices by the New Jersey Attorney General's Office ("AG") and Department of Labor and Workforce Development ("NJDOL") was triggered. Following an initial audit identifying misclassification of workers, additional claims and ongoing review by the NJDOL led to the discovery that PDX's drivers were misclassified across several years resulting in violations of New Jersey's unemployment compensation and temporary disability benefits laws impacting more than 1,000 workers who were improperly classified as independent contractors instead of employees. The original assessment allegedly exceeded \$7.8 million in assessments of unpaid contributions, interests and penalties.

PDX disputed the claims. After a decade from the initial inquiry through settlement and several years of litigation, PDX, the AG's Office and the NJDOL participated in the resolution of the misclassification claims. In connection with a \$7 million settlement, the drivers are now properly classified as employees.

Takeaway: It is critical that workers are properly classified to avoid significant and costly legal claims, assessments and penalties. If you need assistance determining whether your workers are employees or independent contractors, please contact the Employment Law Team at Wilentz, Goldman & Spitzer, P.A.

Attorney

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Practice

- Employment Law