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Minimum Wage Increases to \$15 for Federal Contractors Beginning January 30, 2022

While President Biden's vaccine mandate wends its way through the courts, another of the administration's early initiatives impacting federal contractors is set to go into effect early next year. On November 22, 2021, the Department of Labor (DOL) published its [Final Rule](#) implementing Executive Order 14026, which raises the minimum wage requirement for anyone working "on or in connection with" a covered federal contract from \$10.95 to \$15.00 per hour. The new minimum will also increase annually, starting January 1, 2023, to an amount determined by the Secretary of Labor based on inflation. The published rule explains that employees perform "on" a contract if they directly perform the specific services called for by the contract and perform "in connection with" a contract if their work activities are otherwise necessary to the performance of the contract. Employees performing "in connection with" covered contracts are excluded from coverage if they spend less than 20% of their work hours in a particular workweek doing covered work. The new rule will generally apply to four types of contracts (with some [narrow exceptions](#)):

- Procurement contracts for construction covered by the Davis-Bacon Act.
- Service contracts covered by the Service Contract Act (SCA).
- Concessions contracts, including those excluded from SCA coverage.
- Federal government contract in connection with federal property or lands and related to offering services for federal employees, their dependents, or the general public.

The wage requirement will apply to any covered contracts entered on or after January 30, 2022, as well as any existing contracts that are renewed or extended after that date. Federal contractors and subcontractors must pay the increased minimum wage for all hours worked on or in connection with covered contracts and must comply with pay frequency and recordkeeping requirements. A compliant minimum wage contract clause must be included in any covered lower-tiered subcontracts. All workers performing on or in connection with a covered contract must also be notified of the applicable minimum wage rate under the new rule. In addition to the [published rule](#), employers can consult the [Fact Sheet](#) and [FAQ](#) provided by the DOL for more information.

Authors

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