# PAGA Reform 2024: Early Evidence Suggests Positive Impacts for Employees and Employers

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California's 2024 reforms to the Private Attorneys General Act (PAGA) have fundamentally changed how employment law claims are litigated and resolved. After 18 months of experience with the reforms, four of California's leading law firms representing employers report faster settlements, lower penalty exposure, and a surge in proactive compliance to fix issues before they become claims. Employees benefit too, with timelier claim resolution, stronger focus on real violations and a greater share of recovered penalties.

Below are key early successes from PAGA reforms:

### Employers Doubling Down on Compliance Efforts

- The PAGA reforms created a penalty cap for employers who can demonstrate efforts to comply with the law. Employers are doubling down on their compliance efforts, conducting audits more frequently, training managers and updating policies proactively.
- These reforms directly benefit employers and employees alike by improving workplace practices, therefore reducing violations.

### Narrower Standing Reduces Frivolous Lawsuits

- Previously, a plaintiff could pursue PAGA claims even if they did not personally experience each of the alleged Labor Code violations asserted in the lawsuit. Lawsuits are now limited to actual violations experienced — reducing broad, inflated claims.
- Employers and defense lawyers report they are now routinely knocking out claims early by proving the plaintiff didn't experience certain violations and adjudicating individual claims first, dramatically shrinking exposure. Claims are resolved faster and for less money because legal disputes are narrower and more manageable.

### More Money & Faster Resolution for Employees

- PAGA reforms increased the employee share of penalties from 25% to 35%, with the state receiving 65%.

- The early resolution process limits the need for extended and costly litigation. In the first year, the state's Labor and Workforce Development Agency (LWDA) collected $916,000 for employees through their early resolution process.
- As more employees and lawyers learn about this early resolution process, more money will go directly to workers with faster resolution.

### Reduced Penalties for Employers

- Reduced penalties now balance fairness and enforcement. Defense firms report significantly reduced penalties and better posture during settlement negotiations because of the following reforms:
  - *Caps for good faith compliance*. PAGA penalties are capped at 15% for employers who took "all reasonable steps" to comply before receiving notice. If violations are cured through early evaluation, penalties drop to a maximum of $15 per aggrieved employee per pay period or $0 if the employer took reasonable steps to comply and cured the violations.
  - *Reduced penalties for wage statement violations:* PAGA penalties for wage statement violations are reduced from a general maximum $100 to a maximum of $25 per aggrieved employee per pay period if the employee could promptly and easily determine from the wage statement alone the information allegedly unlawfully missing from the wage statement or $0 if the wage statement is corrected.
  - *Reduced penalties for isolated violations:* PAGA penalties are capped at a maximum of $50 per aggrieved employee per pay period for isolated, nonrecurring violations lasting 30 days or less (or four consecutive pay periods or less).
  - *Relief for derivative violations.* Precludes derivative penalties such as for untimely wage payments or inaccurate wage statements when those claims derive from unpaid wage claim violations that were unintentional.
  - *Weekly pay period adjustment:* PAGA penalties were reduced by half for employers who have weekly pay periods, creating parity with biweekly pay schedules.
  - *Limited aggravated penalties:* PAGA's aggravated penalty of $200 per aggrieved employee per pay period applies only when the employer has a prior violation determined within five years or engaged in malicious, fraudulent, or oppressive conduct.

### One-Year Limitations Period

- PAGA reforms clarified standing law that a plaintiff must have experienced a violation within the past year to bring a claim.
- Employment law firms report defeating many PAGA actions using this time limit as a key defense, leading to faster and more affordable resolution.

### Ability to Limit the Scope of Claims and Evidence to Ensure Manageability

- Courts now have explicit authority to limit the evidence to be presented at trial or otherwise limit the scope of a PAGA claim to ensure cases remain manageable for trial.
- This gives employers the opportunity to seek limitations to PAGA actions brought on behalf of a large group of workers with significantly different employment situations.

To read the summary from Jackson Lewis click here.
To read a summary from CDF Labor Law click here.