

 <p style="text-align: center;"><b>STATE OF HAWAII</b>  <b>DEPARTMENT OF HUMAN RESOURCES</b>  <b>DEVELOPMENT</b>  <b>POLICIES AND PROCEDURES</b></p>	POLICY NO. 201.010 ECCD/Comp	NO. of PAGES 13 5 Attachments
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TITLE: <b>COMPENSATION PROGRAMS FOR          EXCLUDED MANAGERIAL          COMPENSATION PLAN EMPLOYEES</b>	APPROVED: <i>James K Nishimoto</i> James K. Nishimoto, Director	

**I. POLICY**

The Department of Human Resources Development (DHRD) salary matrix may be used for civil service appointments to Excluded Managerial Compensation Plan (EMCP) positions. EMCP employees may also be eligible for the following in-grade compensation adjustments - professional growth, retention, and internal alignment. All appointments above the minimum entry rate, in-grade adjustments, and performance bonuses for exceptional performance rating are at the discretion of the appointing authority.

**II. RATIONALE**

Subject to the availability of funds, this policy provides departments with the flexibility to offer competitive salaries with compensation tools to attract and retain highly qualified EMCP employees.

**III. SCOPE**

This policy shall apply to civil service EMCP appointments, positions, and employees in the executive branch under the jurisdiction of the DHRD.

**IV. GENERAL PROVISIONS**

- A. For purposes of this policy, “pay grade” shall correspond to ALL EMCP salary ranges (e.g., EM01-ES03, LHB2, LHC2)
- B. All current and future costs associated with the EMCP compensation programs shall be accommodated from existing program budget allocations and shall not require or serve as the sole basis for future supplemental program budget requests. Funding shall be the responsibility of the program. Certification of availability of funds is required.
- C. All salary matrix decisions and in-grade adjustments are discretionary. Approvals and disapprovals shall be at the discretion of the appointing authority and shall not be subject to the internal complaint/Merit Appeals Board process.
- D. Compensation Programs
  - 1. Hiring Rates, Transfers, and Promotions
    - a. Recruitment - Eligible positions shall be advertised from the pay grade minimum to the maximum of the applicable salary range.

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The following statement should be included on job announcements:  
*Hiring rates will be based on availability of funds, the applicant's qualifications, and other relevant factors.*

- b. The hiring pay practice shall be competitive and adjustable. The appointing authority may authorize a hiring rate from the minimum entry rate up to the salary matrix amount as determined by the salary matrix points. The DHRD salary matrix is used to rate the individual with points given for three factors – education, work experience and work performed. A salary matrix schedule takes the total points for all three factors and determines the salary matrix amount in the applicable pay grade.
- c. In exceptional cases, the hiring manager may request to make an offer beyond the salary matrix amount provided it does not exceed the pay grade maximum.<sup>1</sup> This may occur when it has been determined that the salary matrix points/amount does not adequately account for the individual's credentials, as evidenced by appropriate documentation. Credentials must be above and beyond what has already been taken into consideration when the salary matrix points were assigned.
- d. Transfers and Promotions - At the discretion of the appointing authority, the pay for an existing civil service employee who is transferred or promoted to a vacant EMCP position, may be determined using the salary matrix, provided the salary 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.

If the employee who is transferred or promoted has one or more existing in-band amounts, the in-band amounts shall be added to the existing basic rate of pay provided that the total compensation does not exceed the maximum<sup>1</sup> of the pay grade.

- e. When determining the candidate's pay, the hiring department/agency shall consider the following:

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<sup>1</sup> For employees receiving a shortage differential (SD), their total compensation (TC = base pay + SD) shall not exceed the maximum of their pay grade (or raised maximum rate (RMR), if applicable). If the employee's TC exceeds the maximum (or RMR), the employee's SD shall equal the difference between the maximum (or RMR) minus the employee's new base pay.

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- 1) Value of the job to the organization;
  - 2) The individual's experience, training, knowledge, skills, abilities and competencies that are relevant to the department/agency's operations and needs;
  - 3) Availability of funds; and
  - 4) Other existing employees in similar situations within the relevant work unit.
- f. The hiring rate shall not exceed the maximum<sup>1</sup> of the applicable pay grade.
- g. The effective date shall be no earlier than the appointing authority's approval date on the salary matrix form.
- h. The Departmental Human Resources Officer (DHRO) shall keep the following documentation on file for three years:
- 1) A copy of the position vacancy announcement.
  - 2) The completed salary matrix form.
  - 3) The selectee's completed application.
  - 4) Documentation confirming that the appropriate process was followed, such as copies of email notifications and responses; other correspondence that reflects the name of the affected individual, position number, class title, and pay grade; organizational location, and proposed pay rate.
  - 5) Other relevant documentation to support the request.
- i. A salary matrix form is not required when a selectee is hired at the minimum entry rate.
2. Professional Growth In-Grade Adjustment
- a. Effective October 1, 2017, a four percent (4%) professional growth in-grade adjustment (rounded to the nearest dollar), not to exceed the maximum<sup>1</sup> of the applicable pay grade, may be authorized by the appointing authority for increased scope and complexity of work, and increased competencies.

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- b. Employees must have 6 months of service in the current position and have a minimum overall performance rating of meets expectations during the current or immediately preceding rating period to be eligible for a professional growth in-grade adjustment.
- c. Permanent professional growth in-grade adjustments shall be limited to one every 12 months from the last professional growth in-grade adjustment or reallocation. However, certain professions, such as Information Technology, that require rapidly developing knowledge, skills, and abilities may be authorized for one in-grade adjustment every 6 months from the last professional growth in-grade adjustment. Requests for approval to authorize professional growth in-grade adjustments every 6 months for a specific career group shall be made to the DHRD Director.
- d. Increased Scope and Complexity of Work
  - 1) This adjustment is for employees whose scope and complexity of work has expanded, but remains characteristic of their existing pay grade.

It may be used when there is a significant change in responsibilities, an addition to the predominant duties of the position, or a new significant function is added and documented in the employee's official position description. The significant change must be substantial as demonstrated in an increase in the accountability; critical thinking; problem solving; decision making; knowledge, skills, and expertise; and/or communications of the employee. See Attachment A for additional guidelines.

- 2) The employee must have gained and demonstrated competency in the new duties. The employee is not eligible for an in-grade adjustment during the learning period.
- 3) An increase in workload shall not be the basis for an in-grade adjustment.
- 4) A revised position description is required to document the significant changes in the duties and responsibilities of the position that reflect the expanded scope and complexity of work.

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The authority to allocate positions to and/or from classes in the EMCP is currently not delegated to employing departments. Since January 1, 2016, departments were delegated authority to take classification actions on EMCP positions only when the action is for the purpose of documenting changes to duties and responsibilities for a professional growth in-grade adjustment, where there is no change in classification of the positions.

Additionally, as the central human resources agency, DHRD continues to be responsible for communicating with the unions regarding bargaining unit (BU) exclusions and transfers. However, effective January 1, 2016, departments were delegated authority to approve the continued BU exclusion of existing EMCP positions when:

- The position description has been redescribed for the purpose of documenting changes to duties and responsibilities for an in-grade adjustment;
  - Continued BU exclusion is based on the same reasons and criteria in the 1994 BU Bright Lines Agreement that were the basis for the initial BU exclusion; and
  - The union concurred with the initial BU exclusion.
- 5) Effective Date of the Award - The effective date shall be the first day of the pay period immediately following the date of the receipt of the redescription by the personnel office (PO). An earlier effective date may be authorized by the appointing authority when deemed equitable. Such retroactive effective date shall not be earlier than one year prior to the beginning of the pay period immediately following the date of receipt of the redescription. Whenever a request is made for a retroactive date, appropriate justification in sufficient detail must be submitted to support the request including the reason for the delay in submitting the redescription.
- e. Increased Competencies
- 1) This adjustment is for employees who have demonstrated professional growth on an on-going basis in increased skills, knowledge, abilities, etc.

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- 2) Consideration may be given to the attainment of additional training or certification relevant to the area of professional specialization where the employee demonstrates application of the newly gained professional skills, knowledge and expertise in the performance of his/her duties and responsibilities.
  - 3) Effective Date of the Award - The effective date shall be the first day of the pay period immediately following the date of the appointing authority's approval.
- f. Temporary Professional Growth In-Grade Adjustment
- 1) A temporary professional growth in-grade adjustment may be made for the increased scope and complexity of work and/or increased competencies.
  - 2) Temporary professional growth in-grade adjustments may be requested for a specified period up to one year. For increased scope and complexity of work, the position shall revert back to its previous position description at the end of the temporary adjustment period.
  - 3) The beginning and ending effective dates shall conform to the dates the temporary duties were actually assigned, assumed, and subsequently removed; provided for increased scope and complexity, the beginning effective date shall be no earlier than 90 calendar days prior to receipt of the redescription by the departmental PO.
  - 4) A temporary professional growth in-grade adjustment may be extended, but shall not exceed a total period of two years. Justification for extension beyond the first year shall be provided by the agency to the appointing authority for review and approval prior to the end of the first year.
3. Retention Adjustment
- a. Effective October 1, 2017, a retention adjustment may be authorized by the appointing authority, not to exceed the maximum<sup>1</sup> of the applicable pay grade, to retain a key employee who has received a bona fide job offer and whose knowledge, skills, abilities and competencies are critical to the department's operations.

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- b. When considering the amount of the retention adjustment, the program shall consider the employee's existing position in relation to compensation in the market, if available, for similar positions. The program shall also consider such factors as the pay of employees in comparable positions in the work unit, with similar or greater experience, education, training, knowledge, skills, abilities and competencies.
- c. The bona fide job offer must be in writing and include the salary information.
- d. The counteroffer shall not exceed the job offer or the maximum<sup>1</sup> of the employee's pay grade.
- e. The employee must have at least a satisfactory performance rating for the last evaluation period.
- f. Internal Competitive Salary Offer -  
In the case of a written employment offer from another state department/agency in the executive branch under the jurisdiction of DHRD, there can be only one counteroffer made by the employee's current department/agency for a job with a higher salary within the same or higher pay grade, provided the counteroffer shall not exceed the existing pay grade maximum<sup>1</sup>.  
  
If an employee moves to a new department/agency but then decides to return to the original agency, the appointing authority has the discretion to return the employee to his/her former position at the former salary, at the counteroffer salary made by the original agency, or at the salary offered by the other state department/agency; provided it is within 30 calendar days of the date the employee moved to the other State department/agency.
- g. External Competitive Salary Offer -  
In the case of a written employment offer from an organization outside of the State, the department/agency may make a counteroffer to the employee. \*Note that the State calculates pay on a monthly basis so if the offer is made on an annual basis, the counteroffer should be evenly divisible by 12 months (no cents).
- h. Internal alignment adjustments for other employees shall not be permitted to match an employee who receives a retention in-band adjustment.

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- i. Effective Date of the Award – The retention adjustment shall be effective on the first day of the pay period immediately following the date of the appointing authority’s approval.
- j. The retention adjustment recommendation must include the following:
  - 1) A bona fide job offer letter with the salary offer from another employer and any other pertinent documentation reflecting a valid job offer;
  - 2) An analysis of the impact of the retention adjustment on the program’s budget and operations;
  - 3) A description of contributions made by the employee and benefit to the program/department/State in retaining the employee, including employee’s bona fide occupational qualifications, special expertise, skill or knowledge that is critical to the operation of the program and an analysis of the impact on and consequence to the program should the employee terminate employment with the State;
  - 4) An analysis of the impact of the retention adjustment on employees in comparable positions requiring the same bona fide occupational qualification, special expertise, skill or knowledge;
  - 5) An analysis of the relevant salary and benefits data, if available, for similar positions in the market compared to the State and the identification of anticipated difficulties in securing a qualified replacement, if the retention adjustment is not granted;
  - 6) A copy of the employee’s latest performance evaluation from the immediately preceding rating period;
  - 7) Certification of the availability of funds and compliance with applicable equal employment laws, rules, regulations and policies; and
  - 8) Any other relevant information or arguments in support of the request.



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4. Internal Alignment Adjustment
  - a. Effective October 1, 2017, internal alignment adjustment(s) may be authorized by the appointing authority, not to exceed the maximum<sup>1</sup> of the applicable pay grade, to adjust the pay rates of one or more existing employees when it is determined that the employees' rates of pay are significantly less than one or more employees in the same or lower pay grade who have similar responsibilities. Compensation adjustments shall be based on a comparison of the employees' education, training, experience, knowledge, skills, abilities and competencies.
  - b. A program may request a salary review from the DHRO, who shall consult with the appointing authority and the departmental EEO office, if applicable. In conducting the review, the DHRO shall evaluate relevant employee data. The departmental EEO office shall provide guidance and advice on the conduct and data analysis.
  - c. Generally, the proposed internal alignment in-grade adjustment + existing salary (including SD, if any) of one or more employees, should not exceed the salary (including SD, if any) of other employees in comparable and relevant positions in the same or lower pay grade.

Exceptions may be granted by the appointing authority in consultation with the DHRD Director with documented justification on the internal alignment form. Exceptions shall not exceed 10% above the salary of one or more employees in comparable and relevant position(s).
  - d. Internal alignment adjustments for other employees shall not be permitted to match an employee who received a retention in-band adjustment.
  - e. Employees must have at least a satisfactory performance rating for the last evaluation period.
  - f. An analysis of the impact on and consequences to the program should the salary of one or more employees remain the same.
  - g. Effective Date of the Award – Internal alignment adjustments shall be effective on the first day of the pay period immediately following the date of the appointing authority's approval.

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h. The internal alignment adjustment recommendation shall include the following analysis of the existence of salary inequities between the subject employee(s) and other(s) in comparable and relevant positions with comparable backgrounds and competencies:

1) Quantitative Analysis:

- Salaries and pay grade
- Employees' years of service in the State or in the EMCP
- Education level of employees
- Relevant work experience of employees (number of years, type and quality)
- Other qualification requirements of employees
- Any approved salary matrix rates and in-grade adjustment of employees
- The employees' job performance
- Proposed internal alignment adjustment

2) Qualitative Analysis:

- An analysis to determine if there is a basis for the request, e.g., difference(s) between jobs, hiring rates, compensation adjustments, etc., which can explain the difference(s) in salaries

5. Performance Bonus

- a. Effective October 1 of each year, Employees employed on October 1, who receive an overall evaluation of "Exceptional" on their annual EMCP Performance Evaluations for the immediately preceding fiscal year, may receive a one-time lump sum bonus of two percent (2%, rounded to the nearest dollar) of their June 30 annual basic rate of pay. The bonus shall not increase the Employees' base pay.
- b. The Employee must have occupied an EMCP position for at least six months of the applicable July 1 to June 30 evaluation period to be eligible for the performance bonus.
- c. If the Employee occupied an EMCP position for at least six months, but less than twelve months, the bonus shall be prorated on the basis of the number of whole months (drop fractions of a month) the Employee occupied an EMCP position.

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- d. If the Employee was compensated at different EMCP salary ranges during the evaluation period, the amount of the bonus shall be prorated based on the highest salary at each level, based upon the number of months at each level. In the event of the fractions of a month, round to the nearest whole month, not to exceed a total of twelve months.
- e. The bonus shall not be applied to Employees retroactively reallocated to EMCP classifications from non-EMCP classifications.

### **V. PROCEDURES (Hiring and In-Grade Adjustments)**

- A. The manager shall electronically complete the applicable form (i.e., salary matrix, in-grade – professional growth, internal alignment, retention) with supporting rationale and justification for the request and submit the form for approval to the appointing authority, via the DHRO.
- B. The appointing authority shall review and as appropriate approve or deny all requests. Requests that are denied shall be returned to the submitting supervisor/manager with an explanation for the denial, via the DHRO.
- C. The DHRO shall forward copies of all approved and disapproved requests to DHRD within ten (10) calendar days of the appointing authority's decision.
- D. The DHRO shall initiate appropriate action to authorize payment of approved salary matrix rates and in-grade adjustments.

### **VI. ADMINISTRATIVE REVIEW FOR IN-GRADE ADJUSTMENTS**

- A. Directors and DHROs are encouraged to communicate openly and clearly with managers and employees regarding the EMCP compensation programs, as well as department/agency's compensation priorities and challenges. Communication should be an open dialogue between all parties.
- B. In-grade adjustments for professional growth, retention and internal alignment are made solely at the discretion of the appointing authority.
- C. If employees have concerns about a discretionary in-grade adjustment decision, they should discuss their concern with their manager and/or program administrator as soon as possible.

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- D. If employees do not resolve their issue(s) informally with their manager and/or program administrator, employees may submit an administrative review form to request a review to the DHRO within 20 working days of receipt of written notification regarding the compensation decision or within 20 working days after the issue first became known.
- E. The DHRO shall consult with the employee's manager and relevant management, e.g., Branch Chief, Division Chief. The DHRO shall make a decision and respond in writing to the employee within 20 working days of receipt of the request for review.
- F. If the decision of the DHRO does not resolve the employee's concerns, the employee may request an administrative review of the decision in writing to the appointing authority within 20 working days of the DHRO's decision. The appointing authority shall consult with the Director of DHRD before rendering a decision within 20 working days. The decision of the appointing authority is final and shall not be subject to appeal through the internal complaint/Merit Appeals Board process.

### **VII. EQUAL EMPLOYMENT OPPORTUNITY**

Each employing department/agency is responsible for ensuring that equity is maintained. The employing department/agency shall administer the State's compensation program without regard to an individual's race, sex, age, religion, color, national origin, ancestry, disability, marital status, sexual orientation, status as a protected veteran, etc. Further, the appointing authority shall be responsible for ensuring compliance with applicable EEO laws, rules, regulations, and procedures.

### **VIII. BACKGROUND**

For EMCP appointments/employees only, this policy and procedure (P & P) supersedes only the specific sections in the following documents that relate to the compensation programs in this P & P.

- P & P 201.009 Flexible Hiring Rates,
- P & P 201.008 Recruitment Above the Minimum,
- Civil Service IT Broadbanding Pilot Project, and
- Licensed Health Care Professionals Pilot Project.

All other policies and procedures in the above documents shall continue to be covered as long as they are in effect.

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**IX. AUTHORITIES AND REFERENCES**

§76-13, Hawaii Revised Statutes, *Specific duties and powers of director*

§76-22.5, Hawaii Revised Statutes, *Recruitment*

§89C-5, Hawaii Revised Statutes, *Implementation; approval and appropriations*

Executive Order 17-02

Executive Order 17-03

Executive Order 17-05

**X. ATTACHMENTS**

Attachment A Guidelines for EMCP Professional Growth In-Grade Adjustment,  
Increased Scope and Complexities

Attachment B Salary Matrix Form

Attachment C Professional Growth In-grade Form

Attachment D Retention Form

Attachment E Internal Alignment Form