

Squeezed garment factories use check cashing services to mask true wages, workers say



Seamstress Yeni Dewi is one of many Los Angeles garment workers who are required to cash their paychecks at check cashing companies. (Gina Ferazzi / Los Angeles Times)

By **Natalie Kitroeff**

JULY 30, 2016, 6:00 AM

After a week of 10-hour days folding and packaging clothing, Jesus Francisco Moreno walked out of the factory in downtown Los Angeles on a recent Monday afternoon to collect his \$450 in wages. Holding a personal check, with no required deductions, he went to a white, unmarked van parked nearby. His cash was dispensed from a small window in the back.

Vans like this, showing up outside L.A. garment factories, are another twist for bottom-rung workers. And they are another tactic for factory owners to disguise payments less than the legal minimum wage, say employees, advocates and an official for the U.S. Labor Department.

“It is a scheme to weaken a wage-theft case, and essentially escape accountability,” said Mariela Martinez, an organizer at the Garment Workers Center, an advocacy group based in Los Angeles. “When you’re paying through this check cashing system, there is no record of the hours worked.”

FROM OUR PARTNERS: OHIO STATE UNIVERSITY ATTACKER RAN INTO PEDESTRIANS WITH CAR, STABBED 10 PEOPLE: OFFICIALS

Paychecks for these workers often aren't official, and thus can't be tracked through the financial system by authorities looking for wrongdoing.

Some of the checks, like Moreno's, could be cashed at banks but don't come with deductions for disability or unemployment insurance, which are required for all employees under California law.

Other checks contain so little official information that they can't even be processed by banks. Sometimes they list fewer hours than were actually worked, to make the week's pay appear to meet minimum-wage requirements. In some cases, the payments are merely vouchers, cashable only at the vans parked outside factories or check cashing storefronts.

It is illegal for an employer to require workers to cash their paychecks at a company that collects a fee, according to a U.S. Department of Labor official. Several workers interviewed by The Times said they were directed by their bosses to go to specific check cashers to collect their pay.

Underpayment in the garment industry has long been a problem. Competition from China, Bangladesh and other Southeast Asian countries has squeezed Los Angeles clothes makers, who are paid so little by large retailers that they can't afford to pay the minimum wage, lawyers for workers and the government say.

Many factories have closed, and remaining owners say they'll be hard-pressed to survive as California's wage floor, which rose to \$10 in January from \$8 in 2013, climbs to \$15 in 2022. If they get caught paying less than the legal minimum, factory owners can face stiff fines.

Worker advocates allege that the garment companies often don't have the cash on hand to pay workers at the end of the week. They say the manufacturers have forged informal relationships with check cashing companies, which dispense the money through storefront operations and other means and get paid back later by factory owners.

Several check cashing companies did not respond to requests to comment on their relationship with garment companies.

A representative for Angel Check Cashing acknowledged operating the van where Moreno cashed his check but would not comment further. Chong Choi, the owner, declined to comment. The company, which also operates a storefront in downtown Los Angeles, has an active permit through the state Justice Department to operate as a check cashing company.

Several employees of Angel refused to say whether they had a business relationship with garment factories. A sign on the wall of the store itself notes in Spanish that if people want to cash a check from a prior week of work, "it's necessary that your bosses call so that they can authorize cashing the check."

Check cashing vans are not illegal. California law allows check cashing companies to operate a vehicle, with a permit from the Department of Motor Vehicles. The storefronts' permits must be renewed every year, and the operations cannot charge more than 3.5% to process government or payroll checks.

But employers requiring workers to pay a fee to collect their wages at check cashing companies can be illegal, a federal lawyer said.

"We always consider that an illegal deduction," said Susan Seletsky, a lawyer at the U.S. Department of Labor.

Ilse Metchek, president of the California Fashion Assn., an industry group, said she has heard of the practice among small businesses that make clothes. But she said that most garment factories do not pay their workers with illegitimate checks.

"We have a huge underground of this industry," she said. "It's just one of the many ways that the underground operates."

One former check cashing official said he had never heard of such practices in the industry.

"Whether it's legal or it isn't legal, I wouldn't be part of it. I don't think it's appropriate," said Tom Nix, who founded Nix Check Cashing, one of the largest check cashing company in Southern California, and then sold the company to Kinecta Federal Credit Union for \$45 million in 2007.

"You are participating with someone who is clearly not following the law," Nix said.

Nix said his company stayed away from personal checks because of the high risk that those payments wouldn't clear a bank, and instead processed only government and payroll checks. He said that companies processing

checks with missing information or vouchers were “an aberration.” He defended the use of check cashing services in general, saying that they play a vital role in the financial lives of the poor.

“There is a need in lower-income communities for check cashing services that banks don’t fill,” Nix said.

Seletsky said the Labor Department had looked into the use of check cashers by garment bosses who underpay workers. She noted that the department cannot take enforcement action against “subsidiaries” like check cashing companies, which do not actually determine pay.

“That’s another way to take cash and move it from one party to another party without it ever getting into the system,” Seletsky said.

Rampant wage theft in Southern California has spurred the Labor Department to launch a [spate of investigations into garment factories](#), uncovering \$11.7 million in stolen compensation for workers in the region over the last five years.

In February, Labor Department officials charged YN Apparel, a supplier for Ross Stores, with contracting with factories that paid some workers \$6 per hour. YN Apparel agreed to pay workers \$212,000 in back wages. The investigation found that Ross would have had to pay YN Apparel twice as much as it actually remitted.

A Ross Stores spokesperson said Friday that the retailer works with “the Department of Labor to make sure our vendors understand and comply with all applicable federal, state, local and international laws related to products we purchase and sell.”

The Times reviewed more than a dozen claims for back wages filed with the California Labor Commissioner’s Office in the last two years, from workers who say they were compensated with irregular checks.

Rosa Murillo, a senior deputy commissioner for the Labor Commissioner’s Office garment unit, said she has conducted inspections where factories require workers to use a check cashing company that operates in the same building as the factory. Some bosses insist that workers collect wages at specified check cashing companies or at the factory itself, said workers, advocates and lawyers interviewed by The Times.

“It appears as if the owner of the garment factory is speaking with the owner of the check cashing place. It’s almost as if they have an understanding to cash the check even though the information is incomplete,” Murillo said.

In a case this year, the Labor Commissioner ruled that JK Mode, a garment factory that later became DHL Apparel, had paid workers below the minimum wage and ordered that the companies pay more than \$283,000 in back wages to seamsters. One worker testified that his bosses inaccurately reported that they worked eight hours per day when he actually worked 12-hour days, and made him retrieve his weekly pay from the company, which took a fee of 1%. The company did not appeal the decision.

Moreno, the clothes packer, says he is undocumented, does not have a bank account and has little choice but to cash his check at the van.

Moreno said he worked a 54-hour week in mid-July, meaning he received just over \$8 per hour. The van operator took \$4.50 of his total \$450, he said.

When workers do get official checks, they say the hours often are doctored to make it look as if they are getting paid the minimum wage.

Moreno's wife, Maria Rodriguez, works as a seamstress in the same factory. She arrives every day at 7:30 a.m. and leaves at 5 p.m., meaning that she works 45 hours per week after subtracting a half-hour for lunch.

In the last week of June, when the minimum wage in Los Angeles was \$10, Rodriguez's check stub suggested she worked 36 hours and got paid \$360. But on July 1, the minimum went up to \$10.50, so the check stub Rodriguez got for that week showed she was paid about the same amount but supposedly worked slightly fewer hours.

Rodriguez, who shares a one-bedroom apartment in West Los Angeles with Moreno and their three children, said she actually worked 45 hours both weeks — giving the company a day's work for free. She declined to name the company for fear of reprisal.

Yeni Dewi, 38, says that she is never sure how she is going to be paid every Saturday after a week of sewing the hems and seams of hundreds of garments for around 50 hours.

"Sometimes he gives me a check, sometimes he gives me a copy of a check, sometimes he gives me a small piece of paper," Dewi said. She held up a recent personal check, for \$330, which contains only her first name.

Dewi says she never gets more than \$350, or about \$7 per hour, and that her boss has told her that she has to retrieve the money at Santee Market Check Cashing. The company generally takes about \$4 of each check, Dewi says.

A Santee Market Check Cashing employee, who refused to identify himself, confirmed that the company does business with "sewing companies." The company also has an active check cashing permit from the state and is owned by Jai Lee, according to Dun & Bradstreet, a business information company.

Another employee who identified himself as John Lee would not comment besides noting that "everything is so slow right now," referring to the company's dwindling business.

Moreno said he plans to slog through his work in a hot corner of a downtown factory and collect his pay however he must.

"We don't have an option, we have to cash it," Moreno said. "Sometimes I'm really angry, but I have to feed my family, pay rent and the bills."

Natalie.Kitroeff@latimes.com

Follow me [@NatalieKitro](#) on Twitter

ALSO

Deep in the Mojave Desert lies a secret memorial to fallen motorcycle riders

Photographer sues Getty Images for \$1 billion after she's billed for her own photo

Phone companies could stop robocalls. They're just not doing it

For The Record

AUG. 8, 2016, 2:15 PM

This story erroneously states that unemployment insurance is a required deduction for all California employees. In fact, it is a required employer contribution, which does not show up on worker paychecks.

Copyright © 2016, Los Angeles Times