

LEGAL UPDATES

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Michigan Employers Must Heed Recent Court Ruling on Minimum Wage and Paid Sick Leave

In a landmark decision in *Mothering Justice v. Attorney General*, the Michigan Supreme Court has ruled on the constitutionality of legislative actions surrounding the Improved Workforce Opportunity Wage Act (Wage Act) and the Earned Sick Time Act. This ruling disrupts employers—especially small business and those paying minimum wage—across Michigan. The state is now set to see significant increases to minimum wage and paid sick leave beginning on February 21, 2025.

Background

In 2018, advocacy groups successfully placed the Improved Workforce Opportunity Wage Act and the Earned Sick Time Act on the legislative agenda through popular initiatives. The Michigan Legislature adopted these proposals before the election to avoid a public vote. That said, after the election, the legislature amended the acts, significantly modifying the provisions in the original ballot proposals. This led to a legal challenge questioning the constitutionality of such legislative amendments under the Michigan Constitution.

Legal challenge and court ruling

Advocacy groups, including Mothering Justice and Michigan One Fair Wage, challenged the constitutionality of the amendments, arguing that the original laws should still be in effect. The Court of Claims initially ruled for the plaintiffs, declaring the amendments unconstitutional. But the Court of Appeals reversed this decision. The Michigan Supreme Court ultimately granted the plaintiffs' application for leave to appeal. The Michigan Supreme Court ruled that the legislature's "adopt-and-amend" approach in enacting and

subsequently amending voter-initiated proposals within the same legislative session was unconstitutional. The court held this practice violated Article 2, Section 9 of the Michigan Constitution, which only allows the legislature to enact a law without change, reject it and place it on the ballot, or propose an alternative measure for a vote. By adopting and then amending the initiatives for the Improved Workforce Opportunity Wage Act and the Earned Sick Time Act, the legislature undermined the people's reserved power to propose and enact laws directly.

Key points from the ruling

- Effective dates:** The original versions of the Wage Act and Earned Sick Time Act will go into effect 205 days after the Supreme Court's opinion issued on July 31, 2024. This means that the laws will be effective on **February 21, 2025**.
- Minimum wage increases:** The Wage Act outlines a phased increase in the minimum wage and phase out of the tip credit for restaurants. The amounts are subject to change based on the state treasurer's inflation adjustments:

| Effective date | Adjusted minimum hourly wage | Tip credit |
|--|--|-------------------------|
| February 21, 2025 (originally 2019) | \$12.48 | 48% of the minimum wage |
| February 21, 2026 (originally 2020) | \$13.29 | 60% of the minimum wage |
| February 21, 2027 (originally 2021) | \$14.16 | 70% of the minimum wage |
| February 21, 2028 (originally 2022) | \$14.97 | 80% of the minimum wage |
| February 21, 2029 | \$14.97 plus inflation adjustment based on Consumer Price Index | 90% of the minimum wage |
| February 21, 2030 | 2029 Adjusted Minimum Wage plus inflation adjustment based on Consumer Price Index | No tip credit |

3. **Earned sick time:** The Earned Sick Time Act requires employers to provide employees with 1 hour of paid sick time for every 30 hours worked, with annual caps. The amended version only affected employers with 50 or more employees, limited paid sick leave to 40 hours per year (with certain differences for accrual versus front-loaded policies), and contained several broad exceptions. As of February 21, 2025, employers with fewer than 10 employees will be required to allow workers to accrue one hour of paid sick leave for every 30 hours worked, with an annual cap of 40 hours, and larger employers will be required to allow accrual of up to 72 hours.

Actions for employers

1. **Review and update policies:** Employers should review their current wage and sick time policies to ensure they align with the requirements of the original Wage Act and Earned Sick Time Act. If not, they should begin planning for changes prior to the effective date and reviewing alternatives and exceptions with counsel.
2. **Employee communication:** Communicate the upcoming changes to employees, including the new minimum wage rates and sick time accrual policies.
3. **Payroll adjustments:** Prepare for payroll adjustments to reflect the new minimum wage rates starting February 21, 2025.
4. **Training and compliance:** Train HR and payroll staff on the new requirements to ensure compliance and avoid potential penalties.

What this means to you

The Michigan Supreme Court's decision marks a significant shift in the legal landscape for employers in Michigan. By February 21, 2025, employers must ensure compliance with the original versions of the Wage Act and Earned Sick Time Act. For a detailed understanding of how this decision affects your business and the immediate steps to take, consult with the experienced legal team at Husch Blackwell.

Contact us

If you have any questions about the ruling and your obligations, please contact Erik Eisenmann, Randy Thompson, Tom Cedoz, Zoey Mayhew, or your Husch Blackwell attorney.