

Alert | Labor & Employment



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President Biden Issues Executive Order Raising Minimum Wage to \$15 for Federal Contractors

On April 27, 2021, President Biden issued an [Executive Order](#), effective Jan. 30, 2022, requiring certain federal contractors to pay a \$15 minimum wage to workers who work on federal contracts and to adjust the wage annually according to the consumer price index to reflect changes in the cost of living. The current minimum wage for federal contracts is \$10.95 per hour. Beginning March 30, 2022, federal agencies will be required to incorporate the \$15 minimum wage into new contract solicitations and into existing contracts extended by the contracting parties.

The Executive Order also eliminates the tipped minimum wage for federal workers by 2024. Federal law allows contractors and employers to pay employees in service industries a sub-minimum wage, as long as the employee's tips bring the wage up to the minimum wage level. Starting Jan. 30, 2022, the tipped minimum wage will be increased from the current rate of \$7.65 per hour to \$10.50 per hour. Thereafter, the tipped minimum wage will increase to 85% of the indexed minimum wage for federal contract employees and will finally increase to equal the minimum wage beginning Jan. 1, 2024.

Additionally, the Order guarantees the \$15 minimum wage for federal contract workers with disabilities and restores minimum wage protections to outfitters and guides operating on federal lands (revoking President Trump's Executive Order 13838, "Exemption from Executive Order 13658 for Recreational Services on Federal Lands").

The provisions in the Executive Order will cover any new contract; new contract-like instrument; new solicitation; extension or renewal of an existing contract or contract-like instrument; and exercise of an option on an existing contract or contract-like instrument that is either:

- (A) a procurement contract or contract-like instrument for services or construction;
- (B) a contract or contract-like instrument for services covered by the Service Contract Act;
- (C) a contract or contract-like instrument for concessions, including any concessions contract excluded by Department of Labor regulations at 29 C.F.R. 4.133(b); or
- (D) a contract or contract-like instrument entered into with the Federal Government in connection with Federal property or lands and related to offering services for Federal employees, their dependents, or the general public;

AND

involves wages earned under contracts governed by the Fair Labor Standards Act, the Service Contract Act, or the Davis-Bacon Act. Regulations governing the implementation of the newly ordered minimum wage are due by Nov. 24, 2021, from the Department of Labor.

Accordingly, government contractors should begin preparing now for these changes. In addition to making adjustments to their strategic planning and budgeting for future contracts, contractors also may want to review their current contract bidding and plans. The Executive Order encourages agencies, to the extent permitted by law, to ensure that all wages paid under contracts entered into during the pendency of the effective date of the minimum wage change are consistent with the newly ordered minimum wage.

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