



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 covers all Michigan employees and employers of all sizes, replacing the **Paid Medical Leave Act (PMLA)**.

ESTA and **IWOWA** took effect on **February 21, 2025** with adjustments from **Senate Bill 8**.

Who is affected?

ESTA applies to employers with **1 or more** employees. Small business that have 10 or fewer employees, have until October 1st, 2025 to comply. Federal government employees are exempt.

How does it accrue?

Employees earn **1 hour of sick time for every 30 hours** worked; accrual starts at hire. Employers can require that new employees wait 120 days before using it. Employers also have the option to frontload at least 72 (or 40) hours based on employer size, in which case carryover is not necessary.

How is it used?

The employer chooses whether the leave can be used in **1 hour increments or the smallest increment** used to account for absences.

What's the limit?

Employees may accrue more than 72 hours annually, however large employers **may cap usage at 72 hours**, or small employers **may cap usage at 40 hours**. Carryover caps at 72 hours for large employers and 40 hours for small businesses. If time is frontloaded, carry over isn't required.

How long are records retained?

Employers must **retain records for 3 years**. Failure to retain records is a presumption of violation.

How do employers inform employees?

Display posters in **all languages spoken** by 10%+ of employees and provide **written notice upon hire**.

When do employees provide notice?

Employees must allow up to 7 days advanced notice for foreseeable events. For non-foreseeable events, employees must provide notice as soon as practicable. If an employee is absent for 3 consecutive days, an employer can request documentation and the employee has 15 calendar days to provide documentation.

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



IOWA applies to all standard and tipped minimum wage rates, adjusted for inflation between **2025** to **2029** and beyond.



IOWA Impact	Minimum Wage	Tipped Minimum Wage
February 21st, 2025	\$12.48	38% of minimum wage
January 1st, 2026	\$13.73*	40% of minimum wage
January 1st, 2027	\$15.00*	42% of minimum wage
January 1st, 2028	Every October, starting 2027, the state treasurer will calculate an adjusted minimum wage rate based on a 12-month percentage increase in the Consumer Price Index.	44% of minimum wage
January 1st, 2029		46% of minimum wage; and every year it increases 2% until 2031 at 50%
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%.	

*Minimum wage rates as of March 5th, 2025 by SB8, subject to adjustment

Schedule your free HR 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



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