



LEGAL UPDATE NEW YORK

New York Bans Stay-or-Pay Agreements

On **Dec. 19, 2025**, New York passed the [Trapped at Work Act](#) (Act), which bans employers from entering into stay-or-pay agreements with workers. The law went into effect immediately.

Overview of the Act

As of Dec. 19, 2025, employers are prohibited from requiring any worker or prospective worker to enter into an agreement, as a condition of employment, that requires the worker to pay the employer, or the employer's agent or assignee, a sum of money if the worker leaves employment before the passage of a stated period of time (commonly referred to as a stay-or-pay agreement).

Exceptions

However, employers and workers may enter into agreements that:

- Require the worker to repay to the employer any sums advanced by the employer, unless such sums were used to pay for training related to the worker's employment with the employer;
- Require the worker to pay the employer for any property it has sold or leased to the worker;
- Require educational personnel to comply with any terms or conditions of sabbatical leave granted by their employer; or
- Are entered into as part of a collective bargaining agreement.

Penalties

Employers who violate the Act may be subject to fines ranging from \$1,000 to \$5,000 per violation. In addition, an employee who is sued by an employer to enforce an unenforceable stay-or-pay agreement may be able to recover attorney fees.

Next Steps for Employers

Employers should review and update existing contract templates to ensure they do not contain any unlawful stay-or-pay provisions. Employers may also consider revising any unlawful contracts or repayment programs to comply with one of the law's enumerated exceptions.

Provided to you by Employco USA, Inc.

Highlights

Dec. 19, 2025

New York passed the Act to ban stay-or-pay agreements. The Act went into effect immediately.

Effective Dec. 19, 2025, New York employers may not enter into stay-or-pay agreements in most circumstances.