



HWC – Average Salary calculation in Ukraine

- January 2021 -

Introduction

The Government adopted the Resolution of the Cabinet of Ministers of Ukraine of 09.12.2020 № 1213 “On Amendments to the Resolution of the Cabinet of Ministers of Ukraine of February 8, 1995 № 100” (hereinafter - Resolution № 1213), according to that the Procedure for Calculating the Average Salary approved by Resolution of the Cabinet of Ministers of 08.02.1995 № 100 (hereinafter - the Procedure) that is effective from 12.12.2020.

Given the above, if the start date of the event, which is associated with the calculation of the average salary, occurred before 11.12.2020 (inclusive), the provisions of previously valid Resolution № 100 apply without changes prescribed by Resolution № 1213. If the start date of the event of the calculation of the average salary is 12.12.2020 or later, it is necessary to apply the provisions of the resolution № 100, taking into account the changes prescribed by the resolution № 1213.



The short description of amendments

- Removed the clause 10 of the Procedure № 100, which provides for the adjustment of average earnings in the event of an increase in salaries.

For the employer the calculations will be easier but for employees it will cause a reduction in the amount of vacation pays and in compensation for unused vacation. Previously, paragraph 10 of the Order № 100 provided the adjustment of average earnings in a case of salaries increase.

- Removed the term "another reasonable ground" for the absence of an employee at work.
- The time when the salary structure was changed with a simultaneous increase in salaries will be not removed from the calculation period.
- The list of payments that are not taken into account when calculating the average salary has been supplemented with the following payments: remuneration to state executors and salary accrued during work in election commissions.
- The Procedure applies to all legal entities and it is added that this Procedure also applies to natural persons-employers.
- The procedure applies in cases of granting all types of leaves to employees (except maternity leave).
- If the employee is not hired from the first day of the month, but the date of hiring is the first working day of the month, this month is taken into account before the settlement period.
- The procedure for including bonuses in the calculation of the average has changed. Bonuses and other payments paid for two months or longer period, when calculating the average salary, shall be included by adding to the earnings of each month of the calculation period the part corresponding to the number of months of the period for that it is accrued and in proportion to the time worked in the calculation.

CASE OF THE AVERAGE SALARY CALCULATION

The employee was hired on 01.04.2020 (five-days working week, Saturday and Sunday – days-off), the salary is 10 000 UAH.

From 01.06.2020 the salary increased to UAH 15,000 UAH.

The employee goes on annual vacation from 10.07.2020 for 14 calendar days.

Task: to calculate the average salary

Calculation of average salary by the order before 12.12.2020:

- 1) Firstly, the coefficient of salary increase shall be defined= $15\ 000\ \text{UAH} : 10\ 000\ \text{UAH} = 1,5$.
- 2) Calculation of average salary for April-June 2020= $((10\ 000 * 1,5) + (10\ 000 * 1,5) + 15\ 000) : 86$ calendar days for the period of April-June 2020 = 523,26 UAH.
- 3) The sum of vacation compensation = 14 calendar days* 523,26 UAH = 7 325,64 UAH.

Calculation of average salary by the order after 12.12.2020:

- 1) Firstly, the calculation of average salary for April-June 2020 shall be done= $(10\ 000\ \text{UAH} + 10\ 000\ \text{UAH} + 15\ 000\ \text{UAH}) : 86$ calendar days for the period of April-June 2020 = 406,98 UAH.
- 2) The sum of vacation compensation = 14 calendar days* 406,98 UAH = 5 697,72 UAH - **the amount of average salary decreased because of non-usage of adjustment coefficient, as due to the Order № 100.**

CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF A QUARTERLY BONUS INCLUDED IN COUNTED PERIOD

The employee was hired on 05.06.2020 p. (five-days working week, Saturday and Sunday – days-off), salary is 12 000 UAH.

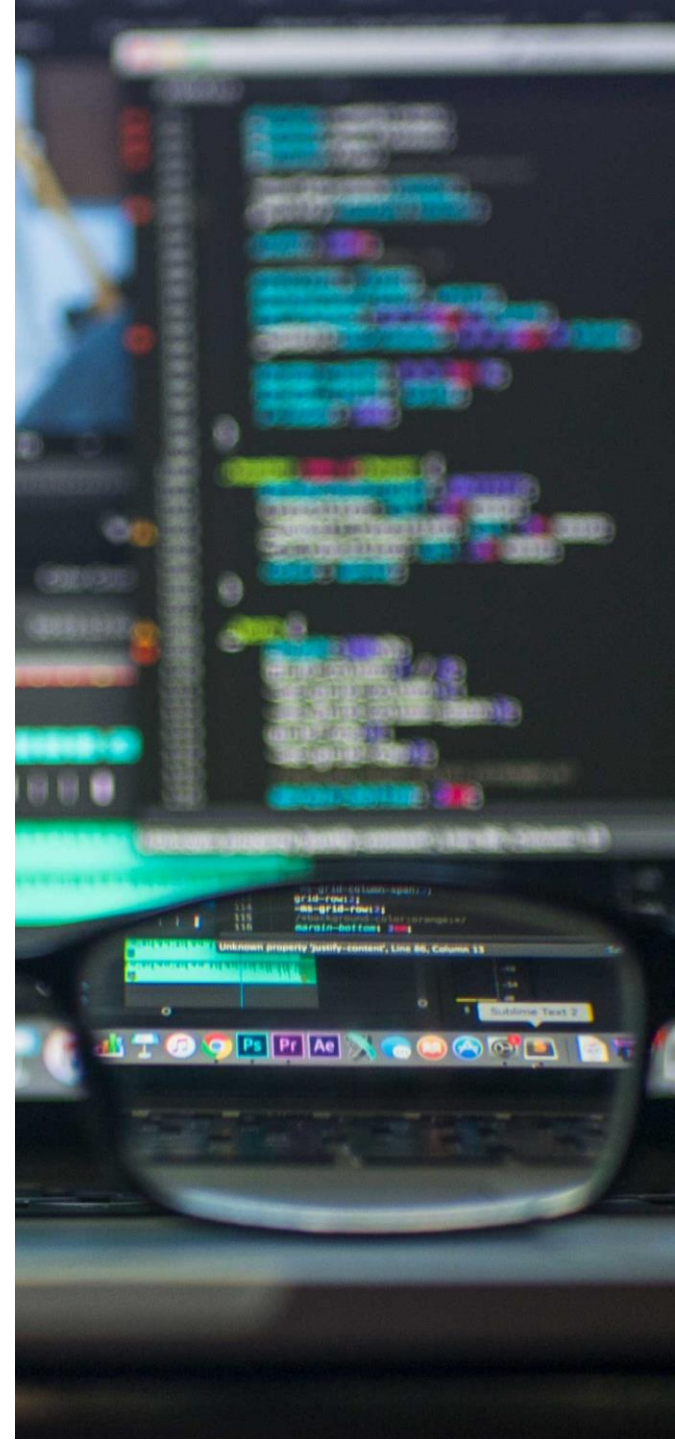
From 28.12.2020 p. starts an annual vacation for 3 calendar days.

During the calculated period (July-November 2020, worked in a full) employee will receive a bonus in October 2020 for the third quarter of 2020 in the amount of 7 500 UAH.

Task: To calculate the average salary and vacation payments.

Calculation of average salary by the order before 12.12.2020:

- 1) In this case the adjustment coefficient shall not be used as there were no changes in the salary.
- 2) To define the average salary for the period July-November 2020 (the fully worked months are taken)
= 60 000 UAH (salary) + 7 500 UAH (bonus) : 151 calendar days
= 447,02 UAH.
- 3) The sum of the vacation compensation
= 3 calendar days * 447,02 UAH = 1 341,06 UAH.



CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF A QUARTERLY BONUS INCLUDED IN COUNTED PERIOD

Calculation of average salary by the order after 12.12.2020:

- 1) To define the sum of average salary for the period July-November 2020 (fully worked months are taken) = 60 000 UAH (salary) + 7 500 UAH (bonus) : 151 calendar days = 447,02 UAH.
 - The part of bonus in July is 7 500 UAH : 65 working days x 23 working days of July = 2653,85 UAH. 65 working days — number of working days factually worked in the 3 quarter, for which the bonus was calculated (23 working days in July + 20 working days in August + 22 working days in September).
 - The part of bonus in August is 7 500 UAH : 65 working days x 20 working days in August = 2307,69 UAH.
 - The part of bonus in September is 7 500 UAH : 65 working days. x 22 working days in September = 2538,46 UAH.

In the calculation of vacation payments the bonus for the 3 quarter will take part in amount of: 2653,85 UAH + 2307,69 UAH = 2538,46 UAH.

- 2) The sum of vacation payments = 3 calendar days* 447,02 UAH = 1 341,06 UAH

CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF A QUARTERLY BONUS THAT WAS ACCRUED IN THE NEXT MONTH FOR THE PREVIOUS PERIOD

The employee was hired on 05.06.2020 (five-days working week, Saturday and Sunday – days-off),
salary is 12 000 UAH.

From 20.10.2020 p. starts an annual vacation for 3 calendar days.

In calculating period (July — September 2020, worked in a full) employee will receive a bonus in October 2020 for the third quarter of 2020 in the amount of 7 500 UAH.

Task: To calculate the average salary and vacation payments.

Calculation of average salary by the order before 12.12.2020:

In this case the adjustment coefficient shall not be used as there were no changes in the salary.

To define the average salary for the period July-September 2020 (the fully worked months are taken) = $12\,000 \text{ UAH} * 3 : 91 \text{ calendar days}$
= 395,61 UAH.

The sum of the vacation compensation = $3 \text{ calendar days} * 395,61 \text{ UAH}$
= 1186,83 UAH.



CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF A QUARTERLY BONUS THAT WAS ACCRUED IN THE NEXT MONTH FOR THE PREVIOUS PERIOD

Calculation of average salary by the order after 12.12.2020:

- 1) To define the sum of average salary for the period July-September 2020 (fully worked months are taken) = $12\ 000\ \text{UAH} * 3 + 7\ 500\ \text{UAH (bonus)} : 91\ \text{calendar days} = 478,02\ \text{UAH}$.
 - The part of bonus in July is : $7\ 500\ \text{UAH} : 65\ \text{working days} \times 23\ \text{working days in July} = 2653,85\ \text{UAH}$. 65 working days — number of working days factually worked in the 3 quarter, for which the bonus was calculated (23 working days in July + 20 working days in August + 22 working days in September).
 - The part of bonus in August is $7\ 500\ \text{UAH} : 65\ \text{working days} \times 20\ \text{working days in August} = 2307,69\ \text{UAH}$.
 - The part of bonus in September is $7\ 500\ \text{UAH} : 65\ \text{working days} \times 22\ \text{working days in September} = 2538,46\ \text{UAH}$.

In the calculation of vacation payments, the bonus for the 3 quarter will be taken in amount of: $2653,85\ \text{UAH} + 2307,69\ \text{UAH} = 2538,46\ \text{UAH}$.

- 2) The sum of vacation payments = $3\ \text{calendar days} * 478,02\ \text{UAH} = 1\ 434,06\ \text{UAH}$.

CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF ANNUAL BONUS THAT WAS ACCRUED IN 2020 FOR 2020

The employee is hired from 2017. Salary is 15 000 UAH.

From 10.02.2021 starts an annual vacation for 14 calendar days.

In calculating period (February 2021 — January 2021) employee was accrued:

- a salary for the factually worked time in the amount of 180 000 UAH.
- Bonus for the 2020 year in December in the amount of 24 000 UAH.

Task: to calculate the amount of vacation payments

Calculation of average salary by the order before 12.12.2020:

- 1) To define the amount of calendar days, included in calculation:
 - 366 calendar days – 11 holidays. = 355 calendar days.
- 2) To calculate the daily average salary:
 - $180\,000,00 : 355 = 507,04$ UAH – in this case the yearly bonus is not mentioned, as such bonus was accrued and paid in 2020 for 2020 it is not included in the calculation of average (letter of Ministry of Labor dated 24.06.2008 № 411/13/84-08).
- 3) To define the amount of vacation payments:
 - $507,04$ UAH x 14 calendar days = 7098,56 UAH.



CASE OF THE AVERAGE SALARY CALCULATION WITH THE CALCULATION OF ANNUAL BONUS THAT WAS ACCRUED IN 2020 FOR 2020

Calculation of average salary by the order after 12.12.2020:

- 1) To define the amount of calendar days, included in the calculation:
 - 366 calendar days – 11 holidays = 355 calendar days.
- 2) To calculate the daily average salary:
 - $(180\,000,00 \text{ UAH} + 21\,992,03 \text{ UAH}) : 355 \text{ calendar days} = 568,99 \text{ UAH}.$

Due to the p.3 of the Order is prescribed the special mechanism of including the bonuses and other payments that are accrued for the of 2 months or longer period during the accrual of the average salary.

In this case the amount of bonus will be accrued as follows:

24 000,00 UAH : 251 working days in 2020 year = 95,62 UAH.

In the calculation of average salary, the bonuses (payments) are included in the amount, that is related to the months from the calculated period:

- January, March, April, October and November 2020 = $(24\,000,00 : 251) * 21 = 2\,007,97 \text{ UAH}$
- February, June and August 2020 = $(24\,000,00 : 251) * 20 = 1\,912,35 \text{ UAH}$
- May 2020 = $(24\,000,00 : 251) * 19 = 1\,816,73 \text{ UAH}$
- July 2020 = $(24\,000,00 : 251) * 23 = 2\,199,21 \text{ UAH}$
- September and December 2020 = $(24\,000,00 : 251) * 22 = 2\,103,59 \text{ UAH}$

$(2\,007,97 * 5) + (1\,912,35 * 3) + 1\,816,73 + 2\,199,21 + (2\,103,59 * 2) = 24\,000,00 \text{ UAH}$


For the calculating period February 2020 – January 2021, the amount of bonus is included for the period of February 2020 – December 2020= 21 992,03 UAH.

- 3) To define the amount of vacation payments:
 - $568,99 \text{ UAH} * 14 \text{ calendar days} = 7\,965,86 \text{ UAH}.$

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