



News Release

U.S. Department of Labor | April 23, 2015

Investigation in Utah and Arizona secures wages and benefits for more than 1,000 construction workers who were wrongly classified *Judgments end misclassification scheme, order workers paid and treated as employees*

WASHINGTON – A nearly five-year federal investigation of illegal business practices by 16 defendants in Utah and Arizona has yielded \$700,000 in back wages, damages, penalties and other guarantees for more than 1,000 construction industry workers in the Southwest, the U.S. Department of Labor announced today.

Consent judgments put an end to an effort by the defendants – operating collectively as CSG Workforce Partners, Universal Contracting, LLC and Arizona Tract/Arizona CLA – to claim that their workers were not employees. The defendants required the construction workers to become “member/owners” of limited liability companies, stripping them of federal and state protections that come with employee status. These construction workers were building houses in Utah and Arizona as employees one day and then the next day were performing the same work on the same job sites for the same companies but without the protection of federal and state wage and safety laws. The companies, in turn, avoided paying hundreds of thousands of dollars in payroll taxes.

“Hiding behind deceptive legal partnerships to reduce wages owed to employees is wrong. We will not tolerate denying overtime and other employment rights to workers,” said U.S. Secretary of Labor Thomas E. Perez. “We will combat schemes like these with every enforcement tool we have, including partnering with other federal and state agencies to ensure that workers are not misclassified as owners or members of LLCs or otherwise. Deceptions like these deny workers hard-earned wages, hurt families who depend most on those wages, and leave workers without important protections if they’re injured on the job or laid off.”

A misclassified employee – with independent contractor or other non-employee status – lacks minimum wage, overtime, workers compensation, unemployment insurance, and other workplace protections. Employers often misclassify workers to reduce labor costs and avoid employment taxes. By not complying with the law, these employers have an unfair advantage over competitors who pay fair wages, taxes due, and ensure wage and other protections for their employees. These illegal practices lower standards for all workers, especially in highly competitive markets and industries where employers try to reduce overhead, often at the expense of their workers.

“Employers who misclassify workers do not pay their fair share of payroll taxes, which cheats critical state and federal programs,” Perez added. “The misclassification of workers shortchanges every single taxpayer by forcing them to pick up the slack for those who break the law.”

The consent judgments are the result of a combined effort of the U.S. Department of Labor, U.S. Department of Justice and the state of Utah. The investigation began in southern Utah and then moved to Arizona after the passage of state legislation in Utah that required LLCs to provide workers’ compensation and unemployment insurance to their “members.” To avoid legal jeopardy in Utah, the defendants moved their operations south to Arizona.

Utah officials assisted the department by sharing information through the state's [Worker Classification Coordinated Enforcement Council](#), an entity created by the state legislature to combat misclassification. Working together in the investigation and litigation, the U.S. Attorney's Office for the District of Utah and the U.S. Department of Labor presented findings to federal courts in Utah and Arizona. The courts, in turn, approved consent judgments on April 21 against the above-named companies and their respective owners.

The consent judgments require the defendants to:

- Pay \$600,000 in back wages and liquidated damages to employees in Utah and Arizona and an additional \$100,000 in civil penalties;
- Stop using limited liability companies to avoid Fair Labor Standards Act compliance;
- Treat themselves as "employers" and their current and future workers as "employees" under the FLSA;
- Comply with the FLSA's minimum wage, overtime, recordkeeping, and anti-retaliation provisions;
- Pay all applicable federal, state and local taxes; and
- Work with the department to identify those workers who were harmed by their misclassification scheme and determine proper individual payment of back wages.

"Legitimate independent contractors are valuable contributors to our economy, but those who deliberately misclassify actual employees as independent contractors – or partners – are a serious problem in many industries, especially in construction," said Wage and Hour Division Administrator David Weil. "We will continue to work together with other enforcement authorities to ensure a fair and level playing field for businesses, and fair and full pay for workers."

"We are pleased that this multi-agency effort has helped so many workers find justice, and produced a change in business practices in the regional construction industry," said M. Patricia Smith, U.S. Solicitor of Labor. "This kind of cooperation among state and federal law enforcement authorities will serve as a model for preventing misclassification and similar practices that deny workers' their wages and protections, and undermine law-abiding employers. The resolution of this case should send a strong message to any other employers, in any industry, contemplating such a scheme."

Workers who believe they might be owed back wages by the defendants can contact the Wage and Hour Division's Salt Lake City District Office at 801-524-5706, or Arizona District Office at 602-514-7100.

In a separate but related case, the department obtained a consent judgment against a major client of the Arizona defendants in this case. The judgement in the U.S. District Court for the District of Arizona against [Paul Johnson Drywall, LLC](#), required the company to stop using the Arizona defendants' unlawful LLC business model and to pay \$600,000 in back wages, liquidated damages and civil money penalties.

The Wage and Hour Division has aggressively expanded its efforts to combat employee misclassification in sectors where workers are especially vulnerable and violations are rampant. The department currently has 20 Memoranda of Understanding with states, including the Utah Labor Commission, through which it collaborates with states agencies to combat misclassification. More information is available on the department's misclassification Web page at <http://www.dol.gov/misclassification>.

The FLSA requires that covered, nonexempt employees be paid at least the federal minimum wage of \$7.25 per hour for all hours worked, plus time and one-half their regular rates of pay, including commissions, bonuses, piece-rate earnings and incentive pay, for hours worked beyond 40 per week. Additionally, the law requires that accurate records of employees' wages, hours and other conditions of employment be maintained.

U.S. Department of Labor news materials are accessible at <http://www.dol.gov>. The department's [Reasonable Accommodation Resource Center](#) converts departmental information and documents into alternative formats, which include Braille and large print. For alternative format requests, please contact the department at (202) 693-7828 (voice) or (800) 877-8339 (federal relay).

For more information about the FLSA and other federal wage laws, call the Wage and Hour Division's toll-free helpline at 866-4US-WAGE (487-9243). Information also is available at <http://www.dol.gov/whd>.

The named defendants are:

Arizona

Arizona CLA, LLC
Arizona Tract, LLC
Arizona Superstition Management, LLC
Cory Atkinson
Jared Martin
Glen Ormiston
Alpine Building, LLC

Utah

Universal Contracting, LLC
Grove Creek, LLC
CSG Workforce Partners, LLC
CSG Exteriors, LLC
CSG Drywall, LLC
CSG Framing, LLC
CSG Interiors, LLC
CSG Painting, LLC
CSG Landscaping, LLC.
Cory Atkinson
Jared Martin
Alpine Building, LLC
Arizona CLA, LLC

Perez v. Universal Contracting LLC et al
Civil Action Number: 2:13-cv-253-DS

Perez v. Arizona CLA LLC et al
Civil Action Number: 2:15-cv-00461-JAT

Arizona press should contact Leo Kay, and Utah press should contact Juan Rodriguez using the contact information provided below.

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Release Number: 15-518-NAT