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**2025 LABOR LAW UPDATES
EVERY U.S. EMPLOYER
MUST WATCH**

NEW LAWS FOR 2025

Staying informed and prepared for 2025 labor law changes is crucial for maintaining compliance, avoiding penalties, and effectively managing your workforce. In addition to federal labor law changes, many states and municipalities introduced new legislation that takes effect throughout 2025 and impacts employer requirements regarding pay transparency, paid leave, minimum wage, overtime exemptions, non-compete bans, and much more.

In this guide, we'll explore the major labor law changes that impact businesses in 2025 – highlighting local, state, federal, and industry-specific changes, and offering best practices for compliance with 2025 labor laws.



Major Labor Law Changes for 2025 – Federal & Multi-State

New Pay Transparency Laws – In Illinois, Massachusetts, [Minnesota](#), New Jersey, and Vermont, new pay transparency laws will take effect throughout 2025. With the aim of increasing fairness and transparency regarding total compensation, these laws require employers – to varying degrees – to publicly disclose job benefits and pay ranges in job postings and when offering promotional opportunities. New legislation includes a range of civil financial penalties for noncompliance that increases with each violation.

Non-Compete Bans – In California, Minnesota, North Dakota, and Oklahoma, non-competes and restrictive covenants are now considered unlawful except in rare circumstances. In North Dakota and Oklahoma, restrictions on the direct solicitation of long-time customers are still considered lawful. In Minnesota, restriction on non-competes applies to any agreements entered on or after July 1st, 2023.

Minimum Wage Adjustments – In 2025, 21 states will increase their required minimum wage. Most new rates will become effective on January 1st, 2025, but in some states like Michigan, the minimum wage will increase twice in a single year. In Michigan’s case, the state minimum wage will increase to \$10.56 on January 1st and up to \$12.48 on February 21, 2025. Employers in the 21 states affected by these changes should be aware that municipal or county minimum wage rates exceeding the state rate must be adopted to avoid noncompliance penalties; this is especially crucial to monitor in states like California, Colorado, Illinois, and Washington, where minimum wage rates vary considerably by jurisdiction and include additional restrictions based on number of employees, employee classification, industry, and other factors.

Below are the states where minimum wage increases will occur in 2025: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, New York, Ohio, Rhode Island, South Dakota, Vermont, Virginia, and Washington.

In addition to state minimum wage changes, [Executive Order 14026 raises the minimum wage rate for federal contractors](#), effective January 1st, 2025 – up from \$17.20 to \$17.75 per hour.

Major Labor Law Changes for 2025 – Federal & Multi-State - continued.

Paid Leave Laws – In Connecticut, Michigan, Minnesota, and Missouri, new or updated Earned Sick Leave (ESL) and Paid Sick Leave (PSL) legislation will impact employers in each state with a large degree of variation regarding start dates, accrual rates, posting requirements, and more. Additionally, Delaware passed new legislation impacting paid family and medical leave contributions, which requires employers to offer up to 12 weeks of paid (80% wage replacement) parental leave per year and up to six weeks of medical leave or military exigency leave every two years. Although the program becomes effective in 2026, Delaware employers must be enrolled in the PFML program by January 1st, 2025, and begin making contributions throughout the year unless the organization already offers an approved private benefit plan.

Remote Work & Independent Contractor Regulations – Some states, like California, have created legislation to protect freelancers and remote workers. California's Freelance Worker Protection Act (California SB 988) establishes requirements for freelance contracts with an emphasis on required timelines for contract payment, due dates, fulfillment of agreed-upon compensation, and protection against retaliatory action on the part of employers. Effective in 2025, nonresident workers (including remote workers and contractors) who perform work that is directly related to business carried out in Nebraska are subject to applicable state and local taxes for income derived from Nebraska. In general, employers should also confirm that they are adhering to 2025 federal labor law requirements that apply equally to remote employees, including FLSA, FMLA, and ADA requirements that impact wages, overtime, paid time off, breaks, and more.

Overtime Exemptions – In states like Alaska, California, Colorado, Maine, New York, and Washington, overtime exemption is connected to the minimum salary requirement. As a result, the overtime exemption threshold will increase in each of these states starting January 1st, 2025. In addition to evaluating whether any employees or workers are affected by this change, employers should also consider state and federal duties tests that must be satisfied for employees to be considered exempt from overtime.

State-Specific Law Updates – California, Illinois, New York, Texas & Beyond

California

In California, a number of key amendments to the [California Consumer Privacy Act](#) (CCPA) were enacted to increase employee privacy & data security, ensure employer compliance with opt-out directions, and address concerns regarding AI output of employee personal information.

As mentioned in an earlier section, California also enacted the Freelance Worker Protection Act to add concrete parameters to freelancer contracts. Two other California bills, [AB 1076](#) and [SB699](#), both effectively eliminate the use of non-competes in California in an employment context, regardless of when and where the non-compete or restrictive covenant was signed.

Illinois

A wide number of changes and legislative updates impact Illinois employers in 2025, especially regarding protections against discrimination, harassment, and employer retaliation, as well as expanded employee access to personnel records. Many of these new regulations stem from the [Illinois Human Rights Act](#) and new amendments to that legislation.

As in states like New York, California, Washington, and Arizona, local legislation and requirements (in Chicago, for example) may be even more stringent and extensive than new Illinois state guidelines, so employers should review their policies to ensure local, state, and federal compliance in these areas.



State-Specific Law Updates – California, Illinois, New York, Texas & Beyond

New York

Effective January 1st, 2025, New York's AB 00805C provides up to 20 hours of paid prenatal sick leave to pregnant employees for procedures and/or prenatal medical appointments (physical exams, monitoring, testing, etc.). All 20 hours of paid leave must be available to employees on January 1st, 2025 and can be used without advanced notification or post-care documentation. New York employers should be aware that they are not required to pay out unused prenatal sick leave if an employee separates from the employer.

Texas

Similar to California, Texas developed Texas House Bill 4, a Data Privacy and Security Act designed to regulate and protect the personal information of consumers and employees. Although portions of the law were enacted in 2024, Section 541.055(e) of the Business & Commerce Code takes effect on January 1st, 2025. This section of the bill requires businesses to provide and honor statewide opt-out mechanisms related to online data processing: providing tools for consumers to permanently opt out of data sales, profiling, or targeted advertising.





Pay Transparency Laws: State-by-State Enactment Dates & Terms

- **Illinois Pay Transparency Law** – Illinois’ new pay transparency law takes effect on January 1st, 2025 and impacts employers with 15 or more employees. Similar to New Jersey’s pay transparency law, employers must notify current employees of promotional opportunities within 14 days following external posting.
- **Massachusetts Pay Transparency Law** – Massachusetts’ new pay transparency law takes effect on October 29th, 2025 and requires salary disclosure among employers with 25 or more employees. Employers with more than 100 employees must also submit pay and demographic information (using Federal EEO-1 Employer Information Report) annually beginning on February 1st, 2025. Employers are not required to discuss/publish information regarding bonuses or additional benefits in public job postings.
- **Minnesota Pay Transparency Law** – Minnesota’s new pay transparency law applies exclusively to employers with 30 or more state employees who perform work locally. Beyond salary range and benefits information, employers are forbidden from posting open-ended salary ranges and must accurately describe expected job compensation.
- **New Jersey Pay Transparency Law** – Under New Jersey’s new pay transparency law, which is effective on January 1st, 2025, employers must disclose pay ranges and job benefits in any job postings or in relation to promotional opportunities. The new legislation generally applies to businesses with ten or more employees.
- **Vermont Pay Transparency Law** – In Vermont, the new pay transparency law impacts employers with five or more employees (including organizations and government entities) and takes effect on July 1st, 2025. Unique to Vermont, employers must disclose the commission structure for any commission-based roles and the hourly rate (excluding tips) of any tipped positions.

Industry-Specific Implications & Trends – Healthcare, Hospitality, Manufacturing, and Technology

Increased state legislation regarding minimum wage, data privacy & security, paid leave (including maternal and paternal leave), and taxation on tips is likely to influence federal laws and standards in the coming months. A wide number of industries will need to respond to legislative changes in 2025, but certain sectors like healthcare, hospitality, technology, and manufacturing may be disproportionately affected.

Non-Compete Bans in Healthcare Industry

Although many states are adopting laws to restrict or eliminate non-competes and restrictive covenants, [non-compete bans in the healthcare industry](#) are gaining the most traction. Below are some state-by-state examples:

- **Illinois** – In Illinois, non-competes and restrictive covenants can not be enforced for certain licensed healthcare professionals, including first responders and those who serve veterans.
- **Iowa** – In Iowa, non-competes and restrictive covenants are banned among healthcare employment agencies and healthcare technology platforms; this ban applies to all of their workers and/or independent service professionals.
- **Louisiana** – Among primary care physicians, non-competes and restrictive covenants can only apply for three years from the date of agreement, or no longer than two years if the physician terminates the agreement.
- **Maryland** – Non-competes and restrictive covenants in Maryland must have certain limited geographic boundaries and a limited timeline, and are only eligible among healthcare providers earning more than \$350,000 annually.
- **Pennsylvania** – In Pennsylvania, only certain healthcare practitioners are eligible for non-competes and restrictive covenants, and they can not last for more than one year beyond the agreement date.
- **Rhode Island** – In Rhode Island, non-competes and restrictive covenants are void for any advanced practice registered nurses

Industry-Specific Implications & Trends – Healthcare, Hospitality, Manufacturing, and Technology

Minimum Wage, Overtime, and Tip Taxation in Hospitality Industry

At local, state, and federal levels, a number of proposed and forthcoming increases to minimum wage rates particularly impact the hospitality industry. In addition to minimum wage changes that increase labor costs, overtime exemption thresholds have and will be affected, increasing the number of employees who will be eligible for overtime pay. Additionally, with new discussions regarding reduced or eliminated federal taxation on tips, increased tip credit restrictions for employers, and increased guidelines impacting scheduling, time off, and meal breaks, restaurant and hospitality industry employers should prepare to adapt to multiple concerns at once to remain compliant and ensure employee retention and satisfaction.

Workplace Health & Safety Regulations in the Manufacturing Industry

In 2025 and beyond, employers in the manufacturing industry will need to stay attuned to updated requirements and forthcoming proposals related to workplace health & safety. These updated guidelines pose noncompliance risks for businesses that fail to stay up-to-date with workplace standards and regulations.

The Occupational Safety and Health Administration (OSHA) implemented key rule changes in 2024, including its Walkaround Rule permitting other employees or qualifying nonemployees to represent employees during an inspection. OSHA's rule mandating the submission of illness and injury data of employees in high-hazard industries also took effect, which requires qualifying employers with more than 100 employees to submit their employee injury and illness data directly to OSHA. This information must be drawn from each employer's Form 300 and Form 301 and submitted electronically to OSHA.

OSHA has also advanced rulemaking that would create stringent requirements for employers to protect employees from heat-related injuries. Although these rules would likely exclude businesses that keep indoor work environments or vehicles at a temperature below 80 degrees Fahrenheit, many other manufacturing businesses will be impacted if these rules take effect in 2025, 2026 or beyond. [Learn more about OSHA's proposed Heat Rule here.](#)

Compliance Strategies – How to Prepare for 2025 Labor Laws

Adjusting to new and forthcoming labor law changes is a complex process that requires reviewing existing policies, handbooks, and ground-level business practices to ensure your organization is fully compliant with local, state, and federal regulations.

ASAP Payroll offers comprehensive HR, payroll, and compliance solutions to provide peace of mind as you manage essential day-to-day operations and business growth. To help you prepare for long-term compliance and efficient payroll & HR in 2025 and beyond, we offer all of the following services:

- **Employee Handbook Builder & Labor Law Posters** – When labor laws change at the municipal, state, or federal level, it often requires an overhaul of your employee handbook to protect your business and keep employees and new hires informed. Our Employee Handbook Builder simplifies the process, helping you document key company policies, create transparent expectations for your workforce, and reduce liability risks. Our Labor Law Poster services help you meet all updated posting requirements that coincide with new laws, providing attorney-approved and professionally laminated posters for one or multiple business locations.
- **Comprehensive Payroll Services** – Labor law changes directly impact your business' payroll operations, so it's important to utilize a platform that prioritizes accuracy, security, integration with related HR processes, and compliance monitoring to keep your business protected. ASAP specializes in providing intuitive payroll for industries that are most impacted by shifting regulations, including manufacturing, healthcare, hospitality, technology, and more.
- **Timekeeping** – Payroll is directly connected with time and attendance, which is why we offer a comprehensive time & attendance solution that includes advanced scheduling, time clocks, mobile punching, web punching, and other features that eliminate time theft, reduce labor costs, and integrate seamlessly with payroll.
- **HCM/HR Management** – From live HR support to help you address labor concerns in real time to certification & license tracking that grants you peace of mind about compliance and employee credentials, our HCM/HR management solution helps you return focus to essential business tasks with professional support and leading-edge technology on your side.

Ready to simplify labor law compliance, HR, and payroll for your business and employees?

Ensure your business is ready for 2025 and beyond.

Contact ASAP Payroll for expert guidance and tools to navigate upcoming labor laws effortlessly.

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