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DOL Finalizes Regulations Increasing Minimum Wage for Federal Contractor Employees

Judith B. Kassel | Garret P. Buttrey

The Department of Labor (“DOL”) issued [Final Regulations](#) increasing the minimum wage for employees of Federal Government contractors from \$10.95 an hour to \$15 an hour. The Final Regulations are substantially similar to the proposed rule, which we discussed in our July 2021 [Alert](#).

What You Need to Know:

- The increased wage rate is effective for solicitations issued and contracts awarded after January 30, 2022.
- The increased wage rate applies to work performed or in connection with Federal contracts.
- The regulations phase out the tipped minimum wage eliminating it entirely by 2024.

The increased minimum wage applies to “covered contracts” performed in the United States (including Puerto Rico and certain other U.S. territories). Covered contracts are:

- Procurement contracts for construction covered by the Davis Bacon Act, 40 U.S.C. 3141 et seq. (but not the Davis Bacon Related Acts);
- Contracts covered by the Service Contract Act of 1965, as amended, 41 U.S.C. 6701, et seq.;
- Concessions contracts; and
- Contracts related to federal property and the offering of services to the general public, federal employees, and their dependents

The minimum wage requirement applies to employees who are non-exempt under the Fair Labor Standards Act. It applies to employees who work “on or in connection with” a covered contract. The term “in connection with” includes employees whose activities are necessary to the performance of a covered contract but are not specifically called for by such contract. The new minimum wage requirements, however, do not apply to workers who spend less than 20 percent of their time in a workweek working directly or in connection with a “covered contract.”

Additionally, the Regulations include annual adjustment to the minimum wage and phases out the lower wages and tip credits for employees on covered contracts. The Regulations become effective for new contracts entered into or solicitations issued after January 30, 2022. Agencies also are “strongly encouraged” to include the new minimum wage requirements in contracts and solicitations issued before January.

The increased wages may significantly impact labor costs. Contractors should take immediate steps to determine what effect the new wage requirements may have on existing collective bargaining agreements, the Government’s exercise of options years under existing contracts, and pricing of new proposals.

This alert was written by Judith B. Kassel, a member of the Firm’s Government Contracts Practice; and Garret P. Buttrey, a member of the Firm’s Labor and Employment Practice. Judith can be reached at (202) 295-6657 or Judith.Kassel@saul.com. Garrett can be reached at (202) 295-6642 or Garrett.Buttrey@saul.com. This alert has been prepared for information purposes only.

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