

Executive Order Increases Hourly Minimum Wage For Federal Contractors

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On April 27, 2021, President Biden signed an Executive Order requiring federal contractors to pay a \$15 minimum wage to workers on federal contracts by March 30, 2022. After 2022, the minimum wage will be indexed to adjust annually for inflation.

The Executive Order also gradually eliminates the tipped minimum wage for workers on federal contracts by 2024. Starting January 30, 2022, the tipped minimum wage for federal contractors will increase to \$10.50 per hour. In 2023, the tipped minimum wage will then increase to 85 percent of the indexed \$15 minimum wage. By 2024, the tipped minimum wage will be completely phased out. Currently, the minimum wage for workers who are working on federal contracts is \$10.95 per hour and the tipped minimum wage is \$7.65 per hour.

This \$15 minimum wage increase and elimination of the tip credit is similar to what President Biden hoped to accomplish for all workers in his COVID-19 stimulus package, the American Rescue Plan Act. However, the Senate Parliamentarian blocked inclusion of the \$15 minimum wage and elimination of the tip credit in the American Rescue Plan Act. While future legislation, like the Raise the Wage Act of 2021, will need to address increasing the minimum wage and eliminating the tip credit for all workers, this Executive Order accomplishes President Biden's goals with respect to employees working on federal contracts.

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