

Prevailing Wage Compliance 2016

Prevailing Wage Components

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*Adam Strong
Prevailing Wage Compliance Specialist
(517) 719-7344
stronga1@michigan.gov*

Components

PW 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 PW requirement (29 CFR 5.23)

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CARP0004-005 06/01/2013  
  
LIVINGSTON (Townships of Brighton, Deerfield, Genoa, Hartland,  
Oceola & Tyrone), MACOMB, MONROE, OAKLAND, SANILAC, ST. CLAIR  
AND WAYNE COUNTIES  
  
Rates Fringes  
CARPENTER (Piledriver).....$ 28.09 24.31  
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The goal is to ensure compliance with the Federal DBA.

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Prevailing Wage

- A contractor may discharge their base hourly rate and fringe benefit obligations by:
 - Paying both in cash
 - Making payments or incurring costs for “bona fide” fringe benefits
 - Or, a combination thereof (29 CFR Part 5.31)

Base hourly rate + fringe benefit = Prevailing Wage

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Examples of ‘Bona Fide’ Benefits

- Training and Apprentice 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
 - Might have to be approved by USDOL

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NOT a 'Bona Fide' Benefit

- Company trucks (including a gas allowance)
- Paid Lodging
- Tools
- Cell Phones
- Loan Payments
- Uniforms

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Example

| | | | | |
|------------------|---|----------------|---|-----------------|
| Base Hourly Rate | | Fringe Benefit | | Prevailing Wage |
| \$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 \$11.00 in 401k contributions or any other "bona fide" fringe benefit that would have a value of \$11.00

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Apprentices

- Employee who is individually registered in a bona fide apprenticeship program with USDOL
- 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 PW due for the apprentice percentage.

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Minimum PW Apprentice/OJT

$$\begin{array}{rclcl} \text{BHR} & + & \text{Fringe} & = & \text{Total Package} \\ \$22.00 & & \$8.00 & & \$30.00 \end{array}$$

Minimum PW due an Apprentice at 50%

$$\begin{array}{rclcl} \text{BHR} & + & \text{Fringe} & = & \text{Total Package} \\ (50\% \times \$22.00) & & \$8.00 & & \mathbf{\$19.00} \\ \$11.00 & & & & \end{array}$$

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

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Overtime and Fringe Benefits

(see Overtime Module)

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

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

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

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Hourly Credit Example

Fringe Benefit Credit

Example:

| <u>Benefit</u> | <u>Paid</u> | <u>Total</u> |
|----------------|-------------------------------------|--------------|
| Vacation | 40 hrs. 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 hrs. X \$20/hr. = \$800/2,080 hrs. | \$.38 |
| Blue Cross | \$10,800/2,080 hrs. | \$5.19 |
| 401K | \$3.00/hr. | \$3.00 |
| | | \$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.*

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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 $\$10,800/1,200 \text{ hrs.} = \$9.00/\text{hr.}$

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 BHR (wage).

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