

DEPARTMENT OF INDUSTRIAL RELATIONS

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March 24, 2025

Mr. Joe Stephenshaw, Director
Department of Finance
915 L Street
Sacramento, CA 95814

Honorable Scott Wiener, Chair
Joint Legislative Budget Committee
1021 O Street, Room 8620
Sacramento, CA 95814

Attention: Hans Hemann

Subject: Labor Enforcement Task Force Report to the Legislature

Dear Chair Wiener and Director Stephenshaw:

Pursuant to the Budget Act of 2012 (Assembly Bill 1464, Chapter 21, Statutes of 2012), the Department of Industrial Relations (DIR) is pleased to report to the Director of Finance and the Joint Legislative Budget Committee on the accomplishments of the Labor Enforcement Task Force (LETF). This report covers activity from 2012 through 2024 and is also available on the [LETF webpage](#).

The LETF mission is to combat the underground economy in order to ensure safe working conditions and proper payment of wages for workers; to create an environment in which legitimate businesses can thrive; and to support the collection of all California taxes, fees, and penalties due from employers. DIR coordinates with the Labor Commissioner's Office, Cal/OSHA, the Employment Development Department, the Contractors State License Board, and other state partner agencies to identify bad actors, share information, and conduct joint enforcement. The LETF teams target noncompliant employers for inspection using referrals and data-matching techniques. Each agency on its own does not have access to the full range of data and other information that the LETF teams can access through cooperation.

Protecting all workers from wage theft, unsafe working conditions, and other labor law violations is more important than ever in California. LETF continues to adapt and respond effectively to the evolving workforce and business settings. LETF has overseen a strategic enforcement initiative focused on publicly funded residential housing projects. As construction work is underway statewide to rapidly expand housing, LETF is leading efforts to protect the health & safety and economic wellbeing of the employees that are performing this critical work at the job sites. Over the last few years, LETF has also developed a partnership with the Department of Cannabis Control (DCC) to focus on protecting workers in both the licensed and underground cannabis industries. Collaboration across agencies is more important than ever to address the numerous and complex labor related issues. We look forward to

continuing our efforts aimed at leveling the playing field for compliant business owners and protecting all wage earners in California.

Sincerely,

Katrina S. Hagen
Director, California Department of Industrial Relations

cc: Joint Legislative Budget Committee Members:

Senator Scott Wiener (Chair)
Senator Benjamin Allen
Senator Christopher Cabaldon
Senator María John Laird
Senator Roger Niello
Senator Rosilicie Ochoa Bogh
Senator Laura Richardson
Senator Akilah Weber Pierson

Assembly Member Jesse Gabriel (Vice Chair)
Assembly Member Dawn Addis
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Assembly Member Dr. Corey A. Jackson
Assembly Member Joe Patterson
Assembly Member Sharon Quirk-Silva



Report to the Legislature

March 2025

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The mission of the Labor Enforcement Task Force (LETF) is to combat the underground economy in order to ensure safe working conditions and proper payment of wages for workers, create an environment in which legitimate businesses can thrive, and support the collection of all California taxes, fees, and penalties due from employers. Task force members include the following:

- Labor & Workforce Development Agency (LWDA)
- Department of Industrial Relations (DIR), including the Division of Labor Standards Enforcement (DLSE) and the Division of Occupational Safety and Health (Cal/OSHA)
- Employment Development Department (EDD)
- Contractors State License Board (CSLB)
- California Department of Insurance (CDI)
- California Department of Tax and Fee Administration (CDTFA)
- Bureau of Automotive Repair (BAR)
- Department of Alcoholic Beverage Control (ABC)
- Department of Cannabis Control (DCC)
- State Attorney General and district attorneys throughout California

Established in January 2012, LETF is administered by DIR. DIR developed executive and strategic operations teams to operate, evaluate, and monitor the program. This report covers activities since LETF's inception.

A. Targeting Methods: Value Added by the LETF

LETF is tasked with ensuring efficacy, resource maximization, and the avoidance of overlap in agency enforcement. Targeted inspections are the most effective approach for meeting these central objectives. To accurately target noncompliant businesses, DIR continually refines its methods, which are both data driven (proactive) and complaint driven (responsive).

LETF teams comprise staff from the member agencies listed above, customized for inspections in each industry. On its own, each agency does not have access to the full range of data and other information that the LETF teams can access collectively.

- DLSE uses wage claim data, Bureau of Field Enforcement (BOFE) data, and contacts with local district attorneys and community-based organizations.
- Cal/OSHA uses their own inspection and permit data, as well as using contacts with various stakeholders including community-based organizations, business associations, and employee-based organizations.
- EDD uses complaint data and their Accounting and Compliance Enterprise System (ACES) that includes multiple databases, including tax and DMV records. Their data on taxpayers are protected by federal privacy laws.
- CSLB uses complaint data, licensing data, and contacts with industry partners.

In addition, LETF receives complaints and tips submitted directly by the public to identify potential

targets. DIR has issued news releases and targeted email notifications in order to proactively solicit complaints and tips. This [news release](#) is an example of a proactive outreach effort to solicit public engagement and submission of complaints for public works projects. The public may report through the LETF hotline, the LETF online form, or the LETF email address, as provided online on the [Labor Enforcement Task Force webpage](#).

LETF is committed to comprehensive worker protection. LETF teams often interact with workers who could be potential victims of human or labor trafficking. Therefore, LETF has developed a partnership and referral process with the California Department of Justice (DOJ) to enable our staff to identify and refer potential trafficking cases. If LETF teams notice potential signs of trafficking while they are doing inspections at businesses or work sites, the staff member will report the details to their manager and a referral will be made to DOJ. Additionally, LETF occasionally receives complaints and leads on the LETF hotline, email inbox, and online form with allegations of possible trafficking. When LETF receives these complaints and leads, a referral is made to DOJ.

LETF targeting protocol involves a multiphase process that all inspectors follow. Teams select potential targets and conduct research to identify possible indicators of noncompliance with wage & hour, worker health & safety, workers' compensation, tax & payroll, licensing, and other requirements. Lists of potential targets are sent to EDD for screening to learn if the employer is registered with EDD and to determine how many employees the employer has reported. The target lists are screened through the Workers' Compensation Insurance Rating Bureau (WCIRB) to determine if the employer is adequately insured. In addition, LETF screens business names using other agency databases to match on a variety of fields that may indicate areas of noncompliance. The results are added to the business profile and used to prioritize and prepare inspectors for joint enforcement action.

B. Joint Enforcement Activity: Value Added by the LETF

Working together with combined authority, LETF teams have access to a fuller range of enforcement tools than does each agency on its own:

- DLSE has the authority under Labor Code section 90 to access all places of employment. Other LETF partners do not have this full authority. DLSE may also issue stop orders requiring employers to cease illegal operations immediately.
- Cal/OSHA has the authority to issue citations for regulatory, general, and/or Serious, Willful, and Repeat (SWR) violations. Cal/OSHA may also issue an order prohibiting use (OPU) where a condition or practice exists that creates an imminent hazard to the safety and health of employees.
- EDD has authority under Section 1092 of the California Unemployment Insurance Code to require employers to provide records for inspection at any time during the employing unit's business hours.
- CSLB is able to suspend contractors' licenses until penalties issued by DLSE and state payroll taxes, penalties, and interest due to EDD are paid or formal arrangements have been made to pay off the liability due in installments. Penalties are far more likely to be paid promptly when the license is suspended until payment is made.

Joint enforcement has two key comparative advantages for the business community. First, because LETF inspection teams comprise members from multiple agencies, one LETF inspection has less impact on business operations than multiple separate inspections by the individual agencies. Second, when several agencies working together find egregious employer misconduct, the ensuing publicity has a deterrent effect that is much more powerful than that of a single agency’s enforcement. This [news release](#) has details of the Labor Commissioner citing multiple car wash businesses more than \$1 million for wage theft violations as a result of LETF inspections. Tables 1–7 show enforcement results by year for participating agencies.

Table 1. Cal/OSHA Results

	2012-2022	2023	Non-2023 LETF**	2024	Non-2024 LETF**	Total
Businesses Inspected	7,435	749	114	540	73	8,911
% Businesses Out of Compliance	77%	91%	66%	67%	47%	70%
Order Prohibiting Use (OPU)	183	0	0	0	0	183
Total Number of Violations	26,538	2,295	201	2,290	96	31,420
% of Total Violations That Were Serious	37%	14%	22%	14%	8%	19%
% of Programmed Inspections w/SWR Violations	30%	13%	24%	14%	0%	10%
Initial Assessment Amounts	\$26,323,977	\$1,951,744	\$626,280	\$1,823,485	\$795	\$30,726,281

*Totals for 2024 do not reflect information for 176 LETF and nine Non-LETF inspections that are still pending citation issuance.

** LETF Cal/OSHA staff were redirected to perform Non-LETF inspections.

Table 2. DLSE Results

	2012-2022	2023	2024	Total
Businesses Inspected	7,045	102	127	7,274
Businesses Out of Compliance	3,663	6	114	3,783
% Businesses Out of Compliance	51%	6%	90%	49%
Number of Workers’ Compensation Insurance Violations	2,746	18	14	2,778
Number of Child Labor Violations	115	0	0	115
Number of Deduction Statement Violations	2,088	6	9	2,103
Number of Minimum Wage Violations	271	0	0	271
Number of Overtime Violations	274	0	0	274
Number of Garment Violations	312	5	15	332
Number of Contractor’s License (1021/1021.5) Violations	237	0	0	237

	2012-2022	2023	2024	Total
Number of Car Wash Registration Violations	190	9	10	209
Number of Rest Period Violations	30	0	0	30
Number of Meal Period Violations	31	0	0	31
Number of Split Shift Violations	36	0	0	36
Number of Misclassification Violations	3	0	0	3
Number of Unlicensed Farm Labor Contractor (1683) Violations	1	0	0	1
Total Number of Violations	6,405	61	62	6,528
Assessment Amounts	\$ 70,237,398	\$619,617	\$592,470	\$ 71,449,485

Table 3. EDD Results

	2012-2022***	2023	2024	Total
Businesses Inspected	8,359	721	816	9,896
% of Audit Referrals*	59%	38%	40%	56%
Estimated Unreported Wages**	\$1,154,457,777	\$72,762,897	\$274,703,213	\$1,501,923,887
Estimated Unreported Employees	22,158	741	1,681	24,580
Completed Audits	3,542	278	230	4,050
Audit Liability Change	\$127,971,748	\$12,395,399	\$10,058,287	\$150,425,434

*Based on closed LETF cases. **Closed LETF leads. *** EDD superseded 2023 Legislative Report data

Table 4. CSLB Results

	2012-2022*	2023	2024	Total
Businesses Inspected	3,647	131	165	3,943
Total Businesses Out of Compliance	1,413	54	73	1,540
% Businesses Out of Compliance**	39%	41%	44%	39%
Civil Penalties Assessed	\$1,908,650	\$92,100	\$79,950	\$2,080,700

*Totals for 2012 followed different methodology than totals for the other years, which both reflect joint inspection results when CSLB partnered with at least one other LETF enforcement partner.

**Includes violations for contracting without a license, contracting with an expired or suspended license, illegal advertising, and other violations.

Table 5. BAR Results

	2012-2022	2023	2024	Total
Businesses Inspected	980	58	105	1,143
# Businesses Out of Compliance	245	11	13	269
% Businesses Out of Compliance*	25%	19%	12%	24%

*Includes both unlicensed businesses and businesses with delinquent licenses.

Table 6. CDTFA Results

	2012-2022	2023	2024	Total
Businesses Inspected	2,187	258	297	2,742
% Businesses Out of Compliance*	29%	15%	18%	27%

*Includes businesses operating without a seller's permit and leads generated by CDTFA.

C. Joint Strategic Enforcement with Department of Cannabis Control

Table 7. DCC Results

	2023	2024	Total
Business Inspected	5	5	10
% Business out of compliance	80%	80%	80%
Number of Notices to Comply	3	3	6
Number of Tagging of Cannabis Plants Violations	1	1	2
Number of Pest Management Plan Violations	1	1	2
Number of Weighing Device Violations	1	1	2
Number of Premises Diagram Violations	0	1	1
Number of Over Lighting Limit Violations	0	1	1
Number of Video Surveillance Violations	1	2	3
Number of Distribution Activities Violations	1	0	1
Number of Security Personnel Violations	1	0	1
Number of Right of Access Violations	1	0	1
Number of Packaging and Labeling Violations	0	1	1

D. Strategic Enforcement of Public Works Projects

Pursuant to Assembly Bill 175 (Chapter 255, 2021), the sum of \$30,000,000 was appropriated from the Labor and Workforce Development Fund for support of DIR for strategic enforcement focused on construction, alteration, and repair projects, subject to the provisions of Section 1785 of the Labor Code. LETF is leading strategic enforcement efforts for this project. LETF has provided focused leadership to

develop a pro-active and reactive joint enforcement focus incorporating various strategies, including interagency and cross divisional data sharing, on-site surveillance and reviewing of complaints submitted by stakeholders. One of the main focuses of this strategic enforcement effort is Homekey, a statewide effort to sustain and rapidly expand housing. LETF has implemented a strategic enforcement plan focused on Homekey and other publicly funded residential housing projects. These efforts will promote a level playing field for contractors to bid and operate fairly on these publicly funded projects and will further enhance the enforcement of labor laws to protect the health & safety and economic wellbeing of employees working on-site at the projects. LETF strategic enforcement efforts expanded to include team members from DLSE, Cal/OSHA, EDD and CSLB working together with over 300 inspections opened at active Public Works job sites.

E. Education and Outreach

LETF uses multiple education and outreach methods to ensure that employers know their responsibilities and workers know their rights. LETF has designed and produced effective educational materials for workers and employers in coordination with other agencies. LETF produced the widely referenced employee handbook “All Workers Have Rights in California”, which is available in multiple languages, and covers topics such as minimum wages and overtime, rest and meal breaks, workplace safety and health, and benefits for those injured or unemployed. LETF has also produced fact sheets to help employers understand and follow labor, licensing, and payroll tax laws. The fact sheets have been designed for employers in specific industries, including agriculture, automotive, construction, garment, landscaping, and restaurants. Printable and mobile versions of these materials for workers and employers have been recently updated to reflect the minimum wage increases in 2025 and other important labor law updates. The mobile versions are readable on smartphones and other mobile devices. All the LETF educational materials are available on the LETF website under [Information for Workers and Employers](#).

The [LETF website](#) is available in English and Spanish. DIR publicizes LETF’s efforts and notable cases via speaking engagements, press releases, website features, and email alerts. The public can subscribe to get LETF email alerts at [Get Email Notices](#).

LETF representatives participate regularly in the DLSE Prevailing Wage Seminars. These educational seminars provide an overview of prevailing wage and apprenticeship standards compliance. LETF representatives provide updates of joint enforcement efforts focused on public works projects. This [webpage](#) shows details of upcoming seminars.

F. Recommended Changes to Statutes

Though LETF does not currently have any active plans for legislation, task force partners are continuously looking for ways to improve effectiveness and interagency collaboration.

G. Objectives for 2025

Objectives for 2025 include the following:

1. **Focus on strategic enforcement of key industries.** LETF oversees collaborative efforts with enforcement partners and other stakeholders to expand strategic enforcement focused on key industries, including but not limited to agriculture, cannabis, construction, garment and restaurant. LETF will continue leading the strategic enforcement initiative focused on publicly funded residential housing projects. LETF is continually refining joint operational protocols in order to streamline interagency collaboration, focus on operators in the underground economy, and avoid duplication of efforts.
2. **Strengthen and increase engagement with community partners.** Working with a wide range of stakeholders including community partners is essential for LETF to understand and combat the multifaceted nature of the underground economy. LETF aims to strengthen existing partnerships and develop new ones with community partners, such as worker advocates, employer groups, union representatives, and contractor associations.
3. **Promote focused outreach and education for workers and employers.** LETF will continue to work with partners to educate vulnerable workers about their rights and increase awareness about the widespread harmful effects of the underground economy. Additionally, LETF seeks to promote compliance by partnering with employer groups and educating employers in multiple industries on their responsibilities and on how to remain in compliance with labor laws.