

Construction Underground Economy Advisory Committee – Executive Summary

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Background

The Construction Underground Economy Advisory Committee (CUEAC) is an effort between state agencies and external stakeholders to combat the Underground Economy in the construction industry. Established committee members participated in problem solving. Additionally, there was active and full participation from the public audience at each meeting.

Over the course of several months, the committee identified problems associated with the Underground Economy, and suggested solutions for possible implementation by the participating agencies. Moving forward, the committee will meet on quarterly basis to check in on the status of work activities implemented by the agencies. The committee will continue to meet, and may identify new problems or potential solutions over time.

The following document provides information on planned and proposed agency activity for addressing problems identified by the committee. Planned activities are either scheduled for implementation or are currently in the process of being implemented. Proposed activities will be further explored for viability. Please refer to the document “CUEAC Problem Statements and Suggested Solutions” for the full listing of all of the identified problem statements and suggested solutions.

CUEAC Meeting Schedule

- 7/17/2013 – Introduction
- 8/21/2013 – Problem Statements identified
- 9/18/2013 – Problem Statements agreed upon
- 10/16/2013 – Problem Statements prioritized and solutions suggested
- 11/14/2013 – Solutions suggested
- 12/18/2013 – Six month status check

CUEAC Stakeholder Groups

CUEAC is comprised of balanced participation between business and labor groups. Members from the following associations participated in the committee:

- Building Industry Association of Washington
- National Federation of Independent Business
- Associated Builders and Contractors of Western Washington
- Independent Business Association
- Better Business Bureau
- Washington State Building Construction Trades Council
- Washington State Labor Council
- National Construction Alliance

Next Steps

CUEAC meetings will move to a quarterly basis. The first quarterly meeting is scheduled for April 15th, 2014. Future meetings will center on status reports on projects and to discuss emergent problems the committee may identify.

Problem Statement:

Misclassification of independent contractors

Solutions offered

The following solutions were suggested by CUEAC members.

- Data collection and use of DOR data
- Work with counties for when they visit jobsites and inform them of what to look for
- Training and education efforts for current independent contractor laws
- Create consistency between ESD and L&I
- Compare findings between L&I and ESD

Actions Currently in Progress

- Internal training is scheduled for L&I auditors on how to clearly and consistently apply independent contractor laws in workers' compensation.
 - Project Lead: Allen Thurston (Detection Tracking and Outreach)
 - Project Timeline: Training for L&I Auditors – January and February 2014, Training for Employer Services – TBD
- Explore use of IRS data for detection purposes.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Use of IRS data for detection and cross matching operationalized – March 2014
- L&I, ESD and DOR currently share data and referrals across agencies.
 - Project Timeline: Current and ongoing
 - Link to Materials: [Underground Economy Benchmark Report](#)

Proposed New Action

- Provide external training on the application of independent contractor laws in workers' compensation.
 - Project Lead: Allen Thurston (Detection Tracking and Outreach)
 - Project Timeline: Logging Industry outreach – Ongoing

Problem Statement:

Professional work being done by people who aren't licensed to do that type of work

Solutions offered

The following solutions were suggested by CUEAC members.

- Photo app for sending information to agency or ability to attach documents for referrals
- Make mobile website more accessible for making referrals
- Advertise on app or website rollout
- Educate consumers
- Partner with Washington Association of Building Officials (WABO) to have L&I compliance inspectors meet with local WABO chapters

Actions Currently in Progress

- The ProtectMyHome.net website provides extensive information on the importance of hiring a contractor. The site will continue to be supported in its second year by advertising. Mike Holmes (HGTV Holmes on Homes) has signed on to continue as the site spokesman.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Advertising campaign begins February 14, 2014

Proposed New Action

- Partner with Washington Association of Building Officials (WABO) to have L&I compliance inspectors meet with local WABO chapters. Six inspectors and one supervisor have been assigned to the 10 Washington International Codes Council (ICC) Chapters and will report out after meetings.
 - Project Lead: Dean Simpson (Construction Compliance Program Manager)
 - Project Timeline: Meeting with– February 11, 2014,
Compliance Inspectors contact ICC chapters – February 15, 2014,

Problem Statement:

Lack of higher consequences for repeated incidences of non-compliance

Solutions offered

The following solutions were suggested by CUEAC members.

- Improve website and make information reflective of real-time data
- Quicker updates of contractor registration status
- Single web portal for checking out a contractor (for use by homeowners, awarding agencies and general contractors)
- Review violation consequences
- Five point compliancy test for the website

Actions Currently in Progress

- Launch of the Verify lookup app provides a single web portal for checking out a contractor. Phase two of the app is planned to allow referrals to be entered from within the app itself.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Site Launched – December 2013, Developing capacity to send in App referrals – May 2014
- Create the agency level effort to review violation consequences, identify gaps and implement changes. Focus on developing escalation strategies and ensuring effective consequences.
 - Project Lead: Liz Smith (Fraud Prevention and Labor Standards Assistant Director)
 - Project Timeline: A pilot business area/program (Construction Compliance) completes an analysis of current compliance strategy and effectiveness – December 2013, Three more business area/programs complete analysis of current compliance strategy – Spring 2014, Form the Compliance Strategy Steering Committee – Spring 2014

Problem Statement:

Processes for filing complaints takes too long and lacks feedback loop

Solutions offered

The following solutions were suggested by CUEAC members.

- Make it clear about who to contact or create a central point of contact that routes calls to proper area
- Improve visibility of the fraud links on agency websites and also direct to other agencies so they can make additional referrals to DOR or ESD, etc.
- Set standard for time table for response back to customer or referral including who the follow-up will come from whether agency or program
- “Police Blotter” style rollup about referrals received and responses
- Usability testing of websites for reporting fraud
- Provide contact information specific to the regions or localities

Actions Currently in Progress

- Create customer center for referral web pages including Employment Standards and Prevailing Wage complaints. Central point of contact will route referrals to all affected areas of L&I and cross agency where appropriate. Referrals will be assigned a referral number to allow tracking and help close the feedback loop with customers.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Develop website “Report a Contractor” and internal referral routing system – March 2014,
Post launch customer feedback – Spring 2014,
Report out on referral activity – June 2014

Problem Statement:

Homeowners using unregistered contractors

Solutions offered

The following solutions were suggested by CUEAC members.

- Education effort (if the person is injured while working on their house the homeowner can be sued)
- Hold people who hired the unregistered contractor accountable when an injury occurs on the job site
- Third Party Recovery Unit actions to recover the claims cost
- Staffing structure for compliance inspectors so off hours are covered (after 6pm and weekends) align support staff to contribute to effort
- Target Angie's list (advertisements require contractor registration number)
- Educate homeowners so rules are clear (don't have to pay unregistered contractors may discourage unregistered)
- Increase compliance inspector FTEs in the field

Actions Currently in Progress

- A target has been set for each compliance team to conduct four compliance sweeps per year.
 - Project Lead: Dean Simpson (Construction Compliance Program Manager)
 - Project Timeline: Compliance sweeps – Resume Spring 2014
- L&I will continue to participate in home shows and consumer events as part of agency outreach efforts.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Home show participation – January thru May 2014
 - Link to Materials: [Labor & Industries is coming to a home show near you](#)
- The ProtectMyHome.net website provides extensive information on the importance of hiring a contractor. The site will continue to be supported in its second year by advertising. Mike Holmes (HGTV Holmes on Homes) has signed on to continue as the site spokesman.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Advertising campaign begins February 14, 2014

Proposed New Action

- Explore developing a staffing structure for compliance inspectors where off hours are covered and align support staff to contribute to effort.

Problem Statement:

Homeowners having unpermitted work done

Solutions offered

The following solutions were suggested by CUEAC members.

- FAQ sheet for homeowners on permit work and responsibilities for wage and hour

Actions Currently in Progress

- L&I currently provides a brochure on hiring a contractor and homeowner responsibilities. Brochures are available at all L&I field offices. Compliance Inspectors have brochure copies on hand.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Brochures updated – Spring 2013, Mailing brochures to building and planning departments – September 2013 and March 2014
 - Link to Brochures: [Hire Smart](#), [What You Should Know About Hiring a Contractor, Remodeler, or Handyman](#), [Electrical Work on Residential Property](#)
- Explore potential relationships with and outreach to real estate industry and home inspectors.
 - Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Develop Outreach – Spring 2014

Problem Statement:

Improve understanding and compliance with Prevailing Wage laws

Solutions offered

The following solutions were suggested by CUEAC members.

- Better responsiveness from awarding agency
- Complete investigations that are filed and create some educational materials
- Improve web materials on L&I website for certified payroll
- Outreach to awarding agencies to raise their awareness of their statutory obligations
- Software solution for electronic filing of certified payroll (electronic clearing house)
- Customer usability study for going through the process

Actions Currently in Progress

- Outreach to awarding agencies to raise their awareness of their statutory obligations.
 - Project Lead: Shari Purves-Reiter (Detection, Tracking and Outreach Program Manager)
 - Project Timeline: Free Contractor Training Days – February 7, 2014, March 28, 2014, May 9, 2014, September 12, 2014, October 24, 2014, and December 5, 2014
 - Link to Materials: [Contractor Training Events](#)
- Improve web materials explaining prevailing wage and certified payroll requirements.
 - Project Lead: Jim Christensen (Prevailing Wage Program Manager)
 - Project Timeline: Develop informational piece – April 2014

Proposed New Action

- Conduct usability study with customers on the prevailing wage internet information (certified payroll, obligations, etc.).
 - Project Lead: Jim Christensen (Prevailing Wage Program Manager)
 - Project Timeline: Conduct usability testing once web materials posted – Spring 2014
- Conduct internal training for prevailing wage staff to increase familiarity with jobsite practices and standards.
 - Project Lead: Jim Christensen (Prevailing Wage Program Manager)
 - Project Timeline: Explore training opportunities for customer service specialists on construction – June 2014
- Develop standard work for prevailing wage field investigations.
 - Project Lead: Jim Christensen (Prevailing Wage Program Manager)
 - Project Timeline: Kaizen process improvement event – March 2014