

What is a fringe reduction?

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Fringe benefits are additional compensation provided to employees above and beyond an agreed-upon wage or salary. A fringe rate, or benefit rate, is the cost of an employee's benefits divided by the wages paid to an employee for the hours working on the job. The fringe rate is designed to allow employees to be able to purchase benefits when not offered by their employer.

If an employee works on a government-funded (Davis Bacon) project with a required fringe rate as part of the prevailing wage rate, the employee is entitled to that full fringe amount. However, if the employer is already paying benefits, they do not need to double-pay the fringe. A fringe reduction is a calculation that reduces a contract-required fringe rate by the employer-paid portion.

There are several variables which influence the government wage determination pay rate: specific job (Job ABC), work class (carpenter, plumber, etc.) , state in which work is being performed, prevailing hourly rate (may be higher than base rate), and fringe rate (hourly amount applied to benefits). Similar to the prevailing hourly rate, the fringe rate varies for each government project based on the employee's work class, or role, and location of the project.

Most Time and Attendance systems are not designed for these complexities. Adding further complexity, when paying prevailing wage rates that include a fringe rate, employers that already offer fringe benefits are entitled to a fringe reduction to avoid overpayment, however managing this calculation manually or on spreadsheets each payroll is time consuming and not cost-effective.

Example of a fringe reduction scenario:

Employee is a supervisor on a government project that requires the employee to be paid \$12/hr in fringe benefits. If the company is already paying the employee the equivalent of \$7/hr in employer paid medical, dental, etc., the employer can legally reduce the \$7/hr they are paying and pay the employee the difference (\$5/hr) in additional benefits. Many companies do not have a reliable way to manage this and end up paying the \$12/hr contract rate + \$7/hr in employer paid benefits, thus the employee receives \$19/hr.

How can IDI help?

IDI can automate your time-consuming processes! Our Time Bank™ Fringe Reduction solution can be added to our Prevailing Wage Rates solution for those employers who are working on government-projects and already pay employee benefits (e.g. medical, dental, 401k) and, therefore, run the risk of double-paying fringes due to complying with prevailing wage rates.

When Time Bank is run at the end of the pay period, it retrieves the time and labor information from the time system and associates the specific rates of pay and fringe earnings with the certified job and worker classification. After determining rates, Time Bank calculates the weekly average rate of pay, or FLSA rate, used for all overtime hours in accordance with FLSA guidelines.

With the click of a button, Time Bank reads the rates from a stored user-maintained table or from a client-provided comma-delimited file, the calculation is made, including reducing the fringe rate by the employer-paid portion, and the results are passed to payroll.

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[Department of Labor](#)

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