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February 27, 2026

The Honorable Ronald D. Kouchi, President
and Members of the Senate
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine K. Nakamura, Speaker
and Members of the House
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information, I am transmitting herewith a copy of the Classification and Compensation Study Preliminary Assessment Report to the Legislature to satisfy the preliminary report requirement in Act 180 (SLH 2025).

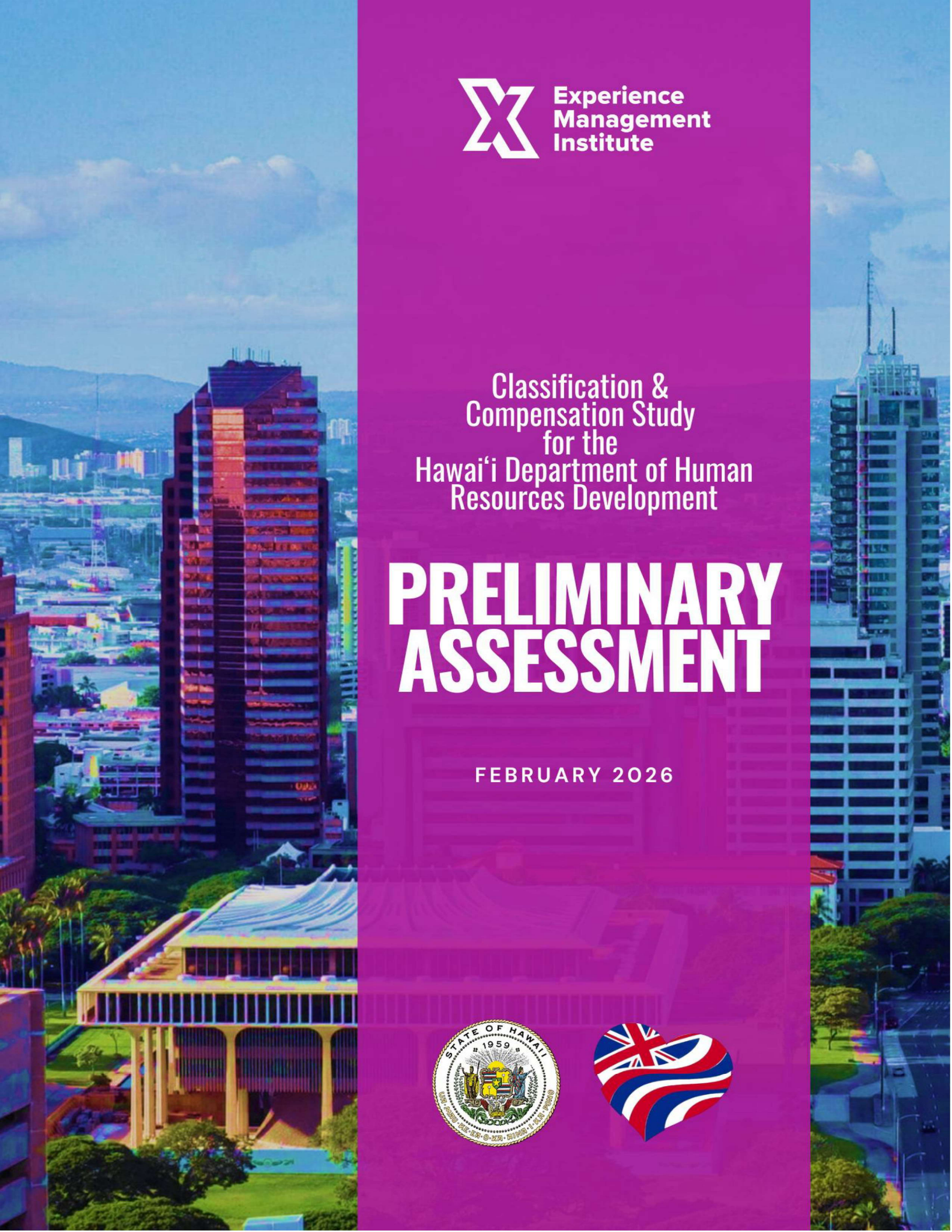
A copy of the report has been transmitted to the Legislative Reference Bureau Library, and the report may be viewed electronically at: http://dhrd.hawaii.gov/reports/legislative-reports/.

Sincerely,

Brenna H. Hashimoto

Brenna H. Hashimoto
Director

Attachment



Experience Management Institute

Classification & Compensation Study for the Hawai‘i Department of Human Resources Development

PRELIMINARY ASSESSMENT

FEBRUARY 2026

Executive Summary

Pursuant to Act 180 (2025), the Department of Human Resources Development (DHRD) has initiated a comprehensive review and modernization of the State of Hawai‘i’s civil service classification and compensation systems. The purpose of this study is to evaluate the current framework, identify structural and operational challenges, and develop recommendations that strengthen clarity, equity, sustainability, and legal compliance.

The study is occurring at a time of significant workforce pressure. As of November 1, 2025, 4,273 of the State’s 17,574 authorized civil service positions were vacant, representing a vacancy rate of approximately 24 percent (Department of Human Resources Development, 2026). In addition, nearly 30 percent of the executive branch workforce is projected to be eligible for retirement by FY30. These trends underscore the importance of ensuring that the State’s classification and compensation systems effectively support recruitment, retention, and workforce stability.

On February 3, 2026, DHRD executed a professional services contract with Experience Management Institute (EXMI) to conduct the study and provide structured analytical and implementation support. The work is guided by Hawai‘i Revised Statutes Chapters 76 and 89, including the merit principle, equal pay for equal work, collective bargaining framework, and management rights provisions. All recommendations will be developed within these statutory parameters.

The study is structured around six major areas of work:

- Current System Assessment
- Classification Methodology Review
- Compensation Review and Market Analysis
- Class Specification and Minimum Qualification Updates
- Technology Review
- Consulting and Implementation Support

To date, the project team has initiated a statutory analysis and a comprehensive document review, including compensation plans, salary schedules, collective bargaining agreements, classification specifications, relevant policies, and prior legislative reports. A structured project management framework has been established, including weekly status meetings, milestone tracking, and secure data-sharing protocols.

Four onsite visits are planned throughout 2026 to support stakeholder engagement, operational validation, and refinement of recommendations. The first visit will focus on developing a detailed understanding of current classification and compensation

processes. Subsequent visits will support stakeholder feedback, classification updates, and presentation of final recommendations.

This preliminary report does not present findings or proposed changes. Rather, it outlines the structure, scope, and direction of the work underway. The study is proceeding in alignment with Act 180 and the executed Scope of Work, with the objective of producing recommendations that are legally compliant, operationally practical, and supportive of the State's long-term workforce sustainability.

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Introduction

The State of Hawai‘i has recognized the urgent need to modernize its civil service classification and compensation systems in response to significant workforce challenges that threaten the effective delivery of public services. The Executive Branch workforce continues to experience persistent staffing shortages: as of November 1, 2025, there were 17,574 authorized civil service positions, of which 4,273 were vacant, representing a sustained high vacancy rate that has remained near 24 percent as tracked through annual reporting (Department of Human Resources Development, 2026). These vacancies span a wide range of occupational groups and reflect broader difficulties in recruitment and retention across state agencies.

In addition to high vacancy counts, nearly 30% of the executive branch workforce is projected to be eligible for retirement by FY30 (Department of Human Resources Development, 2026), which contributes to further turnover and institutional knowledge loss without proactive workforce planning. Persistent staffing gaps, coupled with structural workforce shifts, have placed pressure on agencies to maintain essential services, adapt to evolving service delivery demands, and compete with private and public employers in a tight labor market.

The legislature also found that many existing class specifications and compensation structures are outdated and no longer aligned with the evolving nature of work, contributing to difficulties in hiring and retaining qualified personnel. Outdated job definitions and compensation structures that fail to reflect market realities impede agencies’ ability to effectively manage staffing and fulfill their missions. Recognizing these challenges, the legislature enacted Act 180 (2025), codified as *S.B. No. 1567, S.D. 1, H.D. 1, C.D. 1*, to require the Department of Human Resources Development (DHRD) to undertake a comprehensive review and modernization of the classification and compensation systems for all civil service positions under its jurisdiction. This legislative mandate reflects a broader policy intent to strengthen the State’s ability to attract, classify, and compensate a skilled public service workforce.

To support this effort, DHRD executed a professional services contract with Experience Management Institute (EXMI) on February 3, 2026, formally engaging a consulting firm to conduct the study and provide strategic guidance throughout the review process. The procurement of external consulting support reflects the Department’s commitment to a rigorous and transparent assessment process that integrates data analysis, stakeholder engagement, and industry best practices.

This report is an initial step in that process, presenting a preliminary assessment of where the project is headed based on the executed contract, the developed project

plan, and the scheduled onsite engagement designed to ground the study in agency experience and operational reality.

Scope of Work & Project Plan

The Scope of Work directs the study to evaluate and modernize the State's classification and compensation systems while ensuring compliance with existing statutory requirements. The following section outlines the legal framework within which recommendations must be developed.

Statutory Framework and System Design Requirements

The modernization of the State's classification and compensation systems must be grounded firmly within Hawai‘i's statutory framework. Any recommended classification methodology and compensation approach must maintain compliance with Hawai‘i Revised Statutes (HRS) Chapter 76, which governs the civil service system, and HRS Chapter 89, which establishes the State's public sector collective bargaining structure.

Chapter 76 requires that the civil service system operate under the merit principle, defined in HRS §76-1 as the selection and retention of employees based on fitness, ability, appropriate conduct, and productive performance, and the maintenance of a career service free from political influence. The statute further requires that classification systems be based on objective criteria and adequate job evaluation and that the principle of equal pay for equal work apply between classes within the same bargaining unit, unless repricing is negotiated in accordance with Chapter 89. These merit protections, reinforced through Act 253 (SLH 2000), remain foundational to the State's classification system. Pursuant to HRS §76-13.5, the Director of the Department of Human Resources Development is authorized to establish, implement, and maintain classification systems covering all civil service positions, with the objective of achieving equal pay for equal work.

Chapter 89 defines bargaining units, outlines negotiable subjects, and establishes the framework within which compensation and other employment terms are collectively negotiated. The statute differentiates occupational and supervisory groupings for bargaining purposes and delineates matters that are excluded from negotiation, including classification, reclassification, recruitment, examination, and initial pricing. It also preserves management rights related to directing employees, determining qualifications and work standards, maintaining operational efficiency, and carrying out the mission of the employer.

Accordingly, this study will develop recommendations that strengthen the effectiveness, clarity, and sustainability of the State's classification and compensation systems while remaining fully consistent with the merit principle, equal pay requirements, collective

bargaining structure, and management rights established in Chapters 76 and 89. The statutory framework defines the parameters within which modernization must occur to ensure that flexibility and responsiveness are advanced in a manner that preserves fairness, transparency, and legal integrity.

Major Areas of Work

The Classification and Compensation Study is structured around six primary areas of work designed to evaluate the current system and develop a clear, legally compliant roadmap for modernization.

A. Current System Assessment

The study will begin with a comprehensive review of the State's existing classification and compensation systems. This includes analyzing job classes, salary structures, policies governing movement between classifications, and internal equity relationships. The assessment will identify strengths, structural gaps, operational challenges, and areas of risk. The purpose of this phase is to inform subsequent system design and compensation analysis.

B. Classification Methodology

The project will evaluate the State's current classification framework and recommend enhancements or alternative methodologies that comply with HRS Chapters 76 and 89 and preserve merit principles. This work will include development of an updated job evaluation approach, potential restructuring of job families or series, and a crosswalk from the current system to any proposed model. Recommendations will include implementation timelines and cost considerations.

C. Compensation Review

The compensation review will examine salary schedules across bargaining units, excluded managerial compensation programs, broadbanding structures, and related compensation policies. This phase will evaluate internal alignment, pay progression structures, and pay equity considerations. A competitive market analysis will be conducted to assess how State compensation compares to relevant public and private sector employers, with particular attention to Hawai‘i's labor market and high-union environments. Data-driven recommendations will be developed to improve clarity, sustainability, and market responsiveness while maintaining compliance with collective bargaining requirements and statutory constraints.

D. Class Specification Review

This component includes a detailed review and update of job series, class specifications, and minimum qualification requirements. Using structured job analysis

methods, the study will assess whether specifications accurately reflect current duties and labor market expectations. Recommendations may include revisions, consolidations, or restructuring of classifications to improve clarity and consistency.

E. Technological Review

The project will assess current technological tools and systems used to manage classification and compensation processes. Recommendations will identify potential software or system improvements to enhance efficiency, data integrity, and long-term maintainability, including feasibility and integration considerations.

F. Consulting and Implementation Support

In addition to analytical work, the project includes ongoing consulting, stakeholder engagement, change management support, training, and post-report consultation. This ensures that recommendations are actionable and supported by documentation, tools, and guidance necessary for effective implementation.

Project Management Approach

To ensure transparency, accountability, and steady progress throughout the study, a structured project management framework has been established in coordination with DHRD. The project team will conduct scheduled weekly status meetings to review progress, address emerging issues, and confirm next steps. EXMI has developed a detailed project plan outlining major workstreams, milestones, and deliverable timelines, supported by dashboard reporting tools that allow for ongoing tracking of tasks, risks, and key deadlines. In addition, secure file-sharing protocols have been implemented to safeguard data and ensure compliance with State data security standards. Together, these measures provide a disciplined and transparent foundation for managing the scope, schedule, and quality of the study.

Document Review and Foundational Analysis

At the outset of the engagement, the full EXMI project team began a comprehensive review of publicly available and provided documentation related to the State of Hawai‘i’s classification and compensation systems. This foundational review was designed to ensure that subsequent onsite discussions and analytical work are grounded in a thorough understanding of the system’s statutory framework, structural design, and operational practices.

The review included examination of the State’s Compensation Plans (as of July 1, 2025), salary schedules across bargaining units, classification specifications, and minimum qualification standards for approximately 1,470 job classes, and the Excluded Managerial Compensation Plan (EMCP), including its performance evaluation and

variable pay policies. The team analyzed DHRD policies and procedural guidance governing classification actions, delegation of authority, flexible hiring and above-minimum appointment practices, shortage and incentive pay programs, the State Incentive and Service Awards Program, and existing broadbanding pilots for Information Technology and licensed healthcare classifications. Collective bargaining agreements, department organization charts, and functional statements were also reviewed to understand operational implementation across agencies.

In addition, the team reviewed relevant statutory authorities, including Hawai‘i Revised Statutes Chapters 76 and 89, Act 253 (SLH 2000), and Act 180 authorizing this study, as well as DHRD’s annual legislative reports. This review focused on understanding the governance structure that supports the classification and compensation system, the legal parameters within which it operates, and the tools used to administer it statewide. Together, these materials provide the analytical baseline for assessing system strengths, identifying areas for improvement, and developing recommendations that are legally compliant, operationally practical, and aligned with legislative intent.

Onsite Engagement Plan

Four onsite visits are planned throughout the course of the study to ensure meaningful stakeholder engagement, validation of findings, and development of practical, implementation-ready recommendations. Four lead members of the EXMI project team will attend each visit to ensure continuity, subject matter depth, and direct engagement with DHRD leadership and operational staff. These visits are structured to build progressively, from understanding current processes, to gathering feedback, to refining recommendations, while allowing for continued virtual collaboration between visits.

Trip 1: Current Process Review and Operational Understanding (Spring 2026)

The first onsite visit is focused on developing a comprehensive understanding of DHRD’s current classification and compensation processes. This includes structured meetings with DHRD leadership, the Office of the Director, and DHRD operational divisions (i.e., Employee Classification & Compensation, Employee Relations, Employee Staffing, Employee Claims, and Labor Relations) as well as engagement with Departmental Human Resources Officers (DHROs) and line department HR staff. During this visit, the project team anticipates facilitating process-mapping sessions to document current compensation and classification processes. The purpose of this visit is to ground the study in operational reality, identify strengths and inefficiencies in current workflows, and ensure that future recommendations are informed by how the system functions in practice. These focus areas are being finalized in coordination with DHRD to ensure the visit addresses the most relevant operational priorities.

Trip 2: Stakeholder Engagement and Technology Review (Early Summer 2026)

The second onsite visit will focus on gathering structured feedback from a broader set of stakeholders, including agency representatives and employee organizations, and reviewing the technological systems that support classification and compensation administration. This phase will help validate preliminary findings, surface operational concerns, and assess opportunities for improving system efficiency through enhanced tools or technology integration.

Trip 3: Classification and Minimum Qualification Updates (Mid-Summer 2026)

The third onsite visit will focus on building agreement around recommended updates to classification specifications and minimum qualification standards. This phase will include working sessions to review proposed revisions, confirm alignment with job analysis findings, and ensure that the direction of change is clear, defensible, and operationally feasible. The objective of this visit is to establish shared understanding and consensus regarding the scope and structure of updates, after which all specifications will be revised and finalized in alignment with that agreement.

Trip 4: Final Recommendations and Implementation Roadmap (Late Fall or Early Winter 2026)

The final onsite visit will be dedicated to presentation and discussion of the study's final findings and recommendations. This session will provide an opportunity to review the proposed classification framework, compensation recommendations, implementation roadmap, and any related legislative considerations. Depending on DHRD's preference, this visit may occur either shortly before submission of the final report or following formal delivery to support stakeholder briefing and legislative preparation.

Conclusion & Next Steps

The State's classification and compensation systems are foundational to workforce stability, recruitment, retention, and public service delivery. Through initial document review, statutory analysis, project planning, and preparation for onsite engagement, the study is proceeding in alignment with the requirements of Act 180 and the Scope of Work executed on February 3, 2026.

The next phase of the project will focus on deepening operational understanding through the first onsite visit and structured stakeholder engagement. Findings from these sessions will inform the comprehensive system assessment and guide the development of enhanced classification methodologies, compensation structure analysis, and implementation planning.

Subsequent phases will include competitive market analysis, refinement of classification specifications and minimum qualifications, stakeholder validation of proposed changes, and development of a clear, phased implementation roadmap.

This preliminary assessment demonstrates that the study is underway, structured, and progressing according to plan. The work ahead will build upon this foundation to produce recommendations that are legally compliant, operationally practical, fiscally informed, and aligned with the State's long-term workforce sustainability goals.

References

Department of Human Resources Development. (2026). *Annual Report on Vacancies pursuant to Act 57, SLH 2019* (Amended). State of Hawaii. https://dhrd.hawaii.gov/wp-content/uploads/2026/01/Annual-Report-on-Vacancies-Act-57_Final-amended-signed.pdf

State of Hawaii Legislature. (2025). *Act 180, S.B. No. 1567, S.D. 1, H.D. 1, C.D. 1, relating to classification and compensation systems* (Session Laws of Hawaii 2025). Hawaii State Legislature.