



# **Understanding the Impact of Michigan's New Minimum Wage and Paid Leave Regulations**

**Sturgis Chamber  
Three Rivers Chamber**

**Oct. 16, 2024**

# MI Chamber – A Snapshot

- Approximately **5,000** members:
  - Every size, industry.
  - All 83 counties.
- **Mission:** To help businesses succeed and ensure a stronger Michigan for all.



# Paid Leave, Minimum Wage Decision

- Michigan Supreme Court decision – *Mothering Justice v. Attorney General* – **puts into law two 2018 ballot proposals.**
- Were hopeful Court would put **politics aside** and focus on the text in the Michigan Constitution... but they didn't.
- Impact will be deep and **felt by job providers and workers alike.**



**DISCLAIMER:** The information provided herein is provided for informational purposes only and should not be construed as legal advice on any subject matter. We recommend seeking assistance from a licensed attorney for compliance advice.



# Need to Know: Paid Leave

- **No exemptions** – large and small employers, full- and part-time, seasonal.
- **Accrual** – 1 hour for every 30 hours worked, 72 hours/year.
  - Fewer than 10 employees: 40 hours paid, 32 hours unpaid.
- Forces employers to **rethink PTO** bank approach, time off policies.
- No **notification** – “as soon as practicable.”
- **Use** of time, carry over of time.
- Limits **documentation** (employer pays).
- **Litigation nightmare** – rebuttable presumption and private right of action.
- **Fines** and fees.



# Need to Know: Minimum Wage

- **Effective Jan. 1, 2025**, minimum wage will increase from \$10.33/hour to \$10.56.
- **Effective Feb. 21, 2025**, minimum wage increases to **\$12.48** per hour.
- Annual increases based on a set schedule through 2028, then inflation.
- **Tipped employee minimum wage** will increase from 38% to **100%**.
- Exception: Employers can pay a lower **training wage** of \$4.25 per hour to newly-hired employees aged between 16–19 for their first 90 days.



# Minimum Wage Schedule

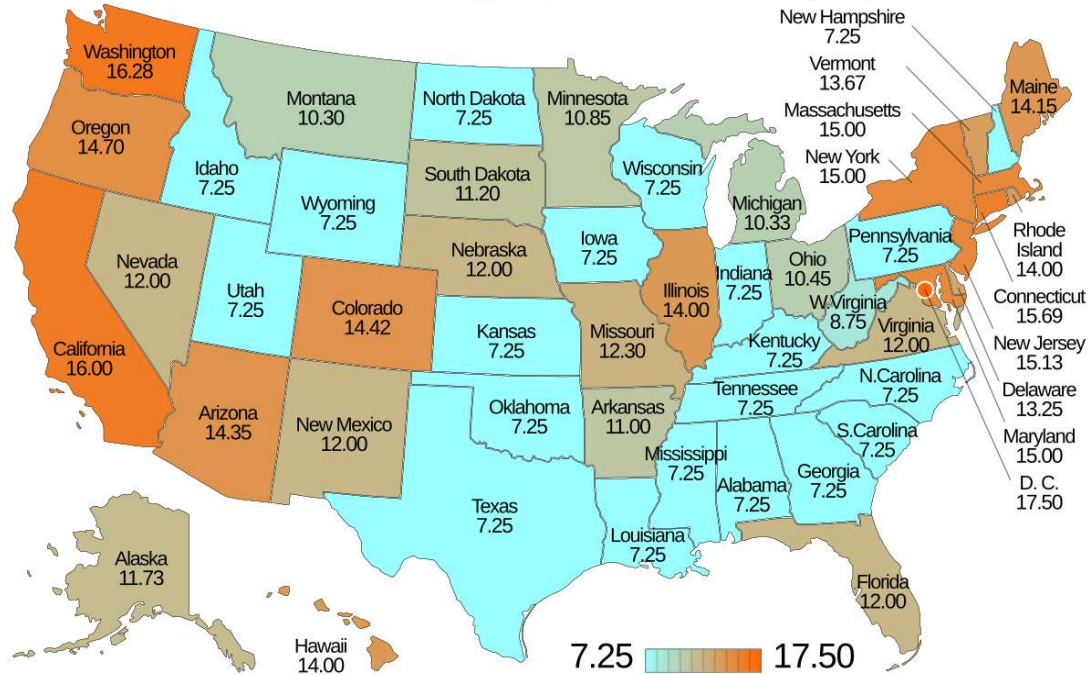


**Effective Feb. 21, 2025**, minimum wage increases from \$10.56/hour to:

NEW YEAR	NEW MIN. WAGE	TIPPED MINIMUM WAGE
2025	\$12.48	48%
2026	\$13.29	60%
2027	\$14.16	70%
2028	\$14.97	80%
2029	Automatic increases based on rate of inflation (CPI-W)	90%
2030	Inflation	100%

# Federal Minimum Wage Remains \$7.25

State minimum wages, in dollars. July 1, 2024



**Only 7 states don't have a tipped minimum wage:  
Alaska, California, Minnesota, Montana, Nevada, Oregon, Washington.**

# The Work Ahead

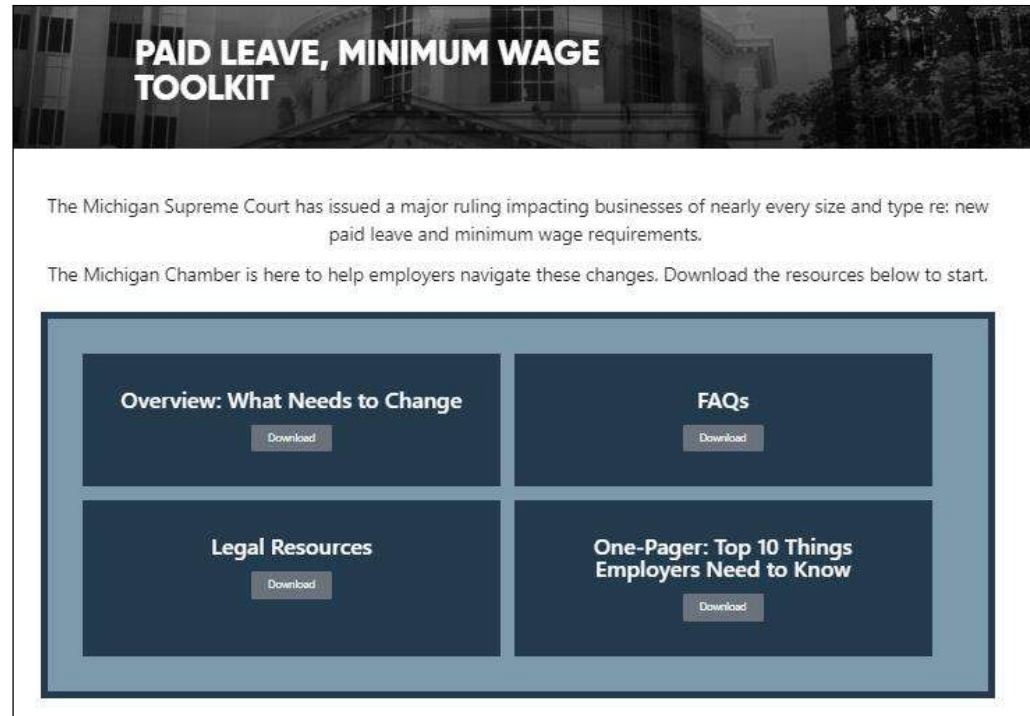
Two-pronged strategy:

1. **Compliance** – Help our members understand their obligations.
2. **Legislative** – Work to soften the impact of this adverse ruling.





# Compliance



**PAID LEAVE, MINIMUM WAGE TOOLKIT**

The Michigan Supreme Court has issued a major ruling impacting businesses of nearly every size and type re: new paid leave and minimum wage requirements.

The Michigan Chamber is here to help employers navigate these changes. Download the resources below to start.

<b>Overview: What Needs to Change</b> Download	<b>FAQs</b> Download
<b>Legal Resources</b> Download	<b>One-Pager: Top 10 Things Employers Need to Know</b> Download

Toolkit: [michamber.com/wageandleaveruling](https://michamber.com/wageandleaveruling)

# Legislative Efforts

- Building a broad coalition (traditional and nontraditional partners).
- Meetings with legislators:
  - Educating and asking for help.
- Political realities / possible timing.
- Why your voice matters.



# The MI Supreme Court's Decision on Mandatory Paid Sick Leave

*Top Things Lawmakers Need to Know About the Impact of the Supreme Court's Decision on Paid Leave*

## DISRUPTIVE AND BAD FOR EMPLOYEES

The Earned Sick Time Act will force employers of all sizes and types to rethink their existing paid leave policies. Because the Act micromanages things like notification and increments that time can be used and adds avenues for costly litigation against businesses for compliance mistakes, most employers will move to separate sick time from other paid time off (PTO) banks -- even though most employees prefer a combined bank.

- **Our Ask:** Exempt employers with paid leave policies that meet or exceed the number of hours required under the act, including all forms of paid leave.

## NO EXEMPTIONS

Sick leave must be expanded to all employees (full-time, part-time, seasonal, temporary workers, independent contractors, subcontractors); all employers with one or more employees must comply. Very few states have laws as extensive as Michigan.

- **Our Ask:** Add a small employer exemption or expand the current small employer threshold. Apply Earned Sick Time Act to full- and part-time employees averaging 20 or more hours per week; exempt seasonal, temporary workers, independent contractors, and subcontractors. There's good precedent and logic to exempting employers with fewer than 50 employees (federal Family Medical Leave Act [FMLA]).

## NO NOTIFICATION

The Act only requires employees to submit leave time notifications "as soon as practicable." In practice, this will provide employees 72 hours of no-notice, intermittent leave time each calendar year and could very well exacerbate staffing shortages. No other state has a similar no-notice, ghosting provision.

- **Our Ask:** Each business is different in terms of its needs. At the very least, time should be limited to use in four-hour/half-day increments; notification should be required prior to the start of a shift, unless the employee is incapacitated.

Legislation is needed to help soften the blow to employers and workers.



## LITIGATION NIGHTMARE

The Act allows employees to sue businesses and automatically assumes the employee's side for unfavorable personnel actions (via a rebuttable presumption), putting employers in the position of having to defend their HR decisions in court. No other state has a rebuttable presumption, creating a disincentive to hiring and entrepreneurship in Michigan.

- **Our Ask:** Remove the language allowing for a private right of action and rebuttable presumption. Enforcement and penalties should be handled by the State.

## NO FRONTLOADING

The Act doesn't allow employers to frontload employees' time off at the beginning of the year. It must accrue.

- **Our Ask:** Allow employers to frontload time off to avoid keeping complicated accruals and to allow the employee to have maximum flexibility.

## ESTA – Five Key Changes:

- **Exempt plans** that meet or exceed the mandated 72 hours.
- Exempt **small businesses** and certain workers (part-time workers, seasonal employees, other workers).
- Require time to be used in half-day **increments** and allow employers to require **advanced notice**.
- Eliminate private right of action and **rebuttable presumption**.
- Allow employers to **frontload** 72 hours at the start of the year.



# Coalition Members: Paid Leave





## TIP CREDIT IMPORTANCE FOR INDUSTRY AND EMPLOYEE EARNINGS

The tip credit is important as it helps businesses in industries reliant on tipping to manage labor costs while ensuring employees have the potential to earn a fair income. By allowing employers to offset a portion of their employees' wages with tips received, the tip credit enables businesses to remain competitive, keep menu prices affordable, and potentially create more job opportunities.

- **Flexibility for Employees:** Tipped workers often have flexibility in their schedules and may have the opportunity to earn more than they would with a traditional hourly wage. This flexibility can be especially valuable for individuals balancing multiple jobs, education, or family responsibilities.
- **Job Opportunities:** A lower base wage may encourage employers to hire more staff, potentially creating more job opportunities within the industry. This can be especially beneficial in sectors with high turnover rates or during periods of economic downturn when job creation is critical.
- **Incentive for Better Service:** Tipping can serve as an incentive for workers to provide better service since their income is directly tied to customer satisfaction. This can lead to improved customer experiences and potentially higher earnings for employees who excel in their roles.
- **Competitive Wages:** In industries where tipping is prevalent, such as restaurants and hospitality, the tipped minimum wage allows employers to remain competitive by keeping menu prices lower while still providing an opportunity for employees to earn a decent income through tips.
- **Cost Savings for Employers:** Employers in industries where tipping is common may benefit from a lower base wage since they can offset labor costs by paying employees less and relying on tips to make up the difference. This can be particularly advantageous for businesses operating on thin profit margins.

## TRUTH OR MYTH

Facts about the tipped minimum wage

**MYTH** Employees earn below min. wage without good tips.

**TRUTH** Employers are required to make up the difference by law.



**MYTH** Tipped employees earn less than those in other industries.

**TRUTH** The average tipped employee makes about \$26/hr.



**MYTH** People are becoming less positive about tipping culture.

**TRUTH** 3/4 of people prefer tipping at full-service restaurants.



**MYTH** Ending the tip credit would provide a raise for employees.

**TRUTH** Ending the tip credit would lower overall earned wages.



## Minimum Wage Changes:

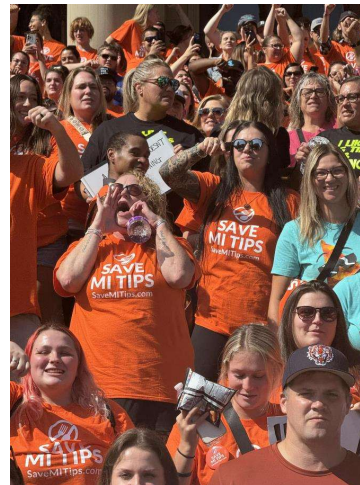
- **Restore the tipped minimum wage.**

### Employee Protections:

If a tipped employee's earnings, including both their base wage and tips, fall below the local minimum wage for any given hour worked, the employer is required to compensate for the shortfall. It's important to clarify that the idea that tipped employees ever earn less than minimum wage is incorrect. Removing the tip credit would not equate to a raise in wages for the vast majority of tipped workers.

The Fair Labor Standards Act (FLSA) offers robust safeguards to ensure that tipped employees always receive at least the local minimum wage. Employers who fail to pay tipped employees appropriately face financial penalties.

# SaveMiTips.com



# How You Can Help

- Business leaders **MUST engage.**
  - Starts with **educating lawmakers** on why the ruling is problematic.
  - **Don't have to be an expert:** introduce self, talk about why you're concerned (high level) and ask for their help.
  - **Call, email, visit.**
- Ask Rs and Ds to come together to **find a commonsense solution** in 2024 – we cannot afford to wait!





# Ways to Engage

- **Talk to local lawmakers:**

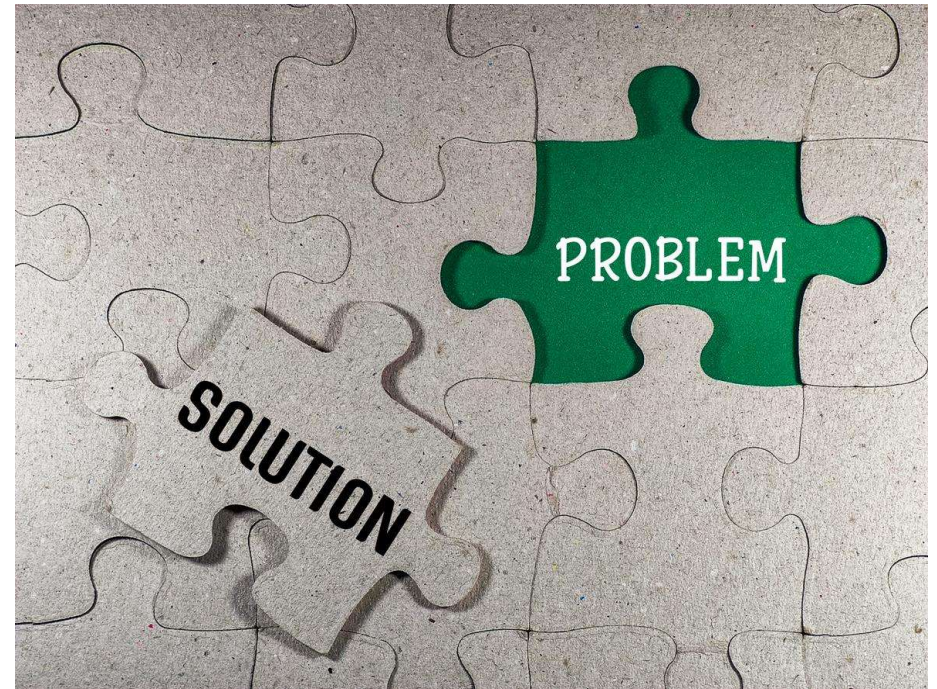
- **Help understand** why the ruling is problematic.
- Come together to **fix this mess before end of 2024.**

- Contact your lawmaker's office:

- State Rep: [www.house.mi.gov/](http://www.house.mi.gov/)
- Senator: [senate.michigan.gov/findyoursenator/](http://senate.michigan.gov/findyoursenator/)
- Sample talking points: [bit.ly/3Te1CYC](http://bit.ly/3Te1CYC)

- Send an action alert via email:

- Paid leave – [bit.ly/fixpaidleave](http://bit.ly/fixpaidleave)
- Minimum wage – [bit.ly/fixminimumwage](http://bit.ly/fixminimumwage)





# Questions?

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