

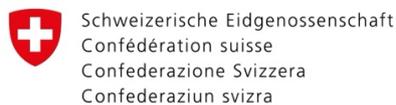
# Reform of the civil servants’ remuneration system

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*In this article, we analyse the current state of one of the key areas of public administration reform — the remuneration system for civil servants.*

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The implementation of the remuneration reform as a key measure for rebooting public administration is being carried out in accordance with the [Public Administration Reform Strategy of Ukraine for 2022–2025](#) under the direction of Professional Public Service and Human Resource Management.

**The main tasks for implementing this direction of the Strategy regarding Motivation and Remuneration are as follows:**

- introducing a classification of civil service positions;
- carrying out a comprehensive reform of the remuneration system, which includes increasing the fixed component and limiting the variable part, reducing the number of

- elements of the remuneration structure, eliminating the causes for pay gaps, and bringing remuneration closer to the level in the private sector;
- preventing a reduction in the level of remuneration for civil servants.

**The main indicators for implementing the tasks outlined in this direction of the Strategy are as follows:**

- › the share of civil service positions for which a remuneration system based on position classification has been introduced: in 2022–2023, it was set at 1%, in 2024 — 75%; in 2025 — 90%;
- › staff turnover rate in Category 'A' civil service positions in 2022 — 17%, in 2023 — 15%, in 2024 — 13%, in 2025 — 10%;
- › staff turnover in civil service positions of categories 'B' and 'C' in 2022 — 20%, in 2023 — 15%, in 2024 — 13%, in 2025 — 10%.

The reform of the remuneration system is driven by the need to optimise state budget expenditures in the context of the war, as well as by Ukraine's fulfilment of its European integration commitments. After all, the implementation of the civil servants' remuneration system reform is based on the European [Principles of Public Administration developed by the OECD/SIGMA](#). Moreover, the remuneration reform is one of the requirements of [the Ukraine Facility programme](#), under which Ukraine receives up to EUR 50 billion from the EU until 2027.

## State of Play and Progress of Reforms

The reform of civil servants' remuneration commenced on 1 January 2024 on the basis of the Law of Ukraine '[On the State Budget of Ukraine for 2024](#)', introducing a transition period of one budget year. The reform [was planned to be](#) implemented in 2020. However, due to a number of socio-economic factors, [the framework draft law No. 8222](#), intended to implement the remuneration reform on a permanent basis, was registered only in 2022 and passed in the first reading in the summer of 2023. Since then, the draft law has been suspended in Parliament due to a large number of amendments.

[According to the NACS](#), in the first half of 2024, the results of the reform implementation have a number of strengths and weaknesses, and the tasks and indicators of the reform set out in the Strategy for 2024 **have been achieved only partially, in particular:**

1. Based on Government Decisions [No. 1109](#) and [No. 1409](#), state authorities ensured that civil service positions would be classified in 2024 under martial law. Consequently,

about 74%<sup>1</sup> of civil service positions were classified in the first half of 2024. At the same time, despite the increase in the volume of classification of positions compared to 2023, [there are a number of government agencies that refused to conduct it during the war](#), including the Ministry of Internal Affairs, the Ministry of Defence, the State Tax Service, the State Customs Service, etc.

2. In fact, certain steps have been taken towards implementing a comprehensive reform of the remuneration system, as the reform has been implemented for only one budget year and needs to be extended by laws on the state budget until the legislative framework is established. At the same time, the measures implemented as part of the reform have ensured predictability and transparency in the remuneration system, facilitating the process of budget planning of the payroll fund. It also reduced the discretion of managers to set unlimited bonuses, and the number of salary components, including the cancellation of incentive bonuses for work intensity and performance of particularly important tasks, and ultimately balanced the salary structure, reaching a ratio of 70% (fixed)/30% (variable). By the end of the first half of 2024, the average guaranteed portion of a civil servant's salary increased from 65% to 88% compared to 2023.
3. Disparities in the remuneration of civil servants in regional and district state (military) administrations persist, with wage gaps remaining at the 2023 level — 69%. For example, the average salary of a Category 'B' civil servant in district state (military) administrations in 2024 amounts to UAH 16,164, while a civil servant in equivalent positions in first-tier state bodies (e.g., the Secretariat of the Cabinet of Ministers of Ukraine, the Secretariat of the Verkhovna Rada Commissioner for Human Rights, the Ministry of Economy of Ukraine, etc.) earns UAH 43,587.1. Such disproportions in remuneration may primarily indicate the lack of alignment between public sector salaries and those in the private sector. At the same time, government agencies at the central level (first-tier jurisdiction) have shown a positive trend in reducing imbalances in remuneration, as wage gaps decreased by approximately 41% compared to 2023.
4. Overall, the level of civil servants' salaries has been increased, in some cases reaching competitiveness in the labour market. This trend is observed mainly in central government agencies. [According to the NACS survey](#), 54% of civil servants reported a salary increase due to the reform, while 31% noted a decrease, and 16% experienced no significant changes.

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<sup>1</sup> In the first half of 2024, 146,333 of the 198,638 civil service positions available were classified (according to the National Agency of Ukraine on Civil Service).

5. The trend of staff turnover across all categories of positions and the general outflow of personnel from the civil service is increasing. In 2023, the staff turnover rates were not achieved (did not decrease as expected) and remain high, namely for Category 'A' positions — 29%, 20% — for Category 'B', and 27% — for Category 'C'. However, in 2022, [staff turnover rates were significantly lower](#): 24% for Category 'A', 14% for Category 'B', and 20% for Category 'C'. [With the reduction of staffing and vacant positions in the civil service](#), there is a risk of losing the institutional capacity of the public administration system.
6. Insufficient awareness of civil servants about the procedure, methodology and other specifics of the job classification based on the results of the information campaign. Specifically, 84% of civil servants were notified of the start of the classification, 66% received information and explanatory materials, and only 51% received internal training on the classification of positions. Only 69% of people were familiarised with the results of their position classification. [This indicates that the Strategy's communication measures were not effective enough.](#)
  - › [Shortcomings of the remuneration system reform](#)

While implementing the remuneration reform, **several problematic issues have been identified** that require urgent resolution, including the following:

1. Lack of a legislative framework for the reform and imperfections in the current legislation. Draft Law No. 8222 [has been suspended due to a large number of amendments and proposals](#) since 2023, exceeding 125 in total. [According to Nataliia Aliushyna, Head of the NACS](#), the draft law should be considered and adopted in the second reading in October–November 2024, as, under the Ukraine Facility Plan, it is expected to become operational in the first quarter of 2025.
2. Shortcomings in the organisation and implementation of position classification, which is accompanied by a delay in the entire procedure due to the 'manual' processing of documents. Furthermore, repeated classifications are continuously carried out, which are often not related to changes in the functionality of the position, but to the need to increase the salary (grade). This leads to both a lack of operational statistics and the risk of losing state oversight of the classification results.
3. Non-compliance with the principle of competitiveness of civil servants' salaries. In addition, the minimum official salary<sup>2</sup> in state bodies is lower than the minimum

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<sup>2</sup> The minimum official salary applies to civil servants in government agencies. Thus, the minimum official salary is UAH 7100, according to the Resolution of the Cabinet of Ministers of Ukraine No. 1409 dated 29.12.2023, and the minimum wage is UAH 8000 (starting from 01.04.2024), according to the Law of Ukraine 'On the State Budget of

wage. [According to the NACS](#), the state lacks information on competitive salaries in the labour market. This raises doubts about the validity of the salaries and the success of the reform in the future.

› Further implementation of the remuneration system reform

Currently, the implementation of the reform is at an early stage, with the prospect of continuing in the following years. [According to Nataliia Aliushyna, Head of the NACS](#), certain steps are being taken to reform the system, as it is necessary to build a 'framework' for the entire system and eliminate existing subjective factors. This requires the adoption of a legislative framework — Draft Law No. 8222 — by the first quarter of 2025. Also, as part of the budget process, the Law of Ukraine '[On the State Budget of Ukraine for 2025](#)' has included nearly the same foundations for civil servants' remuneration as in 2024.

## Recommendations for Implementing the Remuneration System Reform

The results of the intermediate stage of the new remuneration system implementation have revealed several problematic issues. Further successful implementation of the reform requires the following key measures:

1. Adoption and implementation of the framework draft law No. 8222, adoption of other legislative acts and regulations to ensure proper implementation of the remuneration system based on position classification.
2. Ensure automation of the position classification process, clarifying the procedure for approving the results of classification, including the introduction of annual position classification. This will provide up-to-date and timely information on the state of play and make the procedure more transparent.
3. [Ensure that salaries](#) for typical civil service positions are comparable to those in the private sector. Due to the lack of information on the comparison of salaries in the public and private sectors, the state cannot reasonably adjust the grades in response to changes in the labour market and the state budget capacity. Therefore, ensuring the comparison of salaries will enable the state to be a competitive employer in the labour market, make timely and informed decisions aimed at saving budget funds.

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Ukraine for 2024'. The above wording applies only to civil servants in state bodies and does not apply to local self-government.

4. Unification of legislation related to the activities of public authorities to formulate unified criteria that will make the implementation of the remuneration system and the procedure for classifying positions transparent and predictable.
5. Continuing efforts to eliminate significant gaps between salaries (grades) across positions, job families, types and jurisdictions of state bodies, taking into account the capacity of the state budget.