

EMPLOYMENT ENFORCEMENT TASK FORCE (Employment Development Department, Department of Industrial Relations, and Department of Consumer Affairs)

Background

Reports on the underground economy indicate that it imposes significant burdens on the State of California, on businesses that comply with the law and on workers who lose benefits and other protections provided by state law when the businesses that they work for operate in the underground economy. When businesses operate in the underground economy, they gain an unfair competitive advantage over businesses that comply with the law. This causes unfair competition in the marketplace and forces law-abiding businesses to pay higher taxes.

Employees of the businesses that do not comply are also affected. Their working conditions may not meet the legal requirements, which can put them in danger. Their wage earnings may also be less than those required by law and benefits they are entitled to can be denied or delayed because their wages are not properly reported.

Consumers can also be affected when contracting with unlicensed businesses. Licensing provisions are designed to ensure minimum levels of skill and knowledge to protect the consumer. The ultimate impact is an erosion of the economic stability and working conditions in this state.

Joint Enforcement Strike Force

On October 26, 1993, the Governor signed Executive Order W-66-93, which created the Joint Enforcement Strike Force on the underground economy. On January 1, 1995, Section 329 was added to the California Unemployment Insurance Code. This Section placed the provisions of the Executive Order into law. The Joint Enforcement Strike Force includes the Employment Development Department (EDD), the Department of Consumer Affairs (DCA), the Department of Industrial Relations (DIR), the Office of Criminal Justice Planning, the Franchise Tax Board, the Board of Equalization, Department of Insurance and the Department of Justice.

The Strike Force is responsible for enhancing the development and sharing of information necessary to combat the underground economy, to improve the coordination of enforcement activities, and to develop methods to pool, focus, and target enforcement resources.

The Strike Force is empowered and authorized to form joint enforcement teams when appropriate to utilize the collective investigative and enforcement capabilities of the Strike Force members.

Employment Enforcement Task Force

In February 1994, the Strike Force created its first joint enforcement effort, called the Employment Enforcement Task Force, consisting of EDD, DIR and DCA.

The objectives of the Employment Enforcement Task Force are:

- To create a *level playing field* for business competition.
- To ensure that workers receive benefit coverage provided by law for Unemployment Insurance, State Disability Insurance and Workers' Compensation Insurance.
- To ensure that workers receive minimum wages and overtime in accordance with the law.
- To ensure that businesses obtain the proper licenses.
- To detect, deter, educate and bring into compliance those employers that are avoiding their employment tax liabilities.

The Employment Enforcement Task Force operates through teams of Joint Enforcement Agents from EDD and DIR. Leads are received from other agencies, from hotlines and from individuals, labor and businesses. These leads are verified with various databases to determine if there are current licenses, Workers' Compensation Insurance coverage, or registration with EDD. When there is a reasonable belief that there is some noncompliance with licensing, labor or payroll tax law, agents will visit work sites of businesses to determine if there is cause for further action.

The agents will interview the owners and/or workers to determine if the workers are employees and if so, to determine if the business has Workers' Compensation Insurance and is issuing wage statements and reporting wages properly for benefit purposes. If the business appears to be out of compliance with payroll tax law, an audit appointment will be set up with the local EDD Area Audit Office. If violations of labor law are found, agents will cite owners with appropriate fines and penalties.

A visit to a business by an Employment Enforcement Task Force team means only that the team has information indicating that noncompliance with licensing, labor or payroll tax law may exist. The team is

charged with determining whether the information in its possession is correct. If the visit to the business verifies that noncompliance does exist, the team will inform the business owner as to his or her responsibilities and take any action required by law.

For More Information

If you would like additional information regarding this program, please contact the EDD Underground Economy Operations (916) 227-2730 or visit our web site at <http://www.edd.ca.gov/taxrep/txueoind.htm>.

To report a business that you believe is not complying with the payroll tax laws, please contact UEO at (916) 227-2730 or toll free at 1-800-528-1783. You may also E-mail UEO at ueo@edd.ca.gov, send a FAX to (916) 227-2772, or mail to Underground Economy Operations, P.O. Box 276262, Sacramento, CA 95827-6262.

Equal Opportunity Employer/Program. Auxiliary services and assistance available to persons with disabilities.