



Are You Ready for Chicago's New Paid Leave Requirements to Take Effect July 1? 5 Things Employers Should Note

Insights

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Chicago employers have only a few weeks left to comply with new paid leave rules impacting workers in the city. The ordinance was supposed to take effect last December, but the Chicago City Council amended and delayed it until July 1 — which is now quickly approaching. As you roll out your plan, be sure to review the final rules that were published on April 30 interpreting the ordinance and clarifying a few key requirements. Here are the five critical areas to review as you prepare and finalize your paid leave policies and practices.

1. Clarifications from the Final Rules

The Paid Leave and Paid Sick and Safe Leave Ordinance requires covered employers to provide eligible employees with a certain amount of paid sick leave (PSL) and paid leave for any reason (PLFAR). While the final rules did not modify the major components of the ordinance, they did provide some clarity on a few important requirements:

Denying Requests

The final rules clarify that you may deny an employee's request to use PSL if it will prohibit continuity of business operations. Relevant factors when considering whether to deny a request include the following:

- Whether granting paid leave during a particular time would significantly impact business operations.
- Whether you provide a need or service critical to the health, safety, or welfare of the people of Chicago.
- Whether similarly situated employees are treated the same for the purposes of reviewing, approving, and denying paid leave.
- Whether granting paid leave during a particular period would significantly impact business operations.
- Whether the employee has meaningful access to use all paid leave time the employee is entitled to use over the established benefit year.

Definition of 12-Month Benefit Year

The final rules provide a more flexible definition of the benefit year. Employers may establish any consecutive 12-month period of its choosing when defining the benefit year, such as the employee's anniversary year, the calendar year, a contract year, the fiscal year, or the tax year.

Use of Leave

The final rules allow employers to restrict their employees use of leave to the employees' regular work week. Employers may prevent employees from using their leave during mandatory overtime or on otherwise unscheduled worktimes.

Combined Leave Policies

Employers may elect to offer 80 hours of combined paid leave in lieu of offering 40 hours of PLFAR and 40 hours PSL. If an employer elects to do so, the employee is eligible to use their combined leave by the 30th calendar day following commencement of employment.

2. Definition of a Covered Employee

A "covered employee" is defined as an employee who works at least 80 hours for an employer within any 120-day period while physically present within the geographic boundaries of Chicago. And, once an employee meets this threshold, they will be covered for the remainder of the time they work for you.

3. Accrual and Carryover

Beginning July 1, or when employment begins, whichever is later, covered employees will accrue: (1) one hour of PSL and (2) one hour of PLFAR for every 35 hours worked. Time is accrued in full-hour increments and not in fractions of an hour. Employers that have a more generous paid leave policy can maintain monthly accrual rates.

Employees are entitled to accrue up to 40 hours of PSL and 40 hours of PLFAR in a 12-month benefit period. Exempt employees are assumed to work 40 hours per workweek for purposes of accrual, unless the employee's normal workweek is less than 40 hours, in which case paid leave accrues based on that workweek.

Carryover of leave under the ordinance depends on the type of leave (whether it's PSL or PLFAR) and whether the employer implements an accrual method or frontloading method.

If an employer implements an accrual method, employees are entitled to carry over up to 80 hours of PSL and up to 16 hours of PLFAR from one 12-month benefit period to the next.

If an employer frontloads all 40 hours of PSL and 40 hours of PLFAR on the first day of each 12-month benefit period, employees are still entitled to carry over up to 80 hours of unused PSL. However, any unused PLFAR may be forfeited unless the employer denies them of “meaningfully having access” to the leave.

In lieu of the accrual or frontload methods, the ordinance explicitly allows employers to use unlimited paid time off policies for compliance. If an employer provides unlimited paid time off on the employee’s first date of employment, and continues such policy for each subsequent benefit period, no carryover is required. However, employers that provide an unlimited paid time off policy are still required to pay employees the monetary equivalent of 40 hours of paid time off less the hours of paid time off used in the 12-month benefit period upon an employee’s separation from employment or transfer outside of the geographic limits of Chicago.

4. Paid Leave Partial Payout

The ordinance requires certain employers to pay out PLFAR upon separation of employment or transfer outside of the geographic limits of Chicago depending on the size of the employer. Of note, employees working outside of Chicago are not counted towards the following employee thresholds:

- **Small employers:** Employers with 1-50 covered employees are not required to pay out unused PLFAR upon separation of employment or transfer.
- **Mid-size employers:** Employers with 51-100 covered employees are required to pay out up to 16 hours of unused PLFAR on separation of employment or transfer through June 30, 2025. Starting July 1, 2025, these same size employers will be required to pay out all PLFAR on separation of employment or transfer.
- **Large employers:** Employers with more than 100 covered employees must pay out all unused PLFAR upon separation of employment or transfer.

5. Records and Posting Requirements

The ordinance carries strict notice and posting requirements for employers. You should be aware of the requirement to:

- Provide a written policy to each covered employee in their primary language at the start of employment and within five calendar days before any changes are made to the policy. The policy must include, among other things, the accrual rate of PSL and PLFAR and your notification requirements.
- Provide notice of any change to the paid leave policy at least 14 days ahead of time if the change will affect an employee’s final compensation.
- Post a notice — in an obvious place at each facility where any eligible employee works within the city — advising the eligible employee of their right to paid time off under the ordinance.

- Provide notice with the first paycheck — and annually with a paycheck issued within 30 days of July 1 — advising the eligible employee of their right to paid time off under the ordinance.
- Provide written notification to each eligible employee every time wages are paid with the updated amount of PSL and PLFAR available to them and the accrual rates of PSL and PLFAR. Employers may choose a reasonable system for providing this notice, such as listing available paid time off on each pay stub or by using an online system where the eligible employees can access their own information.

Notably, employers that have employees whose regular work duties take place within the geographical boundaries of Chicago — even if they don't meet the threshold of a covered employee — must also maintain the same records for those employees as is required for covered employees.

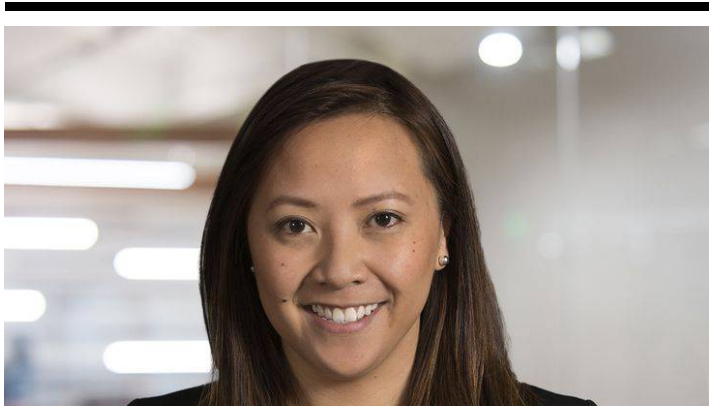
Next Steps for Employers

- You should review the new Chicago ordinance now and ensure your policies, notices, recordkeeping, and other practices comply with the upcoming requirements effective July 1.
- You should also note that the new ordinance contains various anti-retaliation provisions and consider training relevant staff on compliance. While this article outlines many of the key requirements of the ordinance, you should consult with appropriate legal counsel as to all business adjustments that may be necessary.
- Businesses with employees in Illinois (both within and outside of Chicago) should further ensure compliance with Illinois Paid Leave for All Workers Act requirements, which took effect on January 1.

Conclusion

We will continue to monitor any further developments and provide updates on these and other labor and employment law issues affecting employers, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to gather the most up-to-date information. If you have questions, please contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [Chicago office](#).

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