



What Employers Need to Know About ESTA & IWOWA

On **July 31, 2024**, the Michigan Supreme Court reinstated the original **Earned Sick Time Act (ESTA)** and **Improved Workforce Opportunity Wage Act (IWOWA)** that Michigan voters initiated in 2018.

ESTA applies to all employers in Michigan and covers any one not eligible for sick leave under the **Paid Medical Leave Act (PMLA)**.

ESTA and **IWOWA** will take effect on **February 21, 2025**.

ESTA Impact	February 21 st , 2025	Current
Who is affected?	ESTA applies to employers with 1 or more employees.	PMLA only applies to employers with 50+ employees.
How does it accrue?	Employees earn 1 hour of sick time for every 30 hours worked; accrual starts at hire and there is no cap.	Employees earn 1 hour of sick time for every 35 hours worked; PMLA caps accrual to 1 hour per week.
How is it used?	Leave may be used in the smallest increment that the payroll system allows, but no greater than hourly.	PMLA allows hourly increments as the minimum, regardless of the payroll system's smallest increment.
What's the limit?	Unlimited hours carry over from year-to-year, however employers can cap annual usage at 72 hours .	Up to 40 hours can be carried over year-to-year, however employers can cap annual usage to 40 hours.
How long are records retained?	Employers must retain records for 3 years . Failure to retain records is a presumption of violation.	PMLA requires employers to retain records for only 1 year.
How do employers inform employees?	Display posters in all languages spoken by 10%+ of employees and provide written notice upon hire .	Display posters in employer's place of business.

Learn what you need to know about **IWOWA** on the next page. →



IWOWA applies to all standard and tipped minimum wage rates, adjusted for inflation between **2018** and **2024**.



IWOWA Impact	Minimum Wage	Tipped Minimum Wage
February 21st, 2025	\$10.00 + inflation adjustment	48% of minimum wage
February 21st, 2026	\$10.65 + inflation adjustment	60% of minimum wage
February 21st, 2027	\$11.35 + inflation adjustment	70% of minimum wage
February 21st, 2028	\$12.00 + inflation adjustment	80% of minimum wage
February 21st, 2029	Adjusted to inflation	Tip credit no longer exists
Unemployment Rate	Increase in minimum hourly rate does not take effect if unemployment rate in state is 8.5% or greater in preceding year. If increase does not take effect, it becomes effective in first calendar year unemployment is less than 8.5%.	

Schedule your free 30-min Consultation

Our people strategists are here for you. Whether you have a specific people challenge to discuss or trying to wrap your head around how you will be affected by this new ruling, we can help.

Schedule your free consultation: hrcollaborative.com/consultation



← Learn what you need to know about **ESTA** on the previous page.

