
N E W S R E L E A S E

News Release No.: 2017-55

Date: June 29, 2017

California Labor Commissioner Citation of General Contractor for Subcontractor's Wage Theft Affirmed

Los Angeles—California Labor Commissioner Julie A. Su issued citations of \$249,879 against Irvine-based general contractor Deacon Corporation, along with its subcontractor, Lafayette-based Champion Constructions, Inc.

This is the first time that the Labor Commissioner has held a general contractor responsible for wage theft by its subcontractor by issuing citations under [AB 1897](#) (section 2810.3 of the Labor Code), signed by Governor Brown in 2014, which took effect on January 1, 2015.

Champion, a drywall and framing contractor hired by Deacon for the Cambria Hotel construction project in El Segundo, shorted 47 workers. The Champion employees worked an average of 10 hours a day, five days a week and were unpaid for four weeks.

“This case addresses the pervasive problem of wage theft in subcontracted industries,” said Labor Commissioner Julie A. Su. “Businesses at the top of the contracting chain that profit from workplace violations can no longer escape legal liability by hiding behind their subcontractors, even if they did not control the work performed or know about the violations.”

The wage theft came to light after several of Champion’s workers walked off the job on June 16, 2016, and filed wage claims at the Labor Commissioner’s Office in Long Beach for nonpayment of wages.

The Labor Commissioner’s investigation revealed that Champion paid the workers from an account with insufficient funds and then skipped several pay periods for the majority of the workers. Investigators also learned that Champion failed to pay overtime wages to many of the workers, who worked up to 2 hours overtime a day.

The Labor Commissioner’s Office last August issued citations against both Deacon and Champion totaling \$279,151 in unpaid overtime and minimum wages, waiting time

penalties, rest period premiums and civil penalties for work performed from May 8, 2016 to June 16, 2016. A demand letter was also issued in August for \$50,466 to request payment of the contract wages, which is the difference between minimum wage and the wages promised to the workers when contracted for the job.

Champion did not challenge the citations. However, Deacon filed an appeal on February 27, contesting their liability for the subcontractor's wage theft. During the appeal hearing, a Deacon superintendent admitted the company was aware of the subcontractor's failure to pay their workers. The general contractor argued that it should not be held liable as defined under Labor Code Section 2810.3.

On May 16, the hearing officer affirmed that Deacon is responsible as a "client employer", with stipulated citations and penalties owed totaling \$249,879 for overtime and minimum wages, liquidated damages, waiting time penalties and civil penalties.

[AB 1897](#) holds business entities (known under the law as "client employers") that obtain labor from a subcontractor responsible for the workplace violations of the subcontractor. A client employer may be liable for the subcontractor's owed wages, damages and penalties, as well as workers' compensation violations.

When workers are paid less than minimum wage, they are entitled to liquidated damages that equal the amount of underpaid wages plus interest. Waiting time penalties are imposed when the employer fails to provide workers their final paycheck after separation. This penalty is calculated by taking the employee's daily rate of pay and multiplying it by the number of days the employee was not paid, up to a maximum of 30 days.

The [Labor Commissioner's Office](#), officially known as the Department of Industrial Relations' Division of Labor Standards Enforcement, inspects workplaces for wage and hour violations, adjudicates wage claims, investigates retaliation complaints, issues licenses and registrations for businesses, enforces prevailing wage rates and apprenticeship standards in public works projects, and educates the public on labor laws.

Its [Wage Theft is a Crime](#) multilingual public awareness campaign was launched in 2014 to help inform workers of their rights and employers of their responsibilities. Employees with work-related questions or complaints may contact DIR's Call Center in English or Spanish at 844-LABOR-DIR (844-522-6734).

Members of the press may contact Erika Monterroza or Peter Melton at (510) 286-1161, and are encouraged to [subscribe to get email alerts](#) on DIR's press releases or other departmental updates.

#



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 general inquiries, contact DIR's Communications Call Center at 844-LABOR-DIR (844-522-6734) for help in locating the appropriate [division or program](#) in our department.