



"Innovation and Service  
In  
Prevailing Wage Compliance"

## Complete Reporting of Payroll What This Means to a Cheating Contractor

In the world of prevailing wage compliance there is no shortage of professionals who feel any result of working to raise *certified payroll report acceptance standards* would not be cost effective. There seems to be a general sense that any serious focus on raising standards is futile since payroll reports are but a part of the overall picture of holding prevailing wage scofflaws to task. Labor Code §1776 sets the *legal standard* of reporting of prevailing wage payroll. Why then does the field of labor compliance accept less than this legal standard without serious complaint or enforcement effort?

Part of the answer may be that the law on reporting is not as clear as it should be. But more than this, the root cause of this apathy about the payroll reporting standard lies in the *lack of empathy* with the contractor. That is; the average compliance person is far from understanding what it's really like to be a contractor and therefore does not know how to affect the contractor subtly yet powerfully. Instead, it is "the big case" that is being watched for. All the while, just under the radar, cheaters all around carry on as usual. It's time for the compliance community to learn some ideas about what it might be like to be a practicing scofflaw facing the spotlight. And this "spotlight" is; the *requirement to submit complete payroll reports*. When greater understanding is achieved by the compliance person, the idea of focusing on high reporting standards will make much more sense.

The world of contracting is intense. On bid day, the estimator works hard to take as much risk as possible without going too far. The risk aversion quotient of a contractor changes based on the need for gaining some work and perceived competition. And for some, risk related to noncompliance with labor law is open for consideration. There is no real job security in contracting and to stay alive one must continue to obtain new work from a marketplace based on a kind of "reverse-auction" bidding process. The lowest bid gets the job as everyone knows. So the issue of risk taking is very much involved in the day to day decision making of a bidding contractor. This is the currency in which contracting deals; risk management and valuation of risk taking. It would serve all honest contractors and workers well if the compliance community more fully empathized in this area.

For the practicing prevailing wage violator or scofflaw, there is a new risk issue raised if he or she knows they will be held to *a full reporting standard*. At first, since they have never before been held accountable on this issue it may be just "business as usual". But once put in the spotlight, he or she will think twice on the next bid. And the next, and the next. And this then gives the honest contractor a much better chance to win the work. Over time a corrupt marketplace is changed by a simple *shining of light* on the subject. Of course, there may be some in labor compliance with a desire to keep the realm dark. But most compliance people mean well and want to affect a true change of a corrupt marketplace into an honest one. And certainly honest contractors and the workers they employ want the same.

Holding reporting standards *to the legal standard set by §1776* is critical to changing the atmosphere of risk assessment for the cheating-minded contractor. This spotlight is a powerful tool, being largely ignored by the enforcement community. If the compliance community as a whole understood better the mindset of a typical scofflaw contractor then they would surely see that all they need to do is "turn on the lights". Do this and the rats will run for cover and get out of the kitchen.

- Doug Shortridge, President CallCP.com