

FLEXIBLE HIRING RATES – Pilot Project

Excluded Managerial Compensation Program (EMCP)

A. Policy

Although civil service appointments are made typically at the minimum rate of the applicable salary range, there are circumstances under which a higher salary may be appropriate.

Under this flexible hiring rates pilot project, civil service appointments for EMCP positions may be made by the appointing authority up to 12% above the minimum of the salary range¹ based on the applicant's excess creditable experience.

B. Rationale

To enable programs the option and flexibility to recruit and hire more experienced professionals by permitting more competitive pay ranges for hiring.

C. Definitions under this policy

Class of Work – A group of positions that reflect sufficiently similar duties and responsibilities such that the same title and the same pay range may apply to each position allocated to the class.

Equity Adjustment – A pay adjustment that may be used at the discretion of the appointing authority to match the base pay (and shortage differential (SD), if applicable) of an existing employee to the base pay (and SD, if applicable) of the individual appointed under the flexible hiring rates policy (see *Equity Adjustments for Existing Employees* on page 4-5).

Excess Creditable Experience – Years of minimum requirement experience that is left after the qualifying minimum requirements and selective certification requirements (if applicable), have been deducted.

Maximum Authorized Hiring Rate – The highest rate that the appointing authority may authorize based on the applicant's excess creditable experience and the guidelines in *Placement on the Salary Range* on page 3.

Retention Adjustment – A pay adjustment that may be used at the discretion of the appointing authority to counteroffer and match the base pay (and SD, if applicable) of an official written job offer that the employee has received under the flexible hiring rates policy. The job offer must be in the employee's existing class of work (see *Retention Adjustments under the Flexible Hiring Rates Program* on pages 5-6).

D. Scope

This policy shall apply to State civil service appointments in the executive branch under the administration of the Department of Human Resources Development (DHRD).

E. PROCEDURES

- 1. Eligibility** – EMCP civil service appointments only.

¹ Rounded down to the nearest dollar.

2. Recruitment -

Open-Competitive Recruitments – Eligible positions will be advertised from the salary range minimum to the rate that does not exceed 12% above the minimum of the salary range. The following statement should be included on flexible hiring rates job announcements: Hiring rates will be based on availability of funds, the applicant's qualifications, and other relevant factors.

Internal Vacancy Announcements – For recruitments under this policy, a statement that the position is eligible for hiring under the flexible hiring rates policy should be specified on the announcement along with the applicable EM level.

3. Interviews - Applications will be screened and individuals interviewed in the customary manner.

Since selection and pay will be based on the information submitted by the applicant and responses provided during interviews, it is very important that a structured interview be conducted and each applicant is asked and evaluated on the same questions.

4. Selection – When a selection is made, the manager *may* recommend to the appointing authority that the applicant be appointed above the minimum. The appointing authority makes the final decision based on the recommendation.

a. Making the Pay Decision

When making a pay decision, the following factors should be considered:

- The individual's work experience, education, training, knowledge, skills, abilities, expected competencies and performance. These factors should enable the applicant to perform the job with minimal training.
- The applicant's experience should be compared to the experience of existing employees in similar positions within the relevant work unit (see *Consider the pay of existing employees*, page 4)
- The applicant must have excess creditable experience. "Excess creditable experience" means years of minimum requirement experience that is left after the qualifying minimum requirements and selective certification requirements (if applicable), have been deducted.

Appointment above the minimum is discretionary. The appointing authority is not required to appoint any applicant above the minimum even when the applicant qualifies for hiring under the flexible hiring rates policy. The appointing authority may also elect to appoint the applicant at a rate lower than the maximum authorized hiring rate under this policy (see *Placement on the Salary Range*). The basis for appointing at any rate under this policy must be documented on the HRD 395c form.

The department/program must be able to accommodate the added cost within its existing and expected future budgets with no additional funds.

Pay decisions shall comply with all federal and state laws regarding pay and non-discrimination practices.

b. Placement on the Salary Range

- 1) Determine the applicant's years of excess creditable experience as follows:
 - Identify all years of experience that can be used to meet the minimum requirements and selective certification requirements (if applicable).
 - Deduct the years of experience required to meet the minimum requirements and selective certification requirements (if applicable).
 - The resulting years is the excess creditable experience.

Experience shall be prorated if the individual performed the excess creditable experience on a part-time basis.

Substitution: Direct relevant education, training, or certification in excess of the minimum requirements and selective certification, if applicable, may be used to substitute for up to one year of experience.

- 2) Calculate 12% above the minimum of the salary range as follows:

Salary range minimum x 1.12 (round down to the nearest dollar)

- 3) Based on the applicant's years of excess creditable experience, the appointing authority may hire the applicant up to the maximum authorized hiring rate.

The maximum authorized hiring rate shall be calculated using the following formula, provided the result is not greater than 12% above the minimum of the salary range.

$$\text{Salary range minimum} + \left[\frac{\text{EMCP WIRP amount for the applicable salary range}}{\text{range}} \times \text{Years of excess creditable experience}^2 \right]$$

If the result is greater than 12% above the minimum of the salary range, the maximum authorized hiring rate shall be at 12% above the minimum of the salary range.

Note: If the position is on shortage, the appointment under the flexible hiring rates policy will include the applicable SD. The SD shall be calculated according to the formula in the *Shortage Positions* section on page 4 of this policy.

Exceptions to these guidelines may be made upon written request and approval by the Department of Human Resources Development Director. However, in no circumstance shall an employee be hired above the maximum authorized hiring rate under this policy.

²Rounded down to the nearest whole number.

c. Compensation Adjustments for Transfers and Promotions

Compensation adjustments for movements of existing employees are promulgated in executive orders, rules, or policies and procedures.

However, on transfers and promotions, the pay of an existing employees may also be adjusted at the discretion of the appointing authority, up to the maximum authorized hiring rate under the guidelines of the flexible hiring rates policy; provided the employee meets the eligibility criteria and has excess creditable experience and the amount the employee receives shall not be less than the amount the employee would have customarily received if compensated according to existing compensation adjustment language in the applicable executive order, rules, or policies and procedures.

Shortage Positions

For movements under the flexible hiring rates policy to an EMCP shortage position, use the following formula to calculate the new SD:

$$\left[\frac{(\text{Max} * (\text{New Base} - \text{Min})) + (\text{NES} * (\text{Max} - \text{New Base}))}{\text{Max} - \text{Min}} \right] - \text{New Base}$$

Add the calculated new SD to the employee's new base pay. If the result is less than the total compensation (TC), or base pay + SD, when determined by the applicable compensation adjustment language, the employee's pay shall not be adjusted under the flexible hiring rates policy. Their pay shall be determined according to the applicable compensation adjustment language instead.

d. Consider the Pay of Existing Employees

It is strongly recommended that the TC (base pay + SD, if applicable) shall not exceed the TC of an existing employee in a comparable position with similar or greater experience, education, training, knowledge, skills, abilities and competencies. Inequities in pay can have a serious impact on the morale of existing employees and may affect the State's ability to retain them.

If the TC of an individual to be appointed under the flexible hiring rates policy exceeds the TC of an existing employee with a similar or greater background, the pay of the existing employee *may* be adjusted to match the pay of the individual appointed under the flexible hiring rates policy, see *Equity Adjustments for Existing Employees*.

5. Equity Adjustments for Existing Employees

An equity adjustment is a pay adjustment that *may* be used at the discretion of the appointing authority to match the base pay (and SD) of an existing employee to the base pay (and SD) of the individual appointed under the flexible hiring rates policy.

At a minimum, the following conditions must be met in order for an employee to be eligible for an equity adjustment:

- The existing employee's background must be similar or greater than the individual hired under the flexible hiring rates policy (i.e., experience, education, training, knowledge, skills, abilities and competencies).
- The positions must be in the same class of work and shortage group (if applicable).
- The positions must be comparable.
- The positions must be in the same relevant work unit.

Approval of any pay adjustment shall be at the discretion of the appointing authority and must be funded within the department's existing budget.

Equity adjustments for existing employees must be effective within 6 months on or after the appointment date of the individual in the comparable position, and shall not be retroactive.

Equity adjustments for other employees shall not be permitted to match an employee receiving the retention adjustment (see *Retention Adjustments under the Flexible Hiring Rates Program*).

6. Retention Adjustments under the Flexible Hiring Rates Program

A retention adjustment is a pay adjustment that *may* be used at the discretion of the appointing authority, to counteroffer and match the base pay (and SD) of an official job offer that the employee has received under the flexible hiring rates policy. The new SD of the existing employee shall be calculated using the formula on page 4 under *Shortage Positions*.

In general, retention adjustments should be used sparingly for employees who are in key positions and/or outstanding performers. When considering a retention adjustment, managers should try to determine the reason the employee sought other employment. When employees are seeking employment for financial reasons and a counteroffer is made, the likelihood that the employee will stay for an extended period of time is higher than if the employee is leaving for other reasons, such as not getting along with their supervisor, being unhappy with the job, etc. In the latter cases, if a retention adjustment is granted, the employee may eventually leave, unless the underlying issues are addressed and resolved. If the issues cannot or will not be addressed, a retention adjustment may not be appropriate.

At a minimum, the following conditions must be met in order for an employee to be eligible for a retention adjustment:

- The job offer must be documented in an official offer letter with the hiring rate.
- Counteroffers can only be made for job offers within the State jurisdiction under the administration of the DHRD.
- The job offer must be for a position in the same class of work and shortage group (if applicable) as their existing position.

Approval of any pay adjustment shall be at the discretion of the appointing authority and must be funded within the department's existing budget.

Retention adjustments shall be effective within 1 month after the counteroffer and shall not be retroactive.

Equity adjustments for other employees shall not be permitted to match an employee receiving the retention adjustment.

7. **Documentation** – All appointments or adjustments under this policy shall be documented on the HRD 395c form, *Flexible Hiring Rates – Pilot Project (EMCP)* and a signed copy shall be sent to the Compensation Branch, Department of Human Resources Development.

The manager, in conjunction with the appointing authority and personnel office is responsible for ensuring that the pay rate offered to the candidate is reasonable. The pay of existing employees with similar or greater backgrounds in comparable positions in the relevant work unit shall be given serious consideration before a pay rate is recommended.

8. **Coding in HRMS (Human Resources Management System)** –When inputting the transaction in the personnel transaction module of HRMS, the applicable action/reason code for flexible hiring rates should be used.
9. **Project Evaluation** – Departments utilizing flexible hiring rates will be required to complete a questionnaire developed by the Department of Human Resources Development (HRD) to evaluate the effectiveness of the project.

F. Authorities and References

§76-5, Hawaii Revised Statutes, *Alternatives in providing human resources program services*
§76-13, Hawaii Revised Statutes, *Specific duties and powers of director*
§76-22.5, Hawaii Revised Statutes, *Recruitment*

G. Attachment

HRD 395c: *Flexible Hiring Rates – Pilot Project (EMCP)*