

How Employers Can Comply With New York's Ban on Stay-or-Pay Agreements

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By: David J. Mahoney

Signed into law on December 19, 2025, New York's Trapped at Work Act (the "Act") prohibits employers from having workers execute employment promissory notes that require workers to "repay" employers if they leave their job before a specific tenure of employment.

Commonly referred to as "stay-or-pays," employers previously required workers to execute or otherwise agree to these agreements, provisions, or instruments as a precondition to employment.

Under their terms, if the worker stopped working for the employer before the expiration of a set period of time, the worker would be required to pay the employer a sum of money as compensation for the investment the employer made in the worker's training and professional development. **The Act now renders such provisions unlawful and unenforceable.**

Critics of stay-or-pays pushed for passage of the Act, claiming they are antithetical to "at-will" employment by deterring employees from leaving jobs with poor working conditions, seeking professional advancement with other potential employers, and generally restricting worker mobility. The New York Legislature and Governor Hochul agreed, deeming such stay-or-pays "unconscionable, against public policy, and unenforceable."

Who is Covered: The Act's Expansive Definition of "Worker"

The Act defines "worker" broadly to include anyone "permitted to work for or on behalf of an employer," including:

- traditional W2 employees;
- independent contractors;
- interns and externs;
- apprentices;
- volunteers;

- individuals who provide services through a business, nonprofit organization, or association; and
- even sole proprietors providing services to an employer or to the employer's clients/customers.

This expansive definition significantly limits an employer's ability to rely on stay-or-pays across a wide range of working relationships.

Not All Repayment Obligations are Prohibited or Invalidated

Employers may still precondition employment on the execution of agreements requiring:

- repayment of advanced monies unrelated to training (sign-on bonuses),
- workers to pay for equipment, tools, or uniforms sold or leased to the worker,
- educational personnel to comply with the terms of sabbatical leaves granted, or requiring compliance with programs that were collectively bargained.

Key Takeaways for Employers and Human Resources Professionals

The Act fundamentally changes how New York employers may structure repayment obligations. Employers should be aware of the following key points and take appropriate action:

- **Employers should immediately stop using stay-or-pay provisions** and review offer letters, training agreements, and onboarding materials to remove prohibited language.
- **Noncompliance with the Act carries significant risk**, including Department of Labor penalties ranging from \$1,000 to \$5,000 per violation, with each affected worker treated as a separate violation.
- **Entire agreements are not invalidated:** If the stay-or pay is a component of a larger agreement between the worker and the employer, that provision is now invalid, but it does not invalidate the rest of the agreement.

Enforcement

Although the Act does not specify whether it will be retroactively applied to stay-or-pay agreements made before December 19, 2025, it authorizes the Department of Labor to promulgate rules and regulations consistent with the Act, which should provide clarity as to whether employers should attempt to enforce preexisting stay-or-pays.

Until that clarification is published, employers should hold off on enforcement efforts because the Act authorizes employees who successfully defend against such claims to recover their attorney's fees from the employer.

We are Here to Help

If you are unsure how your company should comply with the Trapped at Work Act or how it affects your future investment in your workforce training, [please contact Hinshaw's Labor & Employment team](#) as soon as possible.

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Authors



David J. Mahoney

Partner

📞 212-471-6211

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