

# Big Increase in 2014 Service Contract Act Health & Welfare Rate Announced

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## Key points:

- New benefit rate of \$4.02 an hour (except for Hawaii)
- Effective July 22, 2014
- Updated Wage Determinations

The **U.S. Department of Labor (DOL)** has released its annual memorandum with the **rate increase for Service Contract Act (SCA) Health and Welfare (H&W) Fringe Benefits**. The new rate of \$4.02 per hour (up from last year's \$3.81 per hour) is required in all government contract bids or other service contracts awarded on or after July 22, 2014. A special rate of \$1.66 per hour is set for Hawaii (up from last year's \$1.55 per hour).

In our discussions with DOL officials earlier this year, they had indicated that the rate increase likely would be bigger than usual based on anticipated increased health care benefit costs for employers associated with compliance with the Affordable Care Act.

## Solicitations/Contracts Affected

- All invitations for bids opened or other service contracts awarded on or after July 22, 2014, must include the new fringe benefit via an updated Wage Determination (WD).
- For contracts beginning on or after July 22, 2014, contracting agencies are directed to make pen-and-ink changes to the current WD received for the contract for which the updated fringe benefit rate was not included.
- For all other contracts (not those awarded or starting after July 22, 2014), revised WDs reflecting the new fringe benefit rate will be available at the Wage Determination OnLine website ([www.wdol.gov](http://www.wdol.gov)) on or soon after July 28, 2014. The new rate will go into effect on the anniversary date (annually, or every two years for non-appropriated funds contracts) or option

renewal/modification date of these contracts — whichever date for a particular contract triggers incorporation of a new WD by the contracting agency.

The obligation to pay employees prevailing wages and benefits in compliance with the SCA requirements falls to contractors and subcontractors, who are jointly and severally liable for any violations. However, it is the contracting agency's legal obligation to provide correct and updated WDs to the prime contractor, and the prime's responsibility to flow-down updated WDs to their subcontractors.

Government contractors should check routinely to determine if new WDs have been provided to them by contracting agencies (or, in the case of subcontractors, by their prime contractor) by incorporation into their contracts. If the agency has not provided an updated WD as required, contractors should request that the agency do so and be sure to document their compliance efforts.

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