

Publications

Michigan Legislature Amends Paid Sick Leave and Minimum Wage Laws

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On February 21, 2025, Michigan's governor signed into law amendments to the Earned Sick Time Act (ESTA) and the Michigan Wage Act (Wage Act) (both previously [reinstated by the Michigan Supreme Court](#)). The changes arrived the day the prior versions of both laws were set to take effect. The amended laws require higher minimum wages but retain the tipped-wage credits and provide further clarity and flexibility for the earned sick time requirements.

Background

Michigan adopted the Wage Act and ESTA in 2018, responding to citizen-initiated legislation. The initiative raised the minimum wage to \$12.00 per hour, phased out the tip credit, and created new sick time obligations. The legislature then attempted to amend away a few of the defining features of the initiatives. As we previously reported, the Michigan Supreme Court rejected the legislature's ability to make those amendments and returned the initiatives to their original form, which were set to take effect February 21, 2025.

The Amended ESTA

Regarding **coverage**, small businesses (those with 10 or fewer employees) are subject to lower requirements (e.g., 40 hours of usage) and will not be subject to the ESTA until October 1, 2025. The amended ESTA excludes unpaid trainees, unpaid interns, youth employees, and employees who schedule their own working hours but are not subject to minimum hour requirements. Employees who are subject to an existing collective bargaining agreement become covered by the ESTA when that agreement expires. Similarly, employees covered by employment contracts signed before December 31, 2024, become covered by the ESTA when the contract expires (so long as the contract is for not longer than three years and the employer notifies the Michigan Department of Labor and Economic Opportunity of the contract).

Regarding **usage**, the amended ESTA clarifies that sick time does not accrue during an employee's time off. Employers may cap usage and

carryover at 72 hours per year (40 hours for small businesses). Employers may also frontload earned sick time, in which case unused sick time does not need carry over. Employers can also require new hires to wait 120 days before they can use accrued leave.

Regarding **notice**, the amended ESTA requires employees to give notice of their sick time “as soon as practicable” or per their employer’s policy for unforeseeable leave requests, if that policy is distributed in writing and otherwise meets the law’s requirements. For foreseeable time off, employers can require up to seven days advanced notice.

Large employers have until March 23 to provide their employees with written notice of the sick leave policy and the amended ESTA.

Finally, concerning **enforcement**, the amended ESTA removes the private right of action but gives the Michigan Department of Labor and Economic Opportunity the power to impose higher civil penalties, including a civil fine of up to eight times the employee’s normal hourly wage.

The Amended Wage Act

The amended Wage Act raised the minimum wage to \$12.48 per hour, which took effect on February 21, 2025. The minimum wage will rise to \$13.73 per hour on January 1, 2026, and to \$15.00 per hours in 2027.

The amended Wage Act, however, **will not** phase out tip credits. Instead, the legislature opted for a 2% annual decrease in the tip credit percentage starting at a 62% credit on February 21, 2025, and ending with a 50% credit in 2031. In other words, from 2031 forward, the minimum wage for tipped workers will be 50% of the minimum wage. For 2025, this means employers will need to pay tipped workers 38% of the \$12.48 minimum wage (or \$4.72 per hour).

The new schedule for the minimum hourly wage and the tip credit is as follows:

Date	Minimum Wage	Tip Credit
February 21, 2025	\$12.48 per hour	38% of minimum wage
January 1, 2026	\$13.73 per hour	40% of minimum wage
January 1, 2027	\$15.00 per hour	42% of minimum wage
January 1, 2028	2027 Minimum Wage + inflationary adjustment	44% of minimum wage
January 1, 2029	2028 Minimum Wage + inflationary adjustment	46% of minimum wage
January 1, 2030	2029 Minimum Wage + inflationary adjustment	48% of minimum wage
January 1, 2031	2030 Minimum Wage + inflationary adjustment	50% of minimum wage

Takeaways for Employers

The amended ESTA and Wage Act provide lighter requirements than the original initiatives in some areas but greater requirements in others. Employers should review their current pay rates and sick leave policies to ensure they remain legally compliant. Contact your Vorys lawyer with questions regarding the Michigan ESTA, Wage Act, or similar requirements in other jurisdictions.