

<b>STATE OF HAWAII</b> <b>DEPARTMENT OF HUMAN RESOURCES</b> <b>DEVELOPMENT</b> <b>POLICIES AND PROCEDURES</b>	POLICY NO. 201.009 ECCD/Comp	NO. of PAGES 9 2 Attachments
	EFF. DATE 10/22/14	REV.NO./Date
TITLE: <b>FLEXIBLE HIRING RATES (FHR) – BU 13          INDEPENDENT WORKER LEVEL &amp; ABOVE          and EXCLUDED MANAGERIAL          COMPENSATION PROGRAM (EMCP)</b>	APPROVED:  Barbara A Krieg, Director	

**I. POLICY**

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

Civil service appointments for BU 13 at the independent worker level and above, their excluded counterparts, and EMCP positions may be made by the appointing authority up to 18% above the minimum of the salary range<sup>1</sup> based on the applicant's excess creditable experience (BU 13 – up to Step G, currently).

**II. RATIONALE**

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

**III. 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.

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

**Independent Worker Level** – Independently performs professional work that is not at a trainee level.

**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 4.

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<sup>1</sup> Rounded down to the nearest dollar.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

**IV. SCOPE**

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

**V. PROCEDURES**

- 1. Eligibility** – BU 13 independent worker level and above, their excluded counterparts, and EMCP civil service appointments only.

The FHR Policy shall not be used solely for the purpose of giving an employee a pay raise in their position, i.e., an employee shall not be appointed to another position so the employee can reapply to his/her recently vacated position at a higher rate of pay.

- 2. Recruitment -**

Open-Competitive Recruitments – Eligible positions will be advertised by HRD from the salary range minimum to the highest step/rate that does not exceed 18% above the minimum of the salary range. The following statement should be included on FHR job announcements: Hiring rates will be based on availability of funds, the applicant's qualifications, and other relevant factors.

For EMCP ONLY: Internal Vacancy Announcements, Interdepartmental and Intradepartmental Recruitments – For EMCP recruitments under this policy, a statement that the position is eligible for hiring under the FHR policy should be specified on the announcement along with the applicable EM level. (Note: FHR shall not be used for BU 13 positions filled through internal vacancy announcements, interdepartmental recruitments or intradepartmental recruitments.)

- 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.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

4. **Selection** – When a selection is made, the supervisor/manager *may* recommend to the appointing authority that the applicant be appointed above the minimum pay rate. 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 6).
- The applicant must have excess creditable experience as described in the *Definitions Under This Policy*, page 1.

Appointment above the minimum is discretionary. The appointing authority is not required to appoint any applicant above the minimum pay rate even when the applicant qualifies for hiring under the FHR policy. The appointing authority may also elect to appoint the applicant on a step lower than the maximum authorized hiring step under this policy (see *Placement on the Salary Range*). The basis for appointing an applicant on any step above the minimum of the salary range under this policy must be documented on the HRD 395c for EMCP and HRD 395d for BU 13 at the independent worker level and above.

- 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.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

**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/or 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 the applicant's maximum authorized hiring rate and shortage differential (if applicable).

If the position is being filled by an existing employee, the employee shall not receive less than the compensation adjustment for the applicable personnel action (e.g., transfer or promotion).

- a) Bargaining Unit 13 (Independent Worker Level and Above)

Based on the applicant's years of excess creditable experience at the independent worker level or above, the appointing authority may place the applicant up to the applicable step following these guidelines.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

<b>Years of Excess Creditable Experience</b>	<b>Maximum Authorized Hiring Rate</b>
< 2 years	Step C
2 to less than 4 years	Step D
4 to less than 6 years	Step E
6 to less than 9 years	Step F
9 to less than 12 years	Step G

Note: If the position is on shortage, the employee shall also receive the shortage differential (SD) for the applicable step of the pay range.

b) EMCP

Calculate 18% above the minimum of the salary range as follows:

Salary range minimum x 1.18 (round down to the nearest dollar)

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 18% above the minimum of the salary range.

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

If the result is greater than 18% above the minimum of the salary range, the maximum authorized hiring rate shall be at 18% above the minimum of the salary range.

<sup>2</sup>Rounded down to the nearest whole number.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

Note: If the position is on shortage, the employee shall also receive the applicable SD. Use the following formula to calculate the SD:

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

- 3) 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.

**c. Consider the Pay of Existing Employees**

It is strongly recommended that the total compensation (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.

*For EMCP Only:* If the TC of an individual to be appointed under the FHR 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 FHR policy, see *Equity Adjustments for Existing Employees*.

**5. For EMCP Only: 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 FHR 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 FHR policy (i.e., experience, education, training, knowledge, skills, abilities and competencies).

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

- 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 of 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 FHR Policy*).

**6. For EMCP Only: Retention Adjustments under the FHR Policy**

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 FHR policy. The new SD for the existing employee shall be calculated using the formula on page 6 under *EMCP*.

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:

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL & ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

- 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 HRD.
- 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 under this policy shall be documented on the HRD 395c form *Flexible Hiring Rates (EMCP)* or HRD 395d form, *Flexible Hiring Rates (BU 13 Independent Worker Level and Above)* and a signed copy shall be sent to the Compensation Branch, Department of Human Resources Development.

The hiring 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 codes for FHR must be used.

## **VI. BACKGROUND**

This policy and procedure supersedes the HRD memorandum, Hire Above the Minimum Pilot Project for Information Technology Specialist IV, V and VI Positions dated September 1, 2006 and Departmental Circular 13-03, Guidelines for the Flexible Hiring Rates Pilot Project for Bargaining Unit 13 (BU 13) Independent Worker Level and Above and Excluded Managerial Compensation Program (EMCP) dated April 12, 2013.

**FLEXIBLE HIRING RATES (FHR) – BU 13 INDEPENDENT WORKER LEVEL &  
ABOVE and EXCLUDED MANAGERIAL COMPENSATION PROGRAM (EMCP)**

**POLICY NO. 201.009 (Eff. 10/22/14)**

**VII. 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*

**VIII. ATTACHMENTS**

HRD 395c: *Flexible Hiring Rates (EMCP)*

HRD 395d: *Flexible Hiring Rates (BU 13 Independent Worker Level and Above)*