



# Economic & Employment ENFORCEMENT COALITION

EEEC FINAL REPORT

REPORT TO THE  
DIRECTOR OF THE CALIFORNIA  
DEPARTMENT OF FINANCE  
&  
CALIFORNIA JOINT LEGISLATIVE  
BUDGET COMMITTEE

January 2012

PREPARED BY  
Department of Industrial Relations





## Members & Contributing Agencies



## MISSION STATEMENT

Economic & Employment Enforcement Coalition is a partnership of state and federal agencies, each expert in their own field, collaborating for vigorous and targeted enforcement against unscrupulous businesses; and helping to level the playing field and restore competitive advantage to law abiding businesses and their employees.

## **Director's Message**

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Effective January 2, 2012, the Economic and Employment Enforcement Coalition (EEEC) was consolidated into the Department of Industrial Relations (DIR) as the newly formed Labor Enforcement Task Force (LETF). This report presents the cumulative results of the EEEEC program, and represents the final report of EEEEC activities.

The EEEEC consisted of investigators and auditors from: DIR, the Division of Labor Standards Enforcement (DLSE) and the Division of Occupational Safety and Health (DOSH); California Employment Development Department (EDD); the Department of Consumer Affairs, Contractors State License Board (CSLB); State Board of Equalization (BOE); and Alcoholic Beverage Control (ABC). In addition to these State of California agencies, the United States Department of Labor (USDOL) is a strong partner in efforts to combat the underground economy.

Experience has revealed that the underground economy thrives on low-wage and unskilled workers who are desperately seeking work and are willing to accept any terms the employer dictates, sometimes regardless of the working conditions, pay, or safety issues. Since its July 2005 inception, 3,446 cases were referred to District Attorney's Offices and 1,696 resulted in criminal convictions. The coalition focused its efforts on traditionally low-wage industries: agriculture; car wash; garment manufacturing; janitorial service; horse racing tracks; and restaurants. In addition, EEEEC focused efforts on the construction industry, known for a high rate of labor, tax, and licensing violations.

This report provides detailed information on the joint operations and the resulting violations found and citations issued under the Labor Code, Business and Professions Code, and Unemployment Insurance Code. It also outlines some of the criminal prosecutions resulting from EEEEC inspections.

Throughout the program, EEEEC enforcement activities involved 7,926 business inspections, during which compliance checks identified 49,433 violations valued at \$62,831,893 in penalty assessments. The amount of subsequent tax audits and assessments, the numbers of previously unreported workers (along with their previously unreported wages), and the number of labor code and safety violations, penalties and assessments are noted in the body and appendices of this report.

EEEC utilized a blend of enforcement, education, and outreach to gain employer compliance. EEEEC established valuable communication and educational efforts with business and labor organizations within industries that are prone to underground economy activity.

**Director Christine Baker**  
**Department of Industrial Relations**

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“Underground economy” is a term that refers to those individuals and businesses that willfully avoid labor, licensing, and tax laws by dealing in cash and/or using other schemes to conceal their activities and their true tax liability from government licensing, regulatory, and tax agencies. Underground economy is also referred to as tax evasion, tax fraud, cash pay, and payments under-the-table or off-the-books.

Reports on the underground economy indicate it imposes significant burdens on:

1. Taxpayers within the state of California;
2. Businesses that comply with the law;
3. Workers, who lose benefits and other protections provided by state law when the businesses they work for operate in the underground economy; and
4. The public.

The actual size of the underground economy is difficult to measure. One unit of measurement could be the tax gap. The Government Accountability Office (the investigative arm of the United States Congress) conducted a study of tax year 2001 (GAO-07-1014 Tax Gap July 2007) and found the federal tax gap to range from \$312 billion to \$353 billion. A February 2005 report, *California's Tax Gap*, prepared by California's Legislative Analyst's Office, estimates California's income tax gap to be \$6.5 billion. The tax gap consists of unpaid payroll, sales and excise, and income taxes. This figure is consistent with a 1993 estimate calculated by Wells Fargo Bank and indicates that the underground economy is a serious problem.

These “underground” businesses – participating in illegal schemes to reduce their operating costs associated with insurance, payroll taxes, licenses, employee benefits, safety equipment, and safety conditions – gain an unfair competitive advantage over businesses that comply with California's business laws. This causes law-abiding businesses to lose jobs to lower bidding, non-compliant businesses and to pay higher workers' compensation insurance premiums, payroll taxes, etc., to make up for costs not paid by non-compliant businesses. At times, these additional burdens placed on legitimate businesses are so great that they are unable to sustain sufficient profits and have no choice but to cease doing business.

Workers are also negatively impacted by “underground” businesses due to the loss of benefit protections afforded by labor laws, workers' compensation insurance, and unemployment/disability insurance. These workers often also fall victim to unsafe working conditions.

Consumers are often negatively affected when contracting with unlicensed businesses, as the state's licensing provisions are designed to ensure minimum levels of contractor skills and knowledge. The ultimate goal of these licensing provisions is to protect the consumer.

Thus, the fundamental impact of businesses operating within the underground economy is the erosion of working conditions and economic stability in this state.

### PURPOSE

The purpose of EEEEC was to help legitimate businesses and California workers combat the underground economy. For decades, California has had some of the strongest labor and workplace safety laws in the country, but California needs strong enforcement of those existing laws in order for them to be effective.

EEEC conducted multi-agency compliance inspections within defined geographical areas. Over the course of its existence, EEEEC focused on various industries known to include businesses participating in the underground economy: agriculture; auto body; auto dismantlers; car wash; construction; garment manufacturing; janitorial services; horse racing tracks; pallet; restaurant industries; and tire shops.

### PARTICIPATING AGENCIES

Teams of investigators conducted on-site inspections at least three weeks of each month. Each agency was an expert in its particular field; together, the agencies collaborated to:

- Educate business owners and employees on state and federal labor, licensing, and employment laws;
- Conduct vigorous and targeted enforcement against labor law violators;
- Restore competitive equality to law-abiding businesses to help level the playing field; and
- Protect the health, safety, and benefit rights of workers.

A listing of agencies and their roles and responsibilities follows:

#### **California Labor & Workforce Development Agency (LWDA)**

Within the LWDA, the Deputy Secretary of Policy & Enforcement oversaw the implementation, policy and operations of the EEEEC, in order to ensure that the program resources were leveraged to target the worst offenders in California's underground economy. The LWDA took the lead in coordinating the educational components of the enforcement programs so that employers and workers understood their rights and responsibilities under state and federal law.

#### **Department of Industrial Relations (DIR)**

DIR oversees seven programs and six boards and commissions, including two which participate in the coalition:

##### ***Division of Labor Standards Enforcement (DLSE)***

DLSE is responsible for vigorously enforcing minimum labor standards in order to ensure employees are not working under sub-standard unlawful conditions. DLSE protects workers and legitimate employers from businesses who attempt to gain competitive advantage by ignoring the law. DLSE enforces:

- California's minimum wage law;
- Timely payment of overtime and wages;
- Employer record-keeping requirements;
- Meal and rest period requirements;
- Mandatory workers' compensation insurance coverage;
- Child labor laws;
- Proper wage-deduction statements;
- Prevention of workplace discriminatory retaliation practices; and
- Contractor licensing requirements.

In addition, DLSE licenses or regulates various California employers and underage workers. This includes licensing for:

- Agricultural farm labor contractors;
- Car wash operators;
- Garment manufacturers; and
- Other occupations such as talent agents, film studio teachers, and children employed within the entertainment industry.

DLSE investigators conduct on-site workplace inspections to ensure compliance with California's laws. Investigators review payroll records to determine if wages have been paid properly and to issue civil citations to employers found in violation of labor laws that carry a civil monetary penalty. For more information on the labor standards enforcement program, go to <http://www.dir.ca.gov/dlse/BOFE-2010.pdf>.

### ***Division of Occupational Safety & Health (DOSH)***

DOSH aims to ensure that California's workers have safe workplaces and seeks to achieve this goal through effective enforcement of California's workplace safety and health standards, with an emphasis on the rapid abatement of any hazards identified.

DOSH employs industrial hygienists, safety engineers, and investigators to conduct on-site workplace inspections. In addition, the program permits and certifies elevators, amusement rides, pressure vessels, and underground and surface mines.

DOSH investigators within the EEEEC program participate in on-site workplace inspections, looking for violations of health and safety codes. Additionally, DOSH staff was an essential participant in outreach and education efforts, providing employers and workers with information and research materials regarding workplace safety. For more information on this program, go to <http://www.dir.ca.gov/dosh/>.

### **Employment Development Department (EDD)**

EDD offers a wide variety of services to millions of California workers and businesses. As one of California's largest tax-collection agencies, EDD is also responsible for the audit and collection of payroll taxes and maintains employment records for more than 17 million California workers. Each year, the EDD Tax Branch collects more than \$40 billion in payroll taxes from more than 1 million California employers.

EDD staff within EEEEC participated in on-site inspections, focusing on identifying possible non-reporting or under-reporting of wages and/or workers, which may result in a subsequent tax audit of the employer. EDD staff members were also key participants in EEEEC outreach and education seminars.

With fluency in a variety of languages, EDD Job Services staff were also critical partners in EEEEC, assisting with interviewing non-English speaking workers as well as providing rapid-response services to those workers who may be displaced when an employer must shut down (for example, due to serious Labor Code violations). These services included referrals to local employment and training resources including One-Stop Career Centers. For additional information on EDD's efforts to combat the underground economy, visit <http://www.edd.ca.gov/taxrep/txueoind.htm#EDDs-Underground-Economy-Operations>.

### **California Contractors State License Board (CSLB)**

CSLB is mandated by the California Legislature to license and regulate contractors in 42 licensee classifications within California's construction industry. Contractors are required by law to be licensed and comply with all building, employment, and tax laws. Currently, there are approximately 295,000 licensed contractors regulated by the state.

The CSLB Enforcement Program participated in EEEEC on-site inspections of construction sites, focusing on compliance with licensing laws, with an emphasis on identifying unlicensed (illegal) contractors. Each year, the CSLB Enforcement Program receives more than 20,000 complaints from consumers or legitimate contractors against licensed and unlicensed contractors. The Enforcement Program investigates these complaints. Additionally, CSLB participated in EEEEC outreach seminars focused on educating consumers and other public agencies. CSLB established a Statewide Investigative Fraud Team (SWIFT) that focused on the underground economy and on unlicensed contractors. These units conducted stings and sweeps to help curtail illegal contracting by citing those who are not licensed. For more information on CSLB, go to [www.cslb.ca.gov](http://www.cslb.ca.gov).

### **US Department of Labor (USDOL)**

The mission of the USDOL Wage & Hour Division is to promote and achieve compliance with labor standards to protect and enhance the welfare of the nation's workforce. The Division is responsible for the administration and enforcement of a wide range of laws which collectively cover virtually all private and government employment. For more information on the Wage & Hour Division at the USDOL go to [www.dol.gov/whd/](http://www.dol.gov/whd/).

These agencies described, each with their own charge for enforcing various state and federal laws, combined their resources and expertise to respond to the underground economy in California. The industry-focused activities conducted by EEEEC allowed these agencies to be responsive in addressing the violations of law that are harming California's workers, consumers, and compliant businesses.

### **California Bureau of Automotive Repair (BAR)**

In February of 2008, BAR formally participated in EEEEC auto body shop inspections that were initiated in late 2007. The agency participated in a number of sweeps where BAR inspectors found numerous shops that did not have the proper auto body equipment as required by the California Code of Regulations §3351.5. In addition, they found other violations such as not having a valid Automotive Repair Dealer (ARD) registration to perform compensated auto repairs, not providing proper estimates to customers, and deficiencies in their final invoices. BAR inspectors participated in all EEEEC auto body repair inspections subsequent to February 2008, despite not being an officially funded member. BAR developed an effective working relationship with EEEEC and remained fully committed to continued involvement in these sweeps.

BAR is a part of the California Department of Consumer Affairs. BAR is mandated by the California Legislature to license and regulate all automotive repair businesses within California. Currently, there are approximately 5,000 licensed auto body repair businesses regulated by the state. Because BAR is not a regular member of the EEEEC, its EEEEC sweep-related enforcement statistics are not included as part of this report. They are, however, part of the BAR's regular reporting practices and can be found at [www.bar.ca.gov](http://www.bar.ca.gov).

### **California Board of Equalization (BOE)**

In mid-2008, BOE began a major, specially funded enforcement operation directed at the underground economy. Representatives of EEEEC and BOE's Statewide Compliance and Outreach Program (SCOP) held a series of meetings during which it was agreed that BOE unit members would be incorporated into EEEEC sweep teams in retail and service industries for the purpose of training and sharing expertise and information directed at underground business operations. Although not directly named as an EEEEC member agency, BOE's continued assistance and partnership in underground economy enforcement sweeps proved to have a substantial impact on the efficiency with which EEEEC conducted its sweeps in the garment and retail industries.

BOE's SCOP focused on identifying and registering businesses who were actively selling tangible personal property in California without a seller's permit. In general, the purpose of SCOP is to advise business owners about when they need a seller's permit and how to report and remit their taxes and fees due.

SCOP monitors the ongoing compliance of newly registered businesses, reduces the number of businesses operating without a valid seller's permit, and enhances the awareness of businesses on the consequences of tax evasion.

## Purpose

If SCOP specialists find that a business is reporting its taxes incorrectly, they advise the business to file amended returns, or if the business has overpaid taxes, they file a Claim for Refund. In some instances, the business may be referred for an audit. As mentioned above for BAR, BOE's statistics are not noted in this EEEEC report, but can be found at [www.boe.ca.gov](http://www.boe.ca.gov).

### **Alcoholic Beverage Control (ABC)**

The restaurant industry was one of the target industries of EEEEC. California's ABC, the licensing agency for the sale of alcoholic beverages, has participated on multiple restaurant sweeps. The advantage of ABC's participation in EEEEC is that, for restaurant establishments that serve alcohol, proper maintenance of the required licenses and compliance with the laws enforced by ABC are essential to the legal operation of these establishments. Again, while ABC was not a regularly funded member of EEEEC, its assistance as needed was effective in enhancing EEEEC enforcement operations. Similar to the BAR and BOE, statistics regarding ABC's sweeps can be found at [www.abc.ca.gov](http://www.abc.ca.gov).

## Activities & Accomplishments

### Focused Industry Targeting

EEEC used a variety of tools for targeting including surveillance, lead development, and screening, to identify those employers most likely to be out of compliance with California's laws. This method of targeting was intended to identify and focus on non-compliant businesses, therefore reducing the level of disruption to law-abiding businesses.

### The Target Industries

The following are the industries on which the EEEEC has focused its attention:

#### **Agriculture**

Agriculture is a large and diverse industry throughout California. Workers are often subjected to labor and safety violations from farm labor contractors, farmers, ranchers, and food processors. This industry typically employs seasonal workers who earn low wages and are exposed to extreme heat in the summer, inadequate housing and sanitation facilities, pesticides, and dangerous farm equipment. Workers encounter issues involving child labor violations, minimum wage, non-payment of wages, meal and rest period violations, and overtime law violations. Through conducting on-site EEEEC field inspections with its partners, labor and safety violators are identified and are brought into compliance.

#### **Car Wash**

The car wash industry typically employs workers who work less than full-time and earn low wages. The workers are exposed to potentially dangerous chemicals, slippery floors and unsafe "tunnels" where cars are washed and dried. Inspectors typically encounter issues involving violations of labor laws pertaining to child labor, payment of minimum wage, non-payment of wages, non-reporting of tips, meal and rest periods, overtime laws, and non-registration of the business to DLSE.

#### **Construction**

The construction industry was included in EEEEC's target group due to a high number of known violations including unlicensed contractors, unsafe working conditions, failure to maintain workers' compensation insurance, and unreported cash wages.

#### **Garment Manufacturing**

The garment industry has a well-documented history of violating the most basic labor laws, including those centering on child labor, minimum wage and overtime pay. Many garment contractors are willing to cut corners to improve their profit margins by ignoring or intentionally disregarding the health and safety, licensing, and tax laws. Garment workers have often reported horrible working conditions, sub-minimum wages, no benefits, improper payment of wages, non-payment of wages, forced unpaid overtime, meal and rest period violations, and illegal firings. Garment operators can easily control their workers as many are unaware of their rights as workers performing services in California. To enhance enforcement within this industry, EEEEC developed a close working relationship with the Los Angeles County Health Department. They helped to

## Activities & Accomplishments

identify non-compliant garment manufacturers. Additionally, when EEEEC inspectors determine that garments have been produced by employers operating within the underground economy, those garments may be seized by EEEEC staff. Generally, these garment seizures are later donated to non-profit charitable organizations.

### **Restaurant**

Restaurants of various sizes are located in communities throughout California. Businesses in this industry typically employ workers who work less than full-time and earn low wages. These workers are generally exposed to sharp implements, slippery floors, exposed electrical outlets, and potentially unsafe foods. Investigators encounter issues involving child labor, failure to pay minimum wage and/or overtime wages, non-payment of wages, non-reporting of tips, and meal and rest period violations. Labor, tax, and safety violations are identified and laws are enforced by EEEEC staff conducting on-site inspections.

### **Horse Racing Track**

The horse racing track industry is an old, established industry in California, and the horse owners and trainers are a very close-knit group. This industry typically employs workers who work less than full-time and earn low wages for exercising and feeding the race horses. The workers are generally employees of either the owners or the trainers; they are usually paid a daily fee per horse and take care of three to four horses per day. The workers are mostly Hispanic and speak very little or no English. They work seasonally during the race season. Most of the workers are paid as independent contractors even though they should be reported as employees under California law. EEEEC has encountered issues involving child labor violations, poor record keeping, minimum wage violations, failure to maintain workers' compensation insurance, unregistered employers, and payment of cash wages.

Due to the low rate of violations found and the relatively low number of total employers/employees within this industry, we found that the EEEEC approach was not as effective with this industry as with other targeted industries. Thus, this industry target will be transferred to the Joint Enforcement Strike Force (JESF) program.

### **Janitorial Service**

Employers in this industry will have employees simultaneously working at numerous business locations during a particular time frame. Due to difficulties gaining access to the worksite and workers and a lack of serious health and/or safety violations found within this industry, the EEEEC approach was not as effective with the janitorial service industry as with other targeted groups.

## Activities & Accomplishments

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### **Auto Body Repair, Auto Dismantling and Tire Shops**

The auto body repair and automotive dismantling businesses in California are subject to statutory control by the Bureau of Automotive Repair which is part of the California Department of Consumer Affairs. These industries were added in 2007 and 2010. While all these repair businesses are required to be licensed, many employers choose to operate illegally in the underground economy. Auto body repair operations range from small crews in unventilated and otherwise dangerous rented facilities to large “chop-shops” in which stolen vehicles are reconstructed, repainted, and prepared for sale in the underground economy. Many employees of these operations are unreported as employees, paid on a cash basis, required to work in unsafe and unhealthy conditions, and generally denied the normal protections provided by California’s labor and safety laws. In addition to the lack of employment tax reporting, sales and use taxes due to the state are often not reported or paid. The lack of required workers’ compensation insurance, taken in conjunction with the hazardous nature of the work, also impacts the Uninsured Employers Benefits Trust Fund (UEBTF). Also affected are the local hospitals which must treat these uninsured workers for work related injuries. Since early 2008, all EEEEC operations in this industry have included the active participation of Bureau of Automotive Repair inspectors.

### **Wooden Pallet Repair & Manufacture**

The wooden pallet repair and manufacturing industry was incorporated into the EEEEC sweep operations in 2007. It is an industry that requires little capital investment to set up and operate, is conducive to the use of generally unskilled labor, works on a cash purchase and sale model, and presents a number of safety and health hazards to employees. These operations are often found on vacant lots without any connections to public utilities. EEEEC found pallet repair facilities in almost all industries and agricultural areas of the state. They range in size from some with only a few employees to some with over ten full-time employees who have worked for the same underground employer for years. Almost all the employees work up to ten hours a day and are paid on either a piece-rate or per-day rate with almost all receiving none of their required overtime.

## Activities & Accomplishments

### Accomplishments of EEEEC enforcement efforts

On the enforcement side, as of June 30, 2011, EEEEC targeted enforcement sweeps cumulatively identified 49,433 violations of provisions of California's Labor, Health and Safety, and Business and Profession Codes. These violations represent employers who were using unlawful tactics to achieve an unfair competitive advantage over law-abiding employers. Employment tax and workers' rights laws in California rely largely on employer self-compliance. When individuals and companies make deliberate decisions to not comply with the laws, they must expect to face civil penalties and assessments or even criminal investigation which could result in prosecution and possible jail time. Publicity of these convictions provides a deterrent effect that enhances voluntary compliance. Since the inception of EEEEC, investigators have referred over 3,446 cases to local district attorneys, which have resulted in 1,696 known convictions to date.

The accomplishments of EEEEC enforcement efforts during SFYs 2005-06 through 2010-11 are detailed in Appendices 1 and 2.

In SFY 2010-11, EEEEC was in full operation with a well-defined calendar of major and minor sweep operations throughout the state. Some highlights of the results of EEEEC activities since its inception are shown in the table on Page 11.

### Discussion of EEEEC/EDD Accomplishments

The EEEEC was highly effective at targeting the most egregiously non-compliant employers that are intentionally evading the employment tax laws and operating in the underground economy. This was evident by the higher than average percentage of businesses assessed with the fraud penalty. Over 20 percent of EEEEC referrals to EDD's Audit Program resulted in the assessment of a fraud penalty. By comparison, the rate of fraud penalty assessed by all other EDD employment tax audit programs, per the Tax Branch and Field Audit and Compliance Division, averaged 4 percent for the same time period.

### EDD Self Audit program

In addition to the cases referred to the Audit Program, the EEEEC implemented another process that assists employers who were identified through an EEEEC on-site inspection and are not in compliance but are willing to voluntarily come into compliance with their employment tax obligations. Through the Self Audit Program, EEEEC agents work with employers to assist them in filing or amending their filings. The EEEEC agents educate the employer on the tax reporting and payment requirements to ensure they are able to comply prospectively. This process has been developed since the inception of the EEEEC and is an extremely cost effective process, requiring far fewer staff hours than a traditional audit. Through this process, the employer becomes educated on EDD's reporting and payment requirements.

## Activities & Accomplishments

### Summary of EEEAC Accomplishments

	SFY 05-06	SFY 06-07	SFY 07-08	SFY 08-09	SFY 09-10	SFY 10-11	TOTAL
Compliance inspections conducted	1,663	1,353	1,189	1,341	1,070	1,310	7,926
Labor, Health and Safety, and Business & Professions Code violations cited	8,095	8,214	8,448	8,244	7,791	8,641	49,433
Labor, Health and Safety, and Business & Professions Code violation penalty assessments (\$)	10,534,640	13,210,194	10,737,153	11,077,510	8,125,536	9,146,860	62,831,893
Previously unreported workers identified	1,206	4,432	5,585	3,829	3,362	2,483	20,897
Previously unreported wages identified (\$)	17,487,200	92,370,364	107,268,624	87,469,920	79,110,862	41,857,937	425,564,907
Employment tax audits completed (closed)	38	262	303	286	294	210	1,393
Tax liability assessed (\$)	3,025,126	14,079,917	15,535,274	13,714,700	10,606,529	12,032,921	68,994,467
Tax audit referrals	169	239	252	230	203	220	1,313
EDD Fraud penalty assessments	11	62	66	64	56	32	291
New employers registered	83	54	95	119	52	161	564
Cases referred to District Attorney's offices for criminal prosecution*	823	1044	520	435	312	312	3,446
Cases resulting in criminal conviction**	450	659	284	188	89	26	1,696

\*Totals per SFY combined cases reported by the Contractors State License Board, Division of Labor Standards Enforcement, and EDD Tax Branch to Investigation Division.

\*\*Note: Not all jurisdictions report criminal case outcomes. As a result, conviction counts are incomplete.

## Examples of Violations Identified by EEEC

Listed below are examples of representative cases detected by EEEC, including serious violations by businesses attempting to avoid tax, labor, and licensing laws.

### Case Stories

In 2009, the EEEC inspected a Los Angeles garment manufacturer who had previously been the subject of an EDD employment tax audit. EDD received information from a current worker indicating that approximately 25 workers were employed by this business and that wages were paid in cash. The informant provided clothing labels which linked this business to another business. The EEEC inspection revealed that the employer was operating illegally without the proper garment license. Due to the fact that this employer had been previously audited by EDD and was therefore fully aware of the requirements, this case was forwarded to EDD's Investigation Division for consideration for criminal prosecution.

In 2010, the EEEC inspected a pallet business in Tulare County. During the inspection, EEEC investigators observed and interviewed nine workers, six of whom stated that they were receiving cash wages. The resulting EDD Employment Tax Audit assessment totaled \$1,948,347.

In early 2011, the EEEC inspected a garment manufacturer during a sweep in downtown Los Angeles. The business was located in a large warehouse-like room on the fourth floor of a building. Three workers were operating electric sewing machines and huge piles of garments were stacked. Upon screening the company for active or prior license, no records were found; the business was not registered with EDD, had no workers' compensation, and no records with the Board of Equalization. Pursuant to Labor Code §3700, a Stop Order was issued to shut down the business until a valid workers' compensation policy was secured. Over 600 garments were confiscated from the business because they did not have the required garment license to operate.

Another EEEC garment sweep inspection conducted in mid-2011 revealed a garment contractor doing business without the required garment license, which paid workers in cash and was not registered with EDD. When the EEEC team arrived on-site, the employer began to shout at the workers telling them to state that they started working the day before the inspection and telling them to leave. When additional workers arrived, the employer waived the workers away while telling them that there was no work.

An EEEC sweep conducted on the auto body repair industry in Southern California revealed an employer who had been in business for over ten years and had been misclassifying workers as independent contractors. These workers were paid in cash and were not provided deduction statements. The business did not maintain a valid workers' compensation insurance policy.

In 2011, in a Southern California sweep of the garment industry in which DOSH was a partner, the EEEC issued citations which included two willful serious citations with proposed penalties totaling \$180,265. The garment employer inspected during the sweep was issued two Orders Prohibiting Use (OPU) for various machines and equipment which included cloth cutting, cloth rolling, bench grinder, sewing machines, and an electrical panel for lack of proper guarding. During a re-visit two months later,

## **Examples of Violations Identified by EEEC**

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to verify abatement to remove the two OPUs, employees were observed working on some of the OPU-tagged equipment. The Bureau of Investigations was notified and they opened an investigation on the same day.

## Education & Outreach Efforts

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In addition to conducting joint enforcement efforts, EEEEC additionally focused on educating both employers and employees and implemented an outreach and education component in March 2006. EEEEC utilized five methods of delivering its message: employer outreach; industry-sponsored outreach; post-inspection meetings; television and radio events; and employee outreach. Presentations were given in English and the predominant language of the audience.

### Employer Outreach

Employer outreach events are three-hour industry specific presentations. Employers learn about recordkeeping, reporting and payment requirements, employer labor law and tax law responsibilities, common wage and hour law application, employer and employee rights and responsibilities, the basics of how to distinguish between employees and independent contractors, and health and safety law. Workers learn about their rights as employees working within a specific industry and are given information about each of the EEEEC partner agencies, including those services to which they may be entitled.

### Industry-Sponsored Outreach

These events were similar to employer outreach events; however, the industries requested EEEEC presence to ensure their members were in compliance. These events were three-hour industry-specific presentations, during which employers learn about many of the topics covered in the Employer Outreach sessions. EEEEC participated in multiple events sponsored by: California Ag Safe; Western United Dairyman's Association; Western Growers Association; Yuma Fresh Vegetable Association; Los Angeles Korean America Garment Association; California Fashion Association; Sacramento Builders Exchange Expo; and other industry associations. A list of industry organizations that partner with EEEEC may be found in Appendix 6.

### Post-Inspection Meetings

Post-inspection meetings were held the following Tuesday after sweeps were conducted. EEEEC field investigators gave each employer inspected an invitation to attend the meeting to learn how to avoid future violations. These events were intended to be informal, allowing the employers the freedom to ask any question they may have regarding labor, health and safety, licensing, and tax laws. They were not well attended.

### Radio Outreach

EEEC participated in dozens of radio interviews and public service announcements (PSAs). During the summer months while experiencing extremely hot temperatures, EEEEC targeted the Fresno and Kern Counties agricultural industries by sponsoring bilingual PSAs that addressed heat safety and heat illness prevention measures.

EEEC used Spanish radio to educate workers about their rights as an employee working within specific industries. EEEEC used radio PSAs, on-air interviews, and call-in programs, during which workers are given information on the EEEEC partner agencies and what services the workers are entitled to under state and federal law.

## Future Plans

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The EEEEC program improved upon previous joint enforcement efforts such as the Targeted Industries Partnership Program (TIPP), by implementing improved targeting and inspection protocols across EEEEC partnership agencies. Similarly, the newly formed Labor Enforcement Task Force (LETF) will leverage the EEEEC methods and experience to further improve joint enforcement efforts. Additionally, the LETF will build on existing partnerships and, where beneficial, will expand partnerships and collaborations to include enhanced data sharing, targeting, joint inspections, and outreach and education.

## EEEC: DIR: Cal/OSHA Statistics, SFY 2005/06 - 2010/11

## Summary Statistics for SFY 2005-06 through SFY 2010-11

Industry	Total Inspections	Total Violations	Serious, Willful, Repeat (SWR)	Current Penalties	Penalties Remitted as of October 2010
Construction	1,694	4,087	753	\$2,399,356	\$1,236,285
Garment	960	4,096	588	\$2,216,039	\$470,556
Agriculture	1,398	2,676	376	\$1,930,878	\$942,283
Auto Body	684	3,378	288	\$1,100,508	\$165,075
Restaurant	1,024	3,399	150	\$822,755	\$417,185
Pallet	306	1,439	305	\$817,731	\$171,595
Car Wash	416	1,825	180	\$656,100	\$320,065
Tire Shops	78	308	21	\$105,745	\$37,500
Auto Dismantlers	32	124	14	\$40,030	\$15,960
Janitorial	41	82	2	\$17,530	\$12,750
Race Track	5	8	0	\$3,680	\$2,810
<b>TOTAL</b>	<b>6,638</b>	<b>21,422</b>	<b>2,677</b>	<b>\$10,110,352</b>	<b>\$3,792,064</b>

## Total Number of Programmed Inspections

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	264	252	136	252	188	306	1,398
Auto Body	NA	NA	89	178	206	211	684
Auto Dismantler	NA	NA	NA	NA	NA	32	32
Car Wash	41	116	96	103	47	13	416
Construction	298	446	246	268	182	254	1,694
Garment	194	184	235	129	88	130	960
Janitorial	15	16	10	NA	NA	NA	41
Pallet	NA	NA	29	69	119	89	306
Race Track	3	2	NA	NA	NA	NA	5
Restaurant	203	158	141	169	202	151	1,024
Tire Shops	NA	NA	NA	NA	NA	78	78
<b>Total by Years</b>	1,018	1,174	982	1,168	1,032	1,264	6,638

Note: "NA" means inspections were not performed in the given industry for the given year.

## Total Number of Violations

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	629	509	293	385	359	501	2,676
Auto Body	NA	NA	429	1,090	1,000	859	3,378
Auto Dismantler	NA	NA	NA	NA	NA	124	124
Car Wash	237	532	479	370	148	59	1,825
Construction	712	1,072	661	567	396	679	4,087
Garment	947	815	1,086	495	314	439	4,096
Janitorial	36	20	26	NA	NA	NA	82
Pallet	NA	NA	217	296	522	404	1,439
Race Track	7	1	NA	NA	NA	NA	8
Restaurant	830	591	407	534	667	370	3,399
Tire Shops	NA	NA	NA	NA	NA	308	308
<b>Total</b>	<b>3,398</b>	<b>3,540</b>	<b>3,598</b>	<b>3,737</b>	<b>3,406</b>	<b>3,743</b>	<b>21,422</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Average Number of Violations per Inspection

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11
Agriculture	2.4	2	2.2	1.5	1.9	1.6
Auto Body	0	0	4.8	6.1	4.9	4.1
Auto Dismantler	NA	NA	NA	NA	NA	3.9
Car Wash	5.8	4.6	5	3.6	3.1	4.5
Construction	2.4	2.4	2.7	2.1	2.2	2.7
Garment	4.9	4.4	4.6	3.8	3.6	3.4
Janitorial	2.4	1.3	0.1	NA	NA	NA
Pallet	NA	NA	7.5	4.3	4.4	4.5
Race Track	2.3	NA	NA	NA	NA	NA
Restaurant	4.1	3.7	2.9	3.2	3.3	2.5
Tire Shops	NA	NA	NA	NA	NA	3.9

## Number of Serious, Willful, Repeat (SWR) Violations

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	69	69	31	80	67	60	376
Auto Body	NA	NA	39	94	88	67	288
Auto Dismantler	NA	NA	NA	NA	NA	14	14
Car Wash	40	49	47	32	6	6	180
Construction	149	192	132	90	80	110	753
Garment	108	121	158	63	46	92	588
Janitorial	NA	NA	2	NA	NA	NA	2
Pallet	NA	NA	50	73	107	75	305
Race Track	NA						
Restaurant	40	40	25	7	16	22	150
Tire Shops	NA	NA	NA	NA	NA	21	21
<b>Total by Years</b>	<b>406</b>	<b>471</b>	<b>484</b>	<b>439</b>	<b>410</b>	<b>467</b>	<b>2,677</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Serious, Willful, or Repeat (SWR) Violations as a Percentage (%) of Total Violations

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11
Agriculture	11.0	13.6	10.6	20.8	18.7	12.0
Auto Body	0.0	0.0	9.1	8.6	8.8	7.8
Auto Dismantler	0.0	0.0	0.0	0.0	0.0	11.3
Car Wash	16.9	9.2	9.8	8.6	4.1	10.2
Construction	20.9	17.9	20.0	15.9	20.2	16.2
Garment	11.4	14.8	14.5	12.7	14.6	21.0
Janitorial	0.0	0.0	0.7	0.0	0.0	0.0
Pallet	0.0	0.0	23.0	24.7	20.5	18.6
Race Track	0.0	0.0	0.0	0.0	0.0	0.0
Restaurant	4.8	6.8	6.1	1.3	2.4	5.9
Tire Shops	0.0	0.0	0.0	0.0	0.0	6.8

## Amount of Current Cal/OSHA Penalties Assessed

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	\$360,360	\$375,245	\$266,460	\$338,745	\$282,143	\$307,925	\$1,930,878
Auto Body	NA	NA	\$147,470	\$366,455	\$349,963	\$236,620	\$1,100,508
Auto Dismantler	NA	NA	NA	NA	NA	\$40,030	\$40,030
Car Wash	\$106,975	\$183,360	\$177,695	\$137,445	\$35,835	\$14,790	\$656,100
Construction	\$452,595	\$631,407	\$385,855	\$270,125	\$290,549	\$368,825	\$2,399,356
Garment	\$439,425	\$416,290	\$528,344	\$232,305	\$184,225	\$415,450	\$2,216,039
Janitorial	\$4,850	\$5,910	\$6,770	NA	NA	NA	\$17,530
Pallet	NA	NA	\$172,560	\$159,495	\$316,546	\$169,130	\$817,731
Race Track	\$3,430	\$250	NA	NA	NA	NA	\$3,680
Restaurant	\$213,000	\$178,965	\$112,145	\$105,485	\$120,295	\$92,865	\$822,755
Tire Shops	NA	NA	NA	NA	NA	\$105,745	\$105,745
<b>Total by Years</b>	<b>\$1,580,635</b>	<b>\$1,791,427</b>	<b>\$1,797,299</b>	<b>\$1,610,055</b>	<b>\$1,579,556</b>	<b>\$1,751,380</b>	<b>\$10,110,352</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Cal/OSHA Penalties Remitted as of October 2011

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	\$284,310	\$263,435	\$113,140	\$123,085	\$56,698	\$101,615	\$942,283
Auto Body	NA	NA	\$21,545	\$56,675	\$48,645	\$38,210	\$165,075
Auto Dismantler	NA	NA	NA	NA	NA	\$15,960	\$15,960
Car Wash	\$64,190	\$97,775	\$91,665	\$47,375	\$15,285	\$3,775	\$320,065
Construction	\$330,680	\$424,610	\$214,640	\$92,985	\$38,260	\$135,110	\$1,236,285
Garment	\$90,778	\$126,830	\$126,478	\$42,640	\$34,005	\$49,825	\$470,556
Janitorial	\$2,760	\$4,325	\$5,665	NA	NA	NA	\$12,750
Pallet	NA	NA	\$58,920	\$48,700	\$30,135	\$33,840	\$171,595
Race Track	\$2,810	NA	NA	NA	NA	NA	\$2,810
Restaurant	\$113,410	\$114,050	\$55,195	\$41,730	\$44,815	\$47,985	\$417,185
Tire Shops	NA	NA	NA	NA	NA	\$37,500	\$37,500
<b>Total by Years</b>	<b>\$888,938</b>	<b>\$1,031,025</b>	<b>\$687,248</b>	<b>\$453,190</b>	<b>\$267,843</b>	<b>\$463,820</b>	<b>\$3,792,064</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

### EEEC: DIR/DLSE Statistics, FY 2005/06 - 2010/11

Note: Differences to the data found in this report and the report to the legislature by Division of Labor Standards Enforcement, Bureau of Field Enforcement is due to timing, source and method of data reported. This is true for all charts in Appendix 2 except for the Criminal Referrals on page 32.

Number of DLSE Inspections

Industry	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11	Total by Industry
Agriculture	421	306	221	275	143	286	1652
Auto Body	NA	NA	108	192	241	177	718
Auto Dismantlers	NA	NA	NA	NA	NA	35	35
Car Wash	102	151	96	97	49	45	540
Construction	477	375	318	298	217	295	1980
Garment	282	207	207	112	103	132	1043
Janitorial	21	29	22	NA	NA	NA	72
Pallets	NA	NA	43	79	112	103	337
Race Track	4	12	NA	NA	NA	NA	16
Restaurant	356	272	174	189	205	135	1331
Tire Shops	NA	NA	NA	NA	NA	102	102
<b>Total by Years</b>	<b>1,663</b>	<b>1,352</b>	<b>1,189</b>	<b>1,242</b>	<b>1,070</b>	<b>1,310</b>	<b>7,826</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## All Citations

Number of DLSE Citations and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	129	\$960,200	70	\$697,400	67	\$264,800	36	\$252,500	34	\$399,400	79	\$527,800
Auto Body	NA	NA	NA	NA	130	\$759,500	255	\$1,389,200	264	\$1,150,638	198	\$937,100
Auto Dismantlers	NA	NA	25	\$119,500								
Car Wash	63	\$604,600	105	\$1,017,650	94	\$772,636	43	\$285,050	13	\$97,100	26	\$87,300
Construction	190	\$1,247,450	159	\$1,263,300	110	\$523,150	97	\$419,800	74	\$283,650	94	\$316,950
Garment	369	\$2,062,150	386	\$3,483,250	278	\$1,652,750	185	\$2,310,900	118	\$498,400	211	\$1,355,300
Janitorial	10	\$51,200	23	\$400,250	9	\$53,000	NA	NA	NA	NA	NA	NA
Pallets	NA	NA	NA	NA	53	\$702,400	56	\$509,550	104	\$762,436	81	\$317,550
Race Track	NA	NA	6	\$31,500	NA	NA	NA	NA	NA	NA	NA	NA
Restaurant	377	\$2,265,950	283	\$2,173,450	187	\$1,325,950	205	\$1,490,850	208	\$1,416,800	125	\$1,089,350
Tire Shops	NA	NA	105	\$570,750								
<b>Total</b>	<b>1,138</b>	<b>\$7,191,550</b>	<b>1,032</b>	<b>\$9,066,800</b>	<b>928</b>	<b>\$6,054,186</b>	<b>877</b>	<b>\$6,657,850</b>	<b>815</b>	<b>\$4,608,424</b>	<b>944</b>	<b>\$5,321,600</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Citations by Type

### Number of Workers' Compensation Citations<sup>1</sup> and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	40	\$786,500	26	\$601,000	22	\$145,000	17	\$206,000	12	\$177,000	41	\$368,500
Auto Body	NA	NA	NA	NA	70	\$217,000	131	\$438,000	151	\$412,000	117	\$405,000
Auto Dismantlers	NA	NA	17	\$58,500								
Car Wash	25	\$281,000	48	\$464,000	20	\$218,000	19	\$138,000	8	\$60,000	8	\$31,000
Construction	85	\$619,000	70	\$363,000	61	\$290,000	52	\$174,000	41	\$141,000	45	\$132,500
Garment	65	\$741,600	44	\$530,000	33	\$292,000	25	\$221,000	10	\$45,000	22	\$245,000
Janitorial	6	\$34,000	7	\$57,000	7	\$29,000	NA	NA	NA	NA	NA	NA
Pallets	NA	NA	NA	NA	21	\$118,000	32	\$163,750	44	\$239,000	40	\$161,000
Race Track	NA	NA	3	\$18,000	NA	NA	NA	NA	NA	NA	NA	NA
Restaurant	234	\$1,287,000	148	\$1,041,000	95	\$487,000	103	\$560,000	114	\$670,000	68	\$510,500
Tire Shops	NA	NA	55	\$189,000								
<b>Total</b>	<b>455</b>	<b>\$3,749,100</b>	<b>346</b>	<b>\$3,074,000</b>	<b>329</b>	<b>\$1,796,000</b>	<b>379</b>	<b>\$1,900,750</b>	<b>380</b>	<b>\$1,744,000</b>	<b>413</b>	<b>\$2,101,000</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>1</sup> Citations related to workers' compensation insurance coverage by employer.

## Citations by Type

### Number of Itemized Deduction Citations<sup>2</sup> and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	19	\$125,750	8	\$49,500	9	\$81,750	7	\$38,500	13	\$207,750	26	\$150,000
Auto Body	NA	NA	NA	NA	50	\$531,250	104	\$930,500	94	\$710,000	77	\$526,500
Auto Dismantlers	NA	NA	6	\$55,000								
Car Wash	26	\$290,500	37	\$508,250	21	\$437,000	17	\$143,750	3	\$26,750	5	\$23,000
Construction	49	\$327,250	47	\$561,250	28	\$183,750	19	\$138,500	22	\$128,250	48	\$184,000
Garment	65	\$950,750	79	\$2,381,150	74	\$1,037,500	44	\$1,941,500	24	\$332,250	55	\$957,000
Janitorial	3	\$17,000	10	\$301,750	2	\$24,000	NA	NA	NA	NA	NA	NA
Pallets	NA	NA	NA	NA	20	\$553,200	21	\$342,500	40	\$502,500	37	\$151,200
Race Track	NA	NA	2	\$13,000	NA	NA	NA	NA	NA	NA	NA	NA
Restaurant	112	\$956,250	102	\$1,066,500	72	\$806,250	81	\$861,350	65	\$679,250	43	\$547,250
Tire Shops	NA	NA	39	\$362,750								
<b>Total</b>	<b>274</b>	<b>\$2,667,500</b>	<b>285</b>	<b>\$4,881,400</b>	<b>276</b>	<b>\$3,654,700</b>	<b>293</b>	<b>\$4,396,600</b>	<b>261</b>	<b>\$2,586,750</b>	<b>336</b>	<b>\$2,956,700</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>2</sup> Citations related to employers' failure to provide itemized deductions on employees' wage statement.

## Citations by Type

### Number of Overtime Citations<sup>3</sup> and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	2	\$3,350	1	\$3,900	NA	NA	NA	NA	3	\$1,950	NA	NA
Auto Body	NA	NA	NA	NA	5	\$3,150	6	\$10,500	5	\$15,938	1	\$400
Auto Dismantlers	NA	NA										
Car Wash	4	\$15,200	3	\$9,300	5	\$39,800	2	\$300	NA	NA	1	\$1,200
Construction	3	\$5,600	1	\$750	1	\$2,600	NA	NA	NA	NA	1	\$450
Garment	18	\$48,900	14	\$96,900	14	\$31,150	6	\$7,900	4	\$10,050	3	\$4,600
Janitorial	NA	NA	2	\$13,750	NA	NA	NA	NA	NA	NA	NA	NA
Pallets	NA	NA	NA	NA	4	\$17,250	1	\$2,750	9	\$6,300	1	\$450
Race Track	NA	NA										
Restaurant	4	\$4,700	12	\$28,800	7	\$9,200	7	\$24,500	13	\$24,800	4	\$7,200
Tire Shops	NA	NA	3	\$3,900								
<b>Total</b>	<b>31</b>	<b>\$77,750</b>	<b>33</b>	<b>\$153,400</b>	<b>36</b>	<b>\$103,150</b>	<b>22</b>	<b>\$45,950</b>	<b>34</b>	<b>\$59,038</b>	<b>14</b>	<b>\$18,200</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>3</sup> Citations related to unpaid overtime work.

## Citations by Type

### Number of Minimum Wage Citations<sup>4</sup> and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	1	\$2,600	1	\$500	2	\$1,550	NA	NA	4	\$11,700	5	\$4,800
Auto Body	NA	NA	NA	NA	3	\$7,100	7	\$6,700	3	\$6,700	3	\$5,200
Auto Dismantlers	NA	NA	2	\$6,000								
Car Wash	1	\$9,400	3	\$25,100	5	\$72,800	NA	NA	1	\$6,900	1	\$700
Construction	NA	NA	NA	NA	NA	NA	3	\$16,300	NA	NA	NA	NA
Garment	4	\$14,300	3	\$99,800	15	\$65,300	11	\$25,500	7	\$46,900	7	\$18,300
Janitorial	1	\$200	3	\$27,250	NA	NA	NA	NA	NA	NA	NA	NA
Pallets	NA	NA	NA	NA	6	\$12,950	2	\$550	9	\$13,636	2	\$4,400
Race Track	NA	NA										
Restaurant	10	\$9,500	11	\$31,150	8	\$21,000	11	\$43,500	11	\$40,450	7	\$22,900
Tire Shops	NA	NA	6	\$14,100								
<b>Total</b>	<b>17</b>	<b>\$36,000</b>	<b>21</b>	<b>\$183,800</b>	<b>39</b>	<b>\$180,700</b>	<b>34</b>	<b>\$92,550</b>	<b>35</b>	<b>\$126,286</b>	<b>33</b>	<b>\$76,400</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>4</sup> Citations related to unpaid minimum wages and/or failure to issue an itemized wage statement.

## Citations by Type

### Number of Child Labor (1288 A)<sup>5</sup> Citations and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	3	\$20,000	4	\$20,000	1	\$15,000	NA	NA	NA	NA	1	\$500
Auto Body	NA	NA	NA	NA	1	\$500	NA	NA	2	\$1,500	NA	NA
Auto Dismantlers	NA	NA										
Car Wash	NA	NA	1	\$5,000								
Construction	3	\$20,000	1	\$5,000	1	\$5,000	NA	NA	NA	NA	NA	NA
Garment	1	\$5,000	NA	NA								
Janitorial	NA	NA	1	\$500	NA	NA	NA	NA	NA	NA	NA	NA
Pallets	NA	NA										
Race Track	NA	NA	1	\$500	NA	NA	NA	NA	NA	NA	NA	NA
Restaurant	NA	NA										
Tire Shops	NA	NA										
<b>Total</b>	<b>7</b>	<b>\$45,000</b>	<b>7</b>	<b>\$26,000</b>	<b>3</b>	<b>\$20,500</b>	<b>NA</b>	<b>NA</b>	<b>2</b>	<b>\$1,500</b>	<b>2</b>	<b>\$5,500</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>5</sup> 1288 A - imminent danger to minor or third violation. Amount of citations range from \$5,000-\$10,000.

## Citations by Type

### Number of Child Labor (1288 B)<sup>6</sup> Citations and Amount of Citations Assessed

Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Agriculture	33	\$22,000	28	\$22,500	32	\$21,500	12	\$8,000	2	\$1,000	6	\$4,000
Auto Body	NA	NA	NA	NA	1	\$500	7	\$3,500	9	\$4,500	NA	NA
Auto Dismantlers	NA	NA										
Car Wash	7	\$8,500	14	\$11,000	7	\$5,000	5	\$3,000	1	\$3,450	NA	NA
Construction	11	\$6,000	10	\$6,000	2	\$1,000	2	\$1,700	1	\$500	NA	NA
Garment	4	\$2,000	5	\$3,000	3	\$4,500	2	\$1,000	NA	NA	NA	NA
Janitorial	NA	NA										
Pallets	NA	NA	NA	NA	2	\$1,000	NA	NA	2	\$1,000	1	\$500
Race Track	NA	NA										
Restaurant	17	\$8,500	10	\$6,000	5	\$2,500	3	\$1,500	5	\$2,300	3	\$1,500
Tire Shops	NA	NA	2	\$1,000								
<b>Total</b>	<b>72</b>	<b>\$47,000</b>	<b>67</b>	<b>\$48,500</b>	<b>52</b>	<b>\$36,000</b>	<b>31</b>	<b>\$18,700</b>	<b>20</b>	<b>\$12,750</b>	<b>12</b>	<b>\$7,000</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

<sup>6</sup> 1288 B - no work permit on file; minor working beyond maximum hours. Amount of citations range from \$500-\$1,000.

## Industry-Specific Citations

Number of Industry-Specific Citations and Amount of Citation Assessed

Citation	Industry	SFY 2005/06		SFY 2006/07		SFY 2007/08		SFY 2008/09		SFY 2009/10		SFY 2010/11	
		Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed	Number of Citations	Amount of Citations Assessed
Unlicensed Contractor LC 1021	Car Wash	NA	NA	8	\$16,800								
	Construction	37	\$265,600	24	\$259,400	14	\$32,600	18	\$67,300	9	\$12,400	NA	NA
Unlicensed Contractor LC 1021.5	Car Wash	NA	NA	2	\$9,600								
	Construction	2	\$4,000	6	\$67,900	3	\$8,200	3	\$22,000	1	\$1,500	NA	NA
Garment Records	Garment	121	\$148,950	92	\$143,900	85	\$111,150	31	\$41,100	23	\$20,000	52	\$57,200
Garment Registration	Garment	91	\$150,650	57	\$84,600	54	\$77,900	35	\$31,800	27	\$24,200	20	\$16,000
Car Wash Registration	Car Wash	NA	NA	58	\$537,200	36	\$313,900	42	\$381,300	17	\$141,100	15	\$87,600

Note: "NA" means inspections were not performed in the given industry for the given year.

Number of Inspections During Which Confiscations<sup>7</sup> Occurred

	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11
Garment	55	27	41	28	9	6

<sup>7</sup> Confiscation of illegally manufactured garments or goods during inspection.

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DIR/DLSE Referrals to District Attorney  
and Criminal Convictions per Calendar Year

	Referrals	Convictions
2006	32	15
2007	10	11
2008	13	0
2009	12	0
2010	13	1
2011	14	0
Total	94	27

Note: Not all jurisdictions report criminal case outcomes. As a result, conviction counts are incomplete.

## EEEC: Employment Development Department (EDD), SFY 2005/06 – 2010/11

## Total Number of Inspections

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	196	51	81	156	53	106	643
Auto Body	NA	NA	109	192	165	152	618
Auto Dismantler	NA	NA	NA	NA	NA	34	34
Car Wash	39	151	103	91	36	34	454
Construction	220	160	215	207	211	281	1,294
Garment	202	193	206	108	77	137	923
Janitorial	16	16	13	NA	NA	NA	45
Pallets	NA	NA	31	59	100	65	255
Race Track	4	10	NA	NA	NA	NA	14
Restaurant	243	245	192	176	157	139	1,152
Tire Shops	NA	NA	NA	NA	NA	101	101
<b>Total</b>	<b>920</b>	<b>826</b>	<b>950</b>	<b>989</b>	<b>799</b>	<b>1,049</b>	<b>5,394</b>

## Numbers of Unreported Employees Discovered During Inspections

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	NA	231	42	222	33	278	806
Auto Body	NA	NA	NA	560	804	243	1,607
Auto Dismantler	NA						
Car Wash	12	338	1,215	105	22	12	1,704
Construction	27	411	576	542	997	271	2,824
Garment	1,078	2,019	2,637	1,524	809	259	8,326
Janitorial	NA	422	45	NA	31	NA	498
Pallets	NA	NA	142	282	304	1,095	1,823
Race Track	NA						
Restaurant	76	1,031	927	808	421	110	3,373
Tire Shops	NA						
<b>Total</b>	<b>1,193</b>	<b>4,471</b>	<b>5,584</b>	<b>4,043</b>	<b>3,421</b>	<b>2,268</b>	<b>20,980</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

**Total Unreported Wages**

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	NA	\$12,969,523	\$915,353	\$2,724,899	\$369,500	\$251,977	\$17,231,252
Auto Body	NA	NA	NA	\$12,442,684	\$16,497,243	\$7,770,213	\$36,710,140
Auto Dismantler	NA	NA	NA	NA	NA	NA	NA
Car Wash	\$203,499	\$7,121,059	\$17,161,699	\$2,471,790	\$140,010	\$599,935	\$27,697,992
Construction	\$7,249,405	\$10,774,422	\$18,595,361	\$19,987,838	\$21,809,599	\$1,376,644	\$79,793,269
Garment	\$8,469,044	\$28,354,260	\$45,840,083	\$28,878,096	\$20,256,026	\$10,495,323	\$142,292,832
Janitorial	NA	\$5,775,145	\$1,023,152	NA	\$13,411	NA	\$6,811,708
Pallets	NA	NA	\$2,802,085	\$5,653,517	\$9,740,885	\$16,056,214	\$34,252,701
Race Track	NA	\$754,510	NA	NA	NA	NA	\$754,510
Restaurant	\$1,565,252	\$26,621,445	\$20,930,891	\$15,311,096	\$10,284,188	\$5,307,631	\$80,020,503
Tire Shops	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>\$17,487,200</b>	<b>\$92,370,364</b>	<b>\$107,268,624</b>	<b>\$87,469,920</b>	<b>\$79,110,862</b>	<b>\$41,857,937</b>	<b>\$425,564,907</b>

**Total Number of New Registrations Submitted to EDD**

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	2	NA	2	3	3	9	19
Auto Body	NA	NA	26	58	17	53	154
Auto Dismantler	NA	NA	NA	NA	NA	6	6
Car Wash	6	8	8	10	3	NA	35
Construction	22	11	15	8	12	33	101
Garment	10	13	20	9	3	11	66
Janitorial	3	NA	1	NA	NA	NA	4
Pallets	NA	NA	7	7	3	11	28
Race Track	2	2	NA	NA	NA	NA	4
Restaurant	38	20	16	24	11	12	121
Tire Shops	NA	NA	NA	NA	NA	26	26
<b>Total</b>	<b>83</b>	<b>54</b>	<b>95</b>	<b>119</b>	<b>52</b>	<b>161</b>	<b>564</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Total Number of Audit Referrals

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	10	2	3	6	18	7	46
Auto Body	NA	NA	40	72	52	39	203
Auto Dismantler	NA	NA	NA	NA	NA	4	4
Car Wash	9	37	25	19	12	7	109
Construction	21	24	24	11	15	27	122
Garment	57	75	68	38	26	49	313
Janitorial	4	3	1	NA	NA	NA	8
Pallets	NA	NA	15	18	37	19	89
Race Track	1	4	NA	NA	NA	NA	5
Restaurant	67	94	76	66	43	48	394
Tire Shops	NA	NA	NA	NA	NA	20	20
<b>Total</b>	<b>169</b>	<b>239</b>	<b>252</b>	<b>230</b>	<b>203</b>	<b>220</b>	<b>1,313</b>

## Total Number of Closed Audits

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	NA	12	7	6	12	1	38
Auto Body	NA	NA	2	61	106	31	200
Auto Dismantler	NA	NA	NA	NA	NA	NA	NA
Car Wash	1	16	37	24	6	4	88
Construction	2	20	33	20	37	6	118
Garment	27	65	108	64	50	13	327
Janitorial	NA	5	2	NA	1	NA	8
Pallets	NA	NA	6	21	36	27	90
Race Track	NA	4	NA	NA	NA	NA	4
Restaurant	8	140	108	90	82	16	444
Tire Shops	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>38</b>	<b>262</b>	<b>303</b>	<b>286</b>	<b>330</b>	<b>98</b>	<b>1,317</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## Total Liability Increase

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	NA	\$1,666,178	\$107,627	\$380,373	\$33,992	\$52,624	\$2,240,794
Auto Body	NA	NA	NA	\$1,947,319	\$2,551,127	\$1,730,271	\$6,228,717
Auto Dismantler	NA	NA	NA	NA	NA	NA	NA
Car Wash	\$45,980	\$957,355	\$1,528,981	\$474,248	\$20,359	\$98,801	\$3,125,724
Construction	\$886,044	\$1,397,662	\$2,218,788	\$2,552,867	\$1,843,176	\$228,196	\$9,126,733
Garment	\$1,944,283	\$4,491,356	\$7,735,338	\$6,061,651	\$4,336,115	\$2,401,172	\$26,969,915
Janitorial	NA	\$436,289	\$54,636	NA	\$2,971	NA	\$493,896
Pallets	NA	\$0	\$396,297	\$828,918	\$1,592,805	\$3,771,208	\$6,589,228
Race Track	NA	\$51,878	NA	NA	NA	NA	\$51,878
Restaurant	\$148,819	\$5,079,199	\$3,493,607	\$2,474,161	\$1,818,789	\$1,081,852	\$14,096,427
Tire Shops	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>\$3,025,126</b>	<b>\$14,079,917</b>	<b>\$15,535,274</b>	<b>\$14,719,537</b>	<b>\$12,199,334</b>	<b>\$9,364,124</b>	<b>\$68,923,312</b>

## Total Number of Employers Charged with Fraud

Industry	SFY 05/06	SFY 06/07	SFY 07/08	SFY 08/09	SFY 09/10	SFY 10/11	Total by Industry
Agriculture	NA	3	NA	3	NA	NA	6
Auto Body	NA	NA	NA	7	21	8	36
Auto Dismantler	NA						
Car Wash	1	9	6	5	NA	NA	21
Construction	NA	2	6	3	3	NA	14
Garment	10	17	26	22	21	4	100
Janitorial	NA						
Pallets	NA	NA	NA	4	7	9	24
Race Track	NA						
Restaurant	NA	31	24	22	11	2	90
Tire Shops	NA						
<b>Total</b>	<b>11</b>	<b>62</b>	<b>66</b>	<b>66</b>	<b>63</b>	<b>23</b>	<b>291</b>

Note: "NA" means inspections were not performed in the given industry for the given year.

## EEEC Referrals by Tax Branch To Investigation Division and Convictions Obtained

Year of Referral	Source of Referrals	Number of Referrals	Total Number of Referrals	Number of Criminal Convictions
<b>2008</b>	Referrals From EEEEC Recidivist List Provided by UEO	4	5	0
	Referral from District Attorney who received allegation from EEEEC member	1		0
<b>2009</b>	N/A	N/A	N/A	N/A
<b>2010</b>	Referral from DIR who referred directly to Investigation Division	1	1	2

Note: Not all jurisdictions report criminal case outcomes. As a result, conviction counts are incomplete.

EEEC: Contractors State License Board Statistics (CSLB), SFY 2005/06 - SFY 2010/11

Number of Sweep Operations, SFY 2005/06 through SFY 2010/11

Contractors State License Board – Sweep Operations, Grand Total	Number of Operations
LICENSES CHECKED	4,537
APPOINTMENTS	770
SWEEP STOPS	4,290
NTA'S (notice to appear)	5
N-60 (non-licensee administrative citation)	430
CL1C (licensee administrative citation)	67
CN1 (non-licensee referral to the DA)	4
7028 PENDING (unlicensed contractor)	51
WARNING LETTERS	520
VERBAL WARNING	4
NO VIOLATIONS	2,486
DA WC	6
LICENSING PENDING	299

Number of Sting Operations, SFY 2006/07 through SFY 2010/11

Contractors State License Board – Sting Operations, Grand Total	Number of Operations
APPOINTMENTS	1,635
FELONY ARREST	3
NO SHOWS	273
NTA'S	1,073
N-60- Administrative Citation	58
CL1C- Administrative Citation against Licensee	9
7028 Unlicensed PENDING	33
CRIMINAL PENDING	42
WARNING LETTER	43
VERBAL WARNING	5
NO VIOLATION	12
ADMINISTRATIVE FOLLOW-UP	133

Contractors State License Board: Sweep Operations (SFY 2005/06 - SFY 2010/11)

	SFY 2005/06	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11
LICENSES CHECKED	481	724	1,326	1,848	1,494	1,316
APPOINTMENTS	519	251	NA	NA	NA	NA
SWEEP STOPS	NA	NA	768	1,414	1,181	927
NTA'S (Notice to Appear)	NA	NA	2	1	1	1
N-60 (Non-licensee administrative citation)	83	38	126	89	49	45
CL1C (licensee administrative citation)	32	15	11	7	NA	2
CN1 (non-licensee referral to the DA)	NA	NA	2	NA	2	NA
7028 PENDING	NA	NA	1	4	27	19
WARNING LETTER	6	NA	63	157	181	113
VERBAL WARNING	NA	NA	3	1	NA	NA
NO VIOLATION	111	184	271	1,454	1,183	1,027
DA WC	NA	NA	NA	NA	3	3
LICENSE PENDING	3	NA	37	71	81	107
<b>Total</b>	1,235	1,212	2,610	5,046	4,202	3,560

Note: "NA" means inspections were not performed in the given industry for the given year.

Contractors State License Board: Sting Operations (SFY 2006/07-2010/11)

	SFY 2006/07	SFY 2007/08	SFY 2008/09	SFY 2009/10	SFY 2010/11
APPOINTMENTS	42	195	606	417	375
FELONY ARREST	NA	NA	3	NA	NA
NO SHOWS	10	23	66	76	98
NTA'S	31	140	417	268	217
N-60 - Administrative Citation	NA	2	36	18	2
CL1C - Administrative Citation against Licensee	NA	2	NA	7	NA
7028 Unlicensed PENDING	NA	12	NA	13	8
CRIM PENDING	NA	NA	14	13	15
WARNING LETTER	NA	NA	12	19	12
VERBAL WARNING	NA	NA	1	4	NA
NO VIOLATION	NA	NA	1	4	7
ADMIN FOLLOW-UP	1	17	65	28	22
<b>Total</b>	84	391	1221	867	756

Note: "NA" means inspections were not performed in the given industry for the given year.

CSLB Referrals and Convictions

	Referrals	Convictions
6/1/2005	791	435
7/1/2006	1,034	648
8/2/2007	502	284
9/2/2008	423	188
10/2/2009	298	86
11/2/2010	298	26
<b>Grand Total</b>	<b>3,346</b>	<b>1,667</b>

Note: Not all jurisdictions report criminal case outcomes. As a result, conviction counts are incomplete

## Appendix 5

### EEEC Authorized Positions, SFY 2010-11

Classifications	Authorized Positions
Director EEEC (LWDA) Now at DIR	1
Industrial Relations Counsel III (DLSE)	1
Deputy Labor Commissioner I (DLSE)	11
Office Technician (DLSE)	2
Accounting Technician (DLSE)	1
Payroll Auditor (DLSE)	1
Senior Safety Engineer (DOSH)	1
Associate Safety Engineer (DOSH)	9
Accountant I (DOSH)	1
Associate Industrial Hygienist (DOSH)	1
Office Technician (DOSH)	1
Staff Counsel (EDD)	1
Tax Administrator I (EDD)	2
Criminal Investigator (EDD)	1
Tax Auditor III (EDD)	13
Tax Auditor IV (EDD)	2
Senior Tax Compliance Representative (Specialist) EDD	1
Employment Program Representative (EDD)	3
Program Technician II (EDD)	2
Enforcement Representative I (CSLB)	11
<b>Total</b>	<b>66</b>

Note: Positions were reclassified as needed for recruitment purposes and to reflect actual needs of the EEEC.

**Industry Partners of the  
Economic & Employment Enforcement Coalition**

American Chinese Garment Contractors Association of Southern California

Associated General Contractors of America, San Diego Chapter, Inc.

California Landscape Contractors Association

California Restaurant Association

Dairyman's Cooperative Creamery Association

Farm Employers Labor Service

Garment Contractors Association of Southern California

Grower-Shipper Association of Central California

Korean American Garment Industry Association

Maintenance Cooperation Trust Fund

Nisei Farmers League

Northern California Chinese Garment Contractors Association

Western Carwash Association



**Edmund G. Brown**  
*Governor*  
**STATE OF CALIFORNIA**

**Marty Morgenstern**  
*Secretary*  
**LABOR AND WORKFORCE DEVELOPMENT AGENCY**

**Christine Baker**  
*Director*  
**Department of Industrial Relations**

For more information, please contact Department of Industrial Relations, Office of the Director at 510-622-3959