

NEWS RELEASE



Attorney General Edmund G. Brown Jr.
California Department of Justice
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Brown Sues Employer Consultants For Worker Exploitation Scheme

LOS ANGELES – California Attorney General Edmund G. Brown Jr. today sued PacifiStaff, a Southern California corporation that trained construction companies to violate workers' compensation laws by the use of "fake corporations with phantom executives." Today's lawsuit comes on the heels of an underground economy lawsuit filed last week against Brinas Corp., a Los Angeles drywall company.

Commenting on the lawsuit, Attorney General Brown said, "PacifiStaff developed a sophisticated scheme whereby companies would fire their workers and rehire them in fake corporations with phantom executives. These illegal maneuvers enabled construction companies to avoid state laws which require all employers to provide workers' compensation insurance."

The California Department of Justice opened an investigation into PacifiStaff after receiving reports that a growing number of Southern California construction companies were starting to drop workers' compensation for their construction workforce. These companies improperly labeled their employees as shareholding corporate executives to take advantage of Labor Code Section 3351 which does not require workers' compensation insurance for such executives.

During the investigation, undercover agents attended PacifiStaff sales meetings where representatives pitched an illegal scheme to help construction companies avoid paying workers' compensation to their employees. On print advertising, Internet promotions and during these sales pitches, the company falsely stated that their scheme was approved by a government agency.

Undercover investigators found that construction companies were directed, under advice from PacifiStaff, to fire their construction workers and rehire them as corporate officers of a sham corporation. These construction workers were then given executive titles and a single share of worthless stock in the new corporation. This sham corporation then sent the new fake executives back to construction sites—without the required workers' compensation insurance.

Investigations revealed that PacifiStaff brushed off questions about what might happen if a construction worker were actually injured on the job. Investigators also found that staff representatives engaged in the unauthorized practice of law by offering legal advice without a license.

State law requires employers to provide workers with the no-fault protection of workers' compensation insurance. Workers' compensation provides benefits such as medical care for work-related injuries, disability payments while injured, and death benefits for the families of employees. Companies who evade workers' compensation costs gain an unfair advantage over competitors who protect their workers by following the law.

According to the California Department of Industrial Relations, there were nearly 49,000 nonfatal injuries and illnesses among California construction workers in 2006. 30,000 of these cases resulted in missed days at work, transfers, or restrictions of duty. In 2005, there were 102 construction industry fatalities due to transportation accidents, falls, or exposure to harmful substances. There were approximately 935,000 Californians employed in the construction industry in 2006.

“Construction work can be extremely dangerous and those workers injured on the job deserve and depend upon the benefits afforded by California law,” Attorney General Brown said. “Today’s lawsuit sends a strong message that employers who try to short-circuit the system will be prosecuted to the full extent of the law,” Brown added.

PacifiStaff, using the trade name “Workforce Solutions,” has billed itself as the “Antidote to Workers’ Compensation.” PacifiStaff continues to market its services to its prospective clients through trade shows, print advertising and over the Internet at: www.theworkforcesolutions.com. PacifiStaff also conducts direct sales meetings with prospective client employers. PacifiStaff maintains an office at 2125 E. Katella Avenue, Suite 330, in Anaheim, California.

The lawsuit against PacifiStaff was brought under Business & Professions Code, Section 17200, which expressly prohibits unlawful or unfair business practices.

The state’s lawsuit is attached.

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