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DEPARTMENT OF LABOR

Wage and Hour Division

Minimum Wage for Federal Contracts Covered by Executive Order 14026, Notice of Rate Change in Effect as of January 1, 2025

AGENCY: Wage and Hour Division, Department of Labor.

ACTION: Notice.

SUMMARY: The Wage and Hour Division (WHD) of the U.S. Department of Labor (the Department) is issuing this notice to announce the applicable minimum wage rate for workers performing work on or in connection with Federal contracts covered by Executive Order 14026, Increasing the Minimum Wage for Federal Contractors (the Executive Order or the order). Beginning on January 1, 2025, the Executive Order 14026 minimum wage rate that generally must be paid to workers performing work on or in connection with covered contracts will increase to \$17.75 per hour. This minimum wage rate will apply to non-tipped and tipped employees alike. Contracts similar to those covered by Executive Order 14026 that were entered into, renewed, or extended prior to January 30, 2022, are generally subject to a lower minimum wage rate established by Executive Order 13658 of February 12, 2014, Establishing a Minimum Wage for Contractors.

DATES: The new Executive Order 14026 wage rate shall take effect on January 1, 2025.

FOR FURTHER INFORMATION CONTACT: Daniel Navarrete, Director, Division of Regulations, Legislation, and Interpretation, Wage and Hour Division, U.S. Department of Labor, Room S-3502, 200 Constitution Avenue NW, Washington, DC 20210; telephone: (202) 693-0406 (this is not a toll-free number). Alternative formats are available upon request by calling 1-866-487-9243. If you are deaf, hard of hearing, or have a speech disability, please dial 7-1-1 to access telecommunications relay services.

SUPPLEMENTARY INFORMATION:

I. Executive Order 14026 Background and Requirements for Determining Annual Increases to the Minimum Wage Rate

On April 27, 2021, President Joseph R. Biden, Jr. signed Executive Order 14026, “Increasing the Minimum Wage

for Federal Contractors.” 86 FR 22835. In relevant part, Executive Order 14026 raised the hourly minimum wage paid by Federal contractors to workers performing work on or in connection with certain covered Federal contracts to \$15.00 per hour, beginning January 30, 2022, with annual adjustments for inflation thereafter in amounts determined by the Secretary of Labor. *Id.*

Executive Order 14026 directed the Secretary to issue regulations to implement the order’s requirements. *See* 86 FR 22836. Accordingly, after engaging in notice-and-comment rulemaking, the Department published a final rule on November 24, 2021, implementing Executive Order 14026. *See* 86 FR 67126. The final regulations, set forth at 29 CFR part 23, established standards and procedures for implementing and enforcing the minimum wage protections of Executive Order 14026.¹

Executive Order 14026 and its implementing regulations require the Secretary to determine the applicable minimum wage rate for workers performing work on or in connection with covered contracts on an annual basis, beginning January 1, 2023. *See* 86 FR 22835–36; *see also* 29 CFR 23.10(b)(2), 23.50(a)(2), 23.120(a). Sections 2(a) and (b) of Executive Order 14026 establish the methodology that the Secretary must use to determine the annual inflation-based increases to the minimum wage rate. *See* 86 FR 22835–36. These provisions, which are implemented in 29 CFR 23.50(b)(2), explain that the applicable minimum wage determined by the Secretary for each calendar year shall be:

- Not less than the amount in effect on the date of such determination;
- Increased from such amount by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) (United States city average, all items, not seasonally adjusted), or its successor publication, as determined by the Bureau of Labor Statistics (BLS); and
- Rounded to the nearest multiple of \$0.05.

Section 2(b) of Executive Order 14026 further provides that, in calculating the

¹ Based on an order issued by the U.S. District Court for the Southern District of Texas on September 26, 2023, the minimum wage requirements of the final rule implementing Executive Order 14026 are not currently being enforced as to contracts or subcontracts to which the states of Texas, Louisiana, or Mississippi (including their agencies) are a party. *See* Final Rule: Increasing the Minimum Wage for Federal Contractors (Executive Order 14026) | U.S. Department of Labor ([dol.gov](https://www.dol.gov)) for further information.

annual percentage increase in the CPI-W for purposes of determining the new minimum wage rate, the Secretary shall compare such CPI-W for the most recent month, quarter, or year available (as selected by the Secretary prior to the first year for which a minimum wage is in effect) with the CPI-W for the same month in the preceding year, the same quarter in the preceding year, or the preceding year, respectively. *See* 86 FR 22835–36. To calculate the annual percentage increase in the CPI-W, the Department elected in its final rule implementing Executive Order 14026 to compare such CPI-W for the most recent year available with the CPI-W for the preceding year. *See* 29 CFR 23.50(b)(2)(iii). Consistent with the regulations implementing Executive Order 13658, *see* 29 CFR 10.5, the Department explained that it decided to compare the CPI-W for the most recent year available (instead of using the most recent month or quarter, as allowed by the order) with the CPI-W for the preceding year, “to minimize the impact of seasonal fluctuations on the Executive order minimum wage rate.” 86 FR 67167.

Once a determination has been made with respect to the new minimum wage rate, Executive Order 14026 and its implementing regulations require the Secretary to notify the public of the applicable minimum wage rate on an annual basis at least 90 days before any new minimum wage takes effect. *See* 86 FR 22835; 29 CFR 23.50(a)(2), 23.120(c)(1). The regulations explain that the Administrator of the Department’s Wage and Hour Division (the Administrator) will publish an annual notice in the **Federal Register** stating the applicable minimum wage rate at least 90 days before any new minimum wage takes effect. *See* 29 CFR 23.120(c)(2)(i). Additionally, the regulations state that the Administrator will provide notice of the Executive Order minimum wage rate on <https://sam.gov/content/wage-determinations>, or any successor site; on all wage determinations issued under the Davis-Bacon Act (DBA), 40 U.S.C. 3141 *et seq.*, and the Service Contract Act (SCA), 41 U.S.C. 6701 *et seq.*; and by other means the Administrator deems appropriate. *See* 29 CFR 23.120(c)(2)(ii)–(iv).

Section 3 of Executive Order 14026 explains the application of the order to tipped workers. 86 FR 22836. It provides that for workers covered by section 2 of the order who are tipped employees pursuant to section 3(t) of the FLSA, 29 U.S.C. 203(t), the cash wage that must be paid by an employer to such workers shall be at least: (i) \$10.50 an hour, beginning on January

30, 2022; (ii) beginning January 1, 2023, 85 percent of the wage in effect under section 2 of the order, rounded to the nearest multiple of \$0.05; and (iii) beginning January 1, 2024, and for each subsequent year, 100 percent of the wage in effect under section 2 of the order. 86 FR 22836. This provision effectively phased out the ability of contractors to claim a “tip credit” under Executive Order 14026, meaning that, since January 1, 2024, contractors subject to the order have not been allowed to pay a lower cash wage to tipped employees.

The Executive Order 14026 minimum wage is currently \$17.20 per hour.² The Department announced this rate on September 28, 2023, and it took effect on January 1, 2024. See 88 FR 66906.

II. The 2025 Executive Order 14026 Minimum Wage Rate

Using the methodology set forth in Executive Order 14026 and summarized above, the Department must first determine the annual percentage increase in the CPI-W (United States city average, all items, not seasonally adjusted), as published by BLS, to determine the new Executive Order 14026 minimum wage rate. In calculating the annual percentage increase in the CPI-W, the Department must compare the CPI-W for the most recent year available with the CPI-W for

the preceding year. The Department therefore compares the percentage change in the CPI-W between the most recent year (i.e., the most recent four quarters) and the prior year (i.e., the four quarters preceding the most recent year). The Department then increases the current Executive Order minimum wage rate by the resulting annual percentage change and rounds to the nearest multiple of \$0.05.

To determine the Executive Order 14026 minimum wage rate beginning January 1, 2025, the Department therefore calculated the CPI-W for the most recent year by averaging the CPI-W for the four most recent quarters, which consist of the first two quarters of 2024 and the last two quarters of 2023 (i.e., July 2023 through June 2024). This produced an average index level of 303.729.³ The Department then compared that data to the average CPI-W for the preceding year—294.367—which consists of the first two quarters of 2023 and the last two quarters of 2022 (i.e., July 2022 through June 2023). Based on this methodology, the Department determined that the annual percentage increase in the CPI-W (United States city average, all items, not seasonally adjusted) was 3.180 percent ((303.729 ÷ 294.367) – 1). The Department then applied that annual percentage increase of 3.180 percent to the current Executive Order 14026

minimum wage (\$17.20 per hour), which resulted in an hourly wage rate of \$17.747 (((\$17.20 × 0.03180) + \$17.20); however, pursuant to Executive Order 14026, the updated minimum wage rate must be rounded to the nearest multiple of \$0.05.

Accordingly, effective January 1, 2025, the new minimum wage rate that must generally be paid to workers performing on or in connection with contracts covered by Executive Order 14026 will be \$17.75 per hour.

III. Appendices

Appendix A to this notice provides a chart of the CPI-W data published by BLS that the Department used to calculate the new Executive Order 14026 minimum wage rate based on the methodology explained herein. A poster reflecting the new Executive Order 14026 minimum wage rate will be publicly available on the WHD website on January 1, 2025.

Jessica Looman,
Administrator, Wage and Hour Division.

Appendix A: Data Used To Determine Executive Order 14026 Minimum Wage Rate

Effective January 1, 2025.

Data Source: Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) (United States city average, all items, not seasonally adjusted).

| | Quarter 3 | | | Quarter 4 | | | Quarter 1 | | | Quarter 2 | | | Annual average |
|---------------------------------|-----------|---------|---------|-----------|---------|---------|-----------|---------|---------|-----------|---------|---------|----------------|
| 2022Q3 to 2023Q2 | 292.219 | 291.629 | 291.854 | 293.003 | 292.495 | 291.051 | 293.565 | 295.057 | 296.021 | 297.730 | 298.382 | 299.394 | 294.367 |
| 2023Q3 to 2024Q2 | 299.899 | 301.551 | 302.257 | 302.071 | 301.224 | 300.728 | 302.201 | 304.284 | 306.502 | 307.811 | 308.163 | 308.054 | 303.729 |
| Annual Percentage Increase | | | | | | | | | | | | | 3.180% |

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LEGAL SERVICES CORPORATION

Sunshine Act Meetings

TIME AND DATE: The Delivery of Legal Services, Communications Subcommittee of the Institutional Advancement Committee, Operations and Regulations, Governance and Performance Review, and Institutional Advancement Committees of the Legal Services Corporation Board of Directors will meet virtually on October 7,

October 8, and October 15, 2024. On October 7, the Delivery of Legal Services Committee meeting will begin at 2:30 p.m. ET and will continue until the conclusion of the Committee’s agenda. The Communications Subcommittee meeting will begin at 3:30 p.m. ET and will continue until the conclusion of the Committee’s agenda. The Operations and Regulations Committee meeting will begin at 4:00 p.m. ET and will continue until the conclusion of the Committee’s agenda. On October 8, the Governance and Performance Review Committee meeting will begin at 10:30 a.m. ET and will continue until the conclusion of the Committee’s agenda.

On October 15, the Institutional Advancement Committee meeting will begin at 10:00 a.m. ET and will continue until the conclusion of the Committee’s agenda.

PLACE:

Public Notice of Virtual Meeting: LSC will conduct the October 7, October 8, and October 15, 2024, meetings via Zoom.

Public Observation: Unless otherwise noted herein, the Delivery of Legal Services, Communications Subcommittee, Operations and Regulations, Governance and Performance Review, and Institutional Advancement Committees meeting will

² Contracts of the same kind as are covered by Executive Order 14026 and that were entered into, renewed, or extended prior to January 30, 2022, are generally subject to Executive Order 13658 and its lower minimum wage requirements. The Executive

Order 13658 minimum wage and the cash wage required for tipped employees are currently \$13.30 and \$9.30 per hour, respectively. See 88 FR 66903.

³ In 1988, the reference base for the CPI-W was changed from 1967 = 100 to 1982–84 = 100. The

1982–84 period was chosen to coincide with the updated expenditure weights which were based on the Consumer Expenditure Surveys for the years 1982, 1983 and 1984.