

Department of Industrial Relations
DIVISION OF LABOR STANDARDS ENFORCEMENT
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2006 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 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 of Field Enforcement. These programs 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 to protect workers from unlawful labor practices. In calendar year 2006, the Bureau conducted a total of 4,720 inspections, resulting in a total of 2,419 citations with penalties assessed in the amount of \$18,577,983.¹

On July 1, 2005 the Economic and Employment Enforcement Coalition (EEEC) was launched. A partnership of state and federal agencies consisting of the Employment and Development Department (EDD), Cal OSHA, the Contractors State License Board, the Franchise Tax Board, and the Federal Department of Labor, each experts in their own field, the unit 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 unit 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, and no garment registration. In calendar year 2006, the first full calendar year of operation, the EEEEC conducted 1,403 inspections

¹ 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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affecting 24,763 employees of the inspected employers. As a result of the EEEEC inspections the Division of Labor Standards Enforcement (DLSE) issued:

Citations	919
Citation Assessments	\$8,009,950
Notice to Discontinue	1,074

In 2006, the Bureau, including EEEEC actions, conducted 822 inspections in the restaurant industry, 520 in agriculture, 636 in construction, 548 in the garment industry, 46 in janitorial services, and 2,148 in all other industries, which includes among others car washes and race tracks, for a total of 4,720 inspections. In the 4,720 inspections conducted, the greatest number of violations found involved failure to carry workers' compensation insurance coverage, resulting in 1,353 citations. Investigators also issued 150 citations for violations relating to garment manufacturing registration requirements, 490 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 277 civil citations. Additionally, 32 citations were issued for minimum wage violations, 65 were issued to unlicensed contractors working on construction projects, 52 were issued for violations of the state's overtime laws, 10 criminal citations were issued for farm labor contracting without a license. Also in 2006, 192 criminal cases were filed with local District Attorneys, 292 cases were referred to DLSE Legal, and 1,401 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 2006, investigations of violations of prevailing wage laws found \$6,351,880 in wages owed to workers on public works projects. In 2006, DLSE recovered \$5,847,429 in wages owed for underpayment or non-payment of prevailing wages, and an additional \$838,531 in civil penalties for wage and public works violations.

During 2006, investigators in the Bureau, including Public Works and EEEEC actions, collected \$10,489,986 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 2006:

Number of Establishments Investigated	4,720
Total Number of Citations Issued for Labor Law Violations	2,419
Unlicensed Contractors (Construction)	65
Workers Compensation	1,353
Child Labor	277
Minimum Wage	32
Cash Pay	490

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Overtime	52
Other Civil Penalties	150

Public Works (prevailing wage) Enforcement

Cases Opened	476
Cases Closed	1057
Wages Recovered	\$5,847,429
Penalties Collected	\$ 838,531

Total amount of wages found to be unlawfully withheld (BOFE, including EEEEC + Public Works)	\$15,614,944
Total amount of wages recovered for workers (BOFE, including EEEEC + Public Works)	\$10,489,986

Amount transferred to the
General Fund in Calendar Year 2006

Penalties	\$3,127,993.67
Fees	<u>693,155.05</u>
TOTAL	\$3,821,148.72

Respectfully Submitted,

Robert Jones
Acting State Labor Commissioner, DLSE

May 22, 2007