

N E W S R E L E A S E

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California's Labor Enforcement Task Force Cracks Down on Underground Economy, Assessed \$4.2 Million in Unpaid Wages

Oakland—California's Labor Enforcement Task Force (LETF) is cracking down on businesses violating laws designed to protect workers and California's economy. With a commitment to ensuring California's workers receive their fair wages, LETF has assessed \$4.2 million in wages due to workers.

In the [report](#) submitted to the Legislature today, the task force since its inception in 2012 has inspected nearly 4,300 businesses suspected of operating in the underground economy.

"Employers in the underground economy are a threat to the financial security of millions of workers in our state who aren't paid properly and are exposed to dangerous working conditions. These underground operations also have an unfair advantage over legitimate, law-abiding employers," said Department of Industrial Relations (DIR) Director Christine Baker. DIR administers the multi-agency task force.

During its first three years, LETF joint inspections have found consistently high rates of non-compliance. On average, across all industries, more than 80 percent of LETF inspections have resulted in penalties for non-compliance. In addition, 40 percent of businesses were out of compliance with every agency participating in the inspection.

"As a result of violations found by our task force, many businesses operating in the underground economy face thousands of dollars in fines and are ordered to stop work due to hazardous working conditions," said Dominic Forrest, LETF Acting Chief. "We are cracking down on these egregious violators in California."

LETF focuses on underground employers in high-risk industries known to frequently abuse the rights of low wage workers, rather than geographic sweeps that prove ineffective by burdening compliant businesses in the area. The targeted industries include car wash, restaurant, garment manufacturing, roofing, construction, agricultural and auto repair businesses.

Frequent violations among underground employers include the failure to protect workers as required by workplace health and safety regulations, inadequate workers' compensation insurance coverage, not paying state payroll taxes, and cheating workers on their earnings.

In January 2013, a LETF team inspected Commerce Creatives, LLC in Los Angeles. The garment manufacturer was assessed \$85,000 for failure to maintain workers' compensation insurance coverage for its 57 workers, and \$8,400 for garment registration violations. Cal/OSHA inspectors fined Commerce Creatives, LLC \$10,735 for seven workplace health and safety violations, two of them serious in nature. They also ordered a sewing machine to be put out of service due to unguarded belts and pulley drives, which exposed workers to potential lacerations and amputations.

In September 2013, LETF's enforcement agencies together with local district attorneys' offices, roofing contractors and labor groups forged the Roofing Compliance Working Group (RCWG). The multi-agency coalition combats unsafe and unfair practices in the roofing industry, where the workplace incidence of serious injuries and fatalities is higher compared to other industries.

There were 367 preventable roofing accidents resulting in total indemnity and medical cost of over \$70 million from 2008 through 2010. The RCWG helps to hold accountable those employers who fail to comply with safety regulations, cheat workers on earnings, fail to carry workers' compensation insurance, or fail to pay state payroll taxes. Since its formation, RCWG has conducted 29 inspections and issued citations for 92 violations with penalties of nearly \$119,000.

Last April, LETF and the RCWG inspected Master Roofing Systems, Inc. in San Francisco. Investigators discovered four employees working on a roof over 20 feet high without fall protection. The business was cited \$56,250 for six Cal/OSHA violations, including a willful-serious violation for the lack of fall protection.

Serious workplace health and safety violations are those where death or serious physical harm could result from a hazard created by the violation. Willful violations are those where evidence shows that the employer committed an intentional and knowing violation, and is aware that a hazardous condition existed but made no reasonable effort to correct the hazard.

LETF is a coalition of California State government enforcement agencies that work together and in partnership with local agencies to combat the underground economy. The agency partners include: Labor & Workforce Development Agency; DIR's Division of Occupational Safety and Health (commonly known as Cal/OSHA) and Division of Labor Standards and Enforcement (commonly known as the Labor Commissioner's Office); the Employment Development Dept. (EDD); Contractors State Licensing Board; California Dept. of Insurance; Board of Equalization; Bureau of Automotive Repair; Alcoholic Beverage Control; State Attorney General and district attorneys throughout California.

At the direction of Governor Brown in 2012, DIR and EDD increased collaboration between their respective enforcement programs, LETF and the Joint Enforcement Strike Force (JESF), to coordinate enforcement operations and maximize the use of resources. Additionally, Assembly Bill 576 established the Revenue Recovery and Collaborative Enforcement (RRCE) effort to fight criminal tax evasion. In his signing

message, Governor Brown directed DIR to lead this new initiative which will further increase coordination among multiple agencies to combat the underground economy.

Leads on underground employers and reports of labor law violations can be submitted online through [LETF's Online Referral Form](#), by emailing the information to LETF@dir.ca.gov, or by calling LETF toll-free at 1-855-297-5322.

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The [California Department of Industrial Relations](#), established in 1927, protects and improves the health, safety, and economic well-being of over 18 million wage earners, and helps their employers comply with state labor laws. DIR is housed within the [Labor & Workforce Development Agency](#). For non-media inquiries, contact DIR's Communications Call Center at 1-844-LABOR-DIR (1-844-522-6734) for help in locating the appropriate [division or program](#) in our department.