

Client Alert

Government Contracts Industry Practice Group

February 14, 2014

Executive Order Raises Minimum Wage for Government Contractor Employees

On February 12, 2014, President Barack Obama signed an Executive Order establishing a new minimum wage for certain government contractors. Acting pursuant to the Federal Property and Administrative Services Act, 40 U.S.C. 101 *et seq.*, President Obama signed the Executive Order to “promote economy and efficiency in procurement by contracting with sources who adequately compensate their workers.” The Executive Order reads that, “Raising the pay of low-wage workers increases their morale and the productivity and quality of their work, lowers turnover and its accompanying costs, and reduces supervisory costs. These savings and quality improvements will lead to improved economy and efficiency in Government procurement.”

Specifically, the Executive Order raises wages paid by federal contractors with service and construction contracts to \$10.10 per hour. The Executive Order also includes subcontractors to federal contractors, specifically stating that the minimum wage requirements shall be flowed-down to all lower-tier subcontracts.

The new minimum wage requirements are effective on January 1, 2015 and apply to all federal contracts and “contract-like” instruments for services and construction. However, for any contracts negotiated between the present and January 1, 2015, government agencies are “strongly encouraged to take all steps that are reasonable and legally permissible” to ensure that all new government contracts include a provision specifying the minimum wage for employees of government contractors is at least \$10.10 per hour.

If this Executive Order may affect your contracts or subcontracts, we are available to help you navigate the new rules established by the Executive Order.

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