



The Doubt of the Benefit

How quality, competitive benefits packages can attract & retain valuable employees

By Jenny Pagano

Pain points—every industry has them. And, at times, it might feel like contractors have more than their fair share. Contractors who work on prevailing wage jobs undoubtedly see the complex regulations that apply to these projects as a burden they learn to live with in order to benefit from the opportunities presented by government-funded jobs. For example, there's the sometimes-confusing question of how to handle the fringe cost on government jobs. Today, your employees may want the fringe amount paid in cash. However, is that a decision you both will regret later on? Could you win more jobs for them to work on by putting the fringe amount of the wage determination toward benefits, which lowers your job costs and makes your bids more competitive?

The fact is, while no one can take away all the challenges associated with running a business, government contractors who bid on and perform work subject to the Davis-Bacon Act, Service Contract

Act, state and prevailing wage laws and living and responsible wage ordinances are uniquely positioned to offer health and retirement plans to their employees. Sometimes, it is difficult for employees to see the benefit of taking advantage of this position rather than taking the fringe amount.

EDUCATING EMPLOYEES

First and foremost, using fringe dollars to provide benefits is a way for you to take care of your employees. In the construction industry, many skilled workers may not have learned the importance of saving. The immediate thrill of a new truck can be more alluring than putting money away in a retirement savings account or for health insurance.

If you are currently paying the fringe as cash, using fringe dollars to help your workers save for retirement may not be a popular move at first, but as your workers see the balance in their retirement account

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grow, they will feel much differently. Many workers believe they will retire on their own terms, but so often, that is not the case. Construction work is physically demanding and can result in shorter than average careers for those who do it. Using the fringe toward retirement makes facing the beginning of the next stage of life a little bit easier.

Another reality of construction work is that many workers live paycheck to paycheck. This lifestyle tends to make them more prone to financial emergencies. During times like these, they may look to their retirement account as a source of funds.

Employers who offer a loan program to assist workers through tough times help employees appreciate the benefit and feel less like they do not have access to their fringes. There are benefits partners who can handle all aspects of your loan program, from set up to collection. You won't have to serve as a loan center—collecting repayment, closing loans for employees at termination or converting loans when moving to a new retirement provider.

Health insurance is another important benefit for your employees. Even if your company is not large enough to fall under the Affordable Care Act (ACA), providing health coverage helps take care of your workers and their dependents. Medical expenses can be difficult to manage for people who lack health insurance. Without insurance, a visit to the ER can be catastrophic from a financial standpoint. Additionally, using an hour bank program allows employees to “bank” 3 to 6 months of health benefits to protect them and their families during times when they are not working due to layoffs, inclement weather or the seasonal nature of their industry.

THE VALUE OF SETTING UP BENEFIT PLANS

Funds to pay for fringe benefits like a retirement savings plan and health insurance are included in the wage determination for job classifications in prevailing wage contracts. The wage is expressed in two parts—a base wage and a set fringe amount intended to be used for benefits. The

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fringe is an employer contribution, so the business owner decides how to meet the fringe obligation.

There are tremendous advantages for business owners, highly compensated employees (HCEs) and hourly employees when the fringe is used as the law intended—to fund benefits like retirement plans, health coverage and more.

HOW BENEFITS CAN HELP YOUR BUSINESS

If your company does prevailing wage work, you might be paying out the fringe as additional cash wages because it seems like the easiest way to comply with the law. The fact is, not using the fringe to pay for genuine benefits for workers on these jobs is costing you money, and it may be costing you jobs as well.

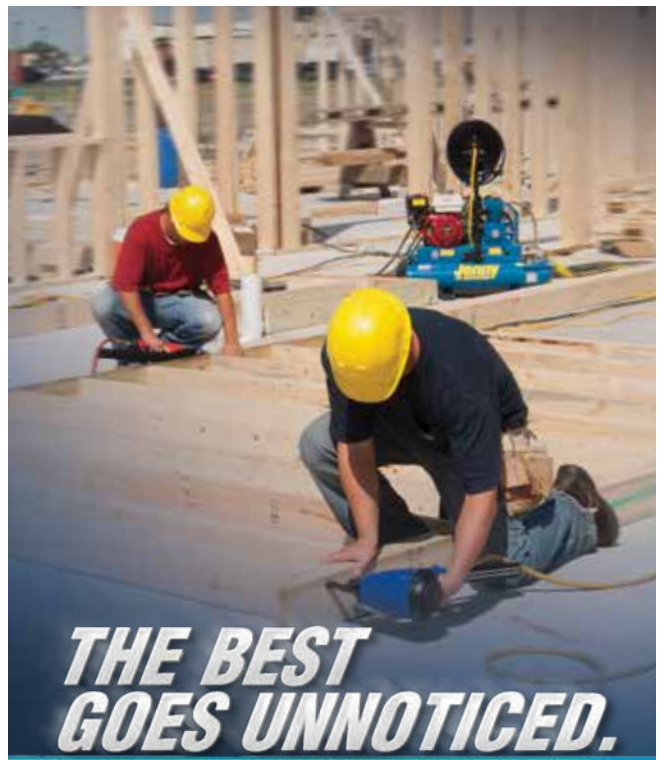
Contractors who use the fringe to pay for benefits such as health, vision, dental, contributions to retirement plans, disability and life insurance do not incur payroll taxes on these dollars. On average, this amounts to a savings of \$0.25 per dollar per hour over the life of the contract. This lowers your job costs, which can make your business more profitable. Lower payroll costs also help make your bids on government contracts more competitive and may help you win more prevailing wage jobs. If your competitors are using the fringe to fund benefits for their workers while you are not, the disadvantage is yours the minute you submit your bid.

Some contractors pay for health insurance using fringe dollars, then have workers choose how the remaining fringe dollars will be used. An important factor to note about plan flexibility is that it allows the employer to set up an array of benefits, and then the employees have the freedom to choose how the dollars will be allocated. Options that could be offered include a retirement plan and/or supplemental benefits like vision, dental, life and disability insurance.

General contractors with subcontractors who also use fringe dollars to pay for benefits can further widen their competitive edge. Subcontractors save on payroll burden. Their lower job costs can be passed along in your bid, giving you even more of an advantage and increasing your likelihood of winning government work.

It is not unusual for owners and HCEs to be frustrated by limits on the amount they can put away for retirement. Because this is tied to what hourly workers are saving, using the fringe amount on prevailing wage jobs to fund retirement plans can help create a more secure financial future for everyone involved. **CBO**

Jenny Pagano is vice president of retirement products and services for Fringe Benefit Group, which has been helping the construction industry design and administer fringe benefit programs since 1983. Contact Pagano at 800-662-6177 or jpagano@fbg.com. For more information on its prevailing wage benefit plan, The Contractors Plan, and bidding on government jobs, visit thecontractorsplan.com.



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