

REFORMING CALIFORNIA'S PRIVATE ATTORNEYS GENERAL ACT (PAGA) CREATING A BETTER, FAIRER SYSTEM FOR WORKERS AND SMALL BUSINESSES

ISSUE: Legislative Assistance to Reform PAGA

Enacted in 2004, California's Private Attorneys General Act (PAGA) was intended to be a more effective way to help workers resolve labor disputes. Two decades later, PAGA's lawsuit-first approach has failed – it's ineffective and inefficient for workers and unfair and burdensome for thousands of small businesses. So far, the settlements in just the construction industry alone have exceeded \$400 million dollars reducing competition and increasing construction costs for all Californians.

California has an existing, capable administrative process and agency – the Labor and Workforce Development Agency (LWDA) – that has a proven record of resolving claims faster with money going directly into workers' pockets.

It's time for the Legislature to fix PAGA to create a better, fairer system for workers.

KEY POINTS:

- **PAGA is ineffective and inefficient for workers.** The average employee award decided through PAGA lawsuits is three times less than the payout under cases decided by LWDA. State data also shows that it takes nearly two years on average for PAGA court cases to be resolved – almost twice as long as cases decided by LWDA.
- **PAGA is unfair to non-profits, small businesses and other employers.** Family-run businesses, non-profits, local governments, school districts, labor unions and thousands of other employers have become major targets for lawsuits, often for minor technical violations.
- **There's widespread agreement that PAGA's lawsuit-first system isn't working.** In a 2019/2020 Budget Change Proposal, even the Labor Commissioner's office found that PAGA's lawsuit-first system "*fell short of protecting the interests of the state and workers.*"
- **The Legislature should reform PAGA and expand on existing LWDA processes, which are proven to resolve employee claims faster and provide workers with more restitution.** Reforms should include faster resolution for workers, ensuring more money goes to workers, tougher penalties on businesses that willfully violate the law, and eliminating the need for costly, abusive lawsuits.
- **LWDA has a dedicated, permanent funding source that's flexible and not reliant on the state's General Fund.** This funding comes through assessments on workers' compensation premiums or self-insurer premium equivalent that's paid by employers. According to state budget documents, LWDA will have approximately \$250 million available for FY 23/24, which could support additional staffing and administrative needs.

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POSITION: Support Efforts to Reform California's Private Attorneys General Act