

The Gordian knot of mobilisation: Ukraine balancing the needs of the military and business

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The increasing number of men who have been granted deferment from military service in recent months and the problems in the implementation of mobilisation plans have urged the Ukrainian authorities to carry out an audit of companies deemed strategically important for national defence. The decision to revise the list of these companies is aimed at reducing the scale of abuse of employee protection from military draft and improving the personnel reserves of the Armed Forces of Ukraine. Meanwhile, the business community has put forward the introduction of the so-called 'economic deferment from military service' to allow business owners to obtain deferments for key employees by paying specific sums to the state.

The need to provide the budget with revenue from which the war effort is funded, alongside the mobilisation problems resulting from corruption and the widespread evasion of military service, make it increasingly difficult for the authorities to strike a balance between the country's economic interests and the demands of the military. Tensions in this regard are becoming an increasingly serious social and political challenge, undermining the Ukrainian public's trust in the ruling elite.

Deferment from the obligation of military service and its practical aspect

Currently, the procedure of deferment from military service is regulated by the government decree of 27 January 2023 (subsequently amended multiple times) which states that deferment can be granted to employees of companies and institutions which are deemed critically important and meet at least three of the following criteria:

- the total amount of taxes, fees and contributions they have paid to the state budget exceeds the equivalent of €1.5 million;
- their foreign currency revenues (excluding all types of loans) generated over the last fiscal year exceeds €32 million;
- the company, institution or organisation is of strategic importance to the economy and national security, as specified in the list of strategic state assets approved by the government;



- the company is crucial for a specific sector of the country's economy or for meeting the needs of the local community (these criteria are determined by central government institutions or the regional public administration bodies);
- the company/institution is not in arrears with its mandatory social security contributions;
- the average salary earned by the company's/institution's employees in the preceding quarter is not lower than the national average salary for Q4 2021;
- the company is a resident of the Diia City programme (a special legal zone for IT companies);
- the company provides telecommunications services and, if it is a mobile network operator, it generates an average monthly net income of more than 200 million hryvnias; for internet service providers the sum is more than 20 million hryvnias.

Some companies and institutions (operating in sectors such as healthcare, energy and international transport) are required to meet at least two of the aforementioned criteria. Companies deemed critically important can apply for deferment for up to 50% of their employees liable for mobilisation. Arms manufacturers, companies serving the Armed Forces of Ukraine and those operating in the energy sector are authorised to secure deferment from military service for their entire staff.

Recent months have seen a significant increase in the number of employees granted deferment. This acceleration followed the introduction of a mechanism on 17 July enabling the registration of these individuals via the Diia website. While there were nearly 528,000 deferments in March this year and 930,000 in August, in early October this number rose to over 1.5 million. As a consequence, on 8 October, the Ministry of Defence initiated an audit of companies authorised to provide deferments for their employees, which lasted until 15 November. During this period, the procedure for granting the critical importance status to new companies was suspended, and from 20 October, companies which had previously received this status could no longer apply for or extend deferments for their employees. On 23 October, the government introduced the possibility of revoking this status if violations in the process of granting them are found.

After the completion of the audit (the details of which were not disclosed), Denys Shmyhal announced modifications to the criteria for granting critical importance status to companies. The new regulations will take effect on 1 December (for example, for regional companies the decision will need to be consulted with the Ministry for the Economy or the Ministry of Defence). According to media reports, 10% of the audited companies have lost their critical importance status as a result of the audit.¹

Problems with the workforce

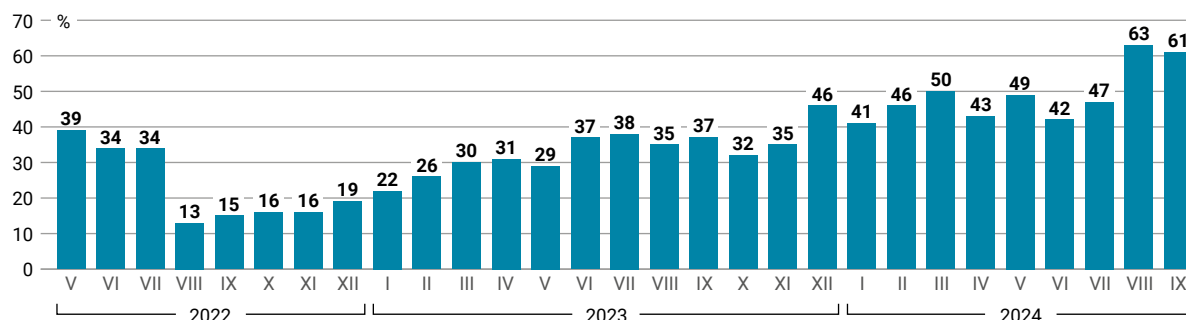
Although the number of individuals who have been granted deferment is growing, in recent months employers have encountered increasing problems with recruitment. According to the results of a survey published in October by the Institute for Economic Research and Political Consulting (IER), the biggest obstacle to running a business is currently caused by the shortage of workers, which results from mobilisation.² Among the entrepreneurs surveyed, 61% indicated this issue as the main challenge they face, thus making it more significant than security concerns (56%) and power outages (45%).

¹ О. Некрашук, Д. Бобрицький, 'Нові фільтри, десятки тисяч військовозобов'язаних втрачають бронь. Як уряд змінив правила і що показав аудит', NV Бізнес, 16 November 2024, biz.nv.ua.

² 'Брак працівників у вересні вперше став головною перешкодою для ведення бізнесу – опитування ІЕД', Institute for Economic Research and Political Consulting, 17 October 2024, www.ier.com.ua.

In addition, hiring skilled workers has become increasingly difficult; this issue was indicated by 55.1% of respondents. 39.2% of them had problems finding unskilled workforce. It is worth noting that problems related to shortages of workers have been on the rise since the second half of 2022.

Chart. Proportion of companies reporting problems with finding staff



Source: figures published by the Institute for Economic Research and Political Consulting.

It appears that the fear of mobilisation is the main cause of the difficulties with finding workers, as the employer is required to register their employees in the military register when hiring them legally, which increases the risk of them being called up for military service. Thus, a significant number of men of conscription age prefer to work illegally.

The stalled mobilisation

The efforts of business owners, who are focused on maintaining an adequate level of employment, are in conflict with the needs of the military. Since the end of 2023, the problems with the implementation of mobilisation plans have intensified, while military units fighting on the front require regular reinforcements to regain full combat capability. 'Ageing' military personnel is another problem. The average age of Ukrainian soldiers is around 35–40, which raises concerns about their effectiveness in the harsh conditions of the battlefield. Moreover, a significant decline has been recorded in the number of volunteers willing to join the Armed Forces of Ukraine for patriotic reasons.³

Although the military authorities do not disclose the details of their mobilisation plans, occasional statements from Ukrainian military officials seem to suggest that the plans envisage drafting several thousand soldiers monthly. This is difficult to achieve, mainly due to young men being reluctant to participate in the bloody battles on the front.

Ukraine has not declared full mobilisation, as men from the youngest age group (18–24 years old) have been exempt from it. After a delay of almost a year, which was due to concerns over deteriorating public sentiment, resistance from businesses caused by the loss of employees, and due to unfavourable demographic trends, in April President Volodymyr Zelensky decided to slightly lower the mobilisation age from 27 to 25⁴ (according to the military authorities, this is expected to provide the army with an additional 400,000–500,000 recruits). Ukraine's mobilisation pool is estimated at 3 to 5 million men aged 25 to 60.⁵

The president also signed a law abolishing the status of individuals with a limited capacity to perform military service and introducing an obligation to review their medical certificates in this regard.

³ J. Ber, 'On the threshold of a third year of war. Ukraine's mobilisation crisis', *OSW Commentary*, no. 572, 9 February 2024, osw.waw.pl.

⁴ *Idem*, 'Ukraine adjusts its mobilisation policy', *OSW*, 17 April 2024, osw.waw.pl.

⁵ А. Страшкуліч, 'Старим тут місце. Як ЗСУ стали армією 40+ і чи вплине зниження мобілізаційного віку на боєздатність', *Українська правда*, 16 May 2024, pravda.com.ua.

However, these measures do not guarantee an effective continuation of mobilisation, partly due to difficulties in developing a comprehensive register of individuals subject to conscription. It cannot be ruled out that, in a situation of mounting personnel problems in the military, regulations will be introduced to enable younger age groups to be drafted.

According to figures compiled by the State Statistics Service of Ukraine, at the beginning of 2022 there were approximately 1.6 million men aged 18–25 in Ukraine.

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These figures should be viewed as estimates, as many of these men have left the country since then or hold certificates exempting them from military service. These can be issued to employees of companies deemed strategic for the war effort, individuals holding a verified disability certificate or those having more than three children. Some observers believe that the audit of companies with strategic status was carried out in response to President Zelensky’s surprise over the large scale of exemptions from military service.⁶

Despite the introduced legal amendments, the results of the ongoing mobilisation are unsatisfactory. In October, the military authorities admitted that the pace of mobilisation had slowed. At present, around 20,000 men are undergoing training, whereas just a few months ago this number was 35,000.⁷ The absence of a significant improvement in the quality of mobilisation is due to mounting organisational problems. Despite efforts to address the situation, the recruitment system remains ineffective, largely due to a reluctance to serve at the front and the inefficient work of military and medical boards, whose members are highly prone to corruption (see below).

The short training period of the conscripts preceding their deployment to the front (30 days) discourages men from military service. This system fails to ensure they are sufficiently prepared for action and to survive in harsh combat conditions. To address this problem, a proposal has been put forward to extend the duration of training to 45 days.⁸ In their attempts to recruit more men, the military authorities have also decided to continue random ID checks at restaurants and clubs frequented by young men.

Evasion of military service

Prolonged intense fighting at the front, which leads to heavy human losses, has increased the reluctance to serve in the military. An illegal practice has emerged involving men paying bribes (amounting to several thousand to more than ten thousand euros) to avoid conscription. While it is difficult to assess the exact scale of this scheme, it is likely widespread. According to Eurostat data, between January 2023 and July 2024, the number of Ukrainian men aged 18–64 covered by temporary protection in the European Union and EFTA countries increased by 250,000.⁹

Despite the implemented corrective measures (such as the replacement of the heads of all the regional military recruitment boards in August 2023), corrupt practices related to the issuance of fake deferment certificates remain widespread. The detention of several military recruitment board officials in Kyiv, who have earned over \$1.2 million through these illicit practices, corroborates their

⁶ А. Крижний, ‘Процедуру бронювання призупинили: Зеленський обурився великою кількістю заброньованих’, Економічна правда, 9 October 2024, [epravda.com.ua](https://pravda.com.ua).

⁷ М. Ощановский, ‘Мобілізація в Україні пішла на спад: які причини’, 19 October 2024, societycomments.ua.

⁸ “Зміни в організації бойової підготовки Збройних Сил України”, Report from a meeting at the General Staff of the Armed Forces of Ukraine, 19 October 2024, ukrinform.ua.

⁹ ‘Beneficiaries of temporary protection at the end of the month by citizenship, age and sex – monthly data’, Eurostat, 12 November 2024, ec.europa.eu.

profitability. Aside from fake documents, individuals seeking to avoid conscription were also offered the permanent removal of their personal details from the military register.

Corrupt military medical boards are a further problem. It was revealed that they are involved in issuing fake certificate of unfitness for military service in exchange for a bribe. The exposure of corruption scandals, such as the one in Khmelnytskyi Oblast, where the head of a medical board amassed \$6 million in cash for her 'services', caused huge outrage both at home and abroad.¹⁰ In response to this type of incident, at the end of October, the president signed a decree to dissolve the medical boards by the end of 2024.¹¹ Starting from next year, certificates of unfitness for military service will be issued by specialist physicians working in hospitals, and medical documentation will be entered into an electronic system allowing for the verification of the validity of each diagnosis.

The Ukrainian law enforcement bodies are continuing their efforts to combat the smuggling of draft dodgers abroad, who pay between €4,000 to over €10,000 euros for their transit. Figures published by investigative journalists from the Independent Anti-Corruption Centre (NGL) corroborate that this is a widespread practice (Romania and Moldova are the main transit countries). According to their findings, from the beginning of the war until September 2023, 2,248 men left Lviv Oblast using fake documents to cross the border.¹²

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There is a high degree of social acceptance for the evasion of military service. In a survey published on 1 April by the Institute of Social and Political Psychology of the National Academy of Sciences of Ukraine, 53.9% of respondents said that it is understandable that some individuals evade conscription because they fear they may get killed. According to the survey’s conclusions, ‘anti-mobilisation’ sentiment may represent a serious challenge for the authorities.¹³

Seeking a compromise

For many months, debates have been ongoing in Ukraine regarding the need to devise a compromise mechanism to allow certain categories of workers to be temporarily exempted from mobilisation in exchange for an additional payment to the state budget, which would be earmarked for military purposes. This would enable non-critically important businesses to secure military service deferment for their most important employees, thereby reducing the risk of paralysis in their ability to do business. This is particularly relevant for companies operating in the industrial production sector, where skilled workers are indispensable for the continuity of operations.

In June, a bill was submitted to the Verkhovna Rada of Ukraine, proposing the introduction of so-called economic deferment from military service.¹⁴ Under this mechanism, employers would be able to designate up to 50% of their employees who are subject to compulsory military service and exempt them from mobilisation for a monthly fee of 20,000 hryvnias (around \$500) per exempted individual. Two alternative bills have also been submitted to the Verkhovna Rada, expanding the group of individuals

¹⁰ Ю. Завадська, ‘Мільйони доларів та списки ухилиянтів. Фігуранткою справи про незаконне збагачення є головна лікарка Хмельницького облцентру МСЕК — джерела’, *New Voice*, 4 October 2024, nv.ua.

¹¹ М. Jędrysiak, ‘Ukraine: corruption scandal over fake disability certificates’, *OSW*, 30 October 2024, osw.waw.pl.

¹² О. Губицька, Н. Тузяк, ‘Велика втеча’, *NGL.media*, 14 September 2023, ngl.media.

¹³ ‘Стан суспільної свідомості на третьому році повномасштабного російського вторгнення: результати моніторингу громадської думки’, *Інтерфакс-Україна*, 1 April 2024, interfax.com.ua.

¹⁴ Проект Закону про внесення змін до Податкового кодексу України щодо особливостей сплати воєнного збору за бронювання військовозобов’язаних, *The Verkhovna Rada of Ukraine*, 11 June 2024, itd.rada.gov.ua.

eligible for deferment to individual entrepreneurs (natural persons). However, the legislative process of all three bills has stalled at the parliamentary committee level, and it is unclear if the Verkhovna Rada will work on them, and when. According to estimates by Dmytro Natalukha, the head of the Verkhovna Rada's committee on economic development, if the law is enacted, 1.45 million individuals working in the business sector could be granted deferment and the state budget could receive an additional 347 billion hryvnias (around \$8.5 billion) in revenue annually. Other proposals have also been put forward in this regard, such as exempting employees whose salary exceeds 35,000 hryvnias (around \$850) from mobilisation.¹⁵

Business welcomed the proposals regarding the so-called economic deferment from military service. In a survey conducted in June, 81% of members of the American Chamber of Commerce in Ukraine stated that mobilisation negatively affects their business performance. In their view, devising a clear and transparent employee deferment procedure is the most important step the Ukrainian government should take to significantly help the business sector in 2024. However, men who have already enlisted in the army have criticised the option of paying for being granted exemption from military service. In their civilian life, many of them earned more than 35,000 hryvnias and would now be deprived of this opportunity for demobilisation. In addition, there is a significant risk that this mechanism will be abused by individuals seeking exemption from conscription being offered fictitious employment.

Another weak point of the so-called economic deferment is that, under current conditions, the proposed sum of 20,000 hryvnias (the amount to be paid monthly for each employee exempted from military service) is relatively high, it is just slightly lower than the average national salary and higher than the average salary offered in less affluent regions of Ukraine. Therefore, this solution would limit the options available for less wealthy men to avoid mobilisation. However, the criticism that, following the introduction of economic deferment, 'only the poor would go to war' seems rather unfounded, since in the present situation wealthier individuals are already able buy their way out of mobilisation using various illegal methods.

Outlook

For now, it is difficult to predict whether the new solutions regarding employee deferment, which are set to take effect on 1 December, will prove effective. At the same time, the introduction of the so-called economic deferment seems unlikely in any of the versions submitted to the Verkhovna Rada due to opposition from certain sections of society and resistance among military personnel, particularly those fighting on the front, who are rarely rotated.

In their attempts to improve the insufficient staffing level of the Armed Forces of Ukraine (especially in its land component), the military authorities will likely seek to recruit as many of the men who have been granted deferment through their employers as possible. This will likely provoke opposition from the business community, which will argue that the actions of the defence ministry pose a direct threat to Ukraine's economic stability. In addition, the practice of hiring men illegally is expected to intensify, which will likely lead to the military authorities making more frequent inspections of companies in the future.

The conflict of interest between the military authorities and the business sector is a growing problem for Zelensky, who has so far been reluctant to make unpopular decisions. By hesitating too long, he risks coming under criticism from both sides, and without decisive action, the staffing situation in the military will likely worsen.

¹⁵ Я. Вінокуров, 'Законопроект про економічне бронювання зареєстрованих. Як воно працюватиме?', Економічна правда, 12 June 2024, pravda.com.ua.