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SN 141

## Teacher Salaries: The Requirements of the Law on Education

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The Swedish-Ukrainian project “Support to Decentralization in Ukraine” (SDU) has since 2015 worked with the Ministry of Education and Science of Ukraine (MES) in the areas of education finance. In particular, SDU experts helped the Ministry design, implement, review and update the allocation formula for education subvention, as formulated in Decree № 1088 of Government of Ukraine of December 27, 2017 (with later changes). A key aspect of education finance is determining teacher salaries. The Law on Education № 2145-VIII, adopted on September 5, 2019, specifies that the basic salary of teacher with lowest qualifications should be at least equal to three times the minimum legal salary in Ukraine. This goal of the Law on Education has never been achieved, and teacher salaries were always significantly lower. A Decree № 822 of Government of Ukraine of July 10, 2019, would increase teacher salaries considerably, however from November 2019 it is repeatedly suspended (presently until December 2023, but most likely indefinitely).

To our knowledge, the costs to the national budget of fully implementing the clauses of the Law on Education regarding teacher salaries have never been realistically estimated and publicly discussed. However, it is of utmost policy importance for Ukraine to understand these budget consequences of the Law on Education. The present Short Note 141 presents a contribution towards the necessary public discussions in Ukraine in the form of a basic calculation of these costs, together with the discussion of methodology used. In the first section, we discuss two different clauses of the Law on Education on minimum teacher salaries, namely transition requirement and permanent requirement. The estimated budget costs of meeting these requirements are presented in section 2, they are not sustainable. In the final section we formulate several strategic options open for the Government of Ukraine in light of the presented estimates.

Present SN is a continuation of analytical support extended to MES by SDU project. Previous short notes addressing the issues of teacher salaries were SN 88 (February 2018), SN 96 (May 2018), SN 111 (July 2019), and SN 115 (November 2019). Moreover, in 2021 SDU project published a monograph *Paying the Teachers. Three Case Studies of Reforming National Systems of Teacher Remuneration in Eastern Europe* (covering experience of Estonia, Lithuania and Poland).

## 1. Requirements of the Law on Education

Teacher salaries in Ukraine are determined according to Unified Salary Scale (Єдина тарифна сетка), built around a number of scale levels (Розряд), according to Decree № 1298 of Government of Ukraine of August 30, 2002 (with later changes). For each level, a coefficient for calculating the basic salary (посадовий оклад) is prescribed. Basic salary of a person belonging to any scale level is obtained by multiplying the basic salary for level 1 by the salary coefficient. Every year, the basic salary of level 1 is determined in the budget legislation.

Most teachers who conduct lessons are between level 10 and level 14 of the Unified Salary Scale, while school directors have salary category between 14 and 16. Because the link of qualification category and scale level is not prescribed, we assume identification of teacher category and scale level stated in the following Table 1. In Table 1, we also provide the salary coefficient and the increase of the coefficient compared to lower one.

Table 1. Teacher categories and scale levels

Qualification category	Scale level	Coefficient	Increase
No category, junior specialist	10	1,82	
Specialist	11	1,97	8,2%
Specialist of 2 <sup>nd</sup> category	12	2,12	7,6%
Specialist of 1 <sup>st</sup> category	13	2,27	7,1%
Specialist of higher category	14	2,42	6,6%

Article 61, p. 2, of the Law on Education states that *Basic salary of pedagogical employee of lowest qualification category is determined in the amount of three minimum salaries* (Посадовий оклад педагогічного працівника найнижчої кваліфікаційної категорії встановлюється в розмірі трьох мінімальних заробітних плат). The minimum salary is also determined every year in budget legislation.

Further, the same point of art. 61 states that *Basic salary of pedagogical employee of each next qualification category is increased by no less than 10 percent* (Посадовий оклад педагогічного працівника кожної наступної кваліфікаційної категорії підвищується не менше ніж на 10 відсотків). As Table 1 indicates, the required 10% increase of basic salary in each qualification category compared to the previous one is much higher than the actual increase due to Unified Salary Scale.

However, during the adoption of the Law on Education in 2017, it was recognized that such an increase of teacher salaries will be difficult for the national budget. For this reason, according to transition clauses (chapter 12 of the Law on Education), the first of cited requirements is accompanied by the following order to the Cabinet of Ministers of Ukraine: *To ensure step-by-step implementation of Art. 61 p. 2, considering yearly increases of the basic salary of pedagogical employee of lowest qualification category up to four survival minimums for persons able to work, proportionally to the increase of revenues of the State Budget of Ukraine in comparison with the previous year* (забезпечити до 2023 року поетапну реалізацію положення частини другої статті 61 цього Закону, передбачивши при цьому щорічне збільшення посадового окладу педагогічного працівника найнижчої кваліфікаційної категорії до чотирьох прожиткових мінімумів для працездатних осіб пропорційно розміру збільшення доходів Державного бюджету України порівняно з попереднім роком). Until a few years ago, the survival minimum was equal to the basic salary for scale level 1. At present, however, these are different amounts, both of them are stated every year in budget legislation.

The basic amounts governing the salaries in Unified Salary Scale for budget year 2023 are presented in the following Table 2.

Table 2. Basic salary for level 1, survival minimum and minimum salary in 2023 (Hryvnia)

<b>Budget item</b>	<b>Value in 2023</b>
Basic salary for scale level 1	2 893
Survival minimum	2 684
Minimum salary	6 700

Based on these values, and using salary coefficient for scale level 10 as reported in Table 1, we can estimate the basic salary (посадовий оклад) of pedagogical employee of minimum qualification category (either no category or junior specialist), based on different requirements of Law on Education:

1. Current requirement – basic salary determined today by Unified Salary Scale,
2. Transition requirement – lowest basic salary is 4 times survival minimum (chapter 12),
3. Permanent requirement – lowest basic salary is 3 times minimum salary (art. 61).

These three basic salaries are shown in Table 3 below.

Table 3. Basic salary of teacher with minimum qualifications depending on method of calculation (Hryvnia)

<b>Requirement</b>	<b>Calculation method</b>	<b>Basic salary</b>
Current	Basic salary for scale level 1 multiplied by 1,82	5 265
Transition	Survival minimum multiplied by 4	10 736
Permanent	Minimum salary multiplied by 3	20 100

We note that changing the calculation method of basic salary of pedagogical employee with lowest qualification category from the present legally obligatory to using 4 survival minimums represents more than doubling of the basic salary, while using 3 minimum salaries leads to more than tripling of the basic salary. We can therefore expect similar massive growth of required funds for teacher salaries in the national budget.

## **2. The costs of increasing teacher salaries to levels stated in the Law on Education**

To estimate the cost to the national budget of increasing teacher salaries to levels required in the Law on Education, we need to make two steps:

- Consider full teacher salaries, not just the basic salary (посадовий оклад),
- Take into account the number of full-time equivalent (FTE) teachers in each qualification category.

Assessment of full salary of any Ukrainian teacher is rather complex. There are many increases, supplements and add-ons to the basic salary applicable for teachers, many of them not required. Our estimate of the budget costs includes the following elements:

1. Basic salary of teachers is increased by 10% in accordance to Decree № 22 of Government of Ukraine of January 11, 2018 (with later changes).
2. Add-on for years of service. Teachers with over 3 years of service receive add-on 10%, with over 10 years of service receive 20%, with over 20 years of service receive 30%, in accordance to Decree № 78 of Government of Ukraine of January 31, 2001 (with later changes). We assume add-on of 20% for all teachers.

3. Additional yearly award for conscientious work (one basic salary per year), according to art. 57, p. 1 of Law on Education.
4. Additional allocation for regaining health (one basic salary per year), according to art. 57, p. 1 of Law on Education.
5. There are many supplements used for assessing salaries of individual teachers, from correction of copybooks to supplement for different teacher awards or honorary titles. We approximate them all by supplementing basic salary with 20%.

**We stress that supplement for prestige of teacher work is not included in 20% above.**

Taking these elements into account, we assume that full teacher salary is 72,3% higher than basic salary. Full monthly teacher salaries for different categories of teachers and based on different requirements of Law on Education, as listed above Table 3, are presented in Table 4.

Table 4. Full monthly teacher salaries according to requirements of Law on Education (Hryvnia)

Qualification category of pedagogical staff	Requirement of Law on Education		
	Current	Transition	Permanent
No category, junior specialist	9 074	18 502	34 639
Specialist	9 822	20 352	38 103
Specialist of 2 <sup>nd</sup> category	10 569	22 387	41 913
Specialist of 1 <sup>st</sup> category	11 317	24 626	46 105
Specialist of higher category	12 065	27 088	50 715

Here increases of basic salary for different qualification categories for current requirements are as stated in Table 1, and for transition and permanent requirements are set as 10%, in accordance with Law on Education.

In Table 4, similarly to basic salary (Table 3) we observe increase of full salaries under both the transition and the permanent requirements of the Law on Education. This increase is stronger for higher teacher categories.

The number of FTE teachers (or stavki) are obtained from statistical forms RVK-83, generated in AIKOM database on the basis of personal data on teachers collected in September 2022. The following Table 5 provides the number of FTE teachers for each qualification category. For simplicity, school directors have been assigned to specialists of higher category (directors are typically in higher scale levels, but their number is limited). We list separately other pedagogical staff (psychologists, pedagogues etc., Інший педперсонал).

Table 5. Number of FTE teachers by category

Qualification category of pedagogical staff	FTE teachers	Share
No category, junior specialist	30 846,7	6,9%
Specialist	31 049,4	7,0%
Specialist of 2 <sup>nd</sup> category	42 237,0	9,5%
Specialist of 1 <sup>st</sup> category	78 793,7	17,6%
Specialist of higher category	187 306,4	41,9%
Other pedagogical staff	76 444,4	17,1%
Total	446 677,7	100,0%

Table 5 includes only secondary schools (both mainstream and special) but does not include other education institutions providing secondary education (vocational schools, colleges).

School directors are assigned to scale level 14, which underestimates the total cost of pedagogical salaries. On the other hand, for simplicity we assume that all other pedagogical staff are specialists of 2<sup>nd</sup> category (salary category 12, see Table 1), because this is the dominant qualification category for this group of school staff. This assumption may lead to some overestimate of budget costs.

We are now ready to estimate the budget costs of three different requirements of the Law on Education, as defined above Table 3. For each category, we multiply monthly salary presented in Table 4 by 12 and we add additional 22% for taxes and social contributions. Finally we multiply by the number of FTE teachers, as presented in Table 5.

The results of these calculations are budget costs of all salaries of pedagogical staff in Ukraine, according to three different requirements of Law on Education, and are presented in Table 6.

Table 6. Budget costs of teacher salaries according to requirements of Law on Education (million Hryvnia)

Qualification category of pedagogical staff	Requirement of Law on Education		
	Current	Transition	Permanent
No category, junior specialist	4 098	8 355	15 643
Specialist	4 465	9 251	17 320
Specialist of 2 <sup>nd</sup> category	6 536	13 843	25 917
Specialist of 1 <sup>st</sup> category	13 055	28 407	53 183
Specialist of higher category	33 085	74 281	139 069
Other pedagogical staff	11 829	25 054	46 907
Total	73 066	159 191	298 039

Total budget costs of teacher salaries under the current requirements are 73 billion Hryvnia, which may be compared to the funds for education subvention for 2023 at the level 87,5 billion Hryvnia (unlike Table 6, subvention includes 25% of supplement for teacher work prestige 25% also many education institutions besides secondary schools). If transition requirements of the Law on Education are used, under which basic salary of teacher with lowest qualifications is equal to 4 times survival minimum, total budget costs more than double. If permanent requirements are used, under which this minimum basic teacher salary is equal 3 times the minimum salary, the budget costs are doubled again. We conclude that the promises of the Law on Education cannot be met without significant reform of teacher salaries in Ukraine.

### 3. Strategic options for Ukrainian Government

The estimates of the budget consequences of implementing the requirements of Law on Education, presented in the previous section, indicate very significant additional costs to the national budget. If instead of current requirements Ukraine implements the transition requirements (chapter 12 of Law on Education), the additional cost for the budget is 86 billion Hryvnia every year (in conditions of 2023). In permanent requirements are implemented (art. 61 of Law on Education), the additional yearly costs become 225 billion Hryvnia. Clearly, this is not fiscally sustainable. Thus, Ukraine faces a serious problem of meeting its legislative requirements in conditions of limited budget.

To resolve this problem, the Government of Ukraine has several policy options which it may adopt, although unfortunately none of them is politically easy. We list five of these policy options below with brief comments about their consequences.

1. Abandon the requirements stated in art. 61 and in chapter 12 of Law on Education.

This very radical policy option would resolve the legal problem, however one may expect massive opposition from the wider education community, and especially from the teachers. Indeed, for over 5 years now, since the adoption of the current Law on Education, they have been expecting significant increases of their salaries, maybe not immediately, but at least in some consecutive steps. This implies that this policy option can only be considered with publicly stating a different requirement on minimum teacher salaries, easier to meet in current fiscal conditions, less ambitious but at the same time more realistic. The first step to implement such new possible requirements should be taken immediately, to convince the education community that the Government is serious about its commitments to increase teacher salaries.

2. Reform teacher remuneration system to make basic salary the dominant part of full salary.

Presently, as discussed in section 2, basic salary is on average only about 58% of full teacher salary. Thus significant increase of basic salary leads to significant increase of overall salary. If the reform of teacher remuneration would lead to elimination of most of increases, add-on and supplements to basic salary, it would become much larger part of overall salary and therefore budget consequences of implementing the requirements of Law on Education would be reduced.

3. Increase weekly teaching workload of teachers to reduce the required number of FTE teachers.

The standard weekly workload of Ukrainian teachers is 18 lessons per week, rather low by European standards (Poland, Ukraine's closest neighbor, also has such low weekly workload of teachers, but is an exception). Increased teacher workload would mean that fewer FTE teachers would be employed in secondary education, and therefore the budget costs of increasing average teacher salaries would be reduced. The negative consequence of this policy option is the need to make many teachers redundant.

4. Enforce significant class consolidation in secondary education to increase student-teacher ratio.

Today, student-teacher ratio in Ukrainian secondary education is relatively low by European standards, which means that teacher workforce is employed rather inefficiently. The main causes of this are abundance of small rural schools and lower average class size in upper secondary schools (grade 10 and 11, when some students leave secondary schools to undertake professional education, but classes are not restructured). The process of decentralization has led to some improvements in this area, but they are not sufficient. Among the possible stronger measures we can mention limitation of satellite schools to initial grades, distant learning for individual education (when number of students per grade is below 5), or enforced restructuring of classes after grade 9 (through introduction of minimum class size for upper schools). Similarly to the previous policy option, this one would result in many teachers made redundant.

5. Increase allocation for education subvention from the national budget.

An increase of overall allocation for the salaries of pedagogical staff of secondary schools through the education subvention may be a difficult option for the national budget, but under some conditions may be necessary. It is difficult to implement, for example, policy option2 (reform of teacher remuneration) without at the same time increasing overall allocation, because a change in the system should not result in some individual teachers having their salaries reduced. At the same time, no country in the region has in a short time doubled its national funding of education. This means that the level of the increase of allocation under this policy option must be assessed in the context of fiscal situation. Useful international comparative indicators for this policy option are expenditures on education expressed as share of GDP and as share of all public expenditures.

It is important to note that these five policy options are not mutually exclusive, the Government of Ukraine may adopt a combination of them which best suits its budget situation and political needs. Budget consequence of any such combination should be carefully evaluated. These discussions, of course, must be conducted by Ukrainian politicians and experts.

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