

Contractor Compliance Activity

2015 Annual Report to the Legislature

December 2015

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Introduction

The Department of Labor & Industries (L&I) is pleased to provide this report on contractor compliance activity as required by RCW 18.27.342. L&I is submitting it to the legislature to provide information about unregistered contractors working in the construction industry.

L&I protects the safety, health and security of Washington's workers and citizens. One of the department's goals is to help honest workers and businesses by cracking down on dishonest ones. The department's Construction Compliance Program supports this goal and protects consumers by finding, citing and reporting fraud, abuse and underground economy activities in the construction industry. For these purposes, the underground economy is considered the loose network of businesses and individuals that do not register or do not report a significant part of their business activities with authorities. As a result, they not only fail to pay their fair share of taxes and workers' compensation premiums, but they gain an unfair advantage over competitors and may leave workers without protection in the event of injury or illness. Consumers are also put at risk because there is no bond or insurance to protect them.

In Washington, general and specialty contractors must register with L&I and are required to be insured and bonded. In addition to issuing penalties for construction contractors who fail to register, the Construction Compliance Program refers violations to the Industrial Insurance, Prevailing Wage, Safety and Employment Standards programs. Those who owe outstanding debts are referred to the Collections Program.

This report provides information for fiscal years (FY) 2013, 2014 and 2015 about the number of contractors issued infractions for failing to register. For these contractors, the report also includes:

- The number given a monetary penalty and the total dollar amount of the penalties.
- The dollar amount of penalties collected.
- The dollar amount of penalties waived by L&I.

Contractor Compliance Activity

In FY 2015, L&I continued to meet with business and labor representatives to focus on combating underground economy activities in the construction industry. These activities include unregistered, unlicensed, unsupervised and unpermitted work.

Compliance inspectors are spending more time – including evenings and weekends – at construction jobsites to ensure compliance with electrical, plumbing and industrial insurance laws and to identify contractors owing money. Because inspectors are spending more time at jobsites, they are not able to visit as many sites. However, the improved quality of jobsite visits has increased:

- Referrals of violations to the Industrial Insurance, Prevailing Wage, Safety and Employment Standards programs.
- Referrals of those owing outstanding debts to collections.
- Underground economy violations issued for the Plumber Certification, Factory Assembled Structures and Electrical Licensing programs.

Figure 1 shows construction contractor infractions and penalties for FY 2013, 2014 and 2015. In FY 2015, the number of contractors found to have committed an infraction for failing to register with L&I increased slightly from FY 2014, but remained significantly lower than in FY 2013. This downward trend, as well as a general downward trend in penalties issued, collected and waived, appears to reflect L&I’s continuing focus on ensuring businesses comply with the law.

Figure 1: Construction compliance activity

Failure to register as construction contractor	FY 2013	FY 2014	FY 2015
Number of contractors found to have committed an infraction for failure to register	1,743	1,213	1,221
Penalty amount issued for failure to register	\$2,059,000	\$1,545,500	\$1,572,750
Penalties collected*	\$627,850	\$464,824	\$410,497
Penalties waived**	\$217,550	\$193,000	\$158,825

Source: Quickcards

*Collection of penalty dollars continues over multiple fiscal years, and L&I continues to update the data. Because of this, the dollar amounts shown as collected in previous fiscal years are higher in this report than when they were initially reported.

**L&I has authority to reduce penalties at the department’s discretion, including for contractors who come into compliance within 10 days after being issued a penalty. The department has authority to waive penalties if restitution is paid to the complainant.

Conclusion

In FY 2015 (July 1, 2014 – June 30, 2015), 1,221 contractors were found to have committed an infraction for failing to register as a contractor. While slightly higher than the FY 2014 figure, this is a significantly lower number than that for FY 2013. A primary reason for this may be that compliance inspectors are spending more time – including evenings and weekends – at construction jobsites to ensure compliance with electrical, plumbing and industrial insurance laws and to identify contractors owing money.