

# Biden to Raise Federal Contractors' Minimum Wage, Putting Pressure on Private Sector Employers

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**P**resident Joe Biden's imminent executive order requiring federal contractors to pay a \$15 hourly minimum wage could put pressure on private sector employers to raise low-income workers' pay.

According to a White House statement, the executive order hiking the wages of hundreds of thousands of employees who are working on federal contracts "will have impacts beyond federal contracting, as competitors in the same labor markets as federal contractors may increase wages, too, as they seek to compete for workers."

The White House added, "Employers may seek to raise wages for workers earning above \$15 as they try to recruit and retain talent."

The executive order will require all federal agencies to incorporate a \$15 minimum wage into new contract solicitations by January 2022 and into newly signed contracts by March 2022, the White House announced. The minimum hourly rate will then rise annually to keep pace with inflation.

This order "will build on the Obama-Biden Executive Order 13658, issued in February 2014, requiring federal contractors to pay employees working on federal contracts \$10.10 per hour, subsequently indexed to inflation," according to the White House statement.

The minimum wage for workers performing work on covered federal contracts is currently \$10.95 per hour and the tipped minimum wage is \$7.65 per hour.

The executive order "will improve the economic security of families and make progress toward reversing decades of income inequality (<https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/27/fact-sheet-biden-harris-administration-issues-an-executive-order-to-raise-the-minimum-wage-to-15-for-federal-contractors/>)," the White House said.

During an April 27 press briefing, White House Press Secretary Jen Psaki called contract workers "critical to the functioning of federal government, from cleaning professionals and maintenance workers to nursing assistants who care for the nation's veterans, to cafeteria and other food service workers who ensure we all have healthy and nutritious food to eat, to the laborers who build and repair federal infrastructure."

## What's Changing

This executive order will:

- **Increase the hourly minimum wage for federal contractors to \$15.** Starting Jan. 30, 2022 all agencies will need 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. Agencies must also implement the higher wage into existing contracts when the parties exercise their option to extend such contracts, which often occurs annually.
- **Continue to index the minimum wage to an inflation measure** so that every year after 2022 it will be automatically adjusted to reflect changes in the cost of living.

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- **Eliminate the tipped minimum wage for federal contractors by 2024.** Federal statute allows employers of tipped workers to pay a sub-minimum wage as long as their tips bring their wage up to the level of the minimum wage. The Obama administration had raised the wages for tipped workers but didn't completely phase out the subminimum wage for these workers. The new executive order "finishes that work and ensures tipped employees working on federal contracts will earn the same minimum wage as other employees on federal contracts," the White House said.
- **Restore minimum wage protections to outfitters and guides** operating on federal lands by revoking an exemption ordered by President Trump (<https://www.federalregister.gov/documents/2018/06/01/2018-11936/exemption-from-executive-order-13658-for-recreational-services-on-federal-lands>).

"The executive order is intended to promote economy and efficiency in federal contracting, the White House said, and it "ensures that hundreds of thousands of workers no longer have to work full time and still live in poverty."

Biden instructed the U.S. Department of Labor's Wage and Hour Division and the Federal Acquisition and Regulatory Council to issue new rules to implement and enforce the executive order.

### Pressure on Congress

The wage hike is expected to increase pressure on Congress to raise the private sector minimum wage as well. Sen. Bernie Sanders, I-Vt., said in a tweet that "Congress should follow [Biden's] lead and end starvation wages for the rest of the nation."

*The Hill* reported that "unlike the broader minimum wage, however, the wage for contractors is funded by the federal government (<https://thehill.com/policy/finance/550388-biden-to-order-raising-federal-contractor-minimum-wage-to-15>), meaning the costs would theoretically be passed on to the taxpayer or add to the deficit."

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