

Executive Order on Increasing the Minimum Wage for Federal Contractors

On April 27, 2021 President Biden issued an executive order requiring federal contractors and subcontractors to pay a \$15 minimum wage to workers and pay at least \$10.50 to tipped workers. For tipped workers, the order also requires an incremental increase in the minimum wage up to the general federal contractor minimum wage by January 30, 2024. (The current minimum wage for workers on federal contracts is \$10.95 per hour and the tipped minimum wage is \$7.65 per hour.) This all starts to kick in on January 30, 2022. On and after January 30, 2022 contracting officers will be required to include the new minimum wages in all of their new contracts and in any options or renewals that are exercised in their existing contracts.

Contractors should start identifying which employees will be subject to the wage increase and be on the lookout for any related guidance. Start preparing now to implement the new minimum wages into your proposals for new 2022 federal contract work. Contractors should also consider how this change may affect employees currently being paid in that general \$15 per hour range. Will those employees expect increased wages, and what will be necessary to retain and attract such workers? Finally, be aware that on and after January 30, 2020, the modifications issued to exercise options on existing fixed price contracts will likely include the new federal minimum wage requirements. In such circumstances, Contractors should be prepared to request an equitable price adjustment and negotiate new fixed prices based upon the increased labor costs.

The Federal Acquisition Regulation will be amended to include the new minimum wage under the standard rule making process.

The entire April 27, 2021, Executive Order 14026, can be read here - [Executive Order on Increasing the Minimum Wage for Federal Contractors | The White House](#).

If you have any questions regarding how this may impact current or future contracts, contact Carol Murphy at CarolM@wispro.org or Helen Henningsen at HelenH@wispro.org or call 414-270-3600.