

## **PREDETERMINED INCREASE LOWERS PREVAILING WAGE FOR CARPENTERS**

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When was the last time that you saw a decrease in prevailing wage rates? It actually happened on July 1 when the Department of Industrial Relations issued an Important Notice decreasing the Carpenters total hourly wage rate by \$1.63 per hour. Officially, this action did not decrease the total hourly rate. It decreased a Predetermined Increase. If you are confused, read on.

Under the California Prevailing Wage Law, the Division of Labor Statistics and Research (DLSR) issues Wage Determinations twice per year in February and August. These Wage Determinations are effective 10 days after they are issued and apply to projects advertised for bid on and after their effective date. New Wage Determinations do not apply to projects put out to bid before their effective date.

Nearly every Wage Determination, however, includes Predetermined Increases which are based on wage and benefit changes contained in the underlying collective bargaining agreements. The assumption is that these changes are increases, hence the name "Predetermined Increases."

So what happens when parties to a collective bargaining agreement negotiate decreases? It does not happen very often, but a version of concessionary bargaining occurred earlier this year when the Construction Employers' Association negotiated a new five-year agreement with the Carpenters Union.

In exchange for a five-year agreement, the Carpenters Union agreed to modify the final increase in its current agreement. Under the current agreement, union contractors were supposed to pay an increase of \$3.28 per hour effective July 1, 2011. Instead, this increase was changed to \$1.65 per hour, thus reducing the increase by \$1.63 per hour. The other scheduled increases under the new five-year Carpenters Agreement are \$1.84 per hour in 2012, \$1.80 per hour in 2013, and \$1.95 per hour in 2014.

Since the Predetermined Increases for the Carpenter classification are based on the collective bargaining agreement, the DLSR issued an Important Notice on June 30 notifying all contractors that the final Predetermined Increase in the Carpenters Wage Determination was changed from \$3.28 per hour to \$1.65 per hour. This was done despite the fact that projects were bid months or years ago with the higher Predetermined Increase in effect.

The moral of the story is that it is imperative to read the Important Notices issued by the DLSR. In this instance, being informed could save a contractor thousands of dollars. In other instances, the Important Notice might contain information requiring a contractor to make higher payments or allocate increases between wages and fringe benefits, but it is better to know about the higher costs in advance than to become enmeshed in a prevailing wage audit after the fact.

There is yet another lesson to be learned – Predetermined Increases and changes to Predetermined Increases are a nightmare for contractors who need to figure out wage rates for apprentices. The Division of Apprenticeship Standards (DAS) usually only re-publishes the Predetermined Increases issued by the DLSR for journeypersons. It rarely allocates these Predetermined Increases to apprentices. On the other hand, apprentices in union programs often receive the entire negotiated fringe benefit increase, but only a percentage of the wage increase. A conservative approach would be to pay the entire journeyperson Predetermined Increase to apprentices in all periods. A call to the union program asking for an allocation of the Predetermined Increase for apprentices may be worthwhile, but there is no guarantee that the union program will respond, or the DIR will accept this allocation. In the meantime, your Chapter will continue to urge the DAS to issue Predetermined Increases for apprentices.