

TRUMP SCRAPS \$17.75 FEDERAL CONTRACTOR MINIMUM WAGE: WHAT EMPLOYERS NEED TO KNOW

Insights
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President Trump just rescinded an executive order that mandated a higher minimum wage for workers on federal contracts. The Biden-era order initially set the wage to \$15 an hour in 2022, and it was ultimately raised to \$17.75 earlier this year. Trump's move was part of a March 14 order rescinding 18 actions from the prior administration – in addition to the 78 nixed on his first day in office. What does this mean for federal contractors and what should you do now? Although Biden's minimum wage order is no longer in effect, federal contractors still have wage obligations under federal, state, and local laws. Here's an overview of how we got here and what you should consider doing now.

Key Points for Federal Contractors

- **Biden's Order Raised Contractor Wage:** Under President Biden's Executive Order 14026, the applicable minimum wage rate for workers performing work on or in connection with certain covered federal contracts was raised to \$15 in 2022. The order provided a boost in wages for many workers across the country and increased labor costs for employers doing business with the federal government. Wherever greater, the federal contractor minimum wage superseded prevailing wage rates owed under the Davis Bacon Act or the Service Contract Act. It also phased out the lower tip-credit minimum wage for covered employees of federal contractors.
- **Most Recent Rate:** The now-rescinded order directed the Secretary of Labor to increase the contractor minimum

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wage rate annually to reflect changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers. On January 1, the rate was hiked to \$17.75 per hour (for non-tipped and tipped employees alike).

- **Building on an Obama-Era Order:**The Biden-era order largely replaced President Obama’s 2014 Executive Order 13658 – which established a minimum wage for covered employees of federal contractors – by providing broader coverage and higher rates. Biden’s order superseded the Obama order to the extent it was inconsistent and applied to all new and renewed contracts beginning January 30, 2022. Therefore, a small number of federal contracts were still covered by Obama’s executive order. You should note that this order has not been rescinded and may remain in effect, since Biden’s order has been rescinded and the provision that superseded Obama’s order is no longer in effect. Therefore, while we await further action or guidance from the administration, the federal contractor minimum wage under the Obama-era order may apply to your contracts. As of January 1, the minimum wage under that order is \$13.30 per hour (\$9.30 for covered tipped employees).
- **Legal Battles Done For Now:** Biden’s authority to raise the minimum wage for federal contractors was challenged in multiple courts with different results. Ultimately, the U.S. Supreme Court declined to weigh in, which left the Biden-era order intact – until Trump just rescinded it. The issue may come up again, but those cases are now moot.

What Should You Do Now?

Although the Biden minimum wage order was rescinded, federal contractors still have obligations under federal, state, and local law. Here are a few tips to consider as you adjust your compliance plan:

- **Be Mindful of Federal Prevailing Wage Laws:**Although the Biden-era minimum wage executive order is no longer in place, many federal contracts will also be covered by a prevailing wage law – such as the Davis-Bacon Act or the McNamara-O’Hara Service Contract Act. These prevailing wage laws will still apply.
- **Ensure Compliance with Current Minimum Wage Rules and Contractual Obligations:**Until we received further guidance from the administration, the prudent course of

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action would be to comply with the minimum wage requirements of the Obama-era order (E.O. 13658) on all contracts. Beyond federal law, you may have minimum wage requirements at the state or local level. You may also have obligations under collective bargaining agreements.

- **Track Additional Changes Impacting Federal Contractors:** In addition to rescinding the minimum wage order, [President Trump's March 14 action](#) also rescinded Executive Orders 14126 and 14119, which favored unions by prioritizing project labor agreements and incentivized participation in registered apprenticeship programs. These rescissions are expected to give employers more flexibility to manage their workforces and associated costs. Note, however, that any statutory requirement under laws such as the Inflation Reduction Act to employ apprentices are not affected by the rescission of these executive orders.
- **Check Out Our [New Administration Resource Center for Employers](#)** and monitor for updates from the White House impacting federal contract compliance, including [affirmative action](#) and [DEI practices](#).
- **Work With Your Legal Counsel.** You'll want to create an action plan focused on compliance as changes occur.

Conclusion

Fisher Phillips will continue to monitor any further developments in this area as they occur, so you should ensure you are subscribed to [Fisher Phillips' Insight System](#) to gather the most up-to-date information. If you have any questions, please consult your Fisher Phillips attorney, the authors of this Insight, or any member of our [Affirmative Action and Federal Contract Compliance Practice Group](#) or [Wage and Hour Practice Group](#).