

The New Rate Becomes Mandatory on Jan. 30, 2022, and Will Be Adjusted Annually by the U.S. Department of Labor

On April 27, 2021, President Joe Biden issued an executive order requiring federal contractors to pay their employees a \$15 minimum wage rate. Beginning in 2023, new minimum wage rates for federal contractor employees will become effective on Jan. 1.

Affected Employers

- The executive order applies to federal contractors and subcontractors. Compliance with this order will be monitored by federal agencies for their respective contracts.
- The order applies to new federal contracts, solicitations and contract renewals entered into or exercised on or after Jan. 30, 2022. The order does not apply to grants, nor to contracts or agreements with Indian tribes.
- This executive order does not alter or excuse compliance with any applicable federal or state prevailing wage law, or any local law establishing a minimum wage rate higher than the rate established by this order.

Tipped Employees

Under federal law, tipped employees can receive a cash wage that is lower than the minimum wage rate. For tipped employees working for a federal contractor, the cash wage will increase to \$10.50 per hour on Jan. 30, 2022. Beginning Jan. 1, 2023, the cash wage for tipped employees will be 85% of the minimum wage rate for federal contractors.

Employers must ensure that tipped employees receive compensation that is at least equal to the minimum wage rate. This may require increasing a tipped employee's cash wage so that the employee's cash wage and tips, when combined, are at least equal to the minimum wage rate.