

## ***Advocacy Recommends that DOL Consider Alternatives to Minimize Costs of Minimum Wage Increase for Small Federal Contractors***

On July 25, the Office of Advocacy (Advocacy) filed a comment letter with the Department of Labor (DOL) regarding its proposed rule entitled, *Establishing a Minimum Wage for Federal Contractors*. A complete copy of Advocacy's letter to DOL may be accessed at: <http://www.sba.gov/advocacy/>.

- On February 12, 2014, President Barack Obama issued Executive Order 13658, which increases the hourly minimum wage for federal contractors, subcontractors and their workers to \$10.10 per hour, beginning January 1, 2015. The Secretary of Labor must issue regulations by October 1, 2014.
- On June 17, 2014, DOL issued the proposed rule implementing this Order. Under this rule, the increased minimum wage would apply only to a new contract, if:
  - (i) (A) it is a procurement contract for services or construction;  
(B) it is a contract for services covered by the Service Contract Act;  
(C) it is a contract for concessions, including any concessions contract excluded by DOL regulations at 29 CFR 4.133(b); or  
(D) it is a contract entered into the Federal Government in connection with Federal property or lands and related to offering services for Federal employees, their dependents, or the general public; and
  - (ii) the wages of the workers are governed by the Fair Labor Standards Act (FLSA), the Service Contract Act (SCA), or the Davis-Bacon Act (DBA).
- Based on small business feedback, Advocacy is concerned that this rule will result in unintended consequences such as high costs and possible closures for small businesses such as fast food franchisees on military bases, recreational companies with contracts on Federal land, and businesses with leases in Federal buildings.
- Advocacy recommends that DOL publish a Supplemental IRFA for public comment reanalyzing the numbers of small businesses affected and compliance costs. DOL should also consider any recommended small business alternatives that may minimize the economic impact of this rulemaking.

For more information, visit Advocacy's Web page at <http://www.sba.gov/advocacy>, or contact Assistant Chief Counsel Janis Reyes by email at [Janis.Reyes@sba.gov](mailto:Janis.Reyes@sba.gov) or by phone at 202-205-6533.