

## **PRESIDENT BIDEN TO INCREASE FEDERAL CONTRACTOR MINIMUM WAGE TO \$15/HOUR**

In an effort to “promote economy and efficiency in federal contracting,” last month President Biden issued an **executive order** (“EO”) raising the minimum pay rate for federal contract workers from \$10.95/hour to \$15/hour. Beginning January 30, 2022, all federal agencies will be required to incorporate a \$15 minimum wage in new contract solicitations, and by March 30, 2022, all agencies will need to implement the minimum wage into new contracts. However, the EO strongly encourages federal agencies to begin implementing the new wage rate before the effective date. Agencies must also implement the higher wage rate into existing contracts when the parties exercise their option to extend such contracts. Once implemented, the EO will continue to adjust the minimum wage rate based on inflation.

In addition to the minimum wage increase, the EO incrementally eliminates the tipped minimum wage for federal contractors by 2024. By January 30, 2022, federal contractors must pay tipped workers \$10.50 per hour. Beginning January 1, 2023, federal contractors must pay tipped workers 85% of the higher minimum wage. And, by January 1, 2024, federal contractors must pay tipped workers the higher minimum wage.

The EO mandates that by November 24, 2021, the Secretary of Labor will issue regulations that will include “definitions of relevant terms, and as appropriate, exclusions from the requirements of this order.” It is important to note that the \$15/hour rate will only apply to those employees who are working on those types of federal contracts that are covered by the EO. Although we’ll have to wait for the regulations to know all of the details regarding which types of contracts and workers will be covered, the EO does already state that it will not apply to grants and federal financial assistance programs. It follows that mere participation in Medicare/Medicaid will not trigger coverage under this EO.

### **PRACTICAL TAKEAWAYS AND NEXT ACTIONS**

Although a federal contractor minimum wage has been in effect since 2015, enforcement efforts by the Department of Labor are expected to substantially increase under the Biden Administration. Health care employers should begin considering the potential impact of the EO on their organizations. In particular, employers should assess whether they have any federal contracts or subcontracts that are likely to be covered. If the answer is yes, then it will be important to identify which employees will be affected and whether pay increases will be necessary.

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