



Electronic Alert

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Federal Contractors, Are You Up to Speed on Your Compliance Obligations? President Biden Enacts \$15.00 Minimum Wage

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Employers take note, on Tuesday, April 27, 2021, President Biden signed an Executive Order raising the minimum hourly wage for federal contractors and subcontractors to \$15.00 and tying future automatic increases to the Consumer Price Index. President Obama last raised the minimum wage for federal contractors to \$10.10 in 2014 and, indexed to inflation, the current minimum wage is \$10.95.

By January 30, 2022, contract solicitations, renewals, and extensions will include the \$15.00 minimum wage, but do not be surprised if agencies start incorporating these minimum wage requirements sooner. Additionally, seasonal, recreational, and equipment rental services operating on federal lands will no longer enjoy an exemption from minimum wage requirements for federal contractors, and workers with disabilities are subject to the \$15.00 minimum wage.

The Executive Order also gradually sunsets tip credits for tipped employees. Starting on January 30, 2022, employers may take an hourly tip credit of \$4.50 and will be required to make up for any shortfall in tips to ensure tipped employees earn at least a minimum wage of \$15.00 an hour. In 2023, employers will be able to take a smaller tip credit in the amount of 15 percent of the minimum wage and, by 2024, the tip credit will be completely eliminated.

Employers should watch for implementing regulations that will be issued no later than November 24, 2021.

This is just one of the first of what we anticipate are many new considerations for federal contractors as the new Administration gets settled in. The Biden Administration has shown a keen interest in federal contractor compliance and enforcement, including annual verification that a contractor has satisfied the written affirmative action plan requirement through the Affirmative Action Plan Verification Interface (AAP-VI).

Employers who are federal contractors or who believe that they may be federal contractors, should take the time to ensure that they are properly in compliance with the laws that apply to them and are up to date on legal changes.

For questions related to compliance with the laws affecting federal contractors or with wage and hour laws, contact Josh Goldberg or Gabrielle Hansen at 503-228-0500, or at jgoldberg@barran.com or ghansen@barran.com.