

Michigan Supreme Court Reinstates Improved Workforce Opportunity Wage Act & Earned Sick Time Act

Michigan Supreme Court Ruling - Effective February 21, 2025

In a 4 to 3 decision, the court ordered the current wage laws be amended back to the original initiatives of the Improved Workforce Opportunity Wage Act (IWOWA) and the Earned Sick Time Act (ESTA) effective February 21, 2025, with some modifications to account for the passage of time. The ruling will result in a higher minimum wage, gradual elimination of the tipped minimum wage, and expanded paid sick leave requirements for Michigan workers.

Improved Workforce Opportunity Wage Act (IWOWA)

Minimum wage planned increase over 5 years

Date effective	Minimum wage rate	Tipped Employee		Under 18 85% rate
		% of minimum wage	Minimum wage rate	
February 21, 2025	\$12.48	48%	\$5.99	\$10.61
February 21, 2026	\$13.29	60%	\$7.97	\$11.30
February 21, 2027	\$14.16	70%	\$9.91	\$12.04
February 21, 2028	\$14.97	80%	\$11.98	\$12.72

- 85 % rate: minors under the age of 18 may be paid 85% of the minimum hourly wage rate.
- As of year 2029, the state treasurer will calculate an adjusted minimum wage by the rate of inflation and the tip % of minimum wage will be 90%.
- Effective February 21,2030, the tip percentage will no longer exist and tipped employees will be paid the minimum hourly wage rate.

Compensatory time in lieu of overtime

- Under IWOWA, voluntary agreements between employers and their employees to use compensatory time in lieu of overtime are permitted.
- *The exception* - this is not permitted for private employers covered by Fair Labor Standards Act (FLSA).

Earned Sick Time Act (ESTA)

PMLA versus ESTA

Michigan currently works under the Paid Medical Leave Act (PMLA) which is the amended ESTA. As of February 21, 2025, Michigan employers will need to adhere to the ESTA as its original initiative.

Presumed Compliance with the Act:

An employer is in compliance with the act if it provides any paid leave in at least the same amounts as that provided under this act that may be used for the same purposes and under the same conditions provided in this act and that is accrued at a rate equal to or greater than the rate of 1 hour for every 30 hours worked. Paid leave includes, but is not limited to, paid vacation days, personal days, and paid time off.

PMLA

Employer coverage

- Person, firm, business, educational institution, nonprofit agency, corporation, LLC, government entity or other entity with 50+ employees.
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Rehired employees

- Employee loses all unused paid medical leave upon separation from employment.
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Ineligible employees

- FLSA exempt employees.
 - Individuals not employed by a public agency and covered by a CBA in effect.
 - Certain transportation employees.
 - Minors and employees under 20 paid a training wage during first 90 days of employment.
 - Temporary employees employed by temporary agencies.
 - Direct hire temporary employees if employed for 25 weeks or fewer during calendar year in a job scheduled for 25 weeks or fewer.
 - Variable hour employee under Affordable Care Act.
 - Individual who worked, on average, less than 25 hours per week during immediately preceding calendar year.
 - Individual whose primary work location is not in Michigan.
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Leave usage

- May limit usage to no more than 40 hours of paid medical leave per benefit year.
- May be used in hourly increments unless written employer policy designates otherwise.
- 90 day waiting period for new hires.



ESTA

Employer coverage

- Person, firm, business, educational institution, nonprofit agency, corporation, LLC, government entity or other entity that employs 1 or more individuals.
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Rehired employees

- Employee retains all unused paid sick time if rehired within 6 months.
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Ineligible employees

- Individual whose primary work location is not in Michigan (though not explicit).
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Leave usage

- May limit usage:
- Large employers (10+ employees): 72 hours of paid sick time per benefit year.
- Small employers (1-9 employees): 40 hours of paid sick time, plus 32 hours of unpaid sick time, per benefit year.
- May be used in smallest increment that payroll system allows, but not greater than hourly increments.
- 90 day waiting period for new hires.

Leave accrual

- 1 hour for every 35 hours worked.
- May limit accrual of paid medical leave to no more than 1 hour per calendar week and 40 hours per benefit year.
- Frontloading explicitly permitted.

Leave carryover

- May limit carryover to no more than 40 hours from one benefit year to another.
- Employers that frontload paid medical leave not required to allow carryover.



Leave accrual

- 1 hour for every 30 hours worked.
- No accrual limits.
- Frontloading likely permitted.

Leave carryover

- No carryover limits (only usage limits).

PMLA

Qualifying reasons

- Mental or physical illness or injury of employee or employee's family member.
- Medical diagnosis or treatment of illness or injury of employee or employee's family member.
- Preventative medical care for employee or employee's family member.
- Matters arising from employee or employee's family member being a victim of domestic violence or sexual assault.
- If employee's place of business is closed due to public health emergency.
- If employee's child's school or place of care is closed due to public health emergency and employee needs to care for child.
- If public official or healthcare provider determines that the health of others may be jeopardized because of employee or employee's family member's exposure to a communicable disease.

Family members

- Child (biological, step, foster, legal ward, in loco parentis)
- Grandchild
- Spouse
- Parent (biological, foster, step, adoptive, legal guardian)
- Grandparent
- Sibling (biological, foster or adopted (not step-sibling))



ESTA

Qualifying reasons

- All of the reasons covered under the PMLA.
- Plus: Meetings at child's school or place of care related to child's health or disability, or the effects of domestic violence or sexual assault on child.

Family members

- All of those covered by PMLA, plus:
- Step-sibling
- Child of domestic partner
- Domestic partner
- Any other individual related by blood or affinity whose close association with employee is equivalent to a family relationship

PMLA

Supporting documentation

- May require supporting documentation but must give employee at least 3 days to provide supporting documentation.
- May not require that documentation explain the details of violence or the employee/family member's medical condition.

Employer notice

- Display posters in the employer's place of business.

Recordkeeping

- Must retain records for 1 year.

Enforcement

- File a claim with LEO.
- Statute of limitations: 6 months.

Retaliation

- No retaliation provisions.



ESTA

Supporting documentation

- May require supporting documentation be provided in a timely manner only if employee uses more than 3 consecutive days of paid sick time.
- Employer must pay any out-of-pocket costs incurred by employee in securing documentation.
- May not require that documentation explain the nature of the illness or details of violence.

Employer notice

- Poster requirement.
- Plus:
 - Written notice at hire
 - Notice and posters must be in English, Spanish and any other language spoken by 10% of the workforce if LEO has translated the posters and notices into those languages.

Recordkeeping

- Must retain records for 3 years.
- Failure to maintain records creates presumption that the employer violated ESTA.

Enforcement

- File a claim with LEO, or a civil action in court.
- Statute of limitations: 3 years.

Retaliation

- Specifically prohibits and defines retaliation.
- Creates rebuttable presumption of retaliation if an employer takes adverse personnel action against a person within 90 days after that person:
 - Files a complaint with LEO or in court alleging an ESTA violation.
 - Informs any person about an employer's alleged ESTA violation.
 - Cooperates with LEO or another person in the investigation or prosecution of any alleged ESTA violation.
 - Opposes any policy, practice, or act that prohibited by ESTA.
 - Informs any person of their ESTA rights.