Overview

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 where legitimate businesses can thrive, and support the collection of all California taxes, fees, and penalties due from employers.

Task force members include:

- Labor & Workforce Development Agency (LWDA)
- Department of Industrial Relations (DIR), including Division of Labor Standards Enforcement (DLSE) and Division of Occupational Safety and Health (DOSH)
- Employment Development Department (EDD)
- Contractors State Licensing Board (CSLB)
- California Department of Insurance (CDI)
- Board of Equalization (BOE)
- Bureau of Automotive Repair (BAR)
- State Attorney General and district attorneys throughout California
- Agricultural Labor Relations Board (ALRB)

Beginning in January 2012, the Department of Industrial Relations (DIR) assumed responsibility for administering the newly formed LETF. Executive and strategic operations teams were established to plan, evaluate, and monitor the program. This summary covers activities for fiscal year 2013-14.

Targeting Methods – Value Added by the LETF

To target non-compliant employers, DIR continues to refine its methods, which are both data-driven (proactive) and complaint-driven (responsive).

LETF teams include inspection staff from DLSE, DOSH, EDD, and CSLB, as well as from other member agencies, depending on the industry. On every team, staff members from each agency develop potential targets through statistical reporting from their respective databases and other sources of information. Each agency on its own does not have access to the full range of data and other information that the LETF teams can access collectively:

- DLSE uses wage claims data, Bureau of Field Enforcement (BOFE) data, and contacts with local district attorneys and community-based organizations.
- DOSH uses contacts with the local Agricultural Commissioner’s office, the local US Department of Agriculture’s office, and community-based organizations. DOSH frequently receives reports of unsafe working conditions and accidents, which also help identify potential targets.
- EDD uses complaint data and the Automated Collection Enhancement System (ACES) database that includes multiple databases, including tax and DMV records. EDD’s data on taxpayers is protected by federal privacy and confidentiality laws.
- CSLB uses complaint data, licensing data, and contact with industry partners.

In addition, DIR receives complaints and tips to identify potential targets. The public may report through the LETF hotline or via email, as provided online at [http://www.dir.ca.gov/letf/letf.html](http://www.dir.ca.gov/letf/letf.html)
LETF targeting protocol involves a multi-phased process that all inspectors follow. Teams identify potential targets and conduct research to develop a business profile. Lists of potential targets are sent to EDD for screening to learn if the employer is registered with EDD and determine how many employees the employer has reported; the Workers’ Compensation Insurance Rating Bureau (WCIRB) also screens the target lists to determine if the employer is adequately insured.

Prior to joint inspections, teams conduct physical surveillance to confirm the information obtained in the targeting process and gather additional information. Physical surveillance can include both visual examination from a distant location and on-site visiting of the premises where there are customers.

**Enforcement – 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.
- DOSH has the authority to issue citations for serious, willful, and repeat violations. DOSH may also issue an order prohibiting use where a condition or practice exists that creates an imminent hazard to the safety and health of employees.
- EDD has authority under Unemployment Insurance Code 1092 to require employers to provide records for inspection anytime during the employing unit’s business hours.
- CSLB is able to suspend contractors’ licenses until the penalties issued by DLSE and EDD are paid. Penalties are far more likely to be paid promptly when the license is suspended until payment. Senate Bill 315 was chaptered in September 2014 and will go into effect in January 2015. This legislation affords CSLB increased enforcement authority regarding unlicensed contractors.

Joint enforcement has two key comparative advantages for the business community. First, because LETF inspection teams comprise members from multiple agencies, an LETF inspection has less impact on business operations than multiple inspections by the individual agencies. Second, when several agencies working together do find an egregious employer, the ensuing publicity has a deterrent effect that is much more powerful than if only a single agency were enforcing.
LETF uses a targeted enforcement approach to leverage interagency authority and maximize resource use. The program focuses on specific industries in which underground economy activity is most prevalent, including agricultural, automotive repair, construction, garment, beauty salon, and restaurant industries. Enforcement strategy is guided by several factors such as geographical, seasonal, and other considerations. The composition of inspections by industry type for fiscal year 2013-14 is shown below. The scope of enforcement efforts in these industries is determined in part by their contribution to California’s workforce, as depicted in the second distribution featured below.

**Figure 1. Composition of Businesses Inspected by LETF (left pie chart) compared to California Workforce Composition for LETF industries (right pie chart)**

*Other includes Car Wash, Manufacturing Recycling, Warehouse, and Wholesale industries

Source: LETF Database

Source: American Community Survey, accessed 2012

In fiscal year 2013-14, LETF inspected 1,399 businesses. Approximately 90 percent of businesses in the automotive and garment industries were found out of compliance, which reflects the effective data-matching methods for targeting non-compliant businesses (see Figure 2). The initial assessments levied against employers through LETF-related enforcement exceeded $6 million.
Specific areas of non-compliance were investigated for each participating agency. In fiscal year 2013-14, construction had the greatest number of violations and referrals as shown in Figure 3, followed by the automotive industry. The consistently high rates of violations in the construction industry have informed LETF strategy, which directs nearly half (45%, see Figure 1) of enforcement efforts to this industry.
Enforcement outcomes of businesses that were inspected jointly by DLSE, EDD and Cal/OSHA were examined for two purposes: (1) to assess the effectiveness of our targeting methodology and (2) to test the underlying assumption that businesses operating in the underground economy are likely to have violations in multiple areas of the law. As shown in Figure 4, a vast majority of inspected businesses were found to be in violation by at least two agencies. In fact, 40 percent of joint LETF inspections have resulted in violations with every agency participating in the inspection. LETF enforcement activity has successfully targeted businesses operating in the underground economy, corroborating the notion that underground economy participants are often out of compliance with the law in more than one area.
Monitoring Performance Results

In addition to tracking multi-agency and isolated industry results, LETF assesses joint inspection outcomes over time. The management team evaluates performance and identifies best practices by examining enforcement results across teams, geography, and industry. Findings are used to determine training needs, improve targeting methods, and refine inspection protocols. LETF is committed to ensuring effective, high-quality enforcement, as measured by the high percentage of noncompliant businesses its teams inspect. In addition, LETF uses spatial analysis and activity mapping to monitor trends in enforcement outcomes. Figure 5 features a map depicting the number of businesses LETF inspected in each county for Fiscal Year 2013-14 alongside another map showing the California population density by County. The side by side comparison demonstrates LETF’s wide-ranging field presence in California. Further, the concentration of enforcement activity is purposely aligned with California’s most densely populated areas to focus resources on the areas of greatest potential impact.

Figure 5

*Source: LETF Database*

*Source: Southern California Earthquake Center*
Education and Outreach

LETF initiated a statewide program in collaboration with UC Berkeley to achieve the following:

- Design and produce effective educational materials in coordination with other agencies
- Translate educational materials into the languages commonly spoken by employers and employees in California
- Inform local and regional organizations serving low-wage workers about the availability of enhanced online materials and information
- Publicize the campaign effort and feature successful enforcement actions via television, radio, movie theater screens, posters, blogs, email news releases, and newspapers, as well as social media such as Facebook and YouTube

In addition, DIR is improving website navigation and search engine optimization to ensure that its information and materials are easily found.

Partnerships

The LETF/JESF Collaborative Enforcement Partnership

To help combat California’s underground economy and protect workers’ rights, the Department of Industrial Relations (DIR) and the Employment Development Department (EDD) have joined efforts through their respective enforcement programs, the Labor Enforcement Task Force (LETF) and the Joint Enforcement Strike Force (JESF), to coordinate activity and share effective strategies.

The LETF/JESF Collaborative merges best practices based on an array of experiences and innovation. The joint effort draws upon both program’s respective strengths through training, refinement of targeting methods, and strategic planning. While LETF and JESF remain under the guidance of their respective agencies, enforcement coordination has afforded a streamlining of administration to leverage resources and mitigate overlap. The results include broader statewide operations, stronger communications, and knowledgeable, cross-trained staff. DIR hosted a successful three-day joint cross-training for 90 LETF and JESF investigators and supervisors. Planning is underway for a second annual joint training event in early 2015.

The Roofing Compliance Working Group (RCWG)

In September 2013, DIR officially launched the Roofing Compliance Working Group (RCWG) as a collaborative effort between LETF partners, local district attorneys’ offices, and several roofing contractor and union groups to combat unsafe and unfair practices in the roofing industry. A dedicated hotline and email account were established to expedite reporting of observed violations. As leads are received, appropriate agency partners are identified and deployed to respond with prompt, coordinated enforcement. RCWG has conducted 22 inspections citing over 60 violations in total, with nearly $100,000 assessed in initial penalties.
The Revenue Recovery and Collaborative Enforcement Team

In October 2013, Assembly Bill 576 established the Revenue Recovery and Collaborative Enforcement (RCCE) Team to fight criminal tax evasion. To build on the success of the LETF and JESF collaboration, Governor Brown directed DIR to lead the RRCE in his signing message. His charge for DIR was to ensure that the three teams work together and avoid overlap of efforts.

The primary enforcement partners named in the bill include the following: the Board of Equalization (BOE), Employment Development Department (EDD), Franchise Tax Board (FTB), and the Department of Justice (DOJ). DIR is named as an advisory partner in the bill, as are the Department of Insurance (CDI), Department of Consumer Affairs (DCA), Department of Motor Vehicles (DMV), and the California Health and Human Services Agency (CHHSA).

The principal charge for RRCE is to investigate felony-level tax violation leads generated by the partnership and referred by the advisory team members and LETF/JESF. To date, DIR has conducted steering committee engagement of the core enforcement agencies and convened work group meetings to develop an implementation plan for RRCE. In progress collaboration includes design of a referral intake protocol, strategic data analysis, and cross-referral procedures for criminal investigations.

While the effort is limited to operating on existing funds, the benefits of joint enforcement will leverage administration costs, areas of authority, and staff resources across participating agencies. Furthermore, coordinated inspections and data-sharing (as permitted by law) will enhance response time, eliminate activity overlap, refine targeting, and enable performance monitoring for ongoing evaluation. The network of intel and authority that RRCE combines across the state has the capacity to significantly thwart the underground economy. Evaluation of RRCE effectiveness will be documented in the report to the Legislature on or before December 1, 2017.

Continuous Improvement

LETF continuously refines the methods it uses for enforcement based on the data contained herein, as well as feedback from the field and suggestions from the public. All comments, reactions, and ideas are welcome. Please contact us at LETF@dir.ca.gov and visit LETF online at: http://www.dir.ca.gov/letf/letf.html