



DESK GUIDE

for

**SERVICE CONTRACT
PRICE
ADJUSTMENTS**

Service
Contract
Act

and Fair Labor Standards Act



INTRODUCTION

The purpose of this document is to provide guidance to Department of the Navy contracting officers for processing contract price adjustments that result from changes in wage determinations issued under the Service Contract Act, or from amendments changing the minimum wage required by the Fair Labor Standards Act. This guidance is not all-inclusive. It does not relieve the reader of the requirement to carefully review the solicitation or contract, or to follow appropriate law and regulations such as the Federal Acquisition Regulation (FAR), FAR supplements, and Department of Labor regulations related to these issues.

Questions or comments on this guidance should be directed to the Department of the Navy Labor Advisor at (703) 693-2939 or NavyLaborAdvisor@navy.mil.

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1.0 BACKGROUND

1.1 General Requirements. Under the [Service Contract Act](#) (SCA), 41 U.S.C. §§ 351-358, Federal service contracts over \$2,500 shall contain mandatory provisions regarding minimum wages and fringe benefits, safe and sanitary working conditions, notification to employees of minimum compensation, and equivalent Federal employee classifications and wage rates. See Federal Acquisition Regulation (FAR) Clause [52.222-41](#), [22.1006\(c\)](#) and [22.1007](#). The U.S. Department of Labor (DOL) issues SCA wage determinations (WDs) which establish the minimum wages and fringe benefits a service contractor must pay its employees performing work on covered contracts. DOL revises these WDs from time to time to reflect the current prevailing wage and benefit rates for each locality or area. The most current SCA WD will be incorporated in each solicitation, and in the awarded contract. The most current SCA WD will also be incorporated into an existing contract at the issuance of each modification to exercise an option, to extend a contract, or to change the scope of work (but only those changes that significantly affect the labor standards requirements). When this modification is issued for a fixed-price contract, the contract price may be adjusted under FAR Clause [52.222-43](#), Fair Labor Standards Act and Service Contract Act – Price Adjustment (Multiple Year and Option Contracts), or Clause [52.222-44](#), Fair Labor Standards Act and Service Contract Act – Price Adjustment (not multiple year or option contracts). Such an adjustment is appropriate only when there is a direct causal relationship between compliance with the wage determination for the new period of performance as compared to the contractor’s SCA WD/FLSA obligations in the prior period of performance and the contractor clearly documents that the expenses were actually incurred (or will be incurred) to comply with the WD/FLSA requirements.

1.2 Types of Wage Determinations.

1.2.1 Prevailing Wage WDs.

1.2.1.1 Standard WDs. Standard WDs are issued by DOL for specific geographical localities (often a county or group of counties), listing approximately 367 general labor classifications by occupational groups, e.g., Clerical and Administrative, Technical, Information and Arts, or Transportation. These WDs

are based on surveys of wages and benefits paid in the specified locality. See the [WDOL](#) database for examples.

1.2.1.2 Non-Standard WDs. Non-Standard WDs are issued by DOL to reflect prevailing wages and benefits in specific service industries in designated localities. Typical Non-Standard services include elevator maintenance, aerial photography, fast food restaurants, diving services, beauty and barbershops, moving and storage services. See the [WDOL](#) database for examples. NOTE: Not all non-standard wage determinations are posted, non-standard wage determinations can be obtained via e-98.

1.2.2 WDs Based on Collective Bargaining Agreements (CBAs). Successor contractors performing on contracts for substantially the same services in the same locality must pay wages and fringe benefits (including accrued wages and benefits and prospective increases) at least equal to those contained in a bona fide CBA entered into under the predecessor's SCA-covered contract. The WD applicable to the successor contract period will reflect the CBA between the predecessor contractor and the collective bargaining representative of the employees (labor union). (Reference Section 4(c), Title 29 CFR Part 4, Sections [4.53](#) and [4.163](#), and FAR [22.1002-3](#) and [FAR 22.1008-2](#).) Contracting officers must know when exercising and/or negotiating at each option, extension, significant change (affecting labor) in scope, or re-solicitation, if the predecessor contractor has a CBA applicable to the workers performing on the contract. Certain conditions must be met in order for a CBA to be controlling for SCA purposes. See Section 5.1 and 5.2 of this guide for details.

1.2.3 Contract-Specific or Special SCA WDs. There are some unique service contracts where DOL will issue contract-specific SCA WDs. An example of a contract-specific WD is a sole-source contract with a county, state or municipality where wages and benefits are already established in accordance with legislative or regulatory requirements. If a contracting officer or DOL determines that neither a Standard WD nor a Non-Standard WD is appropriate for a particular contract, the contracting officer should request an appropriate SCA WD from DOL. This may be done by submittal of an [e-98](#), which may be accessed at www.wdol.gov. See Section 1.3.2 below. If the contracting officer

has questions with regard to contract-specific WDs, he/she should contact the Navy Labor Advisor for assistance.

1.2.4 Multiple WDs within Same Contract. Some contracts, particularly larger and more complex procurements require use of multiple WDs. This becomes necessary when a single WD will not adequately cover all service employees performing on the contract. For example, a contract that is performed on a region-wide basis will require WDs for each locality where work is performed. Another example is a contract where some service employees are subject to a collective bargaining agreement and are thus subject to a CBA-based WD, while others are not within that same bargaining unit and therefore are subject to a standard DOL issued WD. Likewise, in such situations, SCA Price Adjustments must be considered separately for each WD and the group of service employees subject to a particular WD.

1.3 Obtaining SCA WDs.

1.3.1 Basic Requirement. For service contracts in excess of \$2,500, SCA requires the contracting officer to incorporate the most current, applicable WD into the following contract actions: (a) each new solicitation or contract; (b) each modification to exercise an option, extend the contract, or change the scope (if it significantly affects labor); (c) each anniversary date of multiple year contracts subject to annual appropriations; or (d) each biennial anniversary date of multiple year contracts not subject to annual appropriations. Reference FAR [22.1007](#)

1.3.2 Standard and Non-Standard WDs. In October 2003, DOL announced the implementation of the Wage Determinations On Line (WDOL) Program, <http://www.wdol.gov>, which provides contracting officers access to Standard and Non-Standard WDs. The website also provides contracting officers direct access to DOL by using the “e98” link. The “e98” is used to request a WD from DOL if the contracting officer does not find an appropriate WD in the WDOL databases for Standard or Non-Standard WDs. Contracting officers must follow WDOL.gov’s “User Guide” carefully in selecting their SCA WDs for contract actions. The WDOL Library also provides a number of resources for use in determining the appropriate labor standard or WD for each contract action.

WDOL's selection process will allow contracting officers' access to WDs needed for the vast majority of contracts.

The contracting officer must select the appropriate SCA WD and incorporate that WD into the solicitation or contract action. **Under no circumstances shall the contracting officer direct an offeror or contractor to obtain a SCA WD from the website for use in a solicitation or contract. The WD(s) to place in any contract action and the period of performance to which it applies is a government decision and should be handled as such.** For example, if the WD is being updated for an option period, the new WD should be incorporated into the contract and made effective on the first day of the new performance period. See also the timeliness provisions for WDs as discussed in section 1.4 of this guide.

1.3.3 Health and Welfare (H&W) Rates. For a number of years, the Department of Labor (DOL) has issued two Standard Wage Determinations (WDs) for each locality (Odd & Even Numbered) – the wage rates are the same, but one WD list a higher-level H&W rate (\$4.27/hour) than the other WD. Both fringe benefit rates are the same. However, the compliance requirements continue to be different since the WD previously designated as the “high” fringe benefit WD requires an “average cost” compliance methodology and the previously designated “low” fringe benefit WD requires a “per employee” compliance methodology. The most convenient means of identifying these WDs for any locality is that the “average cost” WD number ends in an even-numbered digit and the “per employee” WD number ends in an odd-numbered digit. For example, for the Washington D.C. locality the “average cost” WD is number 2005-2104 and the “per employee” WD is 2005-2103. Briefly, the distinction between the two WDs is that the “average cost” WD permits the contractor to provide a benefit plan to its entire SCA-covered workforce and so long as the plan complies with DOL requirements, it is

measured by the average costs when considering the man-hours worked by all service employees covered by the plan. The costs to the contractor for any individual employee may vary. Under these average cost plans only hours actually worked (including any overtime hours, but excluding paid time off) are factored into the calculation. Compliance with the per employee WD is measured on an individual by individual basis, does not permit averaging between employees, and is calculated on all hours *paid* up to a *maximum* of 40 hours per week or 2080 per year. Therefore, despite the fringe benefit amount being the same on both versions of local wage determinations, there are differences and possible contract cost consequences to the contractor if the wrong version of a wage determination is included in the contract. Contracting officers should take particular care to determine which of these Standard WDs is appropriate for any contract action. This is more fully explained in DOL's All Agency Memoranda [No. 188](#) and [No. 197](#). See also the selection criteria discussed below and if necessary, contact the Navy Labor Advisor for guidance. Note: The WDOL.gov menu for selecting Standard SCA WDs incorporates distinguishing questions into the selection process, and should, if answered carefully, lead the user to the correct SCA WD. See Sections 4.10.2.1 & 4.10.2.2 for more detail.

Selecting the Correct H&W Rate on Standard WDs. The following guidelines should be used in selecting the H&W level applicable to each contract action.

- If the services were previously performed at the same locality under a contract (or option) covered by SCA provisions containing a Standard WD listing the “average cost” H&W WD, select the Standard WD containing the same H&W requirement for all following contract periods and follow-on contracts for these services at this locality. See CFR Title 29, Part [4.52\(d\)](#). During the WDOL “selecting SCA wage determinations” process, this will be triggered by answering “yes” to whether the previous contract (or option) used a wage determination “that ends in an even number”).
- If the services were previously performed at a given locality under a contract covered by SCA provisions

containing an SCA Standard WD containing the per employee H&W requirement, select that standard WD by answering “no” to that same query. The system should provide you the odd-numbered WD response.

- If the services were not previously performed under contract, the WDOL system should properly select the Standard WD containing “per employee” H&W requirement (the odd-numbered WD).

1.3.4 CBA WDs. Contracting officers must inquire at each contract action (re-solicitation or modification to exercise an option, extend the contract, or significantly change the scope of work) if the incumbent (predecessor) contractor or any subcontractor has a CBA applicable to the service employees. Reference FAR [1008-2](#). Under SCA Section 4(c), the wages and monetary fringe benefits in an SCA-covered predecessor CBA prevail over any other SCA WD that might otherwise be applicable to the same employee classifications in the successor contract period. See Section 5 of this Guide for notification requirements and contract price adjustments involving CBA WDs.

1.3.4.1 Incorporating the CBA WD. If the CBA has been timely received by the contracting agency, the contracting officer must prepare a CBA WD using WDOL. The contracting officer incorporates the CBA WD into the successor contract (or contract period). During new solicitations or re-competition for existing contracts, the contracting officers must also provide a **complete** copy of the CBA as information to all offerors since a CBA-based WD does not contain the wage schedule and fringe benefit information necessary for competitors to know the SCA required minimum rates. Caution: An incoming contractor is not bound by all terms and conditions of the CBA under SCA requirements, only those minimum wage and fringe benefit terms that are enforceable under the SCA as detailed in 29 CFR [4.163\(a\)](#). WDOL’s “Selecting an SCA WD” menu includes the form to be completed by the contracting officer in preparing a CBA WD. Follow the guidance in the “WDOL User’s Guide”. Since there

may be circumstances where it is *not* appropriate to use the CBA for wage determination purposes, consult the WDOL user's guide, Section 5b for more information or contact the Navy Labor Advisor for assistance if there is any doubt that the CBA applies for the new contract or new period of performance. See also Sections 5.1. & 5.2 of this guide for details.

1.4 Timeliness. New or revised SCA WDs, and new or revised SCA-covered CBAs, must be received by the contracting agency in a timely manner in order to be applicable to a contract action. Reference FAR [22.1012](#). If the contracting officer is using the WDOL Program, "receipt" date of a new or revised Standard or Non-Standard WD is the first date the WD is published in the online database. Timeliness standards likewise apply to CBA-based WDs. Therefore, the date of receipt of a new SCA WD and/or new CBAs and any CBA changes should be documented in the contract file.

1.4.1 Sealed Bidding. A new or revised SCA WD or CBA will generally not be effective if received by the contracting agency less than 10 days before the opening of bids, and the contracting officer finds that there is not reasonable time to incorporate the revision in the solicitation.

1.4.2 Contractual Actions Other Than Sealed Bidding. A new or revised SCA WD or CBA will generally not be effective if received after award (or after the date of modification to exercise the option, extend the contract, or significantly change the scope of work), provided that performance starts within 30 days. If performance does not start within 30 days from award (or modification) date, a new or revised WD or CBA will not be effective if received less than 10 days prior to start of performance.

1.4.3 Caution. Timeliness of new or revised CBAs for SCA-covered contract actions is predicated on the contracting officer's written notification to the interested parties of the pending action. See FAR [22.1010](#) and Section 5 of this Guide for further detail. Questions regarding the timeliness of new or revised SCA WDs or CBAs should be referred to the Navy Labor Advisor.

1.5 Modification of the Contract. The contract must be modified to include the applicable WD effective at the beginning of the new period of performance. The contract should therefore be modified only after the contracting officer has verified that the WD is timely and has been reviewed for accuracy and inclusion in the contract as discussed in FAR [22.1013](#). Contact the Navy Labor Advisor *prior to modification* of the new WD into the contract if there are any apparent errors, omissions, timeliness questions, or other concerns about the SCA WD or CBA obtained.

The CBA should be ratified by the union membership and signed by an appropriate official of both the contractor and the union (or other collective bargaining agent). Furthermore the CBA must be established as a successor CBA per 29 CFR [4.163\(f\)](#) which states in part “...Section 4(c) will be operative only if the employees who worked on the predecessor contract were actually paid in accordance with the wage and fringe benefit provisions of a predecessor contractor’s collective bargaining agreement. Thus, for example, section 4(c) would not apply if the predecessor contractor entered into a collective bargaining agreement for the first time, which did not become effective until after the expiration of the predecessor contract.” This must be considered within the context of SCA WDs generally, since each new period of performance is considered a new contract for WD purposes.

2.1 BASIC CONDITIONS NECESSARY FOR REQUESTS FOR CONTRACT PRICE ADJUSTMENT.

2.2 Supporting Rationale. As prescribed in FAR [22.1006](#) the appropriate price adjustment clause shall be placed in fixed-price, time-and-materials, or labor-hour service contracts. In a fixed-price contract containing the clause at FAR 52.222-43 or FAR 52.222-44, a contractor may request a contract price adjustment if the contracting officer modifies the contract to incorporate a new or revised SCA WD, including a WD based upon a CBA. A contract price adjustment may also be requested under these clauses if the Fair Labor Standards Act (FLSA) is amended by Congress to increase the national minimum wage rate (as of November 2010), the minimum is \$7.25 per hour). See Section 8 of this Guide on adjustments involving FLSA increases. It is the contractor’s responsibility to initiate a request for adjustment to contract price under the clause since only the contractor knows what wages and benefits are actually paid to their workers and how the WD or FLSA change affects those labor costs in the new period of

performance. Therefore, the price should be adjusted only upon a request by the contractor that is fully supported and documented in detail. Absent a timely request, the price will remain as settled at contract award or as otherwise previously established.

The contracting officer must determine the allowability of these requests, and make the appropriate contract price adjustments. This Guide provides information to assist in making that determination. Note that the contractor's increase costs must be caused by compliance with the WD/FLSA, not other factors, in order for any entitlement under the clause.

2.1.1 Timeliness. The contractor is required by the clause to submit such requests within 30 days of a wage determination modification unless this period is extended in writing by the contracting officer. See FAR clause [52.222-43\(f\)](#) Fair Labor Standards Act and Service Contract Act Price Adjustment (Multiple Year and Option Contracts).

3.1 HELP AND GUIDANCE. The Navy Labor Advisor is available to provide assistance concerning the application of contract labor standards, the applicability of Service Contract Labor Standards, WDs or CBAs, contractor labor-management relations matters, and the computation and allowability of contract price adjustments. As required by provisions in FAR [22.1013](#) and section 1.5 of this Guide, contracting officers should carefully review each WD and CBA received for possible errors, omissions or possible challenges prior to incorporation into a contract action. The contracting officer should immediately notify the Navy Labor Advisor if such challenges appear to be appropriate.

3.2 Use of the SCA Price Adjustment Desk Guide. The guidance provided in this document does not substitute for full and careful review of all applicable laws, Federal Acquisition Regulations and supplements. Questions concerning the applicability of the various contract labor standards, including SCA, should be referred to the Navy Labor Advisor.

4.0 SCA PRICE ADJUSTMENTS - GENERAL

4.1 WD and Price Adjustment Applicability. The contracting officer must select the appropriate SCA WD and incorporate it into the

contract as discussed in section 1 of this guide. The minimum wages, fringe benefits, and other provisions of SCA apply only to the hours worked by the covered labor classifications that perform the work of the contract as required in the Performance Work Statement, Statement of Work, or Statement of Objectives. The WD and thus the price adjustment clause does *not* apply to “exempt” employees or to employees that are not specifically performing work required by the contract. See Section 4.5.1 of the guide for more on the inapplicability of the WD to some contractor employees.

4.2 Computations Based on Projected or Actual Labor Costs.

Generally, a contractor's price adjustment request is submitted shortly after the contracting officer incorporates the new SCA WD, at the beginning of the new contract period. The computation of the adjustment will be based upon the **projected** impact of the new SCA WD. The projection uses hours worked by service employees in the prior contract period, factoring in any expected changes to contract scope, workforce, work methods, or technological efficiencies that will occur in the next contract period. This method is known as the Forward Pricing Adjustment Method (FPAM). If the price adjustment request has been significantly delayed (six months or more) by either an approved extension to the required filing date (see FAR [52.222-43\(f\)](#) or FAR [52.222-44\(e\)](#)), or by a delay in completing the contract modification, the contractor should use the **actual** pay and hours worked records from the new contract period as the basis of the computation. This method is known as the Actual Cost Adjustment Method (ACAM). The best method for estimating the actual man-hours that will be used by the contractor in the adjusted period of performance will depend upon the facts and circumstances of the specific contract, but generally the most current information should be used.

4.3 SCA Price Adjustments on Indefinite Delivery Service Contracts.

Contracting officers are required to incorporate the most current SCA WD into SCA-covered indefinite delivery service contracts at each option, extension, or significant change in scope of work. However, some contracts require the WDs to be administered at the task order level and in such cases the applicability of a new WD may be determined based on the details of not only the over-arching contract, but also the individual task order(s). (Whether the updated WD will apply to ongoing task orders will depend upon the facts and circumstances of the contract and the task orders in question.) If the indefinite delivery contract is fixed price, time-and-materials, or labor-

hour; the clause at FAR 52.222-43 will also be incorporated into the contract, and the “contract unit price labor rates” (paragraph (d) of the clause) must be adjusted to reflect the contractor’s actual cost incurred to comply with any applicable new SCA WD requirements. The same principles in this guide apply to the price adjustments computed for these contracts.

4.3.2.1 Labor-Hour and Time-and-Material Adjustment. IDIQ contracts that are awarded as labor-hour or time-and-material contracts are commonly priced as “loaded” or “burdened” rates. Specifically, FAR [16.601](#) states in part “...A time-and-materials contract provides for...Direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit...” Therefore, care must be taken to separate out those items for which adjustment is allowed and those for which it is not, such as the general and administrative expenses, overhead expenses and profit. On the other hand, increases to wage rates or fringe benefits are allowable to the extent that they are allowable under a fixed price contract. Also, non-productive hours (such as holiday and vacation time) are ordinarily not invoiced under such contracts even though the contractor is obligated to pay employees for such hours under the SCA wage determinations. Since this factor likewise complicates adjustments under labor-hour or time-and-materials contracts, it must be considered within the price adjustment calculation.

For example, assume a labor-hour contract for aircraft mechanics for which the hourly rate under the wage determination is \$20 per hour and the health and welfare rate is \$3.00 per hour and employees are entitled to ten paid holidays and two weeks of vacation pay after one year of service. The contractor will be allowed to bill the government for only productive hours worked by employees, not paid time off. Also, assume that the contractor pays the old SCA minimum for both wages and health and welfare fringe benefits. A new wage determination requiring \$21 per hour and health and welfare of \$3.50 per hour is modified onto the contract for the option period. Assuming a standard 40 hour work week, the contractor will be entitled to an increase of \$1.0833 per hour for wages (\$2080 divided by 1920 billable hours) and \$.54166 for fringe benefits (\$1040 divided by 1920 billable hours). Note that the non-productive hours that the contractor is required to pay under the SCA, but for which it cannot bill the government, causes a significant change to the hourly price adjustment entitlement. Note also that, as with a fixed price contract, profit, overhead and general administrative expenses

are not allowed therefore they must be stripped out of any loaded rate prior to the SCA adjustment calculation and then added back at the same rate used at the time of contract award. Of course, costs that would accompany the hourly increases, such as social security taxes and worker's compensation insurance are allowable on increases to the hourly rate.

4.3.2.2 Unit Pricing Where the contract unit price involves the effort of multiple employee classifications (e.g., a contract for ambulance services might be priced on a “per call” basis, and each call would involve the use of a driver, driver’s helper, and emergency medical technicians), the price adjustment will be more complex. An example of a price adjustment computed for such a contract unit price may be found at FAR [52.222-32](#) “Davis-Bacon Act – Price Adjustment (Actual Method)”.

4.4 Documentation Required.

4.4.1 General. The contractor must provide documentation to establish the amount paid to the workers in the preceding contract period for comparison with the requirements for the following contract period. FAR [52.222-43\(g\)](#) or [52.222-44\(f\)](#) requires that the contractor furnish all necessary information to support their adjustment request. There are four types of documentation needed from the contractor to process an adjustment request:

- Actual Pay (Wage) Records for the Prior Period of Performance
- Actual and Projected Contract Work Hours
- Documents Supporting Accompanying Costs (payroll taxes and workers compensation insurance costs)
- Documents Supporting Impact on Fringe Benefit Costs

4.4.2 Documentation Period. Using FPAM, the contractor's request for adjustment would be based on the hours worked and the wages and benefits paid to the employees in the preceding contract period. The data will normally cover a 12-month period, but may be for a shorter period if less than 12 months have elapsed on the contract. However, if the workload fluctuates by

month or season, a different time period used for comparison purposes may be used to provide the most accurate forecast. Example: If you use an installation maintenance contractor's pay records from the calendar year's first quarter to project hours worked for the entire next year, you may overstate the hours to be worked in the next year at snow removal, and understate the hours to be worked at grounds maintenance or swimming pool maintenance. See Section 4.5.3 of this Guide concerning the projection of contract work hours based on prorated payroll information. In adjusting a contract price for an extension period (generally three months or less), the contractor should utilize only the corresponding months from the prior contract year if the workload is subject to seasonal fluctuations. Also, rather than performing an exhaustive examination of all records, the contracting officer may use appropriate sampling techniques.

4.4.3 Content. The contractor is obligated to provide sufficient, credible documentation to substantiate its request for a contract price adjustment. The documentation should include actual weekly or biweekly payrolls that list each contract worker, their classification, and the hourly wage rate actually paid to each employee in the prior contract period. In addition to actual hourly wage rates paid, documentation concerning any additional payments made to the employees, such as performance-based merit bonuses or commissions should be provided. These payments must be considered in determining the total actual wages paid to employees. If a request for contract price adjustment is based on an increase in the SCA fringe benefits (such as the Health and Welfare [H&W] rate), the contracting officer should require documentation to establish the amount of actual premiums paid by the contractor directly to the worker or to a benefit provider in the preceding contract period. An adjustment for increases in fringe benefits is always computed on the differential between the total benefits paid in the preceding contract period, and the total benefits required under SCA in the following contract period. The contractor's request for an adjustment for SCA benefits should include proper documentation for each benefit provided in the preceding period (see Section 4.10 below). The request should also include documentation that verifies the allowable accompanying costs, such as state and Federal documents establishing an employer's

specific unemployment tax rate or workers' compensation insurance rate. The contractor's entitlement, however, will not commonly include additional Federal or state unemployment tax increase as discussed in section 4.7.2 of this guide.

4.4.4 Consistent and Timely Response. Contracting officers should establish procedures to evaluate contractor price adjustment requests in a timely and consistent manner. Documentation presented by the contractor in support of an adjustment request should be clear and readily understandable. Computerized payrolls should include explanations of acronyms, codes, and computations. If the supporting documentation is vague, non-substantive, or in any way questionable, the request should be returned to the contractor for correction and resubmission. Delays in processing contractor price adjustments often result in confusion, animosity, the contractor's failure to comply with wage and benefit increases, and labor disputes that might affect contract performance. The contracting officer should respond promptly to the contractor's request for adjustment. In order to avoid lengthy disputes questions pertaining to the contractor's computations and documentation should be addressed promptly by both the contracting officer and the contractor.

4.5 Applicable Contract Work Hours.

4.5.1 Exclude Exempt and WD "Inapplicable" Employees. No adjustment in contract price is permitted for employees who are exempt from SCA and FLSA or those not subject to the WD. By definition exempt employees are not considered SCA-covered "service employees" and therefore an adjustment is not appropriate for such personnel. Also, some employees despite being "necessary to the performance of the contract" are *not* subject to WD requirements because they are *not* directly "engaged in performing the specified contract services." Just as with exempt personnel such employees aren't subject to the WD requirements and thus the contractor will *not* have any SCA WD price adjustment entitlement for increased wages or benefits paid to these workers. However, for the employees to whom the WD does not apply, the contractor *may* have either SCA or FLSA adjustment entitlement if the federal minimum wage changes

affect the cost of wages paid to these employees. See FAR [22.1001](#) definition of “service employee” and Title 29, CFR [4.153](#) (“Inapplicability of prevailing compensation provisions to some employees.”) or contact the Navy Labor Advisor for further clarification. (For details of the professional, administrative and executive exemptions, reference Title 29, CFR Part [541](#).) *The contractor must exclude exempt employees and those to whom the WD does not apply from the payroll documentation before calculating adjustments.* Typical exempt classifications are salaried engineers, doctors, project managers, directors, contract management officials, and corporate officers. Typical classifications which the WD does not apply include billing clerks, administrative assistants, confidential secretaries, bookkeepers and similar personnel that are employed in “overhead” positions as compared to employees directly performing the services being procured under the contract. Likewise, a change to a local or state minimum wage law does not entitle the contractor to any increase under the clause.

4.5.2 Adjust for Changed Work Conditions. Adjustments to the historical payroll data should be made to account for any anticipated change in scope of work such as scheduled reductions or increases in services provided, equipment or technological changes, work method changes, or unusual levels of effort experienced in the preceding contract period or anticipated in the new period.

Example: In the base year and first option, a janitorial contractor cleaned 15 buildings. If the statement of work lists five additional buildings to be cleaned in the second option, the contractor may adjust (increase) the number of hours projected to be worked in the second option to reflect the additional work to be performed.

Example: In the winter months of the base year of a grounds maintenance contract, there was a major blizzard not typically expected but once every decade or more. The contractor’s projection of snow removal hours for the first option year, based on actual hours worked in the base year, might need to be adjusted (decreased) to reflect the unusual

level of effort in the base year that is not expected to be repeated in the next contract period(s).

Note: If the contract level of effort is increased or decreased by contract modification, this likely will require an equitable adjustment to contract price (as opposed to an SCA/FLSA price adjustment under the clause). Therefore, it is strongly recommended that the equitable adjustment to the contract price be settled and negotiated prior to and separate from the wage/benefit adjustments triggered by the SCA/FLSA requirements. This will allow such items as general and administrative costs, overhead and profit to be properly included on any equitable adjustments, but excluded as required for the SCA/FLSA price adjustment clause.

4.5.3 Prorated Periods. When using FPAM, the contractor may have less than 12 months of historical payroll data to use as a basis for projecting the hours to be expended in the next contract period. The historical data may be prorated to apply an adjustment across the 12 months of the next period, provided the work is not subject to seasonal or other significant fluctuations. To prorate the available data for the next 12-month contract period, calculate the average monthly hours worked for each labor category and multiply by 12. (If the work is subject to fluctuation, it may be necessary to negotiate a reasonable estimate of hours expected to be worked in the next period.) A similar methodology may also be used if the contracting officer chooses to use sampling techniques to evaluate the contractor's proposed price adjustment request. For instance, if four (4) samples of 2-week pay periods are reviewed, the man-hours of the sample pay periods would be averaged and multiplied by 26 (number of pay periods per year) to arrive at the projected annual man-hours.

Example: The contractor provided four months of payroll data for employees in several labor categories. After eliminating exempt employees, the records indicate one labor classification worked a total of 12,000 hours and the other labor classification worked a total of 16,440 hours. The prorated hours are calculated by dividing the hours

worked (12,000 and 16,440) by 4 (the number of months of data) to establish the monthly average by labor category (3,000 and 4,110 respectively), and then multiplying by 12. The applicable hours for the next 12-month contract period would be 36,000 for the first classification and 49,320 for the other labor classification.

4.54 Non-Work Hours. Productive as well as non-productive hours are adjusted for SCA wage increases (and decreases). Paid non-work hours, such as SCA-required vacation, holidays, and other specified leave benefits are included in the applicable hours. Contractors must pay the new SCA wage rate on leave hours taken in the new contract period. Reference Sections 4.10 and 5.4 on adjustments for fringe benefits involving increases in the number of holidays or vacation days specified by the WD. Sick leave hours are generally *not* required by standard and non-standard DOL wage determinations. Therefore, any paid sick leave time must be carefully reviewed and generally must be accounted for within the H&W fringe benefit requirements of the WD. NOTE: This may change under Executive Order “Establishing Paid Sick Leave for Federal Contractors”.

4.55 Wage Adjustment Computation. To determine the amount of the wage adjustment, the following factors must be considered for each labor classification:

- the SCA WD minimum wage rate for the new contract period,

less:
- the actual wage rate paid in the previous contract period or the SCA WD minimum wage rate (whichever yields the smallest differential),

plus:
- specified allowable payroll taxes and workers compensation insurance costs applicable to the wage differential,

excluding:

- general and administrative expenses (G&A), overhead, and profit

4.55.1 Calculating the Actual Wage Rate Paid. The actual hourly rate paid in the previous period is the total of the hourly rate paid plus other monetary compensations (bonuses, commissions, etc.) converted to an hourly rate. The other compensations must be prorated over the hours worked in the period for which they are paid. To do this, divide the total other compensations by the number of hours they cover. A yearly bonus would be divided by 2080 hours to convert it to an average hourly rate for the standard work hours in one year. The regular hourly wage rate paid each pay period and the hourly rate reflecting the other monetary compensation are then added together to determine the total actual hourly wage rate paid in the previous period.

Example: The contractor paid a regular hourly rate of \$9.10 per hour to an employee working on the contract. The contractor also paid a year-end performance bonus of \$350 to each worker. The bonus payment would apply to the entire year of 2080 hours, and thus represent an additional \$0.17 per hour wages (\$350 divided by 2080 hours). The total actual wage rate paid to the employee is \$9.27 per hour for the year.

4.55.2 Calculating a Change in the SCA Wage Requirement.

4.6.2.1 Increases. The amount of adjustment is limited to the difference between the new SCA minimum wage rate applicable to the contract and the wage rate actually paid by the contractor to the employees in the previous contract period. However, see section 4.6.3 below regarding the maximum adjustment entitlement.

Example: The WD applicable to the base period required a minimum wage rate of \$9.10 per hour. The contractor actually paid employees \$9.27 per hour. The WD applicable to the next contract period now requires a

minimum wage rate of \$9.50 per hour. The allowable hourly wage adjustment under the clause is limited to

\$0.23 per hour (\$9.50 less the actual wages paid of \$9.27). No adjustment would be due if the contractor had paid wage rates equal to or greater than the new minimum rate applicable to the next contract period.

4.6.2.2 Decreases. When a WD is issued reflecting decreases in wage or benefit rates issued previously, a contract price decrease is only warranted when the contractor voluntarily decreases the wages or benefits paid or provided to the employees. WDs list minimum wage and benefit rates, and a contractor is not required to decrease the wage or benefits of the employees in order to comply with a new WD. If the contractor makes a voluntary decrease in the workers' wages (to the new, lower minimum wage), follow the same guidelines as for an increase and reduce the contract price. The contracting officer should never encourage a contractor to reduce employee wages or benefits to meet the new, decreased minimums under SCA.

4.6.3 Maximum Adjustment. An adjustment must never exceed the differential in wage and fringe benefit rates (and allowable payroll taxes) between the "old" WD and the "new" WD. An adjustment for an increase in the FLSA minimum rate should never exceed the difference between the "old" minimum wage rate and the "new" minimum wage rate. Any adjustment greater than these differentials would indicate that the contractor was previously paying less than the minimum rates required under SCA or FLSA, or that the contractor is requesting price adjustment for wage or benefit rates in excess of the new SCA or FLSA requirement. An adjustment is not appropriate for any portion of a contractor's non-compliance or in situations where the contractor pays more than the SCA-required minimum. See the example at FAR [52.222-43\(d\)\(1\)](#).

4.7 Payroll Taxes Applicable to the Adjustment (“Accompanying Increases”). The contract price adjustment clauses (FAR 52.222-43(e) and 52.222-44(d)) state "Any adjustment will be limited to increases or decreases in wages and fringe benefits as described . . . and the *accompanying* increases or decreases in social security and unemployment taxes and workers' compensation insurance . . ." These specific payroll taxes are allowable add-ons to an SCA or FLSA increase

(or decrease). Other payroll costs incurred due to the SCA or FLSA wage or benefit change, including other taxes, are not allowable.

Employer payroll taxes that are calculated as a percentage of wages paid are included in the wage differential calculation to the extent that these taxes apply to the actual wage adjustment, and to the extent that the particular tax is allowable under this clause. Allowable taxes are the Social Security taxes (Federal Insurance Contributions Act, or FICA), Federal unemployment taxes (Federal Unemployment Tax Act, or FUTA) and state unemployment taxes (state unemployment tax acts, or SUTA), and workers' compensation insurance (WCI). Only the employer's share of taxes is allowable. No adjustment is allowed under these clauses solely for tax rate or WCI rate increases. However, the tax rate or WCI rate applicable to the contractor for the period being adjusted should be used in computing the payroll tax portion of the adjustment. Despite wage/benefit increases needed to comply with the WD, additional costs for payroll taxes are *not* always incurred and therefore no adjustment should be made. For example, if the SCA WD required *only* an increase to the H&W fringe benefit and the contractor paid this by increasing insurance or pension plan contributions, additional payroll taxes and workers compensation insurance costs are not owed. Therefore, any such request for these accompanying costs should *not* be allowed. Also, wage increases often do not require payments of additional FUTA and SUTA and requests for adjustment to these costs should likewise be carefully reviewed. See section 4.7.2.

4.7.1 FICA (Social Security taxes). Only the employer's share of this tax is adjustable under the clause. This is a statutory rate that is currently 7.65% (.0765) consisting of 6.2% for social security and 1.45% for Medicare. The tax is currently (December 2015-<https://www.ssa.gov/OACT/COLA/cbb.html>) calculated on the first \$118,500 of an individual employee's earnings for social security and on total earnings for Medicare. Therefore, except for very high-wage classifications, the contractor will be entitled to the percentage adjustment on the entire amount of an SCA-WD required wage increase. However, as discussed in section 4.7.4 below, an adjustment entitlement for these "accompanying costs" is often not appropriate for fringe benefit increases. If the FICA rate is scheduled to change during the period for which adjustment is made, the new tax rate is applicable only to the wage differential and only for the contract hours projected after the effective date of the tax increase. No

adjustment is allowable under these clauses solely for a tax rate increase.

4.7.2 Unemployment Taxes. Often contractors do *not* incur additional unemployment taxes on an SCA or FLSA increase because of the manner in which these taxes are applied. For example, most employers pay unemployment taxes on an employee's wages up to a capped amount (the "taxable base"); the employer will not be taxed on an employee's earnings above that amount. The current (December 2015 https://www.irs.gov/publications/p15/ar02.html#en_US_2015_publink1000202541) FUTA rate of 6% (.06) is paid only on wages up to \$7,000. If an employee earns an SCA minimum rate of \$10.00 per hour in the preceding contract period, or \$20,800 per year, an SCA increase to \$11.00 per hour will *not* cause the contractor to incur additional FUTA tax liability. The contractor's *maximum* tax liability will be \$420 (\$7,000 X .06) in the prior contract period and it will remain the same in the new contract period. Therefore, FUTA taxes would not be allowable because additional costs will not be incurred.

SUTA tax rates may vary by state and by employer or industry unemployment levels. Many SUTA tax rates are capped as is the FUTA tax rate and therefore a contractor's increase in SCA or FLSA wages may not increase the SUTA cost. However, if the SUTA tax rate cap ("taxable base") is substantially higher than the FUTA cap, an SCA wage increase could result in an allowable SUTA tax cost. The contracting officer may verify the applicable SUTA tax rate by requesting documentation from the contractor (i.e., state-issued tax notices), or by contacting the contractor's state employment tax office. There is no adjustment under these clauses solely for an increase in the FUTA or SUTA tax rates. SUTA tax rates and the "taxable base" for each state may be found at: <http://www.ows.doleta.gov/unemploy/statetax03.asp>.

4.7.3 Workers' Compensation Insurance (WCI). WCI rates vary by state and by employer according to the nature of their business, their compensation claims history, and employee job classifications. There is usually no ceiling or cap on the wages subject to the tax. WCI is an allowable add-on to the contract price adjustment request, to the extent that the WCI tax is incurred due to the SCA or FLSA wage increase. In a few states, WCI is expressed as an hourly rate, not as a percentage of wages.

In this instance, an amount for WCI would not be allowable since the SCA or FLSA wage increase would not cause a related increase in the contractor's WCI cost. As with SUTA, the contracting officer verifies the applicable WCI rates by requesting state-issued documentation from the contractor, or by contacting the department that regulates the state workers' compensation program. Documentation from the workers' compensation insurance provider may also be used, but may need further clarification on which portion of the charges are for worker's compensation and whether they are increased or decreased by an "experience factor" (based on the contractor's claims history) and which portions of the charges may be for insurance other than workers' compensation.

4.7.3.1 WCI and General Liability Insurance Plans. Many employers meet their statutory obligation to provide workers' compensation insurance for their workers by purchasing an insurance policy from a private insurer-provider. Such a policy often has a premium established as a percentage of total payroll cost. The policy often includes coverage for other liabilities such as general liability insurance, life insurance for key management personnel, automobile and equipment liability, as well as the WCI requirement. Regardless of the fact that the premium is based on total payroll cost, the only allowable portion of the premium is that amount designated as the WCI requirement, applicable to the SCA or FLSA wage increase. Therefore, the contracting officer should request documentation to confirm the specific WCI rate for the employer -- that is, the state's taxing document -- and should not accept or use the insurance policy's premium rate which covers more than the WCI requirement.

4.7.4 Taxes Applicable to Fringe Benefits. Generally, cash payments made by contractors in lieu of fringe benefit plans are subject to the various payroll taxes (including FICA, FUTA, SUTA, and WCI). However, employer payments into bona fide fringe benefit plans are not subject to payroll taxes. Typically, bona fide fringe benefit plans are for "health and welfare" programs such as health insurance, pension/retirement plans, life & disability insurance or similar benefits. If the revised SCA WD increases the health and welfare requirement, and the contractor elects to provide this increase in premiums paid to a

bona fide plan, the contract price adjustment for this benefit increase should not include payroll taxes. The employer will not incur a tax liability if the payment is made into a bona fide plan. However, if the contractor pays the SCA-required fringe benefit increase directly to the employees in the form of cash payments in lieu of a fringe benefit plan, such payments are subject to payroll taxes. The accompanying payroll taxes on such a payment (to meet an increase in the SCA fringe benefits) is allowable in the contract price adjustment request. Therefore, in determining the allowability of a contract price adjustment request for increases in SCA fringe benefits, the contracting officer should also request sufficient documentation to establish the allowability of any accompanying payroll taxes.

4.8 General and Administrative (G&A) Expenses, Overhead, and Profit. G&A expenses, overhead, and profit are specifically not allowable as part of the SCA contract price adjustment. The clause specifically allows an adjustment to include costs incurred for FICA, FUTA, SUTA, and WCI (see Section 4.7). Other payroll costs are not allowable, including (but not limited to) general liability or other insurance premiums; bonding costs; increases in management or supervisory (or others not subject to wage determination requirements) wage rates to maintain equity with SCA-covered wage levels; increases in state or other labor standards requirements; state disability insurance; and state general excise taxes (i.e., Hawaii, Guam, New Mexico general excise taxes).

4.9 Employee Reimbursements for Business Expenses. Payments made by the employer to the employee for fuel, mileage, meals, lodging, tools, or uniforms and uniform maintenance are the employer's cost of doing business (G&A expenses or overhead) and are *not considered wages or benefits* of the employee (even if such payments are included in and required by a CBA). Therefore, such payments (or increases in such payments) are not allowable as part of the contract price adjustment requested under the clause.

4.10 Fringe Benefit Adjustments.

4.10.1 Required Fringe Benefits: The fringe benefit requirements listed on Standard and Non-Standard WDs most often consist of:

- an hourly rate for health and welfare plans (health and/or life insurance, pension benefits, retirement, etc.);
- a specified number of holidays; and
- a specified number of vacation weeks (including the requirements for eligibility and accrual of vacation benefits).

The allowable adjustment for an increase (or decrease) in fringe benefits is the difference between the new fringe benefit requirements expressed in terms of an hourly rate, and the total benefits actually provided by the contractor during the preceding contract period, expressed in terms of an hourly rate. However, as with wages, the maximum adjustment amount is limited to the SCA minimum rate for the new period of performance less the SCA minimum rate for the prior period of performance. A greater amount would demonstrate that the contractor did not comply with the SCA minimum benefit rate in the prior period of performance or that the contractor will be paying more than the SCA minimum benefit rate in the new period of performance. Neither of these situations would justify an adjustment. The computation should combine all benefits newly required and all bona fide benefits actually provided by the contractor in the preceding contract period.

Contractors may comply with SCA fringe benefit requirements by paying cash in an amount equivalent to the hourly amount of benefits listed on the WD (or any portion of the total benefits). However, compliance requires that the contractor designate in his pay records that he is paying a specific sum of cash equivalent in lieu of the required benefits (or a portion of the benefits). If a contractor regularly pays higher wages than the minimum wage rates listed on the SCA WD, the wages in excess of the minimum cannot be claimed toward any requirement for fringe benefits. Therefore, if the SCA WD increases the benefit requirements for a contractor that pays higher wages than the minimum, the

contractor may have to increase the employee's fringe benefits to comply with the new SCA WD. If so, the cost incurred by the contractor to comply with the new SCA benefit requirement will be allowable under the clause.

Example: Contractor A is working under a contract that contains an SCA WD requiring \$10.00/hour wages and \$3.01/hour fringe benefits. He pays all of his workers \$12.00/hour in wages and provides exactly \$3.01/hour in benefits. The new WD requires a wage rate of \$11.00/hour, and a new benefit rate of \$3.16/hour. The contractor is not entitled to an adjustment in contract price for the wage increase (he is already paying in excess of the minimum). However he would be entitled to an adjustment for the \$.15/hour he must pay to comply with the new benefit rate of \$3.16/hour.

Example: Contractor B works under the same SCA WDs as noted above. However, he pays his workers only the SCA minimum wage rate of \$10.00/hour and the \$3.01/hour in cash equivalent for fringe benefits. This contractor would be entitled to an adjustment in contract price for the increases in both the wage rate and the H&W benefit. If the contractor paid the fringe benefit increase in cash equivalent payments, he would also be entitled to an adjustment for "accompanying costs" of employment taxes and workers compensation insurance costs.

Example: Contractor C works under the same SCA WDs as noted above. However, he pays his workers only the SCA minimum wage rate of \$10.00/hour, but provides health insurance costing \$3.25 per hour in both the old period of performance and the new period of performance. This contractor would be entitled to an adjustment in the contract price for the change in the wage rate, but would not be entitled to an increase for the WD health and welfare increase since payments under the plan exceeded the minimum in both periods of performance and the contractor did not incur additional cost resulting from compliance with the WD.

4.10.2 Health and Welfare (H&W) Rates. For a number of years, the Department of Labor (DOL) issued two Standard Wage Determinations (WDs) for each locality – the wage rates were the same, but one WD listed a higher-level H&W rate (\$2.56/hour) than the other WD. Currently both fringe benefit rates are the same. However, the compliance requirements continue to be different since the WD previously designated as the “high” fringe benefit WD requires an “average cost” compliance methodology and the previously designated “low” fringe benefit WD requires a “per employee” compliance methodology. The most convenient means of identifying these WDs for any locality is that the “average cost” WD number ends in an even-numbered digit and the “per employee” WD number ends in an odd-numbered digit. For example, for the Washington D.C. locality the “average cost” WD is 2015-4282 and the “per employee” WD is 2015-4281. See 4.10.2.1 and 4.10.2.2 for more details on compliance methods. Despite the fringe benefit dollar amount being the same on both versions of local wage determinations, there are differences and possible contract cost consequences to the contractor and/or the government if the wrong version of a wage determination is included in the contract. Contracting officers should take particular care to determine which of these Standard WDs are appropriate for each contract action. If necessary, contact the Navy Labor Advisor for guidance. Note: The WDOL.gov menu for selecting Standard SCA WDs incorporates distinguishing questions into the selection process, and should, if answered carefully, lead the user to the correct SCA WD. See Section 1.3.3 of the guide for the selection of the correct standard WD.

4.10.2.1 Compliance with the “average cost” H&W WD (even-numbered WD). If the Standard WD incorporated into the contract contains the “average cost” H&W requirement, the contractor must provide equivalent fringe benefits at a cost that is no less than the average of the hourly amount listed for all hours worked (by all service employees performing the contract), including hours worked in excess of 40 per week, but not including paid, non-work hours such as holiday, sick, or vacation time. This requirement allows the contractor’s cost to vary for

individual employees that are within the contractor's fringe benefit plan. See 29 CFR [4.175\(b\)](#).

4.10.2.2 *Compliance with the “per employee” H&W WD (odd-numbered WD).* If the Standard WD incorporated into the contract contains the per employee H&W requirement, the rate applies to each hour paid by the contractor to the employee, up to a maximum of 40 hours per week or 2080 hours per year, including paid, non-work hours such as holiday or vacation time. This WD requires the contractor to satisfy the listed fringe benefit amount for each employee individually and does not permit averaging. See 29 CFR [4.175\(a\)](#).

4.10.3 SCA H&W Rates Applicable in Hawaii. DOL issues two Standard WDs for Hawaii, as it does for the localities in other states, one WD noting an average cost H&W requirement and the other per employee WD. However, both H&W rates issued by DOL for Hawaii are significantly lower than the rates listed on WDs applicable to contracts performed in other states. This is because DOL has taken into consideration Hawaii's requirement that employers provide health care insurance for their workers under the Hawaii Prepaid Health Care Act (HI-PHCA). See AAM [#188](#) & [#197](#) for further detail. Contracting officers will select the H&W levels in Hawaii Standard WDs on the same basis used for other Standard WDs (see Subsection 1.3.3).

4.10.4 Holidays. When the new WD increases the number of required holidays, the contractor may claim an adjustment for the increased cost. The allowable adjustment is the SCA minimum wage rate for each classification working on the contract, times the number of added holiday hours (a holiday under SCA is equal to the regular daily work hours for each classification). However, if, in the preceding period, the contractor provided more holidays or other leave time (or any total combination of leave time and other bona fide fringe benefits) than required by the new WD, an adjustment for the increase in SCA-required holidays is not due. The adjustment is limited to the difference between the total benefits required by the new WD and the total benefits provided in the preceding contract period.

4.10.5 Vacation. Standard and Non-Standard WDs usually list vacation benefits as a specified number of weeks earned per total years of service. Total years of service include continuous employment on predecessor contracts.¹ Unless the WD states otherwise, vacation benefits become vested on the employee's anniversary date. The anniversary date is the day the employee was first employed on the contract. A contract price adjustment is only applicable under the clause if the new WD changes the vacation benefit or entitlement criteria required by the WD in the preceding contract period. No adjustment is permitted merely because an individual employee continues to work throughout contract performance and reaches the number of years of service eligible for the next level of vacation benefits already established in the old WD.

Example: The original WD required one week vacation after one year of service, two weeks vacation after three years, and three weeks vacation after five years. The new WD changes the vacation requirement to: two weeks vacation after one year, and three weeks vacation after five years (the one-year entitlement was increased, and the three-year entitlement was dropped). An adjustment equal to one week of vacation at the new WD wage rate may be claimed for each employee who will reach their one-year or two-year anniversary date during the next contract period. No adjustment is required for employees reaching their third or greater anniversary date during the next contract period because there was no change in their benefits or entitlement criteria.

4.10.6 Part-time Employees. Part-time employees are entitled to fringe benefits unless specifically excluded by the WD. Therefore, the contractor is allowed to claim appropriate adjustments for these employees as well as full-time employees. The amount of holiday and vacation adjustment is prorated based on their normal schedule of hours worked.

¹ Continuous employment may include employment with more than one predecessor contractor if each performed essentially the same services in the same location, with essentially no break in service. Continuous employment also includes prior years of uninterrupted service with the current contractor, on or off government contracts.

Example: An employee who regularly works 20 hours per week (4 hours for each of 5 workdays) on the contract is entitled to 4 hours for each holiday and 20 hours for a vacation week if he works through his anniversary date. If the new WD requires an additional holiday, the contractor would request an adjustment for that employee equal to the new WD wage rate multiplied by 4 hours.

Note: Eligibility for annual vacation benefits still requires that the employee reach an anniversary date. Therefore, if a part-time employee is a casual hire, or temporary worker, employed for only a short duration with a break in service prior to reaching an anniversary date, the employee would not be due any vacation benefits, including prorated.

Note: Part-time employees are entitled to the full H&W requirement listed on the WD, for each hour worked. Therefore, if the new WD increases the H&W rate, the contractor will be entitled to an adjustment for the increase on the hours worked by all part-time employees (casual and regular), as well as full-time workers (assuming the contractor has not provided benefits in the preceding contract period greater than the benefits required under the old WD). For example, if the old WD H&W requirement was \$4.02 per hour and the contractor satisfied this requirement by providing health insurance that cost \$4.25 per hour during that prior period of performance and the new WD requires H&W of \$4.16 per hour, no adjustment entitlement is owed.

4.11 Overtime. Overtime premiums are not required under the SCA, but instead are required by a separate statute, the Contract Work Hours and Safety Standards Act (CWHSSA). Generally, overtime hours are paid by contractors at a premium rate of time and one half or double time. While all hours worked on the contract by covered workers are subject to an SCA adjustment for changes in minimum wages, including hours worked over 40 per week, such hourly rate adjustment would not include overtime premium such as additional half time for the hours over 40 per week. The straight-time portions of SCA or FLSA wage increases on overtime hours are properly reimbursable under a price adjustment claim. The premium portions

of such wages are *not* reimbursable. Contractors have the ability to manage their work so that overtime hours do not occur. They may reschedule employees and/or hire additional workers. Therefore, the overtime premium payments are viewed as within the contractor's control to entirely avoid. Furthermore, FAR policy discourages the use of overtime hours and the payment of such premiums under government contracts in 22.103. An exception may be considered in the rare instance that the overtime hours were actually *required* and/or *authorized* by the contract (or actions of contracting agency officials).

Example: The contractor's employees work a total of 12,000 hours in a given labor category of which 1,000 hours were considered overtime and paid at time and one half the regular rate of pay. The WD increased the wage rate for that classification by \$.30 per hour. The contractor is entitled to a price adjustment of \$3,600 (\$.30 x 12,000), but would not be entitled to the additional premium of \$150 (\$.30 x .5 x 1,000) that occurred due to 1,000 overtime hours.)

4.12. Repricing of remaining option or extension periods. Generally, this guide addresses issues concerning the adjustment of contract price from one period of performance to the next. For example, adjustment from the base period to the first option period. However, the budgeting concerns of the program and other fiscal concerns should be carefully considered as well. If, for instance, the contractor's price adjustment entitlement for wage and fringe benefit increases totals \$100,000 between the base year of the contract and the first option period, the remaining option periods will be similarly affected. Therefore, because any future wage and fringe benefit increase will continue to build on the option one period rates, consideration to adjust the price by the same amount should be given for the second option period and all other remaining option periods. This assumes that all other terms and conditions affecting labor hours, job classifications, and line items remain the same.

4.13 Escalation of wage rates. The clause contemplates adjustment of the wage rates, but does *not* allow both an adjustment under the clause *and* escalation of option period pricing for the *same* SCA labor rates and hours. The clause states in part "The Contractor warrants that the prices in this contract do not include any allowance for any contingency

to cover increased costs for which adjustment is provided under this clause.”

Therefore, if for cost realism or any other purpose the contractor has included such contingency in its awarded contract price, the elements of that escalation must be known and carefully considered during any analysis and payment of adjustments under the clause. First, a determination as to whether *any* entitlement whatsoever is owed under the clause. If yes, then a distinction must be made regarding how much of the escalation is attributable to SCA-covered labor cost as compared to the other types of escalation increases such as those for supplies, materials, equipment, etc.

It is highly recommended that details about escalation methods and rates be gathered and understood, *during the competitive phase of the procurement*. Otherwise, calculating the exact amount of the price adjustment entitlement may be difficult and contentious.

Escalation for factors other than SCA-required wage and fringe benefit rates, such as equipment, materials, supplies or non-SCA-required labor rates are outside the scope of the clause and as such may or may not be included in the final awarded pricing without affect on entitlement under the clause.

5.0 WAGE DETERMINATIONS BASED ON COLLECTIVE BARGAINING AGREEMENTS (CBAs)

5.1 SCA Coverage of CBAs. The wage rates and monetary fringe benefits in an incumbent contractor's CBA, provided by the contractor to the contracting agency in a timely manner (reference FAR [22.1012-2](#)), will become applicable as SCA minimum compensation for the following option, extension, significant change in scope, or for a resolicitation (applicable to the successor contractor's base period). This requirement is statutory (the Act, Section 4(c), [41 U.S.C 353\(c\)](#)), and becomes effective whether or not the new or revised CBA is incorporated into the contract. See also Section 1.3.4 of this guide. The wage and monetary fringe benefit terms of such CBAs supersede all standard WD requirements for the SCA-covered employees that are within the CBA bargaining unit. However, other SCA-covered employees that are not in the bargaining unit will continue to be

subject only to DOL's standard (or other non-CBA-based) prevailing wage determination.

5.1.1 Written Notification to Union and to Contractor. If the contracting officer is aware that a union represents the contractor employees as the collective bargaining agent, the contracting officer must provide written notification to the union and to the contractor of any pending contract action(s) that would affect WD requirements (See FAR [22.1007](#)). The notification must be provided no less than 30 days prior to issuance of a resolicitation or issuance of a modification to exercise an option, extend the contract, or significantly change the scope of work. Reference FAR [22.1010](#). A sample notification letter is provided at Appendix B.

Contracting officers should anticipate the dates for issuing each resolicitation or modification to exercise an option or extension, and set up a reminder that provides sufficient time to prepare and issue each written notification. The reminder should occur no less than 60 days prior to each contract action to provide sufficient time for the contracting officer to contact the contractor to inquire if any of workers are represented by a union (or if any subcontractor workers are represented by a union per FAR [22.1008-2](#)), and to provide sufficient time for receipt of the information necessary for written notification (i.e., union representative's name and address).

Note: Documentation of receipt of the notice by both parties (incumbent contractor and union) is strongly recommended.

5.1.2 Timeliness. The contractor is obligated to submit a new or revised CBA to the contracting agency in a timely manner in accordance with paragraph (m) of FAR [52.222-41](#). A CBA must be received timely in accordance with FAR [22.1012-2](#) in order to be controlling for SCA WD purposes for the following contract period. See Section 1.4 of this Guide for timeliness requirements. See also previous section on notification required under FAR 22.1010.

If the CBA is not received timely by the contracting agency, it should not be incorporated into the following contract period.

Any questions regarding the timeliness of notification and receipt of new or revised CBAs should be referred to the Navy Labor Advisor.

5.2 Effectiveness and Expiration Dates of CBAs.

5.2.1 Effectiveness of CBAs. If the monetary provisions (wages and monetary benefits) of a new CBA are made effective only after the start of the next contract period, the CBA is not covered by the SCA successor provisions for that next period. See 29 CFR [4.163\(f\)](#). The CBA should also be reviewed carefully per FAR [22.1013](#) to assure that it is fully executed by being ratified by the union membership and signed by both parties of the CBA and that it does not contain prohibited contingencies as explained in DOL All Agency Memorandum [#159](#). The contracting officer should not incorporate the CBA into the new contract period if concerns regarding these issues exist, but should contact the Navy Labor Advisor for assistance immediately. For SCA purposes, the CBA must include monetary provisions that are effective in the preceding contract period, must be fully executed, and must not contain prohibited contingencies. See also Section 1.3.4 of this guide and WDOL User's Guide, Section 5b. Increases to those monetary provisions of the CBA may be made effective during the next contract period, and contractors should address these prospective increases in their proposals or requests for price adjustments for options or extensions. If the incumbent contractor signs a CBA that is first applicable during an existing contract period, that CBA is not incorporated into the contract until the next option or extension period, and no adjustment is provided for any increases in wage or benefit rates during that earlier period.

5.2.2 Expiration Dates of CBAs. If the expiration date of the CBA between the predecessor contractor and union occurs prior to the end of the contract period, the provisions of the CBA will no longer be applicable under SCA to the following contract period. An SCA Standard WD may be applicable instead of the CBA WD. Review the CBA to determine if there is a provision that automatically renews the CBA at the expiration date (generally providing such automatic renewal for one year unless one party or the other provides written notice of an intent to

renegotiate or terminate the agreement). If there are questions regarding effective and expiration dates, contact the Navy Labor Advisor.

5.2.3 Effective Dates of CBA Wage and Benefit Increases. The effective dates of CBA wage and benefit increases do not always coincide with the start of a contract period. In such cases, the contractor is only reimbursed for that portion of the contract period affected by the increase.

Example: The monetary provisions of a contractor's new CBA is effective August 1, 2010, and requires only the wage and benefit rates already paid by the contractor for that contract period. The CBA provides for wage increases to occur on January 1, 2011. The contractor's next option period begins October 1, 2010. The SCA price adjustment is limited to the period of January through September of the FY2011 option.

5.2.4 CBA Applicability. Contract price adjustments resulting from new or revised CBAs are limited to those employee classifications subject to such CBA provisions that are performing contract work. Non-exempt classifications performing contract work, but not represented in the union's CBA, continue to be subject to the provisions of a Standard or Non-Standard WD.

5.3 Obtaining a CBA WD. The WDOL.gov program allows contracting officers to prepare a CBA WD as a cover page for the new or revised CBA. Access the website and complete the menu questions under "Selecting an SCA WD" to obtain a CBA WD. Note the discussion in section 1.3.4 and 5.2 of this guide regarding whether the CBA is "effective" for SCA wage determination purposes. If you have questions pertaining to the process, read the "WDOL User's Guide" or contact the Navy Labor Advisor.

5.4 CBA Provisions Subject to Adjustments. Wage and benefit provisions found in a CBA (or WD based on a CBA) are adjusted in the same manner as those found in Standard or Non-Standard WDs. However, CBA provisions are often more varied and complex. The subsections below provide guidance on typical (though not all) wage and benefit provisions found in CBAs.

5.4.1 Wage Rates. As with adjustments under standard area WDs, Minimum wage rate differentials between SCA-enforceable minimum rates in the prior period of performance and those enforceable in the new period of performance are proper entitlements under the clause. However, there are sometimes rate ranges contained within CBAs that must be considered to determine the minimum rate enforceable under the SCA. For example, if a CBA contains a rate range of \$15 per hour to \$18 per hour for a given work classification, then the minimum rate enforceable under the SCA and the minimum rate that should be considered for price adjustment purposes is the \$15 per hour rate unless the CBA contains specific criteria to distinguish between those employees that are to receive the minimum rate(s) as opposed to a higher wage level within the range stated. An adjustment for rates greater than the minimum within a range is appropriate only when such criteria are clearly defined, measurable, and enforceable under the SCA.

Note that with an initial or “first time” CBA the amount of differential will be based upon the difference between the new rates required by the CBA and the old rates contained within a standard or non-standard DOL WD. For example, if the employees were not represented by a union or were not subject to a CBA when the contract was awarded, the standard DOL WD would typically apply to the workers. If the employees were then organized by a union in the base period of performance and a timely CBA was presented to the contracting officer, a CBA-based WD would apply for the first option period. The contractor’s entitlement under the clause would be calculated accordingly.

5.4.2 Shift Differentials. This is an additional wage rate specified for hours worked at different time schedules than usual work hours (e.g., an additional \$0.10 per hour for the shifts

worked between 3:00 p.m. and midnight, and \$0.15 per hour for the hours worked between midnight and 9:00 a.m.). These are not considered "overtime" provisions, but additional SCA-required minimum wage rates for employee classifications that do not work during the regular day, but work during regularly scheduled shifts at evening or night. As such, they are covered by SCA and subject to adjustment under the clause. Also, as with wage rates, the difference between the new WD vacation rate and the rate actually paid during the prior period of performance is allowable.

5.4.3 Vacations. Typical Standard WDs provide for a week (or more) of vacation after reaching an anniversary date. CBAs often specify an accrual period of less than one year, such as weekly or monthly. After working each week or month, the employee earns (accrues) a specific number of vacation hours (e.g., accruals of 4 hours every 2 weeks worked). Price adjustments for increases in vacation benefits should be computed with the same application of accrual criteria, particularly for adjustments applicable to short contract extension periods. However, transitioning from a standard area WD or other similar DOL WD to a CBA-based WD, the total vacation requirement in the previous period of performance must be compared to the total vacation requirement in the new period of performance for price adjustment purposes.

Example: If a CBA increased vacation benefits from four hours every two weeks to five hours every two weeks, the adjustment would be computed on each employee for each two-week period within the extension.

Example: A CBA provides vacation benefits of one week for one year of service, and two weeks for two years of service. A revision to the CBA increases the initial vacation eligibility to two weeks for one year of service (no other change). The adjustment for the option period would be limited to those employees who would reach their one-year anniversary date within that option period.

Example: A contract option period incorporates a CBA-based WD into the contract for the first time. A standard WD applied to the service employees in the previous period of

performance. The CBA-based WD contains a vacation provision requiring the accrual of vacation of 8 hours per month (a total of 96 hours annually). The standard WD that applied to the previous contract period required vacation benefits of two weeks paid vacation after one year of service (80 hours annually). The adjustment for the option period would be 16 (96 less 80) hours vacation at the regular rate of pay for each affected employee.

5.4.4 Holidays. As with standard WDs, most CBAs will explicitly name paid-holidays to which employees are entitled. A difference between the paid-holidays required in the previous SCA WD or previous CBA and the one effective for the new period of performance is an allowable change under the clause. Also, the difference between the new rate for vacation hours and the rate previously paid is allowable, similar to the wage rate adjustment. See Section 4.10.4 of this guide for more instruction on holiday changes.

5.4.5 Sick Leave, Jury Duty, or Bereavement Leave. If such leave is a CBA requirement, an increase in these benefits (or an increase caused by revision of eligibility criteria) would be an allowable adjustment similar to holiday or vacation leave benefits. The adjustment is limited, however, to the extent that the benefit is expected to be used (based on historical data provided by the contractor). (If the contractor pays at the end of the year for all unused sick leave, an adjustment is made for all sick leave hours accrued because it is paid regardless of scheduled use.) Other than a sick leave “payout” provision, it is unlikely that a group of employees would use all eligible paid time off allowed for by such CBA requirements. Therefore, the contractor should provide supporting documentation from previous contract periods for any claim involving more than a minimal number of hours to be adjusted for these benefits.

Example: A CBA provides for 3 days of jury duty pay and 3 days of bereavement pay when those are appropriate. The contractor has a bargaining unit workforce of 15 full time employees and therefore request 6 days leave (8 hours per day) at the SCA minimum rate for all 15 employees. Since it is an actuarial improbability that all employees will experience the need for all

jury duty days off and all bereavement days off, this part of the contractor's proposal should be denied. The contractor should be requested to provide actuarial data on the workforce reflecting the real world experience for these two benefits before the adjustment is made. Absent such information, this may be an instance where the actual price adjustment methodology is appropriate.

5.4.6 Retirement, Pension, and Health or Life Insurance Plans.

If such plans are a CBA requirement, the adjustment should be based upon the difference between the new requirement and the amount actually paid by the contractor in the prior contract period. If a CBA contains a provision for a health and life benefit plan, but it contains no monetary minimum rate required for the contractor to pay, contact the Navy Labor Advisor for guidance. With regard to benefit plans that include provisions for employees to share the premium costs, SCA adjustments should consider only the contractor's costs. New or revised CBAs which reduce the contractor's previously-required costs for benefits should be considered a reduction in SCA-required benefits and adjusted accordingly. For those CBAs that do require an hourly contribution for such benefits, the language of the CBA must be carefully reviewed to determine if the contributions are based upon hours actually worked, or all hours paid, or some other specified requirement.

5.4.7 Overtime. Many CBAs provide a variety of overtime compensation – a premium paid for hours worked in excess of an employee's regular schedule (i.e., time-and-one-half rates for hours worked over eight per day, or double-time pay for Sunday or holiday work). Overtime pay is not considered a fringe benefit under SCA. While all hours worked on the contract by covered workers are subject to an SCA adjustment for changes in minimum wages and benefits, including hours worked over 40 per week, such hourly rate adjustment would not include overtime premium such as additional half time for the hours over 40 per week (or other overtime premiums such as double time for weekend work). Overtime premiums are not required under the SCA, but instead are required by a separate statute, the Contract Work Hours and Safety Standards Act (CWHSSA). The SCA obligations of the successor contractor under section 4(c)

explicitly exclude overtime premium payments per Title 29 CFR Part [4.163\(a\)](#). Furthermore, avoiding overtime hours is considered to be within the contractor's managerial control and the FAR policy found at [22.103](#) discourages the use of overtime hours. Therefore, the overtime premium portion of a contractor's price adjustment proposal is ordinarily not allowable under the clause. See Section 4.11 in this guide.

5.4.8 Other CBA Payments. Payments made by an employer for various CBA provisions related to work conditions or work rules are not enforceable under SCA, and are therefore not subject to adjustment under the clause.

Example: If the CBA requires an employee to be paid a minimum of four hours wages if called to work on their day off (Show-up or Call-in payment), the employee may work only one hour, but is paid four hours. The three non-work hours are not considered work time or a benefit under SCA, and therefore would not be included in the hours adjusted for wage increases.

Example: The CBA may require an employer to provide a paid 30-minute break in mornings or afternoons. Breaks are not required by SCA and payment for them is not subject to adjustment under the clause.

Example: Contractors often offer workers a bonus payment if the proposed collective bargaining agreement is ratified (accepted by voting workers). The offer of a ratification bonus encourages acceptance of the contractor's proposed agreement. Payment of a ratification bonus is not a part of wages or benefits and not a payment for hours worked. Therefore, it is not covered by SCA, and not subject to adjustment under the clause.

5.4.9 Employee Reimbursements for Business Expenses. Payments made by the employer to the employee for fuel, mileage, meals, lodging, tools, or uniforms and uniform maintenance are the employer's cost of doing business (G&A expenses or overhead) and are not considered wages or benefits of

the employee (even if such payments are included in and required by a CBA). Therefore, such payments (or increases in such payments) are not allowable as part of the contract price adjustment requested under the clause.

5.4.10 Decreases in CBA Wages and Benefits. If a successor contractor does not negotiate a follow-on CBA with a union and deliver it timely to the contracting officer, it may be necessary to incorporate a Standard or Non-Standard WD into the next contract period. The wages and benefits of these general WDs are often lower than the wages or benefits in a CBA. Infrequently, successor contractors and unions may negotiate a decrease in wages or benefits for the follow-on CBA. In either instance, it may be necessary for the contracting officer to consider a decrease in contract price under the clause if the contractor voluntarily (or by CBA provision) decreases wages or benefits established under SCA. Reference Subsection 4.6.2.2 regarding such decreases.

6.0 EQUIVALENT FRINGE BENEFITS. As stated previously, adjustments are limited to the difference between the new benefits required on the WD or CBA, and the actual benefits provided by the contractor in the prior contract period. A contractor may furnish any combination of bona fide fringe benefits to their employees to meet the requirement of the WD based on monetary costs to the contractor.

Example: Assume the old WD requires H&W benefits of \$3.35 per hour and \$0.50 per hour in pension benefits. The contractor provided a health plan costing \$3.85 per hour which met the requirement for both benefits. If the total SCA benefit requirement increases in the next contract period to \$3.50 for H&W benefits and \$.50 per hour pension (\$4.00) total, the contractor may properly claim an adjustment for the difference between \$4.00 per hour and the \$3.85 previous paid for fringe benefits. However, if the contractor had paid \$4.00 per hour for a plan providing health benefits, any price adjustment claim for an increase in either benefit would be offset by the payment made in excess of the former minimum benefits – no adjustment is appropriate.

7.0 UNLISTED CLASSIFICATIONS

7.1 Unlisted Classifications. When the WD incorporated in a contract does not include all SCA non-exempt labor classifications necessary for performance of the contract, the awarded contractor must obtain authorization from DOL for the wage and benefit rates he has proposed to pay such unlisted classifications. The contractor initiates the process by preparing an [SF-1444](#), Request for Authorization of Additional Classification and Rate, in accordance with FAR [22.1019](#) and [52.222-41\(c\)\(2\)](#), to establish enforceable SCA minimum wages and benefits for the unlisted classifications. The contractor's proposed rates must bear a reasonable relationship to the wage and benefit rates listed on the WD for similar classifications – the process is often called “conforming”. The Library Page on WDOL.gov (www.wdol.gov) has both the form and guidance for the “conformance” process. Regardless of whether DOL approves the contractor's proposed rate(s) or rejects them and establishes a higher minimum rate for the unlisted classification, the increase required by DOL in the response is *not* subject to contract price adjustment under the clause.

7.2 Indexing Conformed Wage Rates. Frequently, the classifications that were conformed (approved by DOL) in the first contract period will continue to be missing from subsequent WDs issued by DOL for following contract periods (options) or follow-on contracts. In such cases, the contractor may request a new conformed rate of pay. If they do not, they are required to establish a new SCA-enforceable rate for the unlisted classification in the next contract period by applying an “index” amount to the rate authorized by DOL for the unlisted classification established in the earlier contract period. The “index” is a computation based on the changes DOL made to the *listed* wage rates, from one WD to the next WD, for the classifications listed on the WD and that perform work on the contract. See [52.222-41\(c\)\(2\)\(iv\)\(B\)](#) or 29 CFR [4.6\(b\)\(2\)\(iv\)\(B\)](#). The “indexing” method is as follows:

- Determine the percentage of change from the rates listed on the old WD to the rates listed on the new WD, for only those classifications used on the contract;
- Compute the average of these percentages to determine the "index" rate by dividing the total of percentage changes by the total number of classifications used on the contract;

- Apply this average percentage change to the wage rate that was conformed in the previous contract period. This indexed amount is an allowable adjustment under the clause, but only for the periods of performance that follow the period in which the rates were initially conformed.

Example: The old WD listed seven classifications, five of which were used on the contract (A, B, C, F and G). The contractor also employed Classification X, which did not appear on DOL's WD. A conformance was submitted for Classification X and DOL approved a rate of \$10.00 per hour. At the first option period, DOL issued a WD that changed the listed classifications in the following manner:

<i>A = +3%</i>	<i>B = +3.5%</i>	<i>C = -2%</i>
<i>F = no change</i>	<i>G = +2.5%</i>	

The total of these changes is 7%; divide by 5 to obtain the average change for listed classifications, which is 1.4% increase. This index rate is applied to the conformed Classification X (\$10.00 times 1.4%) to provide the new SCA-enforceable wage rate of \$10.14 per hour. The increase of \$0.14 per hour is an allowable adjustment under the clause for the option period(s).

7.3 Follow-On Contracts. If a labor classification was conformed in the previous contract, and that classification still does not appear on the WD incorporated into the solicitation for a follow-on contract, the conformance process may begin anew, with the successor contractor initiating a new request, after award, to DOL for authorization (SF-1444), or the offerors may request information from the procuring contracting officer regarding the conformance process in the preceding contract. Requests for copies of the predecessor's SF-1444 and DOL's original authorization (response) should be expedited and included in the solicitation for all offerors to consider. Information on the incumbent contractor's indexed increases to the conformed rate, as discussed in Section 7.2 of this guide, should also be provided.

8.0 FAIR LABOR STANDARDS ACT (FLSA) ADJUSTMENTS. The policies and procedures described above for SCA adjustments also apply to revisions of the FLSA minimum wage. No contract adjustment is

made for FLSA minimum wage increases that are enacted (by amendment to FLSA) prior to issuance of a solicitation, even though the effective date of the increase is after award. Based on public notice of the change in the FLSA minimum, offerors should have anticipated the increase when developing their bid or proposed contract price.

9.0 JAVITS-WAGNER-O'DAY (AbilityOne) CONTRACTS

The principals for adjusting prices as a result of WD changes on JWOD/Ability One contracts are nearly the same as competitive, for profit contracts. However, when evaluating price adjustment requests on AbilityOne contracts, the unique nature of pricing those contracts must also be considered. Specifically, follow-on year (FOY) pricing agreements must be established which address changes to pricing. [Pricing Memorandum Number 3](#) specifically addresses the issue in Section 8B(2) and suggest use of 52.222-43/44 guidelines for direct labor only. See that document for additional information and guidance.

ACRONYMS

CBA	Collective Bargaining Agreement
DBA	Davis-Bacon Act
DFARS	Defense Federal Acquisition Regulation Supplement
DOL	U. S. Department of Labor
FAR	Federal Acquisition Regulation
FLSA	Fair Labor Standards Act
FICA	Federal Insurance Contributions Act
FUTA	Federal Unemployment Tax Act
G&A	General and Administrative
H&W	Health and Welfare
OH	Overhead
SCA	Service Contract Act
SUTA	State Unemployment Tax Acts
WDOL.gov	Wage Determinations On-Line Program
WDs	Wage Determinations
WCI	Workers' Compensation Insurance

Sample Notification Letter
for
FAR Section 22.1010

Mr. John Jones, President
ABC Janitorial Services, Inc.
123 Main Street
Washington DC 20374

and

Mr. Harry Smith, Business Representative
Laborers Union Local #10
456 Front Street
Washington DC 20374

Subject: Contract N12345-01-D-1234, Janitorial Services at Naval
Facilities, Washington DC

Dear Sirs:

This letter will serve as notice to you under Federal Acquisition
Regulation Section 22.1010 that the Government is considering . . .

[Issuing a resolicitation of]

[Issuing a modification to significantly change the scope of work in a
manner that may significantly affect labor requirements on]

[Issuing a modification to exercise the First Option [Second, etc] on],

[Issuing a modification to extend the term of]

the subject contract. The [modification, solicitation] may be issued on or
after [date]. The new period of performance effective subsequent to this
contract action will begin on or about XXXXXXXXXXXX.

If you have any questions, please contact me at (123) 456-7890.

Sincerely,

Ms. April Showers
Contracting Officer

APPENDIX B