

# Washington State Department of Labor and Industries

## Methodology for Calculation of Fringe Benefits

**HEALTH AND WELFARE.** This includes group medical insurance which may include dental, vision, and life insurance. The following methods are all acceptable options for calculation of health and welfare fringe benefits by contractors on public works contracts:

1. Monthly Averaging Method/Actual Hours Worked. Divide the total monthly contributions made by the employer to the insurance carrier, by the total number of hours worked monthly on public works projects and non-public works projects by all the employees who are covered by the group medical insurance.
2. Yearly Averaging Method/Actual Hours Worked. Divide the total yearly contributions made by the employer to the insurance carrier, by the total number of hours worked annually on public works projects and non-public works projects by all the employees who are covered by the group medical insurance.
3. Monthly Averaging Method/173 Hours Per Month. In the absence of the total number of monthly hours for all the employees who are covered by the group medical insurance, divide the total monthly contributions made by the employer to the insurance carrier by the product of 173 hours times each employee covered by the group medical insurance. (40 hours per week X 52 weeks = 2080 hours divided by 12 months = 173 hours).
4. Yearly Averaging Method/2080 Hours Per Year. In the absence of the total number of yearly hours for all the employees who are covered by the group medical insurance, divide the total yearly contributions made by the employer to the insurance carrier by the product of 2080 hours times each employee covered by the group medical insurance. (40 hours per week X 52 weeks = 2080 hours).
5. Monthly Hours Per Employee Method/Actual Hours Worked. Divide the total monthly contribution made by the employer to the insurance carrier for each worker by the total number of hours worked monthly by each worker on public works projects and non-public works projects.
6. Yearly Hours per Employee Method/Actual Hours Worked. Divide the total yearly contribution made by the employer to the insurance carrier for each worker by the total number of hours worked annually by each worker on public works projects and non-public works projects.
7. Monthly Hours Per Employee Method/173 Hours Per Month. In the absence of the total number of hours worked each month by each employee on public works projects and non-public works projects, divide the total monthly contribution made by the employer to the insurance carrier for each individual worker by 173 hours (40 hours per week X 52 weeks = 2080 hours divided by 12 months = 173 hours).

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- 8. Yearly Hours Per Employee Method/2080 Hours Per Year. In the absence of the total number of hours worked each year by each employee on public works projects and non-public works projects, divide the total yearly contribution made by the employer to the insurance carrier for each individual worker by 2080 hours (40 hours per week X 52 weeks = 2080 hours).

The averaging method listed in numbers 1 through 4 above does not apply to an employee for whom no contributions toward the medical insurance have been made. For example, some employers require that an employee have at least six months of service prior to becoming eligible for medical insurance. In a case like this, the employee would have to be paid fringe benefits in cash.

PENSION, VACATION, AND APPRENTICE TRAINING FUND

The amount which may be credited toward an employer’s prevailing wage obligation is the actual amount withheld from the “prevailing rate of wage” for every hour worked on public works projects and actually deposited into these benefit plans.

Thus, to calculate to hourly rate of fringe benefits for Pension, Vacation, and Apprentice Training Fund, divide the amount paid into the plan by the total number of hours worked on the public works project.

Note: Vacation is a taxable fringe benefit. Thus, the contractor may include vacation benefits in the gross amount paid in order to tax them.

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Date