



AUG 8 1994

MEMORANDUM NO. 178

MEMORANDUM TO: ALL CONTRACTING AGENCIES OF THE FEDERAL GOVERNMENT AND THE DISTRICT OF COLUMBIA

FROM: MARIA ECHAVESTE *M. Echaveste*
Administrator

SUBJECT: Updating of Service Contract Act Health and Welfare Benefit Levels

SUMMARY

Effective August 8, 1994, most prevailing wage determinations issued under the McNamara-O'Hara Service Contract Act (SCA) are being revised to reflect changes in health and welfare (H&W) contribution requirements. The new levels will be:

1. \$.90 per hour for those wage determinations previously requiring an \$.89 per hour contribution for each employee (except those governed by the terms of a collective bargaining agreement pursuant to Section 4(c) of the SCA); and
2. \$2.56 per hour for those wage determinations previously requiring a \$2.39 per hour contribution for each employee (except those governed by the terms of a collective bargaining agreement pursuant to Section 4(c) of the SCA).

Pen and ink changes are to be made to current wage determinations to affect the latest health and welfare increases.

It is not required that contracting agencies request revised wage determinations.

BACKGROUND

The SCA requires the Secretary of Labor to determine minimum wage and fringe benefits to be paid service employees engaged in the performance of work on covered contracts in accordance with the wage rates and fringe benefits prevailing for such employees in the locality. The SCA regulations provide that such determinations will be reviewed periodically and, where prevailing wage rates or fringe benefits have changed, these changes are to be reflected in revised wage determinations.

The new H&W levels are based on March 1994 size-of-establishment data published by the Bureau of Labor Statistics. Data for establishments employing fewer than 100 employees provide the basis for the H&W level for most, and generally routine service contracts. Data for establishments employing 100 or more employees provide the basis for the H&W level for certain service contracts, including: (1) major base support contracts; (2) solicitations involving an A-76 study/action, with potential for displacement of federal civilian workers; and (3) solicitations that require bidders to be large, national corporations, major competitors, or providers of highly technical services.

REQUIRED AGENCY ACTION

In accordance with 29 CFR 4.5(a)(2), the new H&W levels should be incorporated into the wage determination of any invitation for bids in any case where this notice is received at least ten (10) days prior to bid opening. If this notice is received less than ten (10) days before bid opening, the new rates should be applied unless the contracting agency finds there is not a reasonable time frame available to notify bidders of the revision.

In the case of a procurement entered into pursuant to negotiations, or in the case of a contract option or extension, the new rates are effective if this notice is received before the date of contract award, contract extension, or exercise of option, provided contract performance begins within 30 days of the award, contract extension, or exercise of option. If the contract's start of performance is delayed for more than 30 days (or if the contract does not specify a start of performance date which is within 30 days of award), the new rates are effective and must be incorporated if this notice is received by the agency not less than 10 days before the start of contract performance.

Evaluation of Alternative Methodologies

For your information, the Service Employees International Union has challenged the Department of Labor's (DOL) methodology by which H&W is determined. The DOL has committed to engage in rulemaking in the near future to evaluate alternative methodologies for possible use in determining H&W benefit levels.