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NY State Bans “Stay or Pay” Agreements with Workers

Law and the Workplace on **December 23, 2025**

Effective immediately, New York employers are barred from utilizing certain “stay or pay” contracts with workers. Governor Kathy Hochul has signed into law the Trapped at Work Act, which restricts employers from requiring that workers pay them if they leave employment during a certain period of time, subject to limited exceptions. California enacted a similar law in October of this year.

The Act amends the New York Labor Law to prohibit employers, as of December 19, 2025, from requiring as a condition of employment that any current or prospective worker execute an “employment promissory note.” The Act renders any such covered notes void and unenforceable.

The Act’s restriction covers “any instrument, agreement, or contract provision that requires a worker to pay the employer, or the employer’s agent or assignee, a sum of money if the worker leaves such employment before the passage of a stated period of time,” including any provision stating that such repayment “constitutes reimbursement for training provided to the worker by the employer or by a third party.” However, the Act specifically excludes agreements that:

- require a worker to repay the employer any amounts advanced to the worker, unless the amounts were used to pay for required training;
- require a worker to pay the employer for property sold or leased to the worker;
- require educational personnel to comply with any terms or conditions of sabbatical leave granted by the employer; or
- are entered into as part of a program agreed to by the employer and its workers’ collective bargaining representative.

While not expressly addressed in the Act, sign-on bonuses, employee forgivable loans, and similar incentives structured as advances and recoverable if the employee resigns prior to a certain future date would appear to fit into the first excluded category above.

The Act's protections apply to all workers, including employees, independent contractors, interns/externs, apprentices, and volunteers. Individuals whose sole relationship with an employer is as a vendor of goods are excluded.

Workers who are sued by an employer to enforce provisions of an employment promissory note covered by the Act will be able to recover attorney's fees for a successful defense. Further, employers violating the Act will be subject to fines of between $1,000-$5,000 for each violation.

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In her approval memorandum, Governor Hochul expressed concerns that the Act's current language is ambiguous in certain respects and stated that discussions with the Legislature are ongoing regarding potential clarifying or "chapter" amendments in the upcoming legislative session. While the scope and timing of any such amendments remain uncertain, New York employers should continue to monitor legislative developments that may affect the interpretation or implementation of the Act.

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