

Employment Law: Californian company charged for failing to pay minimum wage on contracts with State

California's Attorney General Edmund G. Brown Jr. has commenced action against Country Builders, Inc. alleging that the company entered into contracts with the State that required that employees be paid a minimum wage and bid on that basis but failed to pay as required, pocketing the difference.

Brown's action alleges that the company the company "cheated workers out of wages," falsified the company's payroll records to hide underpayments, deliberately misclassified workers to reduce the company's workers' compensation premiums and breached state prevailing wage laws."

The company has won several public works contracts that required it to pay the prevailing wage.

A statement from Brown's office says the following:

In late 2008, Brown's office launched an investigation into Country Builders to determine why some workers reported receiving a lower rate of pay than what was shown on their paystubs. The investigation found that the company inflated the pay rate of some workers to lower its workers' compensation premiums, while paying others below the USD32 to USD34 an hour, the rate required under the prevailing wage laws of California.

The state's prevailing wage laws require workers on public work projects to be paid at rates equal to the wage and benefit rates established by the Department of Labor Standards Enforcement. The public works projects covered by law are construction projects performed by private contractors for state or local governments to further a public purpose.

Some of Country Builders' public works contracts included:

- *The Fairways multi-family apartments in San Jose*
- *Classics at Keystone in San Jose*
- *Pioneer Heights student housing for California State University, East Bay*
- *University Village student housing for University of California at Berkeley*
- *Giant Road Family Apartments in San Pablo*
- *Jubilee Senior Housing in Berkeley*
- *Seven Directions Apartments in Oakland*

Despite its collective bargaining agreement with workers that set the prevailing wage, the company hired workers to work on the public projects for significantly less per hour than the union rate. Between 2005 and 2008, timesheets reveal that 124 employees received less than the hourly rate on at least one occasion. Some employees were regularly paid less than the prevailing wage.

Brown's investigation further revealed that Country Builders, Inc.'s officers falsified company payroll records to various public entities to cover up the underpayments. Brown's office estimates that in 2007 and 2008, Country Builders was able to save approximately USD1 million in wages by failing to pay workers the prevailing wage and the pay rate set forth in the collective bargaining agreement. In 2007, the company's gross revenues were USD21 million. In addition, Country Builders, Inc. intentionally misclassified lower-wage workers as higher-wage workers to its insurance carrier, the State Compensation Insurance Fund. The investigation found that Country Builders, Inc. underpaid its premiums to the State Compensation Insurance Fund by at least USD136,000. Premium fraud is the most costly type of workers' compensation fraud.