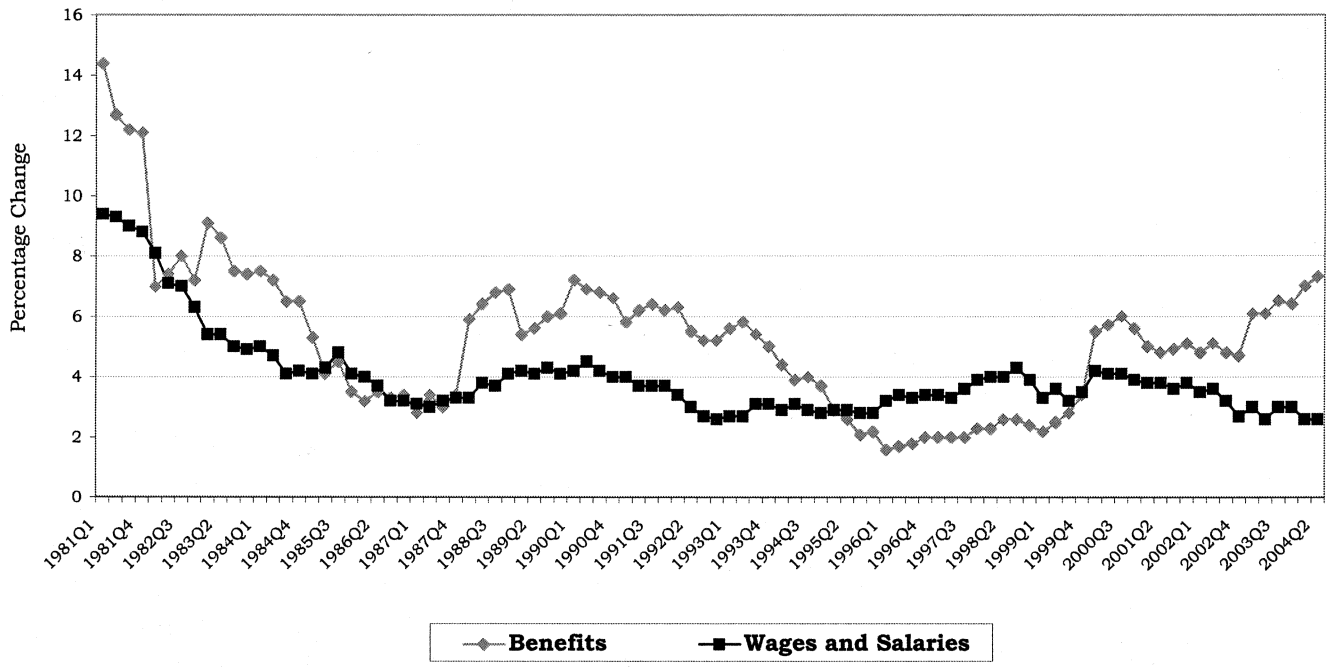
Section 1: Structure of Compensation and the Potential Wyo-Care Market

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Benefits are becoming a larger portion of workers' total compensation and the rate of growth is increasing. As shown in Figure i (Bureau of Labor Statistics, 2004), wages and salaries tend to rise more slowly during periods of accelerated benefits costs. Two such periods occurred during the early to mid 1990s and again at the turn of the century. Rapidly increasing benefits costs appear to constrain salary growth. Not only is a

Figure i: 12-Month Change in Benefits and Wage/Salary Costs, 1981 to 2004



Source: Bureau of Labor Statistics.

larger proportion of compensation dedicated to paying health care premiums but there also appears to be long-term effects on worker retirement income and employer profitability.

In order for employers to remain competitive during periods of rapidly rising costs, they may hire fewer workers or reduce benefits to current employees. Nationally, July employment growth estimates fell to 32,000, while spring estimates have been revised downward. Some have interpreted this slower employment growth rate to rising heath care costs. "Health insurance...now costs the nation's employers an average of $3,000 a year" (Porter, 2004).

This section of the report examines employer-provided compensation and focuses on health insurance. Because the provision of health insurance is part of employers' overall compensation plans, health insurance needs to be understood in that context. Employers' plans and compensation strategies are, in part, a function of the economic niche occupied by each industry. We present an overview of statewide compensation strategies followed by a comparison of the strategies of three selected industries: Leisure & Hospitality, Retail Trade, and Mining. Leisure & Hospitality and Retail Trade were chosen because of their relatively large size and their reliance on seasonal labor. Mining was chosen because characteristics such as its worker age and gender distributions, wages, and labor utilization are much different than those of the other two industries. Another reason for choosing these industries is the steady growth all are expected to experience through 2012 (Leonard, 2004). All three industries are expected to expand employment at rates no less than 1.0% annually during the period (compared to 1.5% for all industries).

Understanding the Market: The Issues of Residency and Eligibility

A central theme to understanding benefit access in Wyoming is residency (Jones, 2004). Residency is highly correlated with access to health insurance. Table i (see page 3) illustrates the trends in Wyoming residency since 1992. The Table shows that the proportion of resident workers has declined steadily from 81.5 percent (218,107 workers) in 1992, to 79.0 percent in 2003 (254,743 workers). At the same time, the number of nonresident workers rose from 49,372 to 67,568. In 2003 more than one in five Wyoming workers were nonresidents. Harris (2004) estimated that on an annual average basis 9.4 percent of all UI covered workers had insufficient tenure with an employer to be eligible for health care insurance. However, nonresident workers may access health care resources while working in Wyoming. Consequently, there is a greater probability that they contribute to the cost of uncompensated care.

Table i: Wyoming Resident and Nonresident Workers Using Current Method of Residency Determination by Year, 1992 to 2003

	Nonresident		Residents		
Year	N	%	N	%	Total
1992	49,372	18.5	218,107	81.5	267,479
1993	50,164	18.5	221,522	81.5	271,686
1994	53,397	19.0	227,228	81.0	280,625
1995	54,421	19.3	227,069	80.7	281,490
1996	55,262	19.5	228,594	80.5	283,856
1997	55,401	19.3	231,899	80.7	287,300
1998	59,451	20.1	236,354	79.9	295,805
1999	65,653	21.5	240,337	78.5	305,990
2000	63,230	20.5	245,066	79.5	308,296
2001	70,663	21.8	253,219	78.2	323,882
2002	63,860	20.1	254,116	79.9	317,976
2003	67,568	21.0	254,743	79.0	322,311

As we examine in this report, residency and insurance eligibility vary widely by industry. Certain industries exploit a seasonal market and use more temporary or seasonal labor than others.

Chapter 1: Statewide

Note: Figures for this chapter are located on pages 11-18.

Among residents, 7.5 percent of workers are near the traditional retirement age of 65. Most residents are highly tenured (62.8%) and eligible for health insurance (78.5%).

Figure 1.1.1 displays the distribution of private sector Wyoming workers in 2002 by age group and sex. At the far right of the chart, we see that 18.2 percent of workers were classified as having unknown demographics. That is, their gender and age could not be determined. The proportion of unknowns is related to residency and is closely correlated with insurance eligibility.

Men make up a slightly larger proportion of workers than do women, particularly in the 25-34 year-old age group. The picture changes markedly when examining the same distribution for Wyoming residents only (see Figure 1.1.2). The proportion of workers in the Unknown category declines to 2.9 percent when nonresidents are removed. In addition, the proportional difference in 25-34 year-olds between men and women widens to 2.3 percent. The proportions of each age group, by sex, are higher in this figure because of the diminished influence of those in the Unknown category.

Turnover varies considerably when residency is taken into account. Figure 1.1.3 displays the differences in turnover between residents and nonresidents. Nonresidents comprised 23.0 percent of private sector workers in 2002 with a turnover rate of 41.9 percent. The data indicate that nonresidents have less stable employment relationships than do residents. And if working relationships for nonresidents are of short duration, they are less likely to be eligible for insurance benefits than residents, while still requiring some level of health care services.

Figure 1.1.4 supports this observation by comparing the likelihood of benefit offerings for residents and nonresidents. As shown in Figure 1.1.4, 77.5 percent of resident workers were eligible for benefits in 2002Q3 compared to 55.5 percent of nonresident workers. Among resident workers, those who are highly tenured (five or more quarters attached to the same employer), make up three-fifths of the population (see Figure 1.1.5). The next largest group is marginal employees (those attached for short periods with long breaks) at 19.3 percent. Transitioning workers (9.3% of the 2002 total) are in the process of establishing a highly tenured relationship with their employer. Approximately one in ten resident workers were seasonal

employees. Resident workers are more likely to maintain highly tenured relationships with employers. Therefore, they are more likely to be eligible for benefits.

Health insurance is also associated with firm size. The larger the firm, the greater the probability of benefits offering. Figure 1.1.6 shows that 65 percent of workers in 2002 were offered health benefits. The proportion of workers offered benefits climbs steadily from 39 percent to 56 percent as firm size increases from less than 10 employees to 49 employees, with a substantial increase to 81 percent when size increases to 50 or more employees. As shown in Table ii (see page 7), despite the small number of large firms in the state, they employ a large proportion (47.0%) of private sector workers. While the number of workers in the state is concentrated in large (50 or more workers) firms, the number of employers is heavily skewed toward smaller businesses. Table ii shows that more than three-quarters (75.5%) of employers in 2002 averaged less than ten workers, while only 4.1 percent of firms employed 50 or more people.

The ability of workers and employers to pay for health benefits affects the availability of those benefits. Figure 1.1.7 details the relationships between average annual premium costs (paid by employers) and the average quarterly wages by worker tenure. The top bar in Figure 1.1.7 shows the estimated average annual cost of health insurance per worker for all Wyoming workers. During the period for which these estimates were prepared, information regarding the number of workers participating in health insurance was unavailable. Additionally, the capacity to produce cost per participant in health, dependent health, and dental benefits together is under development.

Assuming that workers share at least some of the total premium cost, we see in Figure 1.1.7 that for those in the marginal or seasonal tenure categories, the average annual premium in 2002 ($2,388) is nearly equal to one quarter's wages ($2,072 and $3,230, respectively). The ratio of annual wages to the average annual insurance cost per worker for employers is larger for those either highly tenured or transitioning to highly tenured status, but the average premium still constitutes a substantial proportion of total compensation.

Full-time and part-time worker status also affects the availability of health and other employer-provided benefits. The data in Figure 1.1.8 show not only the differences in benefit offerings between full- and part-time employees, but also how different benefits are made available in the workplace. Whether health, dependent health, or dental, the proportion of full-time workers offered these benefits in each case is much higher than for part-time employees.

Table ii: Distribution of Wyoming Employers by Industry and Firm Size, 2002

Industry		Firm Size (Average Annual Employment) <10	10 - 19	20 - 49	50+	Total
Mining	Employers	517	104	80	72	773
	Row %	66.9%	13.5%	10.3%	9.3%	100.0%
Construction	Employers	2,369	364	205	82	3,020
	Row %	78.4%	12.1%	6.8%	2.7%	100.0%
Manufacturing	Employers	432	96	65	49	642
	Row %	67.3%	15.0%	10.1%	7.6%	100.0%
Wholesale Trade,	Employers	1,408	212	116	58	1,794
Transportation, & Utilities	Row %	78.5%	11.8%	6.5%	3.2%	100.0%
Retail Trade	Employers	1,595	372	222	102	2,291
	Row %	69.6%	16.2%	9.7%	4.5%	100.0%
Information	Employers	180	36	38	24	278
	Row %	64.7%	12.9%	13.7%	8.6%	100.0%
Financial Activities	Employers	1,314	103	78	33	1,528
	Row %	86.0%	6.7%	5.1%	2.2%	100.0%
Professional & Business	Employers	2,446	263	121	44	2,874
Services	Row %	85.1%	9.2%	4.2%	1.5%	100.0%
Education & Health Care	Employers	1,027	194	117	94	1,432
	Row %	71.7%	13.5%	8.2%	6.6%	100.0%
Leisure & Hospitality	Employers	1,072	419	365	168	2,024
	Row %	53.0%	20.7%	18.0%	8.3%	100.0%
Other Services	Employers	1,418	138	31	17	1,604
	Row %	88.4%	8.6%	1.9%	1.1%	100.0%
Total	**Employers**	**13,778**	**2,301**	**1,438**	**743**	**18,260**
	Row %	**75.5%**	**12.6%**	**7.9%**	**4.1%**	**100.0%**

Offering benefits to more full-time than part-time workers probably reflects employer retention strategies for employees who generate the most perceived value for their firms. Consequently, the proportions of part-time workers offered these benefits is comparatively low, with approximately one in eight (12%) part-time workers offered benefits.

An estimated 34,832 full-time and 49,018 part-time workers were not offered health benefits in 2002 (see Appendix A, pages A5 and A7). Because firm size and compensation are correlated, the 2,301 firms with an average size of 10-19 employees, and the 1,438 firms with 20-49 employees (see Table ii, page 7) in low-turnover industries may prove to be the most promising candidates for the Wyo-Care program. At 17.4 percent, Manufacturing's turnover rate is below the state average of 24.8 percent. Appendix E, page E2 shows that lower turnover levels also characterize Wholesale Trade, Financial Activities, and Education & Health Care. A detailed listing of industry subcategories included within each industry group is located in the Technical Notes on page 130. Appendix A, page A3 reveals that health insurance is not offered to an estimated 7,638 employees in Education & Health Care; 3,738 in Wholesale Trade; 2,955 in Financial Activities; and 1,435 in Manufacturing. The starting point for an insurance initiative could be the almost 16,000 workers not offered health insurance in these four industries, with lower than average turnover.

Table iii: Wyoming Average Quarterly Employment for All Workers by Industry, 2002

		Total Employment Estimate	Column %	Full-Time Employment Estimate	Part-Time Employment Estimate	Row %
Industry	Mining	21,195	9.0%	20,155	1,040	4.9%
	Construction	29,195	12.3%	26,064	3,132	10.7%
	Manufacturing	11,780	5.0%	11,075	705	6.0%
	Wholesale Trade, Transportation, & Utilities	18,287	7.7%	16,282	2,006	11.0%
	Retail Trade	37,474	15.8%	27,251	10,223	27.3%
	Information	5,124	2.2%	3,729	1,395	27.2%
	Financial Activities	11,197	4.7%	9,083	2,113	18.9%
	Professional & Business Services	21,151	8.9%	16,819	4,331	20.5%
	Education & Health Care	28,576	12.1%	21,393	7,184	25.1%
	Leisure & Hospitality	43,533	18.4%	23,248	20,285	46.6%
	Other Services	8,921	3.8%	5,663	3,258	36.5%
	Total	**236,432**	**100.0%**	**180,761**	**55,671**	**23.5%**
Firm Size	<10 Employees	46,794	19.8%	33,364	13,431	28.7%
	10 - 19 Employees	36,467	15.4%	26,211	10,256	28.1%
	20 - 49 Employees	41,091	17.4%	30,942	10,149	24.7%
	50+ Employees	112,080	47.4%	90,245	21,835	19.5%
	Total	**236,432**	**100.0%**	**180,761**	**55,671**	**23.5%**

An additional consideration for the Wyo-Care proposal is the potential for employee contributions. As shown in Appendix C, pages C15, C18, C19, C22, and C24, the resident workforce in these industries tends to earn slightly more than the state average. For example, while women age 25-34 earned an average $15,507 in 2002, they made $16,869 in Manufacturing and $19,702 in Financial Activities. However, the available information does not permit a finding regarding employee willingness to make a Wyo-Care contribution.

As shown in Table iii (see page 8), part-time employment makes up nearly half (46.6%) of Leisure & Hospitality's workforce and over one-quarter (27.3%) of Retail Trade's. Leisure & Hospitality and Retail Trade comprise 18.4 and 15.8 percent, respectively of total employment. In addition, they are expanding industries (Leonard, 2003). Given the size of these industries, their projected growth, the large share of part-time employees in Leisure & Hospitality, and the closeness of the distribution of part-time workers in Retail Trade to the state as a whole, these industries are examined in detail. Analysis of the Mining industry is provided for contrast.

Statewide Figures

Figure 1.1.1: Percentage of All Wyoming Workers by Age and Sex, 2002

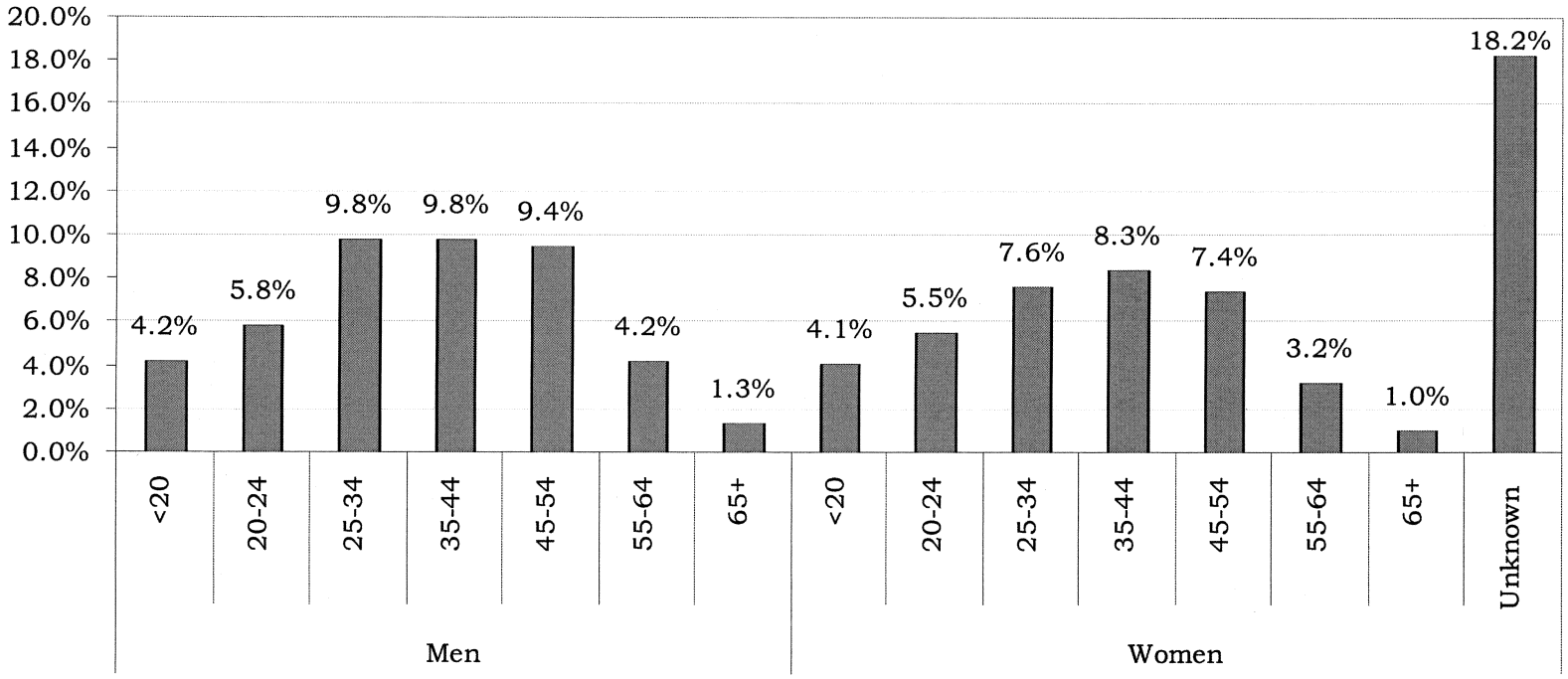


Figure 1.1.2: Percentage of Resident Wyoming Workers by Age and Sex, 2002

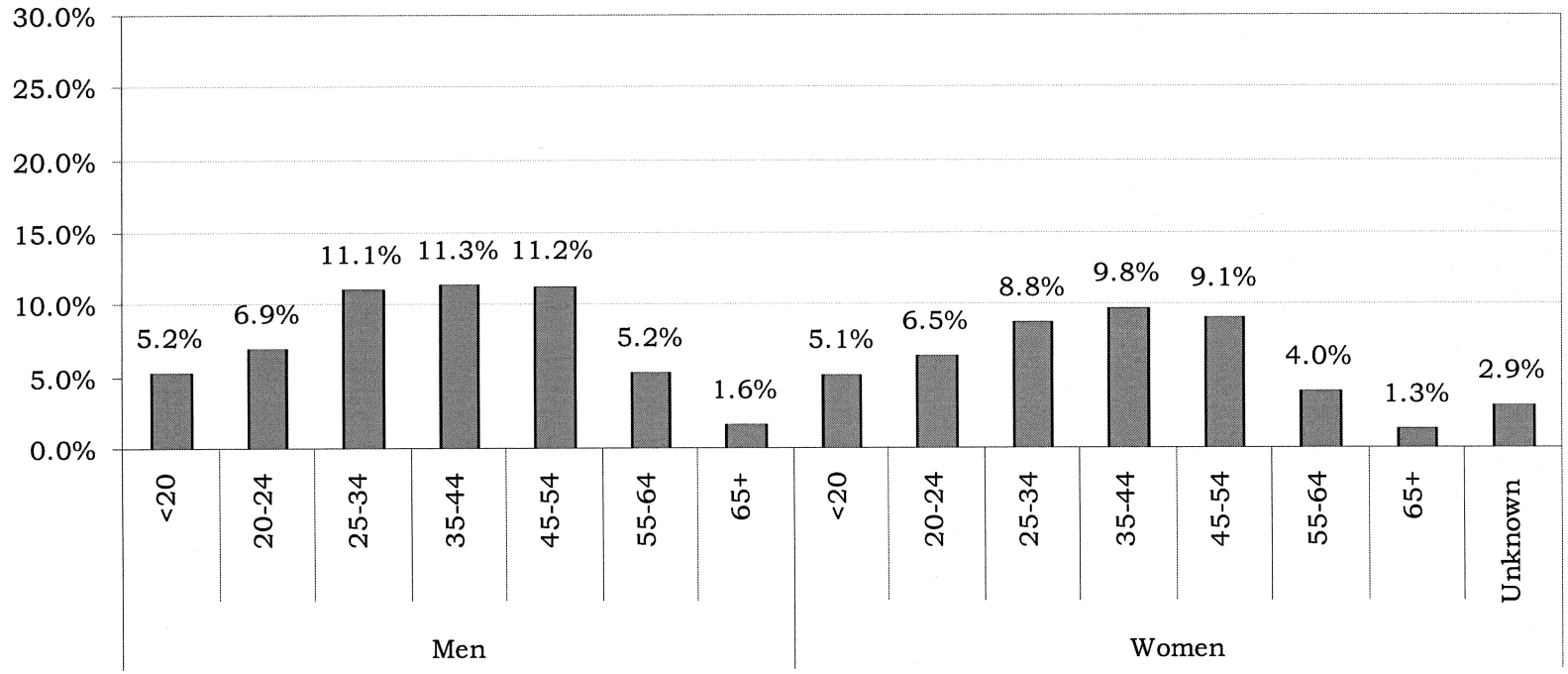


Figure 1.1.3: Percentage of Nonresident Workers and Turnover Rate of All Wyoming Workers by Residency Status, 2002

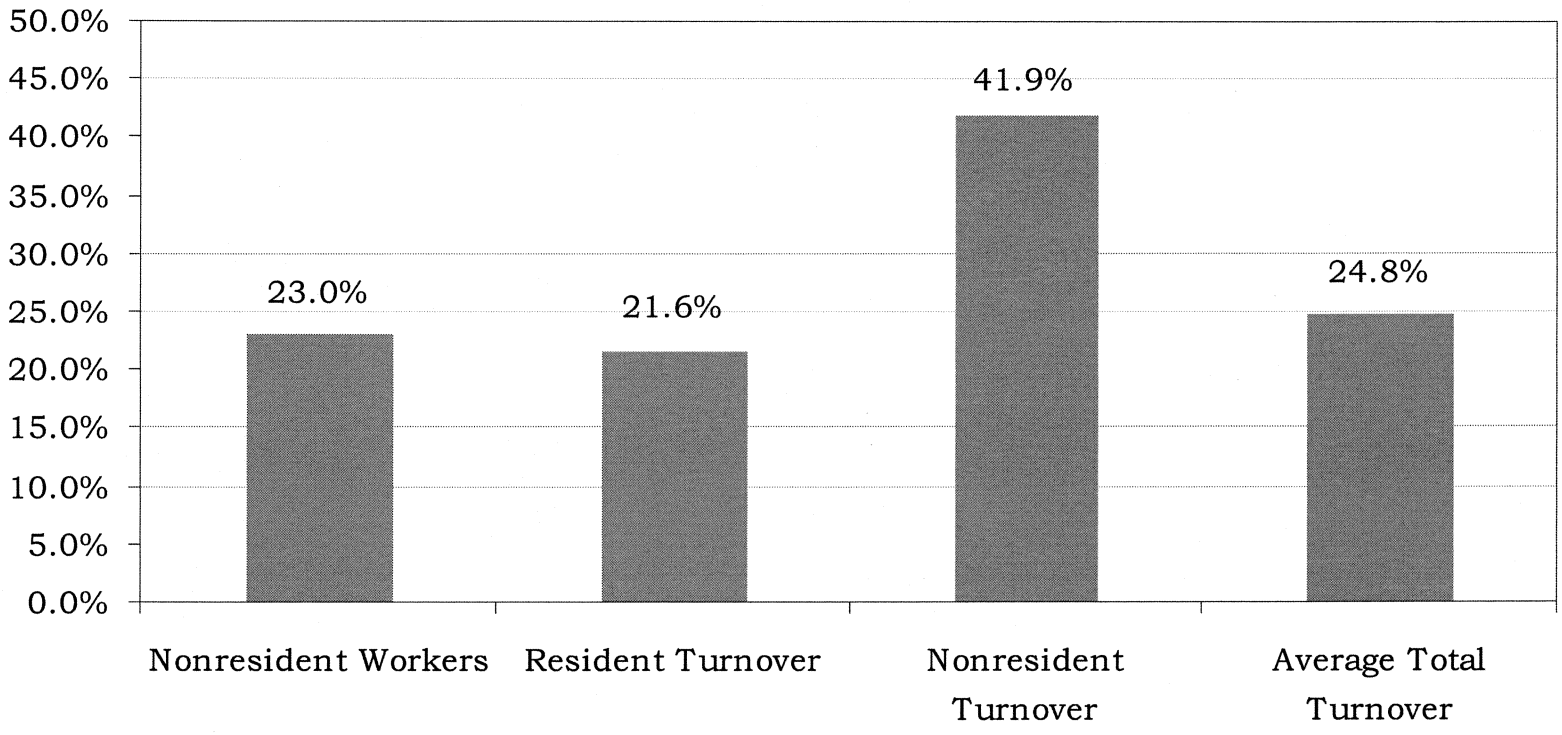


Figure 1.1.4: Distribution of All Wyoming Workers Eligible to Receive Insurance Benefits by Residency Status, 2002Q3

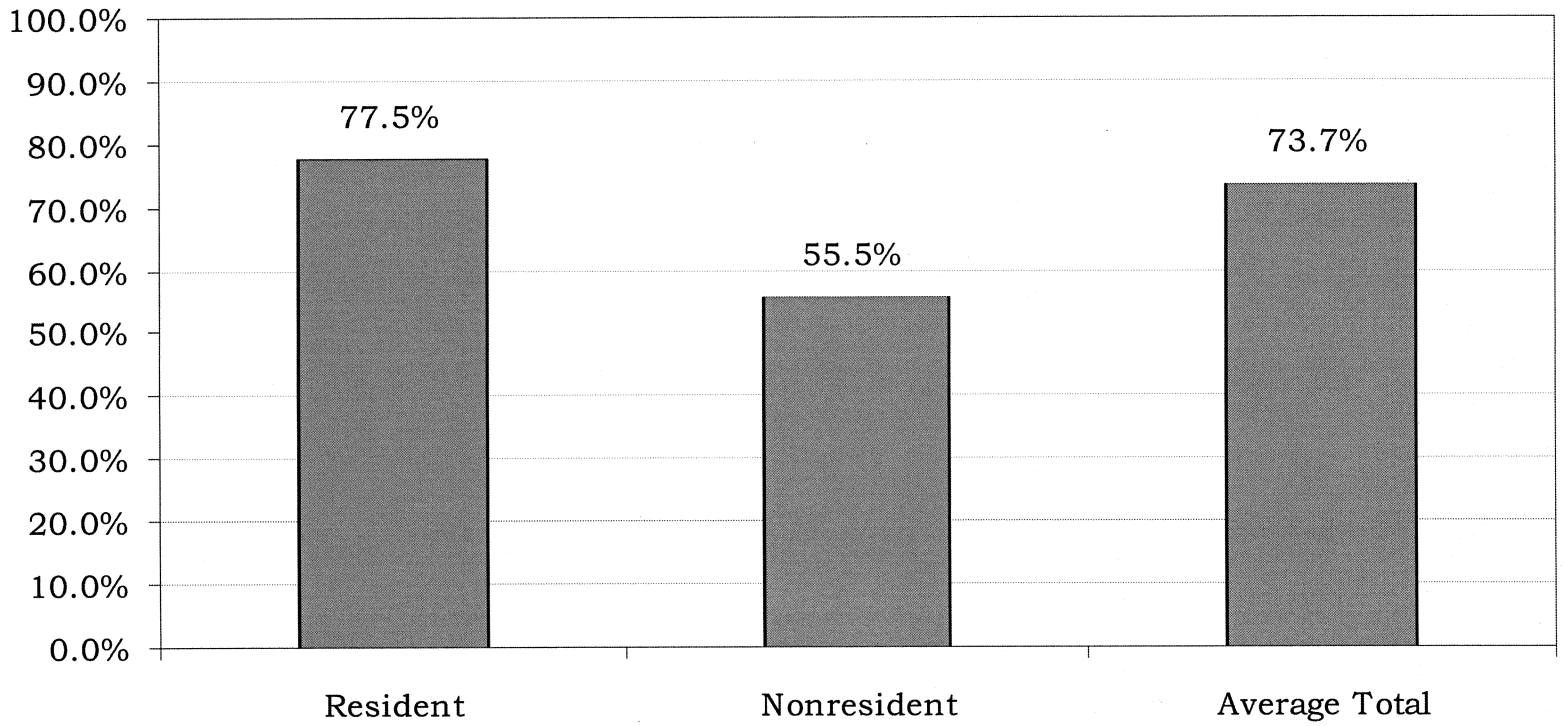


Figure 1.1.5: Wyoming Resident Worker Average Turnover and Distribution of All Wyoming Resident Workers by Tenure (Worker Attachment to Employer), 2002

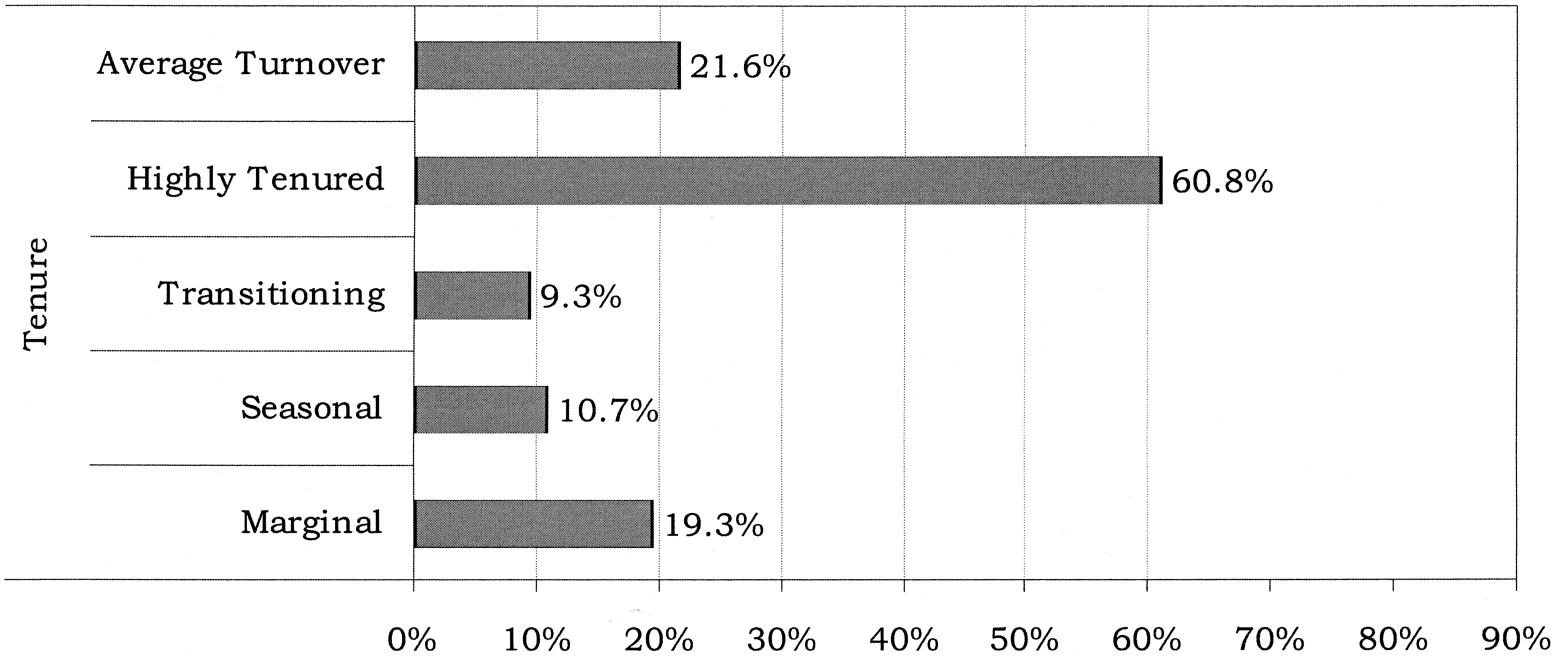


Figure 1.1.6: Percentage of All Wyoming Workers Offered Benefits by Firm Size, 2002

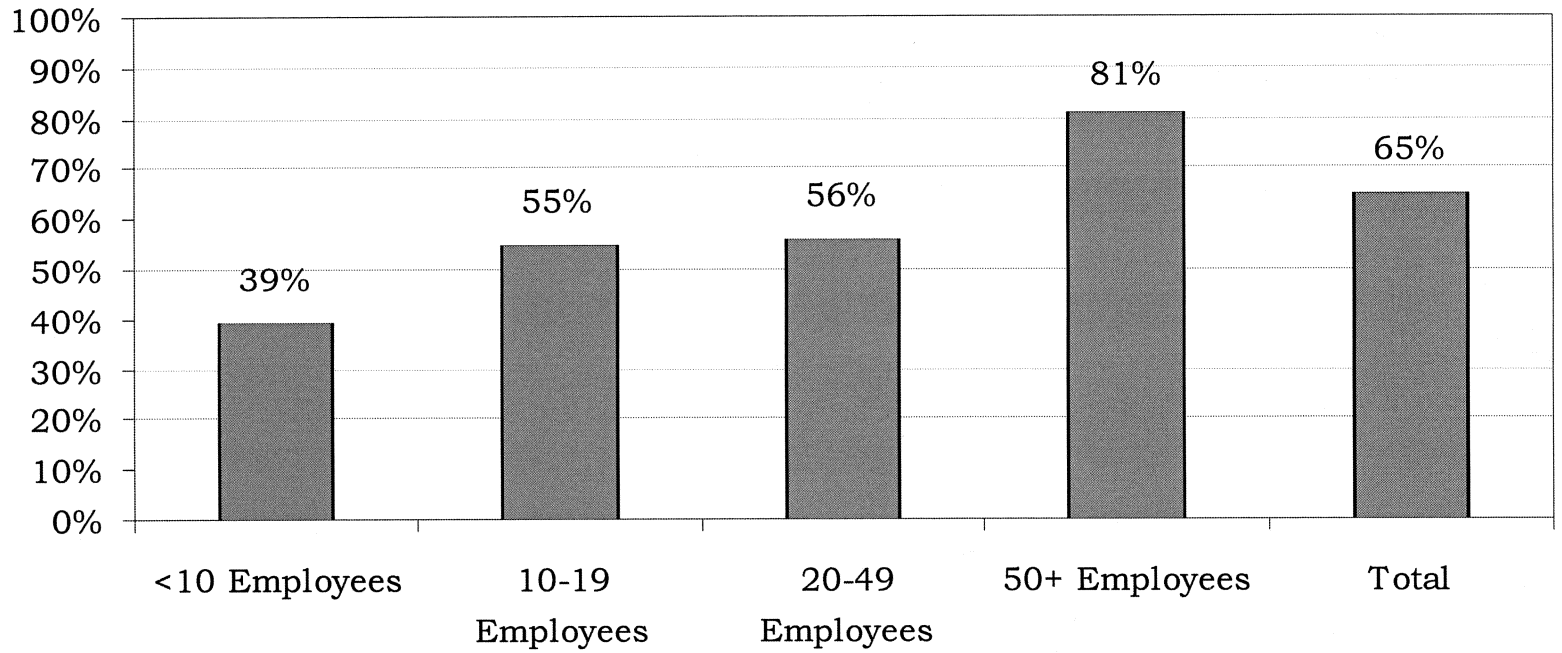


Figure 1.1.7: Average Annual Insurance Cost Per Worker for All Wyoming Employers and Average Quarterly Wage of All Wyoming Workers by Tenure (Worker Attachment to Employer), 2002

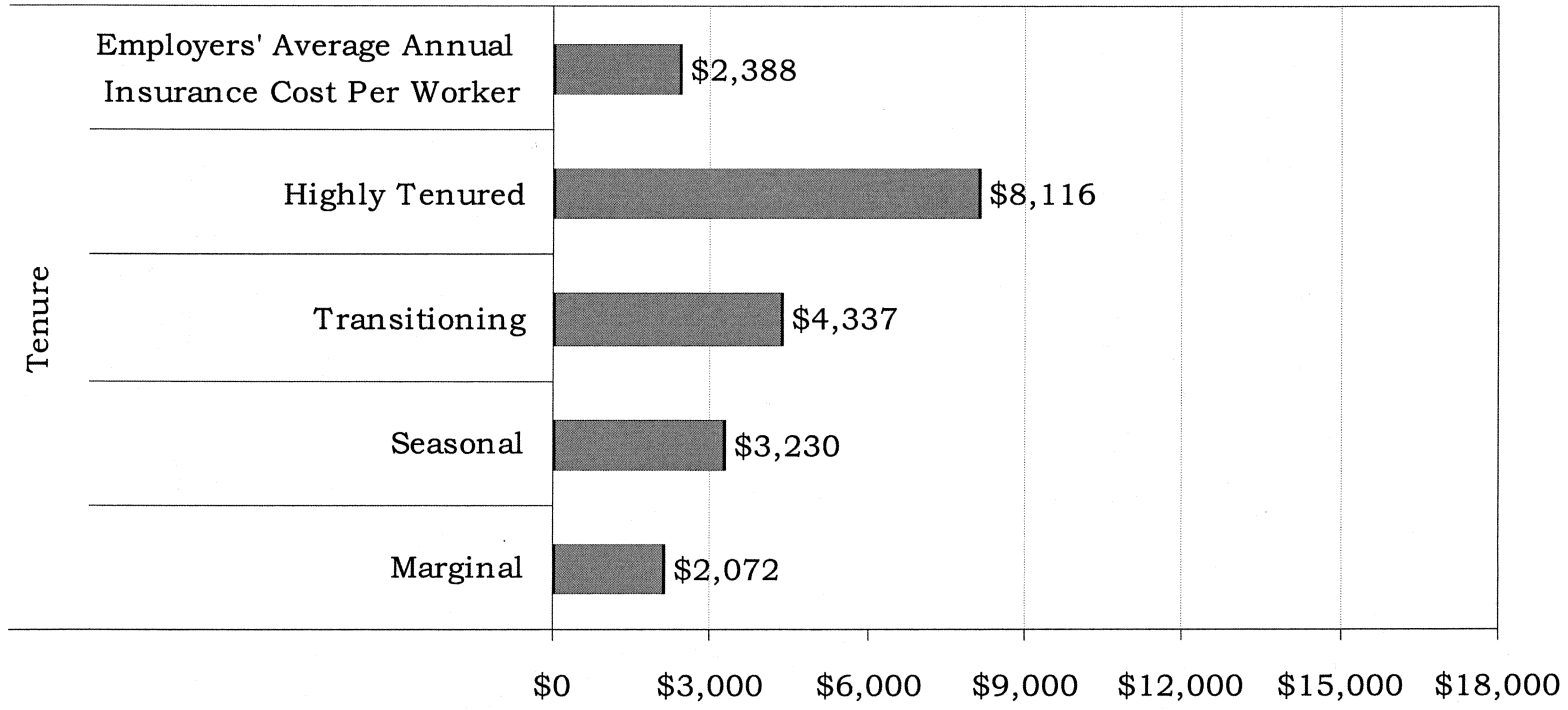


Figure 1.1.8: Percentage of All Wyoming Workers Offered Selected Benefits by Employment Status, 2002

