

LEGAL UPDATE

DOL Proposes Rule to Increase Wages for Federal Contractors

On July 21, 2021, The U.S. Department of Labor (DOL) announced a [proposed rule](#) that would increase the minimum wage rate for federal contractor employees to **\$15 per hour starting on Jan. 30, 2022**. Beginning Jan. 1, 2023, and annually thereafter, the wage rate for federal contractors would be adjusted to reflect the cost of inflation.

Implementing the Executive Order

On April 27, 2021, President Joe Biden issued an [executive order](#) requiring federal contractors to increase the minimum wage rate for their employees. This DOL-proposed rule was issued to implement the April executive order. 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 American Indian tribes.

The proposal is scheduled to be published in the Federal Register on July 22, 2021. The DOL is inviting the public to submit comments on the proposed rule by Aug. 21, 2021.

Tipped Employees

The proposal would also increase the wages for tipped employees working for federal contractors. Under federal law, tipped employees can receive a cash wage 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 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.

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Important Dates

April 27, 2021

President Biden issued an executive order raising the minimum wage rate for federal contractor employees to \$15 per hour.

July 21, 2021

The DOL announced a proposed rule to implement the April 27 executive order.

Jan. 30, 2022

If the rule is finalized, the \$15 minimum wage rate will become effective for federal contracts entered into or renewed after this date.

This DOL-proposed rule was issued to implement the April 27, 2021, executive order.

