

Federal Contractors Face Minimum Wage Increase

On September 15, the DOL announced that the minimum wage for covered federal contractors will increase from \$10.20 to \$10.35 per hour effective January 1, 2018. In addition, the required minimum cash wage payable to tipped workers on or in connection with covered contracts will increase from \$6.80 to \$7.25 per hour. Government contractors should review and update their pay practices to ensure compliance.

Background

Signed by President Obama on February 12, 2014, [Executive Order 13658](#) (order) established a minimum wage for covered government contractors that exceeds the federal minimum in effect for other employers. The order required federal contractors to pay employees performing work on or in connection with covered federal construction, service and concession contracts an hourly wage of at least \$10.10 and tipped workers an hourly cash wage of \$4.90, beginning on January 1, 2015.

The order also required annual inflation-based rate adjustments in an amount determined by the DOL. It further provided for an annual increase in the cash wage for tipped employees of \$0.95 (or a lesser amount if necessary), beginning January 1, 2016, until it reached 70% of the order's minimum wage. For subsequent years, the cash wage rate was capped at 70% of the order's minimum wage, rounded to the nearest multiple of \$0.05.

On January 1, 2016, the DOL increased the minimum hourly wage to \$10.15, and the minimum hourly cash wage for covered tipped employees to \$5.85. The minimum wage rate rose to \$10.20 per hour and the cash wage for covered tipped employees to \$6.80 per hour on January 1, 2017.

2018 Minimum Wage

On September 15, the DOL [announced](#) that the minimum wage rate for workers performing on or in connection with covered federal contracts will increase next year. Beginning January 1, 2018, the applicable minimum wage rate that generally must be paid to



employees performing work on or in connection with covered contracts will be \$10.35 per hour, and the minimum cash wage for tipped employees will be \$7.25 per hour. If the worker's tips plus cash wage does not equal the full minimum wage, the contractor must increase the cash wage to make up the difference.

Comment. Because the cash rate will reach 70% of the order's minimum wage in 2018, future increases will be pegged at that rate.

In Closing

The federal minimum wage rate for government contractors will increase slightly in 2018. Contractors should review their pay practices and make any needed adjustments to ensure that all covered employees are being paid at least the applicable minimum wage.

Authors

Nancy Vary, JD
Abe Dubin, JD

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