

WSI[®] HIRE
RECRUITMENT AND STAFFING
WIRE
SPECIAL EDITION

BREAKING
LAST MINUTE
ESTA CHANGES
IN LANSING



LAST MINUTE LATE NIGHT CHANGES TO ESTA AND MINIMUM WAGE

What Employers Need to Know

Late Thursday night, just hours before the Michigan Supreme Court’s mandated changes were set to take effect, lawmakers in Lansing passed significant modifications to the state’s paid sick leave and minimum wage policies. With bipartisan negotiations pushing up against the midnight deadline, House Bill 4002 (sick leave) and Senate Bill 8 (minimum wage) now head to Governor Gretchen Whitmer for her signature.

Expected to be signed into law by Governor Whitmer, these bills will immediately override the court-ordered changes, easing concerns from businesses statewide. Without legislative action, the minimum wage would have increased to \$12.48 on Friday and gradually risen to \$14.97 by 2028, phasing out the tipped wage by 2030. Additionally, small employers would have been required to offer 40 hours of paid sick leave and 32 hours of unpaid leave, while larger employers would have had to provide 72 hours of paid leave.

Key Changes to Paid Sick Leave (House Bill 4002)

Accrual and Usage: Employees will accrue one hour of paid sick leave for every 30 hours worked. Employers have the option to frontload the full annual allotment

Policy	Original Law (Pre-2/20/25)	New Law (Post-2/20/25)
Tipped Minimum Wage	Gradual phase-out over 5 years, reaching full parity by 2030. Starting 2/21/25, tipped workers earn 48% of the standard minimum wage, with annual 10% increases.	Tipped minimum wage remains at 38% in 2025, increasing 2% annually starting in 2026, reaching 50% by 2031.
Minimum Wage	Increased from \$10.33 to \$10.56 on 1/1/25, and set to rise to \$12.48 on 2/21/25, with further increases annually.	\$12.48 on 2/21/25, increasing to \$13.73 in 2026, and \$15 in 2027, with inflation-based adjustments starting in 2028
Sick Leave Accrual	1 hour for every 30 hours worked.	No change.
Annual Sick Leave	Employers with 10+ employees: 72 hours paid. Small businesses (<10 employees): 40 hours paid + 32 hours unpaid.	Large employers: 72 hours paid. Small employers: 40 hours paid (unpaid leave removed).
Implementation of Sick Time	Immediate effect on 2/21/25.	Small businesses have until 10/1/25 to comply. New businesses have a three-year grace period.
Unemployment Benefits	Extended from 20 weeks to 26 weeks, with higher payout caps.	Not included in the new legislation.

at the beginning of the year. Large businesses (10+ employees) must provide up to 72 hours annually, while small businesses (fewer than 10 employees) must provide 40 hours.

Implementation Timeline: Small businesses now have until October 1, 2025, to comply. New businesses have a three-year grace period before they must adopt the policy.

Exemptions: Excluded workers include unpaid interns, trainees, workers covered under the Youth Employment Standards Act, and employees who set their own schedules without minimum hour requirements.

Usage Restrictions: Workers can use sick leave for personal or family health issues, legal matters related to domestic violence, and public health emergencies that shut down their workplace or child's school.

Policy Options: Employers may choose between an accrual method or frontloading at the beginning of the year. Employers who offer PTO that meets or exceeds the sick leave requirements are in compliance.

Minimum Wage Adjustments (Senate Bill 8)

Gradual Increases: The state's minimum wage will rise incrementally:

\$12.48/hour – February 21, 2025

\$13.73/hour – January 1, 2026

\$15/hour – January 1, 2027

Inflation adjustments begin in 2028, tied to the Midwest Consumer Price Index.



Tipped Wage Changes: The tipped minimum wage will remain at 38% of the regular minimum wage for 2025. Starting in 2026, it will increase by 2% annually until it reaches 50% by 2031.

Enforcement & Penalties: Employers who fail to pay the required wages face fines of up to \$2,500.

Potential Referendum: One Fair Wage, a national advocacy group, has announced plans to collect signatures for a statewide referendum to repeal the new minimum wage law. If they gather enough signatures, voters will have the final say on whether these changes remain in place.

Action Steps for HR Professionals and Employers



Given the fast-moving nature of this legislation, here's what HR teams should focus on over the next few days:

Review and Update Policies: Ensure compliance with the new sick leave and wage laws, particularly for small businesses facing new obligations.

Employee Communication: Clearly inform staff about policy updates, including sick leave accrual and upcoming wage increases.

Payroll Adjustments: Work with payroll providers to update wage structures before February 21, 2025.

Training and Documentation: Educate managers and HR personnel on compliance, documentation requirements, and policy enforcement.

Monitor Additional Developments: Stay informed about potential legal challenges, enforcement policies, and any updates from the Michigan Department of Labor and Economic Opportunity.

Final Thoughts

Michigan employers are facing a rapidly shifting regulatory landscape. While these legislative changes may provide clarity, there is still uncertainty regarding enforcement, compliance, and potential legal challenges. Employers should remain proactive in understanding their obligations and preparing for implementation deadlines.

PAYROLL

Navigating the Last-Minute Shift

For months, we've been watching, waiting, and preparing—because we knew this was coming. Michigan's paid sick leave and minimum wage changes were set to roll out in full force, and lawmakers dragged their feet until the last possible moment.

Now, it's all changing again. What does it mean for your business? How do you stay compliant? WSI has been tracking every twist and turn, and we're here to help you navigate the chaos. Hang in there—we've got you covered.

