

Prevailing Wage Components

Learning objectives:

- Understand the two components of prevailing wage.
- Examples of “bona fide” fringe benefits.
- 3 ways to meet wage determination obligations.
- Apprentice prevailing wages.
- Hourly credit calculations for fringe benefits.

Prevailing Wage Components

“Prevailing Wage” is made up of two interchangeable components

- Base Hourly Rate (BHR)
- Fringe Benefit Value (FB)
- The total dollar value of the two components comprise – the “prevailing wage” requirement. (29 CFR 5.23)

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LIVINGSTON COUNTY (Townships of Brighton, Deerfield, Genoa, Hartland, Osceola and Tyrone); MACOMB, MONROE, OAKLAND, SANILAC, ST. CLAIR AND WAYNE COUNTIES:

	Rates	Fringes
CARPENTER (Piledriver).....	\$ 28.88	15.48

The goal is to ensure compliance with the Federal Davis-Bacon Act.

Prevailing Wage

- The total including the value of the fringe benefits may be paid entirely as wages.
- Or as a combination of wages and “bona fide” fringe benefits used together to meet the total required prevailing wage.
- Base Hourly Rate + Fringe Benefit value = Total Prevailing Wage

Prevailing Wage

Examples of bona fide benefits

- Training and Apprentices Programs (29 CFR 5.16)
- Pension Plans; 401k plans (29 CFR 5.26)
- Vacation and Holiday (29 CFR 5.28)
- Health Insurance (29 CFR 5.29)
- Prevailing wage supplemental benefit plans
 - Plan must be approved by USDOL

Prevailing Wage

NOT a “bona fide” benefit

- Company trucks (including a gas allowance)
- Paid lodging
- Tools
- Cell phones
- Loan payments
- Uniforms

Prevailing Wage Example

Base Hourly Rate	+	Fringe	=	Total Package
\$22.00		\$8.00		\$30.00

The contractor can comply by paying: (29 CFR 5.31)

1. \$30.00 in wages
2. \$22.00 plus, \$5.00 in health insurance benefits, and \$3.00 contributions in a 401k account
3. \$19.00 plus \$11 in 401k contributions or any other “bona fide” fringe benefit that would have a value of \$11

Minimum Prevailing Wage

Apprentice

- Apprentice wages are figured according to the Apprentice Agreement registered with USDOL. (29 CFR 5.2 and 5.5)
- The published base and fringe wages are to be used when figuring the minimum prevailing wage due for the apprentice percentage.

Minimum Prevailing Wage Apprentice

Base Hourly Rate	+	Fringe	=	Total Package
\$22.00		\$8.00		\$30.00

Minimum Prevailing Wage due
an Apprentice at 50%

Base Hourly Rate	+	Fringe	=	Total Package
(50% x \$22.00)		\$8.00		\$19.00
\$11.00				

NOT Prevailing: 50% x \$30.00(total package) = \$15.00

Overtime and Fringe Benefits

- When computing overtime wages, the total wages paid must meet or exceed the “total package” listed in the wage decision (29 CFR 5.32) :

$$\begin{array}{rclcl} 1.5 \times \text{Base Hourly Rate} & + & \text{Fringe} & = & \text{Total Package} \\ (1.5 \times \$22.00) & + & \$8.00 & = & \$41.00 \end{array}$$

- Once the total package is determined it may be paid in any combination as long as it equals the total package.

Hourly Credit Example

Fringe Benefit Credit

Example:

<u>Benefit</u>	<u>Paid</u>	<u>Total</u>
Vacation	40 hours X \$20/hr	\$800/yr
Blue Cross	yearly premium	\$10,800/yr
401K	Employer Contribution of \$3.00/hr	\$3.00/hr

To calculate the Fringe Credit:

<u>Benefit</u>	<u>Calculation</u>	<u>Total</u>
Vacation	40 hours X \$20/hr = \$800/2080hrs	\$.38
Blue Cross	\$10,800/2080hrs	\$5.19
401K	\$3.00 per hour	<u>\$3.00</u>
		\$8.57 Credit

* *Note: this example assumes the employee worked a full year and accrued 2080 hours. Seasonal workers may work less than 2080 hours. In these cases the actual total hours accrued would be used instead of 2080 hours.* ¹⁰

Hourly Credit Example

Examples:

Assume Health Insurance costs \$10,800 for a 12 month premium. The insurance is provided to the employee year-round even though the employee worked 1,200 hours in a year. In this case the Davis-Bacon credit would be $\$10,800/\$1,200\text{hours} = \$9.00$.

Assume Health Insurance premium is paid on a monthly basis and only provided during the work season. Assume the premium is \$900 per month. Under Davis-Bacon the employer can break down the costs based on the hours worked during the month. Assume the worker accrued 175 hours during the month. The Davis-Bacon credit would be $\$900/175\text{hours} = \5.14 . Davis-Bacon also allows the calculations to be based on the previous month's hours.

THE CONTRACTOR CANNOT TAKE MORE OF A CREDIT THAN THE ACTUAL COST OF THE BENEFIT:

Once the yearly premium is paid, the credit cannot be used for health insurance, it must be converted to another "bona fide" credit or paid as base hourly rate (wage).

Summary

- Prevailing wage is made up of two interchangeable components
 - Base Hourly Rate (BHR)
 - Fringe Benefit (FB)
- “Bona fide” fringe benefits must be approved by USDOL
- BHR and FB can be paid entirely as cash or any other combination of BHR and FB .
- Apprentice wages can be paid less than the published wage rates
- A contractor cannot take more of a credit than the actual cost of the fringe benefit.