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DEPARTMENT OF HUMAN RESOURCES
DEVELOPMENT
POLICIES AND PROCEDURES**

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PAY ADMINISTRATION

APPROVED:


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I. POLICY

The pay administration for personnel actions shall be applied in a uniform manner.

II. RATIONALE

The purpose of this policy is to provide pay administration procedures that are not addressed elsewhere to ensure compensation adjustments are applied uniformly.

III. DEFINITIONS

“Basic rate of pay or basic compensation” means the hourly, daily, monthly, or annual rate of pay used to determine an employee’s lawful compensation in accordance with appropriate salary schedules and applicable laws, rules, collective bargaining agreements or executive orders. The rate of pay shall not include additional or extra compensation granted, such as, but not limited to, differentials for overtime, stand-by duty, temporary unusual work hazards, compression differentials, temporary differentials and shortage differentials.

“Demotion” means a movement of a civil service employee from the position in which the employee last held permanent appointment to another position:

1. Which is assigned to a class with a lower pay range in the same salary schedule; or
2. Which is assigned to a class with a lower maximum rate of compensation in a different salary schedule and the dollar difference between the two maximum rates is more than the dollar difference between the minimum and second step of the former pay range; provided that, a rate of five per cent more than the minimum rate of the range shall be deemed to be equivalent to the second step in the EM schedule; provided further, that a rate of ninety-five percent of the single rate of a salary schedule with a single rate pay range shall be deemed equivalent to the minimum or first step of the pay range.

“Demotion to avoid layoff” means a demotion requested and accepted by a civil service employee to avoid being laid-off from the state service.

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“Disability demotion” means a demotion resulting from an employee’s inability to perform the duties of the employee’s position due to injury, illness or disease, service or non-service connected injury which was not a result of willful misconduct on the employee’s part.

“Involuntary demotion” means an action by an appointing authority demoting an employee other than for a disability, usually taken as a disciplinary measure or because the employee is unable to perform the duties of the employee’s position satisfactorily.

“Initial probation period” means the probation period required of a person entering the state civil service that is the final test of the person’s fitness and ability for the position before acquiring membership in the civil service or the probation period required of a temporary member of the civil service who is moving to a permanent civil service position.

“Layoff” means the release of a permanent member from a permanent civil service position due to lack of work, need, funds, or other legitimate reasons; e.g., legislative action, or return of a permanent member from military leave.

“New probation or new probationary period” means a probation period required of a member of the civil service when moving to another permanent position.

“Permanent member” means a civil service employee who acquired membership by successfully completing an initial probation period or as provided by statute or maintains return rights to a permanent civil service position.

“Promotion” means a movement of a civil service employee from the position in which the employee last held a permanent appointment to another position:

1. Which is assigned to a class with a higher pay range in the same salary schedule; or
2. Which is assigned to a class with a higher maximum rate of compensation in a different salary schedule and the dollar difference between the two maximum rates is more than the dollar difference between the minimum and second step of the former pay range; provided that, a rate of five per cent more than the minimum rate of the range shall be deemed to be equivalent to the second step in the EM schedule; provided further, that a rate of ninety-five per cent of the single rate of a salary schedule with a single rate pay range shall be deemed equivalent to the minimum or first step of the pay range.

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“Reallocation” means the movement of a position from one class to another class based on a change in the duties, level of difficulty, authority, responsibilities, qualification requirements and other factors.

“Reallocation downward” means the reallocation of a position to a class assigned to a lower pay range in the same salary schedule.

“Reallocation upward” means the reallocation of a position to a class assigned to a higher pay range in the same salary schedule.

“Reduction-in-Force” means the release of a permanent member from a permanent civil service position due to lack of work, need, funds, or other legitimate reasons; e.g., legislative action, or return of a permanent member from military leave.

“Repricing” means changing an existing class from its present pay range to another pay range in the same salary schedule based on appropriate factors.

“Temporary member” means a civil service employee who acquired and maintains membership in a temporary civil service position or a permanent civil service position that was temporarily vacant.

“Transfer” means a movement of a civil service employee from the position in which the employee last held a permanent appointment to another position which is assigned to a class:

1. With the same maximum rate of compensation; or
2. In a different salary schedule:
 - (A) With a higher maximum rate of compensation, and the dollar difference between the two maximum rates is less than or equal to the dollar difference between the minimum and second step of the former pay range; or
 - (B) With a lower maximum rate of compensation, and the dollar difference between the two maximum rates is less than or equal to the dollar difference between the minimum and second step of the former pay range; provided that, a rate of five per cent more than the minimum rate of the range shall be deemed equivalent to the second step in the EM schedule; provided further, that a rate of ninety-five per cent of the single rate of a salary schedule with a single rate pay range shall be

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deemed equivalent to the minimum or first step of the pay range.

“Voluntary demotion” means a demotion requested by an employee and granted by the appointing authority.

“Workday” means, normally, a period of eight hours in which a full-time employee is scheduled to perform the employee’s normal day’s work. For full-time employees who work more than eight hours in a day on a straight-time basis, the workday shall be the number of hours the employee is scheduled to perform the employee’s normal work beginning from the time the employee reports to work and ends when the employee leaves work. For scheduling purposes, workday may begin in one day and end on the next day.

IV. SCOPE

These procedures shall apply to personnel actions not provided for by the collective bargaining agreement or executive order applicable to the employee.

The compensation adjustment of an exempt employee who is appointed to a civil service position is addressed in Policy No. 1000.002, Appointment of Exempt Employees to Civil Service Positions.

V. GENERAL PROVISIONS

- A. A new hire shall be compensated for services rendered as of the first day the employee reports to work.
- B. A temporary member who accepts an appointment to another civil service position shall be moved to the new position by appointment and compensated at the minimum step of the new pay range, provided that:
 - 1. If the movement occurs between bargaining units 3, 4, 13, or their excluded counterparts, and the temporary member has at least one year of continuous State service, the compensation shall be adjusted as though the temporary member was promoted, demoted, or transferred.
 - 2. If the appointment is to a position assigned to the EMCP, the compensation shall be determined by the executive order.
- C. An employee who leaves the service after having worked on all scheduled working days for that month shall receive a full month’s compensation.

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- D. An employee who suffers a disabling personal injury arising out of and in the course of employment, shall be credited for a full day's work on the day of the injury, regardless of the time the employee was injured.
- E. An employee who suffers an injury caused by the employee's negligence, willful intention to injure the employee or others, or by the employee's intoxication or because of the influence of non-prescribed controlled substances, shall not have the day of the injury credited as a day of work.
- F. When the effective dates of more than one personnel action coincide, pay adjustments shall be made in the following order:
 - 1. Step movement (if applicable);
 - 2. Negotiated wage increases or wage increases granted by an executive order;
 - 3. Changeover to a new pay schedule;
 - 4. Repricing;
 - 5. Promotion;
 - 6. Reallocation; and
 - 7. Other personnel actions.
- G. An employee who initially was properly compensated following a promotion, the adoption of a new pay schedule, a temporary assignment, pricing or repricing, or any other personnel action affecting pay, shall not be required to make reimbursement when it is found subsequently that an overpayment in salary occurred due to the retroactive feature of a position classification action. However, the proper pay adjustment shall be made as of the first pay period following the date of the notice of action by the director.
- H. When employees with a compression differential (CD) or temporary differential (TD) receive an upward pay adjustment due to a promotion, reallocation, or repricing, the reduction or termination of the differentials shall be made in the following order:
 - 1. Temporary differential.
 - 2. Compression differential.

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I. TEMPORARY DIFFERENTIAL

Employees shall be eligible for temporary differential pay (TD) in the event of a disability demotion, a demotion to avoid layoff, a demotion due to reorganization, a transfer, a reallocation, or a repricing action which results in a lower basic rate of pay.

1. The amount of TD pay shall be the difference between the employee's existing basic rate of pay and the employee's new basic rate of pay.
2. The TD shall not be considered part of an employee's basic rate of pay.
3. The TD shall be reduced by an amount equal to any adjustment in the employee's basic rate of pay due to promotion, upward reallocation, or repricing upward actions. When the adjustment due to these actions is greater than or equal to the TD pay, the TD pay shall be terminated.
4. When an employee with TD pay is demoted or transferred, or whose position is reallocated to a class in the same or lower pay range, the TD shall be continued in the new pay range.

J. COMPRESSION DIFFERENTIAL

Employees who were compensated at a basic rate of pay not on the salary schedule their positions were assigned to, were placed on a step which rate did not exceed their basic rate of pay when the salary schedule was compressed to lesser steps and received the dollar difference as a compression differential (CD).

1. When an employee with a CD is promoted, demoted, or transferred, or whose position is reallocated to a class outside of the bargaining unit, the CD is added to the existing basic rate of pay for the purposes of computing the employee's pay adjustment and is no longer carried with the employee as a differential.
2. When an employee with a CD is demoted, or transferred, or whose position is reallocated to a class in the same or lower pay range within the same bargaining unit, the CD shall be continued in the new pay range.

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3. When a permanent member is released from a new probationary or temporary appointment and returns to the position to which the employee last held permanent appointment, the CD shall be restored as though the employee had remained in the former position continuously.

VI. OTHER COMPENSATION ADJUSTMENTS

Compensation adjustments not expressly provided for by these policies but necessitated by authorized personnel movements or situations relating to the administration of the State civil service and compensation laws shall be made by the director; provided that the adjustments are not inconsistent with the general intent and provisions of the civil service and compensation laws and rules.

VII. PROMOTIONS

The basic rate of pay in the higher pay range for a permanent member who is promoted shall be determined in the following manner:

- A. If the promotion is to a different salary schedule with equal rates of compensation at the corresponding salary ranges and steps, the employee shall be compensated as follows:
 1. For promotions involving a movement of three (3) or less pay ranges, the employee shall be compensated at the corresponding step in the higher pay range.
 2. For promotions involving a movement of more than three (3) pay ranges, the employee shall be compensated at the step in the higher pay range which is equal to the rate for promotions involving three (3) pay ranges. If such rate falls below the minimum step of the higher pay range, the employee shall be compensated at the minimum step.
- B. If the promotion is to a salary schedule with single rate pay ranges, the employee shall be compensated at the single rate in the higher pay range.
- C. If the promotion is to other than a salary schedule with single rate pay ranges, or a different salary schedule with equal rates of compensation at the corresponding salary ranges and steps, the employee shall be compensated at the lowest step in the higher pay range which exceeds the employee's basic rate of pay by five percent. If there is no step in the higher pay range which exceeds the employee's basic rate of pay by at least five per cent, the employee shall be compensated at the maximum

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step in the higher pay range, or at the employee's basic rate of pay, whichever is greater.

- D. A permanent member who is returned to the employee's permanent position after a promotion on a temporary appointment basis or who is released from a new probationary appointment following a promotion shall be compensated as though the employee had remained in the permanent position continuously.

VIII. DEMOTIONS

Compensation adjustments for employees who are demoted shall be made in accordance with this subsection.

- A. A permanent member who is granted a voluntary demotion shall be compensated as follows:
 - 1. If the voluntary demotion is to a different salary schedule with equal rates of compensation at corresponding pay ranges and steps; the employee shall be compensated as follows:
 - a. For voluntary demotions involving a movement of three (3) or less pay ranges, the employee shall be compensated at the corresponding step in the lower range.
 - b. For voluntary demotions involving a movement of more than three (3) pay ranges, the employee shall be compensated at the step in the lower pay range which is equal to the rate for voluntary demotions involving three (3) pay ranges. If such rate falls above the maximum step of the lower pay range, the employee shall be compensated at the maximum step of the lower pay range.
 - 2. If the voluntary demotion is to a salary schedule with single rate pay ranges, the employee shall be compensated at the single rate in the lower pay range.
 - 3. If the voluntary demotion is to other than a salary schedule with single rate pay ranges, or a different salary schedule with equal rates of compensation at corresponding pay ranges and steps, the employee shall be compensated at the highest step in the lower pay range which rate is not greater than ninety-five percent of the

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employee's basic rate of pay. If there is no step in the lower pay range with a rate which is not greater than ninety-five percent of the employee's basic rate of pay, the employee shall be compensated at the minimum step.

4. Upon return to the position in which the employee last held a permanent appointment, a permanent member who is demoted on a temporary appointment basis or who is released from a new probationary appointment following a demotion shall be compensated as though the employee had remained in the permanent position continuously.
- B. The compensation of an employee who receives an involuntary or disciplinary demotion shall be reduced in the following manner:
1. If the demotion is to a salary schedule with single rate pay ranges, the employee shall be compensated at the single rate in the lower pay range;
 2. If the demotion is to other than a salary schedule with single rate pay ranges, the employee's basic rate of pay shall be reduced to the corresponding step in the lower pay range or to any lower step deemed appropriate by the appointing authority. When there is no corresponding step in the lower pay range, the employee's basic rate of pay shall be reduced to the highest step in the lower pay range which rate is not greater than ninety-five percent of the employee's existing basic rate of pay. In no event shall an employee be compensated below the minimum rate in the lower pay range.
 3. Upon release from a disciplinary demotion, an employee shall be compensated as though the employee had remained in the employee's former position continuously.
- C. A permanent member or an employee serving an initial probation appointment who receives a disability demotion because of injuries received while performing the employee's assigned duties and responsibilities shall retain the employee's existing basic rate of pay provided that:
1. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and shall be eligible for temporary differential (TD) pay;

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2. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum rate or the single rate, as applicable, and shall be eligible for temporary differential (TD) pay;
 3. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.
- D. A permanent member who receives a disability demotion other than because of injuries received while performing the employee's duties and responsibilities shall be compensated as provided below:
1. The permanent member who has fifteen or more years of service in the State civil service shall retain the employee's existing basic rate of pay; provided that:
 - a. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and shall be eligible for temporary differential (TD) pay;
 - b. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum step or the single rate, as applicable, and shall be eligible for temporary differential (TD) pay;
 - c. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.
 2. A permanent member with at least five years but less than fifteen years of service in the State civil service shall retain the employee's existing basic rate of pay for a period beyond the effective date of the demotion as provided below:

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| Years of Service | Months of Retention |
|------------------|---------------------|
| 5 | 12 |
| 6 | 14 |
| 7 | 16 |
| 8 | 18 |
| 9 | 20 |
| 10 | 22 |
| 11 | 24 |
| 12 | 26 |
| 13 | 28 |
| 14 | 30 |

- a. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and shall be eligible for temporary differential (TD) pay;
 - b. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum step or the single rate, as applicable and shall be eligible for a temporary differential (TD) pay;
 - c. If the employee's existing basic rate of pay falls below the minimum step of the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate as applicable;
 - d. The basic compensation of a permanent member with less than five years of service in the State civil service or a permanent member whose retention period as prescribed in Section VIII.D.2., has expired, shall be adjusted to the highest step in the lower pay range not exceeding the employee's existing basic rate of pay.
- E. A permanent member who is demoted to avoid being laid off or to fit into a new structure provided for in a reorganization affecting the employee's department shall continue at the employee's existing rate of pay; provided that :

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1. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and shall be eligible for a temporary differential (TD) pay;
2. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum step or the single rate, as applicable, and shall be eligible for temporary differential (TD) pay;
3. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.

IX. TRANSFERS

A permanent member who is transferred shall continue at the employee's existing rate of pay; provided that:

- A. If the employee's existing basic rate of pay falls between two steps of the pay range, the employee shall be compensated at the next lower step. An employee whose compensation is so decreased shall be entitled to retain the difference between the employee's existing basic rate of pay and the adjusted basic rate of pay, and the amount retained shall be considered as temporary differential (TD) pay;
- B. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the maximum step or the single rate, as applicable. An employee whose compensation is so decreased shall be entitled to retain the difference between the employee's existing basic rate of pay and the adjusted basic rate of pay, and the amount retained shall be considered as temporary differential (TD) pay;
- C. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.

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X. INTER-JURISDICTIONAL MOVEMENTS

The compensation of a permanent member of another jurisdiction moving to the state, other than through an exchange, shall be in accordance with the procedures governing promotion, transfer or voluntary demotion.

XI. HIRING ABOVE THE MINIMUM

An employee who is selected through an open competitive recruitment which permits hiring above the first step of the pay range may be compensated at a rate determined by the Employer upon the employee's appointment from the open competitive list; provided that if the employee is a permanent member, the amount the permanent member will receive is not less than the amount the employee would have received if promoted, voluntarily demoted or transferred.

XII. REALLOCATIONS

A. The compensation of an employee whose position is permanently or temporarily reallocated upward shall be adjusted in the same manner as a promotion.

1. If the reallocation upward is retroactive in its effect, employees who previously occupied the position within the period covered by the retroactive date shall be entitled to receive retroactive pay adjustments provided the director determines that the employee:
 - a. met the minimum qualifications for the position at the higher class, and
 - b. did perform the duties of the position at the higher classification.
2. Pay adjustments as provided for by subsection XII.A.1, shall not apply to employees who were hired on 89-day non-civil service appointments or who were hired at a rate above the minimum pay rate within the period covered by the retroactive effective date of the position reallocation. The director shall determine the proper pay rate in the higher pay range.
3. Upon return to the original classification of the employee's position after a temporary reallocation upward, the employee shall be compensated at the rate the employee would have received were it not for the temporary reallocation.

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- B. The compensation of an employee whose position is permanently or temporarily reallocated downward shall be adjusted in the following manner:
1. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and shall be eligible for temporary differential (TD) pay.
 2. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum step or the single rate, as applicable, and shall be eligible for temporary differential(TD) pay.
 3. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.
 4. Upon return to the original classification of the employee's position after a temporary reallocation downward, the employee shall be compensated at the rate the employee would have received were it not for the temporary reallocation.

XIII. REPRICING

- A. Employees whose positions are in a class repriced to a higher pay range shall be compensated as though a promotion had been made.
- B. Employees whose positions are in a class repriced to a lower pay range shall retain the employee's existing basic rate of pay; provided that:
1. If the employee's existing basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the next lower step and be eligible for temporary differential (TD) pay.
 2. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges in the lower pay range, the employee shall be compensated at the maximum step or the single rate, as applicable, and shall be eligible for temporary differential (TD) pay.
 3. If the employee's existing basic rate of pay falls below the minimum step or the single rate of a salary schedule with single rate pay

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ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.

XIV. TEMPORARY ASSIGNMENT

A. Compensation for temporary assignment shall be allowed under any one of the following circumstances:

1. The incumbent of the position is temporarily not available to perform the duties of the employee's position;
2. The incumbent of the position is also serving on a temporary assignment;
3. A vacant position is being recruited for or until the selected applicant reports to duty. The temporary assignment shall not exceed one hundred twenty working days. However, when circumstances warrant additional periods of temporary assignment, the director may grant temporary assignment beyond the initial period of one hundred twenty working days; provided that each additional period does not exceed sixty working days and that the total duration of the temporary assignment does not exceed twelve months.

B. Compensation for temporary assignment shall be as follows:

1. Except as provided in subsection (C) below, the basic rate of pay of an employee who performs temporary assignment involving a higher position or higher rate of pay shall be adjusted as though a promotion had been made; except that, any compression differential or temporary differential which the employee is receiving shall not be added to the basic rate of pay, but shall be retained by the employee while performing the temporary assignment.
2. An employee who performs a temporary assignment involving a position in the same or lower rate of pay shall continue to be compensated at the employee's existing basic rate of pay, prior to the temporary assignment; provided that, if the employee's existing basic rate of pay falls below the minimum step the employee shall be compensated at the minimum step.
3. An employee who performs a temporary assignment to a position for which an adjusted entry rate has been prescribed by the director, and

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whose basic rate of pay when adjusted under paragraph (1), is below the adjusted entry rate, shall be entitled to an additional amount of compensation. The additional amount of compensation shall be the difference between the employee's basic rate of pay and the adjusted entry rate prescribed by the director. This difference, to be referred to as a temporary assignment differential (TAD), shall not be considered as part of the employee's base pay and shall end upon the completion of the temporary assignment.

- C. Compensation adjustments shall not be provided for the following:
1. An employee whose position includes assuming the duties and responsibilities of the employee's superior in the absence of the superior and which assignment is recognized in the employee's position classification and pricing.
 2. An employee who performs duties in accordance with the terms of a formal training agreement entered into with the employee's department head and approved by the director.

XV. CHANGES IN BARGAINING UNIT

Whenever a position is moved from one bargaining unit to another without a change in classification or pay range assignment, the employee occupying the position shall continue to receive the employee's existing basic rate of pay; provided that:

- A. If the employee's existing basic rate of pay falls between two steps of the pay range, the employee shall be compensated at the next lower step. An employee whose compensation is so decreased shall be entitled to retain the difference between the employee's existing basic rate of pay and the adjusted basic rate of pay, and the amount retained shall be considered as temporary differential (TD) pay.
- B. If the employee's existing basic rate of pay falls above the maximum step or the single rate of a salary schedule with single rate pay ranges, the employee shall be compensated at the maximum step or the single rate, as applicable. An employee whose compensation is so decreased shall be entitled to retain the difference between the employee's existing basic rate of pay and the adjusted basic rate of pay and the amount retained shall be considered as temporary differential (TD) pay.

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- C. If the employee's basic rate of pay falls below the minimum step or the single rate of a of a salary schedule with single rate pay ranges, the employee shall be compensated at the minimum step or the single rate, as applicable.

XVI. AUTHORITY

§14-1-3(G), Subchapter 1, Title 14, Chapter 1, State of Hawai'i Human Resources Rules, *General responsibilities of director*.

§14-1-15, Subchapter 2, Title 14, Chapter 1, State of Hawai'i Human Resources Rules, *Definitions*.