

FixPAGA

There's a Better, Fairer Way for Workers



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, it's clear that PAGA's lawsuit-first approach has failed – **it's ineffective and inefficient for workers and unfair for thousands of small businesses.**

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 long past time for the Legislature to fix PAGA to create a better, fairer system for workers.

PROBLEM

PAGA IS INEFFECTIVE AND INEFFICIENT FOR WORKERS

Under the lawsuit-first system, workers get pennies on the dollar, while lawyers make billions.

- The average employee award decided through PAGA lawsuits is **three times less than the payout under cases decided by LWDA.**
- On average, under PAGA cases, plaintiff's lawyers receive 33% or more of the total recovery, leaving very little for workers.

The lawsuit-first system doubles the time to resolve worker claims.

- State data 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.

The Labor Commissioner's office found that PAGA's lawsuit-first system "fell short of protecting the interests of the state and workers."



THE AVERAGE PAYMENT
A WORKER RECEIVES:

\$1,300 from a PAGA lawsuit

\$3,956 from a state-decided case

On average, it takes
310 more days to
resolve a PAGA case than a
State Labor Dept. case



IN A RECENT SETTLEMENT:

Attorneys made **\$21 million**

Actual workers received only
\$108 each

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PROBLEM

PAGA IS UNFAIR TO SMALL BUSINESSES, NON-PROFITS AND OTHER EMPLOYERS

Family-run businesses, non-profits, local governments, school districts, labor unions and thousands of other employers have become major targets for predatory lawsuits, often for minor technical violations.

Lawyers often file class-action-like lawsuits against small businesses for violations as minor as a typo or incorrect spelling on a pay stub.

- Lawyers know that the mere threat of a lawsuit is likely to force a settlement to avoid litigation costs – **creating a system that is ripe for abuse and extortion.**

According to an analysis prepared by a former LWDA official, **PAGA lawsuits have resulted in more than \$10 billion in payments** from employers since 2016, with a significant chunk going to lawyers and workers getting pennies on the dollar.

SOLUTION

A BETTER, FAIRER SYSTEM THAT PROTECTS WORKERS

The State Legislature should fix PAGA and expand on existing Labor and Workforce Development Agency processes, which are proven to resolve employee claims faster and provide workers with more restitution.

According to state budget documents, LWDA will have hundreds of millions of dollars available for FY 23/24, which could support robust staffing and administrative needs. Additionally, LWDA has a dedicated, permanent funding source that's flexible and not reliant on the state's General Fund.

Legislative fixes should prioritize:



Faster resolution for workers.

- California should utilize the existing LWDA process to streamline resolution, minimize the need for lawsuits and help ensure swift and fair recovery for workers.



Ensuring more money goes to workers.

- Fixes should ensure most – if not all – of the money awarded through recovery goes directly to workers.



Tougher penalties on businesses that violate the law.

- Fixes should include increased penalties for employers who willfully violate labor laws.
- The state should also encourage LWDA and other enforcement agencies to investigate industries and businesses with the most rampant labor law violations.



Eliminating the need for costly, abusive lawsuits.

- California should provide more information and guidance to small businesses, non-profits and others on navigating labor laws while allowing them to correct mistakes and avoid costly legal challenges.