Washington State Department of
Labor & Industries

Contractor Compliance Activity

2014 Annual Report to the Legislature

January 2015

Document number: LR 14-05
Available online at: Lni.wa.gov/LegReports

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Introduction

This report on contractor compliance activity is required by RCW 18.27.342. The Department of Labor & Industries (L&I) submits it to the legislature annually regarding unregistered contractor work 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. The underground economy is 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.

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) 2012, 2013 and 2014 about the number of contractors issued infractions for failing to register. Regarding 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 2014, L&I continued to meet with business and labor representatives, focusing on 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 L&I money. Because inspectors are spending more time at jobsites, they are not able to visit as many sites, and thus issue fewer infractions for failing to register (see Figure 1). 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: Construction compliance activity

Failure to register as construction contractor	FY 2012	FY 2013	FY 2014
Number of contractors found to have committed an infraction	1,735	1,743	1,213
Penalty amount issued for failure to register	$2,098,250	$2,059,000	$1,545,500
Penalties collected*	$589,131	$604,095	$411,622
Penalties waived**	$210,900	$217,550	$193,000

*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 FY 2012 and 2013 are higher in this report than when they were initially reported. The same will be true for FY 2014 data in subsequent reports.

**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

L&I remains committed to helping level the playing field for legitimate contractors by providing timely and customer focused services, including online contractor registration renewals and actively enforcing the law. The department also works to inform and educate consumers about their rights and how they can protect themselves from unregistered contractors.