

FERRAIUOLI LLC

LABOR & EMPLOYMENT DEPARTMENT

February 28, 2014

Notice to Clients and Friends

President Obama raises minimum wage for federal contractor workers

On February 12, 2014, President Barack Obama signed an Executive Order increasing to \$10.10 per hour the minimum wage payable to certain federal contractors' employees including tipped employees and handicapped workers with wages calculated subject to certain special certificates. The increase will be effective on January 1, 2015.

The new minimum wage applies to federal contractors and extends to their subcontractors and lower-tier subcontracts. New and existing contracts with the federal government renewed after January 1, 2015 are covered. If you are negotiating such a contract between now and the effective date of the increase, bear in mind that the Order encourages agencies to take permissible steps to ensure that contracts include provisions specifying that employees working under those contracts are paid at least \$10.10 per hour. Federal contractors must ensure that agreements with their subcontractors and others below are compliant as well.

For federal contractors with tipped workers, they must be paid at least \$10.10 per hour through the proper combination of tips and a contribution from the employer, including, but not limited to, an increased base pay of \$4.90 per hour. Additional requirements apply to increases for succeeding years.

Beginning January 1, 2016, and annually thereafter, the minimum rate could continue to be raised as determined by the Secretary of Labor. This increase must be published at least 90 days before this new minimum wage's effective date and is subject to other requirements to achieve continued increases. The Secretary of Labor must issue regulations to implement the Order's requirements by October 1, 2014. The agencies will have 60 days after issuance to ensure contracts after January 1, 2015 are compliant.

This Order may affect your contracts with the federal government or subcontracts and may require, among other things, reassessment of wages of other more senior employees who are already paid an hourly rate of about \$10.10.

This document has been prepared for information purposes only and is not intended as, and should not be relied upon as legal advice. If you have any questions or comments about the matters discussed in this notice, wish to obtain more information related thereto, or about its possible effect(s) on policy or operational matters, please contact us.

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