

Department of Industrial Relations  
DIVISION OF LABOR STANDARDS ENFORCEMENT  
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## 2007 ANNUAL REPORT ON THE EFFECTIVENESS OF BUREAU OF FIELD ENFORCEMENT

Labor Code §90.5(d) requires the Labor Commissioner to report annually to the Legislature concerning the effectiveness of the Bureau of Field Enforcement (Bureau). This report shall include: (1) the enforcement plan adopted by the Labor Commissioner and the rationale for the priorities, (2) the number of establishments investigated by the Bureau, and the number and types of violations found, (3) the amount of wages found to be unlawfully withheld from workers, and the amount of unpaid wages recovered for workers, and (4) the amount of penalties and unpaid wages transferred to the General Fund as a result of the efforts of the Bureau.

The Bureau investigates complaints and takes enforcement actions to ensure employees are not being required or permitted to work under unlawful conditions. Enforcement action taken by Bureau investigators involves the enforcement of child labor laws; the requirement of employers to carry workers' compensation insurance coverage; audits of payroll records, collection of unpaid minimum wages, overtime, as well as prevailing and other unpaid wages; the issuance of civil and criminal citations; and the confiscation of illegally manufactured garments, and injunctive relief to preclude further violations of the law.

The Labor Commissioner has maximized enforcement efforts through the use of focused enforcement programs operating within the Bureau. Additionally, the Division of Labor Standards Enforcement has placed new emphasis on self-initiated inspections augmenting the investigations conducted in response to specific complaints. These measures are designed to target those employers committing flagrant violations or operating in the underground economy. The Labor Commissioner is intent on giving the economic advantage back to the law-abiding employer, and protecting workers from unlawful labor practices. In calendar year 2007, the Bureau conducted a total of 7,883 inspections, resulting in a total of 4,800 citations. The largest single source of violations and citations was for the failure to carry workers' compensation insurance. The ratio of workers' compensation citations per inspection has increased somewhat from 28% of inspections resulting in workers' compensation citations in 2006, to 32% in 2007. In 2007, the total amount of penalties assessed for all violations of law was \$31,479,945 and penalties collected of \$8,595,026.<sup>1</sup> With the implementation of the Division's new collection unit in November 2006, the Division has achieved significant progress in collecting penalties assessed, and anticipates that its efforts will continue to result in increasing success in collection of penalties.

As part of its ongoing enforcement activities the Bureau has requested that employers who have been inspected perform self-audits and work with the Division of Labor Standards

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<sup>1</sup> These figures are inclusive of the number of inspections conducted, citations issued, and penalties assessed by DLSE in conjunction with EEEEC sweeps as discussed below.

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Enforcement (DLSE) to settle labor law violations. At least two major settlements which were initiated by investigations performed by Bureau staff and self-audits resulted in wages and penalties assessed in the amount of \$5,291,202 and collections of \$4,000,000. Another \$1,250,000 of these settlements is scheduled to be collected in mid-2008.

Labor Code Sections 2050-2067 and Title 8, California Code of Regulations (CCR), Division 1, Chapter 6, Subchapter 11, Sections 13680 through 13693 require car washing and polishing businesses to register with DLSE. Senate Bill 1468 (Alarcon, Chapter 656, Statutes of 2006) extended the sunset date of these registration requirements to January 1, 2010. Title 8 CCR Section 13684(b) originally provided for a staggered registration process by geographic location with all car washes required to be registered no later than July 30, 2006. According to information provided by the Employment Development Department, it is estimated that there are approximately 1,591 employers subject to this registration requirement, and as of December 31, 2007, 634 businesses had registered. Effective January 1, 2007, the Bureau, separate from the efforts of the Economic and Employment Enforcement Coalition (EEEC) described below, and working closely with the Division's Licensing & Registration Unit, began a concerted enforcement effort in this regard. Those efforts, included in the overall statistics presented in this report, resulted in 431 car wash establishment inspections and the issuance of 544 citations for violations of various labor laws including non-registration and penalty assessments in the amount of \$4,825,250 for 2007.

On July 1, 2005 the EEEEC was launched. A partnership of state and federal agencies consisting of the Employment Development Department (EDD), Cal OSHA, the Contractor's State License Board, the Franchise Tax Board, and the federal Department of Labor, each experts in their own field, has collaborated for vigorous and targeted enforcement against unscrupulous businesses participating in the "underground economy" historically abusing the workforce in the garment manufacturing, janitorial, agriculture, car wash, construction, race track, and restaurant industries. The EEEEC has concentrated its enforcement in the areas of workers' compensation, payment of less than minimum wage, cash pay with no deduction statement, child labor, no contractor's license, no farm labor contractor license, no garment registration, and no car wash registration. In calendar year 2007, the EEEEC conducted 1,210 inspections affecting 21,048 employees of the inspected employers. As a result of the EEEEC inspections DLSE issued:

Citations	949
Citation Assessments	\$8,071,850
Notice to Discontinue	950

In 2007, the Bureau, including EEEEC actions, conducted 1,631 inspections in the restaurant industry, 537 in agriculture, 789 in construction, 572 in the garment industry, 84 in janitorial services, 559 in car washes, and 3,711 in all other industries, for a total of 7,883 inspections. In the 7,883 inspections conducted, the greatest number of violations found involved failure to carry workers' compensation insurance coverage, resulting in 2,536 citations. The ratio of citations issued for failure to carry workers' compensation insurance coverage per number of inspections conducted increased from 28% in 2006 to 32% in 2007. The Division will continue to vigorously enforce this requirement and is undertaking new measures to utilize

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data from the Employment Development Department and the Workers' Compensation Insurance Rating Bureau to identify and direct enforcement efforts against unlawfully uninsured employers. Investigators also issued 187 citations for violations relating to garment manufacturing registration requirements, 934 citations for paying employees in cash without the required itemized wage deduction statement, and violations of minors working in the workplace resulted in the issuance of 359 civil citations. Additionally, 129 citations were issued for minimum wage violations and 178 issued for violations of the state's overtime laws, increases over prior years likely resulting from the change in the minimum wage effective January 1, 2007. Moreover, 53 citations were issued to unlicensed contractors working on construction projects, and 424 citations for violations of various other labor laws. Three criminal citations were issued for farm labor contracting without a license. Also in 2007, 203 criminal cases were filed with local District Attorneys, 458 cases were referred to DLSE Legal, and 1,362 resulted in hearings before the Labor Commissioner.

In addition to enforcement of specific Labor Code statutes and provisions of the Industrial Welfare Commission (IWC) wage orders, the Bureau investigates complaints arising from violations of the state's prevailing wage laws, and conducts payroll audits on behalf of California's workers for back wages owed. During 2007, investigations of violations of prevailing wage laws found \$9,555,442 in wages owed to workers on public works projects. In 2007, DLSE recovered \$5,601,845 in wages owed for underpayment or non-payment of prevailing wages, and an additional \$951,024 in civil penalties for wage and public works violations.

During 2007, investigators in the Bureau, including Public Works and EEEEC actions, collected a grand total of \$19,210,252 in wages owed to employees in California.

In accordance with subsections (2), (3), and (4) of Labor Code §90.5(d), the following data is presented to demonstrate the effectiveness of the field enforcement unit during 2007:

BOFE and EEEEC:

Number of Establishments Investigated	7,883
Total Number of Citations Issued for Labor Law Violations	4,800
Unlicensed Contractors (Construction)	53
Workers' Compensation	2,536
Child Labor	359
Minimum Wage	129
Payment of Wages without Deduction Statement	934
Overtime	178
Garment	187
Other Civil Penalties	424

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Wages Recovered	\$13,608,407
Penalties Collected	\$ 8,595,026
Public Works (prevailing wage) Enforcement	
Cases Opened	756
Cases Closed	739
Wages Recovered	\$ 5,601,845
Penalties Collected	\$ 951,024
Total amount of wages found to be unlawfully withheld (BOFE, including EEEEC + Public Works)	\$29,129,713
Total amount of wages recovered for workers (BOFE, including EEEEC + Public Works)	\$19,210,252
Amount transferred to the General Fund in Calendar Year 2007	
Penalties	\$4,807,681

Respectfully Submitted,

Angela Bradstreet  
State Labor Commissioner