

## N E W S   R E L E A S E

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### **Labor Agency Coordinates Interagency Action on the Underground Economy**

**Sacramento**— The underground economy affects all Californians. While the actual impact is difficult to measure, the effects are costly and evident. Compliant businesses cannot compete against those who have gained an unfair advantage by evading their responsibilities. Workers are denied correct wages for an honest day's work, put at risk in unsafe work environments, and excluded from social insurances such as workers' compensation, disability insurance, and social security. Additionally, all Californians feel the effects of shortfalls in tax revenue receipt and taxpayers are further burdened by the increased costs of social insurances.

#### **California's Solution**

The Labor and Workforce Development Agency convened state and federal enforcement agencies last Wednesday to discuss ongoing challenges and opportunities to combat the underground economy. The Labor Enforcement Task Force (LETF), led by the Department of Industrial Relations (DIR), and the Joint Enforcement Strike Force (JESF), headed by the Employment Development Department (EDD), presented recent successes through joint collaboration and targeted inspections. Representatives from DIR, EDD, Contractors State License Board, California Unemployment Insurance Appeals Board, Agricultural Labor Relations Board, California Department of Insurance, California Department of Justice, State Compensation Insurance Fund, California Department of Consumer Affairs, Alcohol Beverage Control Board, Franchise Tax Board, U.S. Department of Labor, FBI, and IRS participated in the roundtable discussion.

DIR Director Christine Baker described how streamlining the administration of enforcement activity "has reduced agency overlap in the field, resulted in better coordination of limited resources, and improved efforts to target non-compliant businesses." In fact, 40 percent of joint LETF inspections have resulted in violations with every agency participating in the inspection. Collaboration has been successful in multiple areas, as noted by EDD Director Patrick Henning, "including increased data sharing, greater coordination with District Attorneys for criminal investigations, and combined resources for cross-training."

The efficacy of tackling underground economy activity through joint enforcement is well documented. To build on the success of the LETF and JESF collaboration, Assembly Bill 576 established the Revenue Recovery and Collaborative Enforcement Team, which Governor Brown directed DIR to lead in his signing message. The goal of this legislation is to add another arrow to the quiver to target employers that enjoy the benefits of doing business in California but evade responsibilities owed to their workers, their communities, and the state.

In Wednesday's meeting, California's enforcement agencies refined their strategy for increased collaboration. Multi-agency working groups are developing methods to increase data sharing, identify opportunities for outreach and education for workers and employers, and coordinate enforcement activity to omit overlap and align resources.

Additional information on the underground economy, the [Labor Enforcement Task Force](#) and [DIR](#) is posted online and on DIR's [Facebook](#) and [Twitter](#) pages.

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