CHAPTER 6

Conclusion

At its simplest level, a market pay approach appears to be a legitimate concept around which to build a state employee compensation system. If a market approach is shaped to be responsive to whatever competitive salary rates are, it can become a tool the state uses to attract and retain qualified staff. The problem is that market pay is a general theory – not a universally agreed-upon, well defined or standardized system that is easily adapted to meet any state's needs. The devil, of course, is in the details.

State compensation systems tend to be complex for a number of reasons. Apart from the technical complexity of the language and concepts involved, it happens that agencies have different levels and sources of funding available to them and this gives them flexibility to independently adjust employee salaries. Political considerations must be reckoned with in that wages paid by state government need to have some degree of parity with the private sector. Issues of internal equity are bound to come up in a large workforce of persons who have all sorts of different skills and abilities.

Unique economic considerations in Wyoming include what is described as a boom and bust economy, one that lacks diversification to offer a range of employment opportunities similar to what state government has. Compounding these factors are issues such as continually rising health insurance costs, a tight labor market, and a workforce aging toward retirement.

Wyoming's interpretation and implementation of market pay appears to be qualitatively different from the systems we learned about in comparator states. We suspect HRD's definition of "market" may be too narrowly targeted to work effectively, and it is troubling that when comparisons to market have been made in the past, it has not always been clear which year's benchmark market average was being applied. For example, claims of having brought all employees with two years' tenure to 90-95 percent of benchmark average in 2005 may be correct, but this was accomplished in relation to the 2004 CSSS market, which was based on 2003 wage information. Not only did the claim pertain to an outdated market, but in December 2005, despite the move of more employees to within the fair and equitable range, over half of all state employees were still paid below the benchmark average.

Questions about the effectiveness of the current approach to market pay were what gave rise to the request for this evaluation. In part, we found the problem to be that this system is relatively new and not yet completely implemented. Each Governor puts his own stamp on the compensation system, and as one observer noted, "With every new governor, there's a new pay system." Another part of the problem is that the Legislature continues a tradition of neither granting the Governor's full exception request, nor specifying its intention for the funding it does appropriate. Budget bills and other legislation often do not stipulate the percentage level of market the Legislature is aiming for, or which year's market it wants HRD to use. Consequently, by default, the executive branch has made these decisions in many instances.

As to current activities, whether HRD can take a reduced amount of funding and allocate it to achieve some level of 2006 market pay (as defined by the CSSS) and also make adjustments in the second year of the biennium, remains to be seen. But, absent system change, we are concerned that the 2006 round of funding may result in the same uneven and unanticipated consequences that previous system adjustments have caused.

All these considerations notwithstanding, developing and maintaining a competitive and equitable pay system remains an ambitious but necessary goal. Stakeholders need more information to understand all the factors being balanced, and HRD needs to be more forthcoming about its methodologies. Perhaps most importantly, an expert review of the definition and implementation of market, and perhaps of the entire system, is needed and may in fact be overdue.