

# Lansing approves minimum wage, paid sick leave changes to Court ruling



Friday, February 21, 2025

## Takeaways

- Effective today: Michigan's standard minimum wage moves to \$12.48 an hour. Minimum wage for tipped wait staff moves to \$4.74 an hour. Standard rate moves to \$15 an hour in 2027 and tipped wait staff will be paid at least 50 percent of the standard minimum wage by 2031. Future minimum wage increases will be at the CPI rate.
- The House and Senate, with supermajority votes to enable immediate effect, approved changes Thursday to Court-ordered rules pertaining to paid sick leave. Governor Gretchen Whitmer signed the Earned Sick Time Act (ESTA) into law.
- All employees are entitled to earn one hour of paid sick leave for every 30 hours worked. Small businesses (10 or fewer employees) must pay at least 40 hours a year for sick time off, while larger businesses must pay at least 72 hours a year. Seasonal and part-time workers under age 18 are exempt from this benefit.
- A new small business has three years before they are required to come into compliance with paid sick leave rules. Established small businesses have until Oct. 1 to come into compliance.
- Restaurants are required to pay employees sick time at the standard minimum wage rate (\$12.48/hour).
- Employees are entitled to carry a limited amount of unused paid sick leave into the next year. This eliminates an employer's right to have "use them or lose them" policies.
- Employers do not have to pay for sick leave during probationary periods for new hires (up to 120 days).
- The requirements in these rules are NOT additional time off to current allotted paid time off. If an employee is already entitled to at least 72 hours of paid time off, then the employer is considered in compliance.
- Changes eliminated provisions where employees could civilly sue their employer over disputes about paid sick leave and take up to three days off without providing a reason or facing employer discipline. There are no longer requirements for unpaid sick leave.
- The legislation had bipartisan support in the Democratic-led Senate and Republican-led House. Here is vote breakdown by local lawmakers, all Democrats: Supporting the compromise were Senator Dayna Polehanki and Representatives Matt Koleszar and Peter Herzberg; Against the legislation were Senator Mary Cavanagh and Representatives Laurie Pohutsky, Stephanie Young, and Dylan Wegela.

## Analysis

There was a good effort by both party's legislative leaders to negotiate a compromise deal and secure the votes for new rules to take immediate effect. The legislation changes the Court's ordered rules that many tipped-wage workers felt would net them less money. Everyone didn't get what they wanted but overall, this compromise legislation curbs some of the challenges businesses will face compared to the Court's original order. Business lobbyists tried to raise the small business threshold to at least 25 employees instead of 10.

Restaurants without paid-time off for employees will see a bigger cost increase with the immediate increase in minimum wage and requirements to pay 72-hours sick leave at the standard minimum wage rate (\$12.48 an hour). The industry has dealt with major price increases for food and supplies over the past five years and the new rules will likely result in more consumer price increases for restaurant dining.