

MICHIGAN

Michigan Enacts Changes to Minimum Wage and Paid Sick Time

The Michigan Legislature has passed bills altering increases to minimum wage and paid sick time ordered by the Michigan Supreme Court last year. The bills were signed by Gov. Gretchen Whitmer on Feb. 21, 2025, the same date the court-ordered changes were to take effect. The amendments took effect immediately.

Background

In 2018, the Legislature adopted the Improved Workforce Opportunity Wage Act (Wage Act) and the [Earned Sick Time Act](#) (ESTA) ballot initiatives, which prevented the initiatives from appearing on the ballot in an impending election. Following the election, the Legislature amended the adopted measures to limit the wage increases and paid sick leave they provided. The amended versions became law and have been in place since.

Ensuing litigation resulted in a July 2024 state Supreme Court [ruling](#) that the “adopt-and-amend” procedure employed by the Legislature violated the state constitution. The court’s opinion set forth a timeline for the original ballot measures to be put into law in place of the amended versions, beginning Feb. 21, 2025.

The Legislature worked to amend the ballot measures again before the court deadline. The [bill](#) amending the Wage Act was presented to the governor Feb. 20, 2025, but the ESTA [amendments](#) did not reach the governor’s desk until 1:30 a.m. on Feb. 21. The bills were tied, meaning neither could become law unless both were enacted. The governor signed both bills in the late morning of Feb. 21, 2025.

Minimum Wage

The new legislation alters the state’s minimum wage policy that was to take effect on Feb. 21, 2025. Following the court’s 2024 order, the state’s minimum wage rate was set to increase to \$12.48 an hour on Feb. 21, 2025, and gradually increase to \$14.97 an hour by 2028. The tipped minimum wage rate was slated to increase to 48% of the standard minimum wage rate on Feb. 21, 2025 (\$5.99) and gradually be phased out by 2030.

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Highlights

- The Wage Act and ESTA were scheduled to take effect Feb. 21, 2025, per court order.
- Whitmer signed amendments to the Wage Act and the ESTA on Feb. 21, 2025, to take effect immediately.

The Michigan Legislature amended the minimum wage and paid sick leave laws on the day they were scheduled to take effect.

The new legislation still raises the state's standard minimum wage rate to \$12.48 an hour on Feb. 21, 2025, but the following increases are to \$13.73 an hour on Jan. 1, 2026, and \$15 an hour on Jan. 1, 2027. The state treasurer then annually calculates a minimum wage rate based on inflation for subsequent years.

The new law also changes the tipped minimum wage rate to 38% of the standard minimum wage rate on Feb. 21, 2025 (\$4.74). The tipped minimum wage rate increases to 40% of the standard minimum wage rate on Jan. 1, 2026 (\$5.49), and 42% of the standard minimum wage rate on Jan. 1, 2027 (\$6.30). The tipped minimum wage rate equation continues to increase by 2% each year until it reaches 50% of the standard minimum wage rate in 2031.

Earned Sick Time

One of the biggest changes brought about by the new amendments to the ESTA is that the effective date of the paid sick leave requirement is delayed until **Oct. 1, 2025**, for businesses with 10 or fewer employees. The amendments also allow these small employers to limit earned sick time to just 40 hours of paid sick leave per year, whereas the original ESTA required them to provide an additional 32 hours of unpaid leave annually. The amendments do not change the 72-hour annual paid sick leave mandate for businesses with more than 10 employees.

The new amendments additionally strike employees' right to file civil actions against employers for alleged ESTA violations. Aggrieved employees may still file an administrative complaint with the Michigan Department of Labor and Economic Opportunity, which, under the amendments, can impose administrative fines of up to \$1,000 per violation for prohibited retaliation and up to eight times the employee's hourly wage for denying paid sick time in violation of the ESTA.

Other key revisions include that:

- Employers may frontload the total amount of required paid sick leave at the beginning of the year as an alternative to the regular accrual schedule of one hour of paid sick leave per 30 hours worked. Frontloading also excuses the employer from calculating and tracking accrual and from **carryover** of unused leave into the next year;
- Hours an employee takes as paid time off (PTO) do not count in the accrual of paid sick leave;
- Employers may impose a 120-day waiting period (up from 90 days) for paid sick leave use for new hires;
- Employer PTO policies that meet ESTA requirements for the amount and permitted purposes of leave satisfy the law, as do certain collective bargaining agreements with multiemployer plans;
- Overtime pay, holiday pay, bonuses, commissions, supplemental pay, piece-rate pay, tips and gratuities are not included in an employee's base rate for determining their compensation while on paid sick leave;
- Employers may require employees to follow their written procedures for providing notice of **unforeseeable** leave if the procedures were given to the employee; and
- Employers may require supporting documentation for paid sick leave to be provided within 15 days after the employer's request for the documentation.

Under the amendments, employers must provide **written notice** of employees' ESTA rights at hire or 30 days after the effective date of the amendments. The paid sick leave bill gives an effective date of Feb. 21, 2025. Violations of the employer notice and posting requirements carry an administrative penalty of \$100 for each violation.