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## 2006 Annual Report of the Unlawfully Uninsured Employer Enforcement Program

The Division of Labor Standards Enforcement (Division) through its Bureau of Field Enforcement Unit (Bureau) is charged with enforcing laws requiring employers in the State of California to secure the coverage of workers' compensation insurance for any and all employees. To ensure that these laws are adequately enforced, Assembly Bill 749 (Chapter 6, Statutes of 2002) added Labor Code §90.3(d) mandating the Labor Commissioner to establish and maintain a program targeting employers in industries with the "highest incidence of unlawfully uninsured employers." The section also requires that the industries and employers be identified from data contained in the Uninsured Employers Fund (UEF), the Employment Development Department (EDD), and the Workers' Compensation Insurance Rating Bureau (WCIRB). Finally, the law requires the Labor Commissioner to conduct on-site inspections of those employers found to have employees, but no record of a valid workers' compensation policy to ensure that compliance with the workers' compensation laws is achieved.

Labor Code §90.3(d) requires the Labor Commissioner to report annually to the state Legislature concerning the effectiveness of the program that targets unlawfully uninsured employers. This report shall include: (1) the number of unlawfully uninsured employers identified pursuant to the program, (2) the number of employers matched to records of insurance coverage, (3) the number of employers identified that there was no record of their insurance, (4) the number of employers inspected, and 5) the number and amount of penalties assessed pursuant to Section 3722 as a result of the program.

While the Division did not establish a special program as a result of AB 749, it has focused its enforcement efforts in the underground economy and other industries with a history of labor law violations that include being illegally uninsured for workers' compensation.

As a result of these efforts, Bureau staff did inspect 4,720 employers in its ongoing inspection program in calendar year 2006. Of those 4,720 employers, 1,353 were found to be in violation of workers' compensation laws and were assessed \$10,770,284 in penalties. A total of \$2,477,059 was collected during the year from illegally uninsured employers.

Respectfully Submitted,

Robert Jones  
*Acting State Labor Commissioner*

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