

AdvantageResource

Fringe Benefits Administration and Compliance Assistance for the Prevailing Wage Contractor

Using a Company Hourly Fringe Program as a Recruiting and Retention Tool

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For a few years now, companies have been finding it increasingly difficult to hire and retain quality employees. This problem affects all companies, regardless of industry or trade. Some commercial companies would use the possibility of working a prevailing wage project as a dangling carrot to attract employees to come work for them. In January 2017, however, the state of Kentucky voted to repeal its state prevailing wage law, catching many business owners by surprise. In its wake, companies throughout the region that have historically worked a high percentage of prevailing wage are trying to determine how the repeal affects their business.

While company owners are indeed concerned about how business will change, employees are even more concerned about how the repeal will impact them. For most hourly employees, a decrease in prevailing wage opportunities will mean a reduction in gross wages, take home pay, and a general fear that benefits package offerings (health insurance, retirement plan, paid time off, etc.) will be cut. Employees with health insurance on themselves and their families are particularly anxious. Some employees base their standard of living on working prevailing wage projects. These worries will give rise to union discussion, and longtime employees looking for more stable options.

For some companies, the law repeal and subsequent business environment change is seen as a threat. Companies used the required fringe component of the prevailing wage to help pay for employee benefits, to include health insurance, holiday and vacation pay, and retirement plan contributions. Without the prevailing wage fringe requirement, companies are looking to cut overhead costs, and are apprehensive about their ability to keep their current workforce.

Other companies see the same law repeal and subsequent business environment change as an opportunity. They see the repeal as an open market of sorts to attract and retain the best and brightest employees. They know workers are looking for stability, that the prevailing wage job hopping once common in certain trades will decrease, and that workers will be looking, more than ever, for the best place to work. These companies are using their Company Fringe Program as a means to help them attract these top foremen, superintendents, operators, and craftsmen.

Knowing the concerns of the employee, companies will be well served to address these issues early and proactively. Fringe benefits, when made part of the overall compensation discussion, allow companies to demonstrate to current and prospective employees why what they offer is superior to another company. Companies can do this by instituting an hourly fringe program, making a fringe benefit something that is earned by doing instead of awarded by being. By paying or accruing fringes by the hour, fringes are earned in the same way wages are earned. An hourly fringe program mimics prevailing wage: fringe is earned by the hour.

For instance, health insurance is offered by companies (who choose to offer it) typically after a certain period of time. To use a Company Fringe Program as a recruiting and retention tool, allow an employee to earn insurance benefits to pay for health insurance premiums on dependents so payroll deductions may be reduced.

For companies with employees accustomed to sizable 401(k) retirement plan contributions due to prevailing wage fringe obligations, employees have concerns about their own future retirement. To use a Company Fringe Program as a recruiting and retention tool, allow an employee to earn 401(k) profit sharing contributions, even without prevailing wage. For instance, a retirement plan can be structured so that an employee could earn an extra \$4 per hour to his retirement plan, while another employee could earn an extra \$1 per hour. Yes, this is a legal and legitimate option. Structure the company's retirement plan to reward those who deserve it, without having to make a contribution for everyone.

An hourly fringe program allows companies to structure a benefits package to incentivize and reward the employees the company wants to attract and retain. Through clear communication and tangible documentation, employees can see and understand the benefits offered and how additional benefits can be earned. Take care of the good employees, so that when outside voices attempt to lure them away, the employee knows which company is the best place for them.

About Advantage Resource:

Advantage Resource is a Veteran Owned Small Business (VOSB) that provides **compliance assistance with regulatory statutes** (Service Contract Act, Davis Bacon Act, state prevailing wage, the Affordable Care Act, and 401(k) Pension Plans). Services include fringe benefits administration, management consulting, remote data collection and processing, and variable employee hour tracking (ACA compliance).

We show the Contractor how to receive the **maximum allowable fringe benefit credit** for all Bona Fide fringes, including personal employee insurance, pension plan contributions, and holiday and vacation pay. The program is tailored to each contractor based on the type of work performed, to include SCA, DBA, private contracts, and any combinations thereof.

As part of our service, we **perform all the computations required** to properly fund and calculate employee fringes. This includes the writing of Employee Benefit Plan Summaries, mailing of monthly employee benefit statements, answering of employee phone calls, and providing access to a custom online content management system tailored to each customer. This includes **furnishing documentation for every hour worked**, for every employee, for every fringe benefit, for every job. These records prove invaluable and provide the third party verification often required by auditors.

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