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## President Obama Issues Executive Order Establishing Minimum Wage for Federal Government Contractors

President Obama announced an Executive Order that will affect business owners and employees in the United States. On February 12, 2014 President Obama signed an Executive Order requiring Federal contractors raise their employees' minimum wage from \$7.25 to \$10.10 per hour.

The Executive Order states that the new requirements will only apply to the following type of federal service contracts:

- Procurement contracts for services or construction.
- Contracts or contract-like instruments for services covered by the Service Contract Act.
- Contracts or contract-like instruments for concessions including any concessions contract excluded by the Department of Regulations at 29 CFR 4.133(b).
- Contracts or contract-like instruments entered into with the Federal government in connection

with Federal property or lands and related to offering services for federal employees, their dependents, or the general public.

The order also seeks to raise the "tipped" minimum wage for the federal contract workers; employees who make a large part of their incomes from tips will have to be paid at least \$4.90 an hour rather than the current minimum \$2.13 an hour.

The order requires that executive departments and agencies ensure that new contracts or contract-like instruments include a clause regarding the new minimum wage. The contractor will also be required to include a clause in lower tier subcontracts. The Federal Acquisition Regulatory Council will develop the clauses within 60 days after the Labor Department issues its regulations.

The order will go into effect beginning on **January 1, 2015** and it will only apply to new contracts or contract-like instruments. The administration mentions that they will honor existing contracts. Nonetheless, future arrangements and bids should be made in order to satisfy the new regulations.



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We at Goldman remain committed in assisting you and your business to adjust to these changes in the Law. For further information you may contact Luis F. Antonetti, Esq. or any of the attorneys in the Labor & Employment Law Department.



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