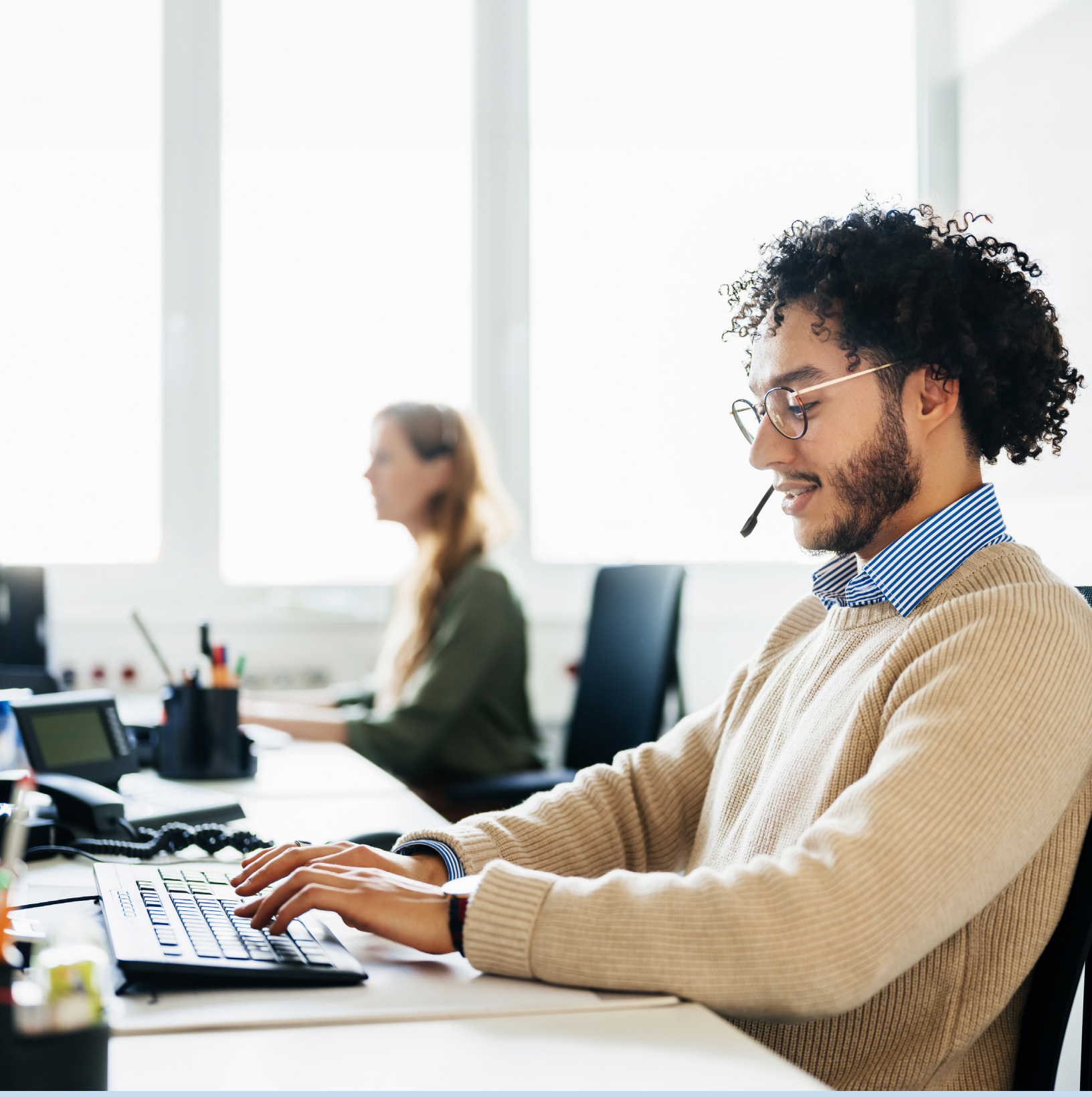


Tri-State Employer Compliance Considerations for 2026

ACRISURE®

The key takeaway for employers in this region is that employment law follows where the employee works, not where the company is headquartered, and not where the employee lives. For example, an employer located anywhere in the country becomes subject to New Jersey law the moment a single employee works remotely from that state. Additionally, when city and state laws conflict, employers must apply whichever rule provides the greater protection to the employee.

1. NEW JERSEY

Minimum Wage & Family Leave

The state's minimum wage has risen to $15.92[1] per hour for most employees. Tipped workers may receive a $6.05 hourly cash wage, but employers remain responsible for ensuring that tips bring total pay up to the state minimum.

The New Jersey Family Leave Act (NJFLA) is undergoing a phased expansion[2] that will bring many smaller employers into coverage over the next several years. July 17th, 2026, the law applies to employers with 15 or more employees. On July 17th, 2027, that threshold drops to 10 employees, and by July 17th, 2028 it will apply to employers with 5 or more employees. Employee eligibility rules are also becoming easier to meet: the required length of employment is being reduced from 12 months to three, and the minimum hours worked requirement is dropping from 1,000 hours to 250. For smaller organizations in particular, this expansion creates real operational pressure. Providing job-protected leave is far more challenging when staffing depth is limited, so employers should begin planning for these requirements well before they apply.

Two major court decisions are also shaping the litigation environment in New Jersey:

First, following a recent U.S. Supreme Court decision[3] lowering the evidentiary threshold for reverse discrimination claims, New Jersey courts have adopted the same approach. In one case, two white employees successfully sued after being passed over for leadership roles in favor of candidates the court determined were less qualified[4]. The practical takeaway for employers is simple: hiring and promotion decisions must be well documented and defensible on the merits, regardless of the demographic profile of the candidates involved.

Second, the NJ courts affirmed in Megan McDermott vs. Guaranteed Rate, Inc. that the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act of 2021 (EFAA) bars arbitration of an employee's entire case, not just the sexual harassment claim, when even a single viable harassment claim is included[5]. Because Congress used the word "case" rather than "claim," the arbitration bar covers all claims in the lawsuit.

Finally, several legislative developments deserve attention. Governor Phil Murphy has signed a "captive audience" law[6] prohibiting employers from requiring employees to attend meetings where the employer expresses views about unionization or political matters. The state is also actively considering legislation[7] that would ban non-compete agreements entirely. Even before such legislation passes, courts have increasingly scrutinized broad non-competes; as such, employers are generally safer shifting toward narrowly tailored non-solicitation agreements, which tend to hold up better in court.

2. NEW YORK

Minimum Wage, Leave Expansions, AI Liability, and a Significant New Termination Law

Minimum wage now stands at $17.00[8] per hour in New York City, Long Island, and Westchester County, and $16.00 per hour in the rest of the state.

The state's Earned Safe and Sick Time Act[9] has also expanded the reasons employees may take leave. New allowable reasons now include caring for a child or dependent, taking protective action after workplace violence affecting the employee or a family member, pursuing public benefits or housing, and complying with orders issued by a public official during a disaster. The law also requires employers to front-load 32 hours of unpaid leave, which must be available to employees immediately upon hire.

New York City has also enacted a separate paid prenatal leave requirement[10], which gives employees who are receiving prenatal care an additional 20 hours of paid leave each year. This leave is separate from other leave banks and applies only to the pregnant employee, not spouses or partners. Employers may not require documentation verifying the medical condition, and pay stubs must track both the prenatal leave used during the pay period and the remaining balance. Employers must also provide notice of the benefit in English and in any language spoken by at least 5% of the workforce. It is important to note that this requirement applies only within New York City, not throughout the rest of the state.

New York has also enacted statewide restrictions on the use of consumer credit history in employment decisions[11]. At the same time, the state has explicitly codified the disparate impact theory of discrimination into state law[12]. The practical result is tools like AI-based hiring systems can create liability at the state level if they produce adverse impact on protected groups, regardless of changes in federal enforcement priorities.

Amended in February 2026, the Trapped at Work Act[13] significantly limits the enforceability of so-called "stay-or-pay" agreements. These provisions require employees to repay certain costs, such as training expenses, if they leave employment before a specified date. Under the new law, most of these provisions are now unenforceable. Employers should review offer letters and employment agreements to identify any clauses that might be affected. If an employee successfully challenges such a provision, the employer may also be responsible for the employee's legal fees.

3. CONNECTICUT

Universal Paid Sick Leave

The state's minimum wage has risen to $16.94 per hour[14], and the paid sick leave law is expanding[15]. In 2026, the law applies to employers with 11 or more employees. Beginning in 2027, it will apply to all employers with at least one employee, creating nearly universal coverage.

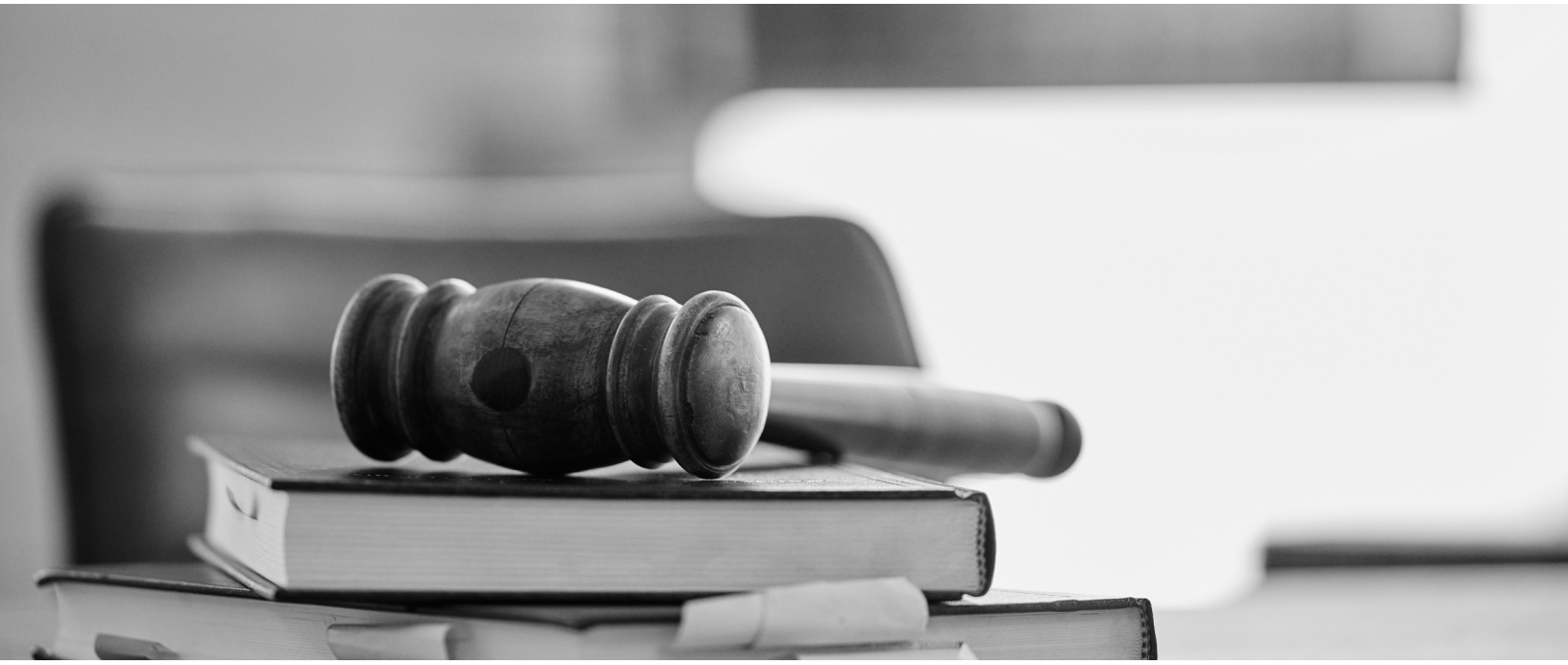
Employees accrue leave at a rate of one hour for every 30 hours worked, up to 40 hours per year. Employers may not require documentation proving the leave is used for an approved purpose, nor may they require employees to find a replacement to cover their shift[16]. Additional qualifying reasons for leave now include closures tied to public health emergencies and leave related to possible exposure to communicable illness, even if the employee ultimately does not become sick.

Connecticut has also added two new protected classes under state law: victims of sexual assault and victims of human trafficking[17]. Employers may not discriminate against employees or applicants on the basis of either status and must provide a reasonable leave of absence to allow affected employees to address related needs such as medical care, counseling, relocation, or safety planning[18].

4. FEDERAL DEVELOPMENTS

Independent Contractor Rules, Immigration Changes, and the Disparate Impact Divergence

The federal government has proposed replacing the Biden-era independent contractor rule with a broader "economic reality" test, which focuses on whether a worker is economically dependent on the employer or truly operating as an independent business[19]. This standard is somewhat more permissive than the prior rule, but state standards such as New Jersey's ABC test remain much stricter[20]. Remember, federal classification rules don't override state law, so employers must still comply with the requirements of the states where workers perform services.



Immigration policy has shifted; the administration has proposed substantially higher H-1B visa fees, and U.S. Citizenship and Immigration Services has ended the practice of automatically extending Employment Authorization Documents when renewal applications are filed on time[21]. Employers should verify that employees whose work authorization is tied to government programs remain authorized to work. If authorization expires, employment and compensation must stop.

At the same time, the EEOC has been directed to discontinue use of the disparate impact theory of discrimination at the federal level[22]. Several states have responded by reinforcing that theory in their own law; New York has formally codified it, and New Jersey courts continue to recognize it as well. In practice, that means state-level liability remains very real even as federal enforcement priorities shift.

Two recent federal court decisions are also worth noting. In EEOC v. AAM Holding, the court confirmed that government agencies may continue investigating employers even after the original complainant withdraws or settles a claim[23]. Administrative charges should therefore be taken seriously regardless of how the individual dispute is resolved.

In Chislett v. New York City Department of Education, the court held that DEI training materials instructing white employees to "step back and yield" to colleagues of color and characterizing white cultural values as inherently supremacist contribute to a hostile work environment for white employees[24]. Employers should review training materials to ensure they do not unintentionally create discrimination exposure.