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

By Philip Ely, Advantage Resource Inc.

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; however, in January 2017, 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 <u>earned by doing</u> instead of <u>awarded by being.</u> 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

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Fringe Program

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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 when outside voices attempt to lure them away, the employee knows which company is the best place for them.

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Late Payment and Cashflow

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and that we have no interest in investing in the project – just building it.

There is a cost to accepting late payments that exceed the interest expense. Cash flow problems have caused some contractors to do work not owed or to discount amounts in order to collect, particularly final payments. The forgiven amounts are ostensibly for work not performed or accepted, but they are usually pure concessions.

I have experienced construction enterprises with so much of their reserves tied up in receivables that they could not pay their bills and were forced into the hands of their creditors. Much of the cause of financial distress is unpaid receivables, and contractors have to shoulder part of the blame for not demanding what is rightfully theirs. The problem can be rectified with a concerted, unified effort.

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