

# **Quick Reference to Standard Wage Rates for Certain Service Workers**

## **How to Calculate Fringe Benefits**

### **Discharging Fringe Benefit Obligations Under the Public Service Contract Act**

In order to meet their obligation under Public Act 99-142, employers are allowed to pay the fringe benefit portion of the prevailing wage rate in cash, by incurring costs for bona fide fringe benefits or by a combination of cash and benefits.

An employer can pay less than the required, minimum hourly wages as long as the hourly rate plus the fringe benefit provided equals the total wage required.

In order to receive credit, the employer must provide bona fide benefits and those common to the specific industry. No credit can be taken for any benefit required by law (e.g. social security contributions or workers compensations, etc.).

An employer may take credit for the annual cost of a benefit by converting the costs to an hourly cash equivalent (annual cost of fringe benefit divided by total number of hours worked in the year). If the cost of a benefit varies per employee, the credit must be individually determined.

Employees excluded from a benefit plan for whom the employer makes no contribution or incurs no cost must be paid in cash or furnished other bona fide fringe benefits equal in monetary value. If the plan requires contributions to be made during eligibility waiting period, credit may be taken. No credit is allowed for contributions for employees who by definition are not eligible to participate in the plan.

Contributions made to defined contribution pension plans (e.g. money purchase pension plans, most 401k plans, etc.) are fully credited if the plan provides for immediate participation and immediate 100% vesting. When there is no immediate vesting, credit is allowed based on the effective annual rate of contributions for all hours worked during the year (e.g. a contribution of \$2,000.00 made on behalf of a particular employee who worked a total of 2000 hours of both covered contract and noncovered private hours would result in a credit of \$1.00/hour).

If an employee is terminated before the benefit is received and the employer has taken credit toward the prevailing wage fringe benefit obligation, the employee must be paid at termination.

## Sample Calculations For Fringe Benefit Credits

- First: Calculate the total cost of each fringe benefit provided to each employee on an annual basis.  
Second: Annualize the cost of the benefit by dividing the total cost of the benefit provided by 2080 hours (40 hours/week x 52 weeks) to obtain the hourly figure.  
Third: Subtract the hourly fringe benefit credit from the benefit rate on the prevailing wage rate schedule.  
Fourth: Any difference remaining after the value of all benefits provided is deducted is paid weekly as taxable wages in the employee's pay check.

### Example 1: EMPLOYER PAYS 100% MEDICAL INSURANCE PREMIUM:

<i>Monthly premium for employee:</i>	<i>\$380.00</i>
<i>Annual cost: (\$380 x 12 months) =</i>	<i>\$4,560.00</i>
<i>Fringe Benefit Credit: (Divide by 2080):</i>	<i>\$2.19/hour</i>

Cook II prevailing wage rate: \$12.55 base + \$3.77 fringe

Fringe Benefit Credit: -2.19  
Add to base wage due: \$1.58

Adjusted prevailing wage rate due: \$12.55 + \$1.58 = \$14.13/hour

Employee's regular hourly rate: \$10.00/hour

Weekly payroll:

Regular Rate:	16 hours x \$10.00 =	\$160.00
Prevailing Rate:	24 hours x \$14.13 =	<u>\$339.12</u>
Total Wages Due:		\$499.12

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### Example 2: EMPLOYER PAYS 50% MEDICAL INSURANCE PREMIUM:

<i>Monthly premium for employee:</i>	<i>\$380.00</i>
<i>Employer's cost:</i>	<i>\$190.00</i>
<i>Annual cost: (\$190 x 12 months) =</i>	<i>\$2,280.00</i>
<i>Fringe Benefit Credit: (Divide by 2080):</i>	<i>\$1.10/hour</i>

Cook II prevailing wage rate: \$12.55 base + \$3.77 fringe

Fringe Benefit Credit: -1.10  
Add to base wage due: \$2.67

Adjusted prevailing wage rate due: \$12.55 + \$2.67 = \$15.22/hour

Employee's regular hourly rate: \$10.00/hour

Weekly payroll:

Regular Rate:	16 hours x \$10.00 =	\$160.00
Prevailing Rate:	24 hours x \$15.22 =	<u>\$365.28</u>
Total Wages Due:		\$525.28

## Sample Calculations For Overtime

- First:* The employee must maintain a time record that lists the daily total of hours in each classification, totaled daily hours worked, and weekly total hours worked. These hours must be recorded in the employee's own handwriting.
- Second:* The fringe benefit rate is to be paid at straight time for all hours worked, including hours in excess of 40 per week.
- Third:* Premium overtime, at one and one-half times the employee's average rate of pay must be paid for all hours "worked" in excess of 40 per week. The overtime premium is not paid on the fringe benefit rate.
- Fourth:* Average rate is determined by taking the total straight time wages and dividing by total hours worked. Premium overtime rate is one-half the average rate.
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### Example 1: EMPLOYEE WORKS ALL HOURS ON PREVAILING WAGE

*(No fringe benefits provided)*

Cook II prevailing wage rate: \$12.55 base + \$3.77 fringe = \$16.32

Employee's regular hourly rate: \$10.00/hour

Weekly payroll:

Prevailing Rate Hours:	Base 45 x \$12.55 =	\$564.75
Fringe Benefit	45 x 3.77 =	169.65
Overtime	(1/2 x 12.55 = 6.275)5 =	<u>\$31.38</u>
Total Wages Due:		\$588.72

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### Example 2: EMPLOYEE WORKS A COMBINATION OF RATE AND NON-RATE HOURS

*(No fringe benefits provided)*

Cook II prevailing wage rate: \$12.55 base + \$3.77 fringe = \$16.32

Employee's regular hourly rate: \$10.00/hour

Weekly payroll:

Regular hours:	24 hours x \$10.00 =	\$240.00
Prevailing Rate Hours:	Base 20 x 12.55 =	\$251.00
Fringe Benefit	20 x 3.77	\$75.40
Overtime	4 x 5.58	<u>\$22.32</u>
Total Wages Due:		\$588.72

Overtime Calculations:

\$240.00 + \$251.00 = \$491.00 divided by 44 hours = \$11.16

Average Hourly Rate = \$11.16

Overtime Premium Rate = \$5.58 (1/2 times \$11.16)