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# Why are servicemen leaving the Armed Forces?

PUBLIC EDITION



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This study is focused on the issues due to which the Armed Forces of Ukraine lose qualified personnel.

Qualitative and quantitative research methods have been used for this research. The qualitative research method included interviews with personnel in combat units and the military command & control (C2) bodies that are dealing with human resources matters. Based on the interviews, nine factors that have an impact on the motivation to continue the service were identified and described.

As the information collected during the study is sensitive, only certain statistical data is presented here. The full package of data has been provided to the military command & control agencies.

*The accuracy of the information has been verified. The information contained in this publication is accurate and true to the best of our knowledge as of the first quarter of 2020. NGO “Come Back Alive!” shall not be liable for any use of this information for any other purpose or in any other context.*

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## Abbreviations

AFU GS	General Staff of the Armed Forces of Ukraine
AFU	Armed Forces of Ukraine
MoD	Ministry of Defence of Ukraine
JFO	Joint Forces Operation
HR	Human resources

# Introduction

The beginning of the armed aggression of the Russian Federation against Ukraine and the increase in the size of the Armed Forces of Ukraine (AFU) shaped the need to change the approaches to human resources management. However, the AFU currently lags far behind the civilian sector, because in most cases the military is still using the negative motivation system, and the military HR management system is not implementing the experience and approaches of the civilian sector.

The AFU's HR policy still has a lot of legacy from the Soviet era. This legacy is based on an inappropriate attitude to individual servicemen and seeing the Armed Forces of Ukraine as the conscription-based army, despite the declared intentions to make it professional and join NATO.<sup>1</sup> Such an HR system in the AFU prevents staffing the AFU with the required number of people with the knowledge and skills necessary to be successful on the mission. Therefore, this system is not capable of guaranteeing the security and defence of Ukraine to a full extent. This is why not only private soldiers but also the military and political leadership have repeatedly emphasized that HR approaches have to be changed.

This study is the first attempt at a systematic evaluation of the staff shortages in the AFU. The goal is to make people the most valuable resource of the AFU, which will surely reinforce it. By learning how to manage the military effectively, the AFU will build a solid foundation for strengthening its capabilities and to make all further changes successful.

Since the AFU is a large organization, the study was limited to the following focus groups:

- servicemen of the Army (because the Army is the largest branch of the Armed Forces);
- mechanized, motorized infantry and mountain assault units of Army;
- private soldiers, NCOs and junior officers (these categories are the largest staffing gap in the AFU);
- contract servicemen.

Throughout this study, we interviewed over 80 servicemen trying to find out the range of potential factors why, as the servicemen believe, there is no motivation to continue the contract. As a result, we have identified nine factors that make an impact to a certain extent. Each factor encompasses a number of issues. Please note, however, that identifying all problems existing in the AFU was not the objective of this study.

In addition to the interviews, we have conducted an anonymous opinion poll of 2,065 servicemen. The purpose of the survey was to find out how important a certain factor was for them during the service and how satisfied they were with those factors.

From the structural standpoint, this study includes four sections that are dedicated to the reasons why individuals join the Armed Forces, factors having an impact on the decision to stay in the military, results of the opinion poll, and general recommendations for changes required to improve the HR situation in the AFU.

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<sup>1</sup> Constitution of Ukraine, Art. 102: <https://bit.ly/37UerfX>





# Section 1



## ВІДСЬКОВА ПРИБІЯ

Я, (прізвище, ім'я та по батькові),  
присягну на вірність Україні та Українській  
державі, захищати її територіальну цілісність і  
незалежність, сумлінно і чесно виконувати  
обов'язки військової служби і підлягати  
дисципліні, підкорюючись Конституції України та  
законів України, зберігати державну  
таємницю, виконувати свої обов'язки  
в інтересах співвітчужців.  
Присягну ніколи не здаватися  
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# Reasons for joining the Armed Forces

Understanding why people leaving the Armed Forces will be incomplete without understanding why people join in. This will help understand the expectations of individuals from the AFU and—at least partially—explains why an intention to stay in the military might vanish.

During the interviews, the servicemen were asked why had joined the AFU. Answers were grouped by three reasons:

- professional;
- emotional;
- pecuniary.

Professional motives include a person's desire to become a professional military, do what they like and excel in their careers in the military. Pecuniary reasons have to do with the fact that the AFU is being considered as a source of stable income, perks and other material benefits. Emotional reasons are displayed in patriotism, the individual's desire to be part of the change occurring in Ukraine, need for adventure and risk, etc. Emotional reasons also explain why ex-military return to the Armed Forces due to post-traumatic stress disorder, feeling odd in civilian life and being unable to adapt to it.

These groups of motives are not mutually exclusive; it is not uncommon to have motives that belong to all three groups. However, one motive would always be prevailing. An important note is that during the service the motives can change: a person who joined to get certain material benefits may later become interested in making a career in the military and will start putting effort into it.

These groups might not be reflecting all existing motives and be only relevant to our target audience—junior officers, sergeants, sergeant-majors and private soldiers.

## “Motivated” and “troublemaking” military

Talking to the military personnel serving in various branches of the Armed Forces of Ukraine at the pre-interview stage, respondents gave examples that made an impact on how the authors classified the military personnel as so-called “motivated” and “troublemakers”. The following conclusions stem out of these examples:

1. Various members of the military can achieve drastically different results under the same conditions (such as applicable rules and regulations, standards of supply, standard operating procedures, attitude of the commanders, etc.).
2. A properly setup system will enhance the quality and speed of the processes; however, certain individuals are still capable of demonstrating outstanding performance even if the system remains inefficient (it takes a considerable effort, the result being that such personnel “burn out” and leave the Armed Forces).
3. If an individual has an intent to deceive the system, they will likely succeed—regardless of how many safeguards were imposed.

If external conditions are quite similar for the same jobs within the Armed Forces of Ukraine, the reason causing behavioral differences lies in internal personal factors; specifically, in internal motivation of each individual.

We have also identified that there are also two groups of the military who—in conditions that are formally the same and with the same set of resources—act differently and achieve different results:

- “Motivated”;
- “Troublemakers”.

“Motivated” servicemen tend to provide the highest-quality services to the employer (AFU) and barely create any problems. Quality services mean the professional performance of duty with efficient use of resources.

“Troublemakers” are servicemen who do not provide good-quality services (or provide a bare minimum of them) and make a lot of problems. Making problems means the behaviour of a serviceman that on regular basis leads to inefficient or excessive use of military resources, makes a negative impact on other servicemen, is detrimental to the country’s defence capabilities, etc.

We might intuitively suggest that the “motivated” category includes people with patriotic ideas or career-making goals, and the “troublemaking” category consists of people who want to earn easy money and get benefits in the AFU. However, this classification is quite vague, because two categories are certainly not enough to describe all types of behaviour and motives. In addition, the motives are mostly mixed in practice. For simplification, the breakdown into “motivated” and “troublemaking” groups will be used here as a method to indicate how beneficial and efficient the serviceman is for the AFU and society.

# Section 2





# Why are servicemen are leaving the Armed Forces?

The AFU has to reform its personnel management system in challenging conditions. 65% of the military personnel are leaving after their initial contract expires; potential servicemen have ample employment opportunities in the civilian labour market, and Ukraine remains a labour donor to other countries, with a margin of 5.9 m migrants (13.4% of the country's population).<sup>2</sup>

All these factors have resulted in a situation where the lack of personnel in the AFU is in itself the root cause, rather than just a consequence, of some of the problems.

This Section describes the factors that, according to the servicemen, are the main reasons for the personnel turnover as of the second half of 2019.

## Housing

The existing Ukrainian legislation<sup>3</sup> defines that the state is obliged to provide servicemen with or give compensation for it if this option is selected. However, this is not always possible. The reason for this is the lack of funding and a shortage of housing. Sometimes the housing options available—such as barracks, family dormitories, service apartments, etc.—have living conditions that are not always decent. This situation is caused by the fact that the housing stock is predominantly old and needs to be repaired.

In particular, the existing housing stock such as barracks (even better-standard ones) offers barely any privacy at all, and privacy was one of the most critical requirements to housing mentioned by the respondents.

Other issues highlighted by the respondents include lack of service housing, a non-transparent procedure for getting it, and regular withdrawal of such housing facilities from the stocks owned by the Ministry of Defence.

<sup>2</sup> Europe and Central Asia Economic Update, Fall 2019: Migration and Brain Drain, P. 29: <https://bit.ly/2TcCSA6>

<sup>3</sup> Article 12 of the Law of Ukraine on Social and Legal Protection of Servicemen and Their Family Members: <https://bit.ly/3jwXMGZ>



One of the options to solve the housing issue during the service is to rent accommodation in the real estate market. In this case, the state provides compensation and, accordingly, pays a certain amount of money to the serviceman<sup>4</sup> which is used to pay rent. However, not all servicemen are using this opportunity, maintaining that it is a complicated bureaucratic procedure.

In particular, the respondents were pointing out at the following unlawful requirements applicable to the housing rental compensation:

1. To receive rental compensation, a formal lease agreement has to be attached to the application;
2. The person whose domicile is registered in the Oblast (region) where the military unit is located is not eligible for the rental compensation;
3. The rental compensation is only available to servicemen after their second uninterrupted contract.

Respondents were saying that these requirements were articulated to them by housing commissions. However, it is also a case that various commissions may require different documents, although there is a specific list in place.<sup>5</sup> This situation is a display of poor liaison among military command & control agencies that belong to different tiers, and misinterpretation of legislation on the ground.

Another problem is that the amount of compensation is not sufficient to cover the rental fees, especially in large cities. As of January 2020, the average cost for renting a one-bedroom apartment was:

- UAH 10,210 in Kyiv;
- UAH 6,694 in Kharkiv, Odesa and Lviv;
- UAH 4,127 in other Oblast centres;
- UAH 4,494 on average in all Oblast centres.

This situation calls for a review of approaches to estimating the amount of compensation.

Soldiers who over 20 of service record are expected to get accommodation for permanent residence.<sup>6</sup> As of January 1, 2020, 24,700 people were registered in a queue to get permanent accommodation.<sup>7</sup> However, few of the respondents mentioned the issue of permanent accommodation during the interviews. A partial explanation of this might be that our study was mainly focused on private soldiers, NCOs and junior

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<sup>4</sup> The amount of compensation is set by the Minister of Defence. In 2020, the monthly rental compensation was UAH 3,800, UAH 2,850 and UAH 1,900 for Kyiv, Oblast centres and other towns and cities, accordingly.

<sup>5</sup> The list of documents that must be provided to get the rental compensation is given in the Procedure for Monetary Compensations for Accommodation Rental to Servicemen of the Armed Forces, the National Guard, the Security Service, the Foreign Intelligence Service, the State Border Guard Service, the State Special Communications and Information Protection Service, the State Special Transport Service, the State Protection Service, and servicemen seconded to the Ministry of Education and Science, State Space Agency, approved by the Resolution of the Cabinet of Ministers of Ukraine N 450 of June 26, 2013: <https://bit.ly/3c6jkG7>

<sup>6</sup> Paragraph 3 of the “Procedure for providing servicemen and their families with housing”, according to the Cabinet of Ministers of Ukraine Decree N 1081 of August 3, 2006.

<sup>7</sup> Analysis of the AFU servicemen who applied for accommodation due to the need of improved living conditions; as of January 1, 2020.



officers who were either not going to serve that long or did not believe that they would be able to get their own accommodation.

«*Most of them join the Armed Forces and do not expect to get an apartment, because they've heard there is no chance for this.*»

The housing issue is one of the most difficult issues covered in this study. These recommendations contain only certain principles and methods that might contribute to solving the problem:

- housing methods should be based on the needs of servicemen;
- privacy is a must;
- principle of joint responsibility of serviceman and the state.

Based on these principles, it is recommended to build and refurbish the existing housing stock (barracks and dormitories) in a way to ensure that it offers as much privacy and comfort as possible. For example, the US Air Force is following the Dorms-4-Airmen concept, where 128 servicemen live in 32 apartments in a dormitory (4 people in each apartment). Every individual has their private room and shower, sharing the kitchen and the living room with the other three apartment-mates.

The issue of service housing in the form of service apartments may be solved through the increase of funding for the construction of such housing facilities and the transition from the service housing model to the position-based housing model. This will ensure that the housing stock remains in the ownership of the Ministry of Defence, since the accommodation will be assigned to a specific position rather than to a serviceman, and, accordingly, will be transferrable together with such position.

As mentioned above, the problem of accommodation rental compensation should be solved not only by increasing the amount of compensation: the principle for calculating this needs to change. In this context, it is recommended that the compensation amount is reviewed annually for individual regions, districts or garrisons.

It is recommended to solve the issue of permanent residence housing through preferential mortgage loans, with the Ministry of Defence undertaking to cover a fixed share of monthly payments. This will implement the principle of joint responsibility between the servicemen and the AFU. A serviceman will put their own money at a stake and therefore will be making more informed decisions; the AFU will be able to provide accommodation for more servicemen.

## Work-life balance

The majority of the servicemen interviewed noted that the work-life balance in the AFU is not good and makes you choose “either the army or the family”.

The root cause for this is non-compliance with the legislation on working hours and the inability to plan one’s private life due to the high intensity of combat training events, fighting in the JFO, etc.

The legislation sets a non-standard working day for servicemen during their training or combat deployments, and an 8-hour working day for contract servicemen in camp. But on practice, a working day in camp is often longer than 8 hours. According to the respondents, this situation is very common in the military C2 bodies, where personnel have to be at work on non-working hours, including weekends.

« You can leave at 18:00 only when you are at work during your vacation. »

Respondents also consider long training and combat deployments as one of the most important problems in terms of maintaining the time balance. Usually, the AFU units are deployed in the JFO for 6 to 7 months a year. Another 2 to 3 months go for pre-deployment training on training areas. This means that servicemen stay in base camp only 2 to 3 months a year, which has a negative impact on their family life.

A significant number of servicemen serve in garrisons that are located remotely from where they actually live. Since not everyone is able to move their families, spending time with them is very important. The respondents said that many families are falling apart or are nearly divorcing because servicemen barely spend any time at home.

« High dynamics of deployments, staged events, competitions, training courses and training areas. All this in one year. In conditions like these, no money is needed. I want to serve, but I will end up losing my family. »

Undoubtedly, it is extremely important to protect the family life of the servicemen. This can be achieved, in particular, through granting leaves and vacations. This is, however, not always possible due to the intense dynamics on tasks and the overall shortage of servicemen in units.

To solve the issue of combining the service in the AFU and family life, the commitment of the family is important. If the family is interested in having at least one of their members serving in the AFU, it will create additional incentives for them to continue the service.

This can be done through the benefits that the family needs. These could be, for example, subsidized children's healthcare programs for military families. Families also need to be provided with accommodation and related infrastructure, such as kindergartens. This will create additional incentives to move the family to the garrison where the serviceman serves and, consequently, reduce the number of individuals who are leaving the AFU because their families live in another area. All these solutions, if combined, will increase the serviceman's perception of their life quality that will be connected with their service in the AFU.

The working hours issue might be through relevant training for commanders, which should include time management lessons. In addition, the AFU should introduce a mechanism for the servicemen to protect their rights in cases of overtime work, work on weekends and holidays that is not envisaged by the existing legislation, no day off after being on duty on a weekend, etc.

Particular attention should be given to the credibility of the expected working hours, supply, etc. This should become a part of the AFU brand, when a future serviceman understands that signing a contract is not a risky step and that the promises will be fulfilled.



## Processes and procedures

Every serviceman is facing certain military processes and procedures related to accounting, training, reporting, etc. — everything that is generally called bureaucracy. The military perceives bureaucracy as something that is very frustrating during the service.

In general, the problem of bureaucracy can be described by the number of documents that servicemen need to keep on command positions. In the JFO, a platoon commander has to complete 13 logs, diagrams, tables, etc., plus a number of so-called formalized documents. The result is that 90% of the commander's time goes to paperwork, leaving barely any time for their subordinates.

The excessive paperwork issue leads to months of waiting for certificates, veteran ID cards, etc. Documents are also often lost in the approval process. Lack of automated electronic paperwork process has a negative impact, too.

Another aspect is the focus of the military bureaucracy on demonstrative reports rather than on the actual result. This applies to briefs, multiple journals, executive summaries and other documents.

«*Everyone works on paper only and not to enhance the real combat capabilities. An order came to address the lack of combat vehicle staffing. Someone just decided to put a chef into the vehicle. Problem solved. The key here is that it looks good on paper.*»

The AFU has developed a culture of providing the leadership with reports that would not raise questions and blend with other paperwork. This encourages commanders to report not on the real situation — no matter how bad or good it is — but rather what the leadership expects to hear and what will not create any further hassle.

The existing procedures are artificially complicated and either do not work the way expected by their authors or do not achieve the original goals. According to the respondents, internal investigations and safety briefs are among the most ineffective procedures.

Internal investigations are conducted to find out the cause and conditions in which an offence was committed and determine the degree of guilt of the perpetrator. The largest share of internal investigations is related to abuse of alcohol and drugs, absence without leave and other minor violations, and those investigations are conducted in a purely formal way.

«*When I served in the Soviet Army, we had just 28 investigations in the Regiment per year. Now, we had 1,200 investigations in the brigade last year alone! Why is this necessary?! It leaves no time for your direct duties.*»

In addition, servicemen are not being taught how to conduct investigations properly. Most people who have to handle investigations do not have a legal background, so they make mistakes, having to re-make documents and get into self-education, which not only increases the duration of investigations but also helps complainants win lawsuits against the AFU.

In practice, the main purpose of safety briefs is not to minimize accidents, but to get guarantees that the team will not be in trouble if any accident does occur. Such briefs, however, do not reduce the number of cases related to alcohol and drug abuse, for example. This is why briefs are often skipped and can only be found as notes in relevant journals.

In view of the issues described above, it is necessary to determine what processes can be completely transferred into the electronic form or even descoped entirely.

The existing processes and procedures should be reviewed to identify those that are not efficient and either modify such processes or revoke them. In particular, this is relevant for the processes which, if changed, will affect the majority of servicemen, or will potentially have the broadest positive effect possible for the AFU, or the processes that the servicemen are complaining about.

Another aspect is conducting investigations on such common cases as drinking. If doing a test with a breathalyzer and making an administrative offence report is enough to establish the fact of alcohol drinking, such investigations should be phased out and relevant regulations need to be amended accordingly.

Main eligibility requirements for military service include professional fitness, psychological stability and (at least) basic education. As active-duty servicemen have all been approved as eligible for military service, they are supposed to meet these requirements – at least in theory. This is why safety briefs should be conducted annually or on a one-off basis when signing a contract or getting a new position. Accordingly, the AFU may reasonably expect that servicemen can sufficiently understand and follow the safety rules after 1 to 2 briefs. In practice, military personnel do not always meet these requirements so the introduction of a quality-based selection process might solve this problem.

Verification of paperwork quality is often inefficient. A journal entry, even if it is made correctly, cannot reflect the quality of the relevant process. In view of this, it is necessary to shift the focus of inspections to the quality side of the process and to check the real knowledge and skills rather than whether the paperwork is written correctly.

## **Self-development and career-making**

Training is an integral part of any professional growth. Military career, especially for officers, is associated with ongoing training and enhancement of one's existing skills; some servicemen see such development as one of the main incentives for service.

In this area, most issues have to do with the quality of military training provided at training centres, as well as duties, planning of exercises and allocation of positions.

Quite often, the respondents pointed out the poor quality of the training delivered at training centres. The reason for this is lack of skills practice, making servicemen do household work and poor qualifications of instructors (sometimes rookies) who often have to teach something new to seasoned army veterans.

Duties in camp are among the most common reasons for complaints. The reason for this is that most in-camp duties have barely anything to do with the military.

«« *Camp is all about painting the curbs; it's just waiting time. When you ask "Why?" they just tell you: "You have to be kept busy with something. And someone has to do the cleaning anyway.* »»

Servicemen often face a situation when they have a recommendation from their military unit for a certain position or job but end up receiving training for a different job. This has a negative impact on the AFU's credibility as an institution as an individual gets deceived from their very early days in the Army. This has to do with the military registration and enlistment offices and training centres whose operation is governed by training plans.

«« *The military unit gave a girl a recommendation for a combat medic. She was supposed to go to Desna Training Centre from the military registration office because this is where medics are trained. But when they phoned her later, it turned out that she was in Starychi. No combat medic training is provided there. Apparently, she was put on a chef training course. What does a combat medic have to do with a chef?* »»

The problem of expectations and reality is not found in the AFU only. A study conducted in the Armed Forces of the Kingdom of the Netherlands found that a significant number of new recruits were leaving because their expectations regarding the service never came true.<sup>8</sup>

Any army is interested in retaining people for as long as they are beneficial to the system—especially as an individual's value is increasing as they are gaining experience.

In this study, we have come to the conclusion that private soldiers and sergeants often do not see how they can make a career in the AFU. Some individuals see career opportunities but are not interested in them. The AFU should create a system that would offer real opportunities to make a career for the former group and get rid of the latter group. An example of such a system is the US Army's "Up or out" approach, where the Army gets rid of the individuals passed over for promotion. In the United States, certain position levels are very clearly tied with relevant military ranks. This prevents situations when a sergeant has the position of a platoon commander or colonels do duties that are relevant for lieutenants.

<sup>8</sup> Recruiting and Retention of Military Personnel: <https://bit.ly/2LsLkve>



We recommend introducing a mechanism of instructors and training staff evaluation by the students. This will provide feedback and help tweak the approaches to training.

It is also important to make the individuals who want to join in with the real duties. In this context, it would be a good decision to introduce the rank of recruit in the AFU.<sup>9</sup> An individual would sign a probationary contract without completing a full of military training course. This will give the new recruit a chance to decide whether they are actually ready to become a military, and the army, on its end, would be able to verify whether this candidate is good for service.<sup>10</sup>

## The attitude of the army system

Values<sup>11</sup> have a significant influence on the employee's decision to join an organization (such as the AFU) or leave it.<sup>12</sup> Values also affect things such as commitment, job satisfaction, etc. This is directly linked with staff retention.<sup>13</sup>

The interviews have shown that there is a conflict of values adhered to by servicemen and by the AFU. The respondents have repeatedly stated that the AFU as an institution has a massive lack of such values as respect, justice, trust, efficiency and rationality, and instead, indifference, humiliation, distrust, ostentation and arrogance are common.

However, a serviceman's evaluation of the actions that built the foundation of the values dominating in the AFU might be quite subjective and depend on the individual. For example, a serviceman might think that being told off at the parade for drinking is a humiliation although it is necessary to maintain the discipline.

Quite often during the interviews, servicemen were saying that many processes were being done merely for the sake of showing off and not for any real purpose. The two common types of reactions to this are mocking the system and becoming disappointed with the army.

« It doesn't matter whether you've run live ranges or not. The main thing is to have all the paperwork in place, with all those maps and nice coloured arrows on them. No one really cares how good the shooting actually was. »

The military also sees the real situation from the inside and compare it with how it is portrayed officially. And this is another factor that impacts their decision to stay in the AFU or leave it.

The respondents were often describing situations where the army—by commanders, office personnel, doctors, etc.—demonstrated indifference to them.



<sup>9</sup> Law of Ukraine on Amendments to Certain Legislative Acts of Ukraine on Military Duty and Military Service: <https://bit.ly/2PkIw20>

<sup>10</sup> What will change in the Army now? <https://bit.ly/38Y9Nij>

<sup>11</sup> Values are deep-rooted beliefs that affect a person's behavior. Recruiting and Retention of Military Personnel, Art. 3F-15.

<sup>12</sup> Recruiting and Retention of Military Personnel, Art. 3F-1.

<sup>13</sup> Recruiting and Retention of Military Personnel, Art. 3F-17.





«*No matter what office you go to, everyone says “wait”. There is nothing you can do. If you need to get admitted to a hospital, you literally have to fight for it. You come to the doctor’s office and just sit there. He is minding his own business and just tells you to wait.*»

What the servicemen regard as indifference might to some extent be caused by lack of time due to an excessive amount of paperwork.

The Armed Forces should learn more about the values that the servicemen have. Understanding these values will help the AFU identify people’s needs and fill those gaps. This will contribute to a better recruitment process and will improve the overall retention rate. On the other hand, it will help maintain and develop specifically those military values that are essential for the existence of the AFU as an institution.

The following questions need to be answered:

- what values are fundamental and shaping for the AFU?
- what values are inherent to the AFU but the AFU should get rid of them?
- what social values is the AFU is ready to integrate?

Getting rid of the negative values and integration of certain values from civilian life will help resolve the conflict of values that the AFU and the military personnel have. This is only possible by educating commanders across the entire hierarchy, from the AFU higher command personnel to section and crew commanders, about the new command and control approaches. Such education and introduction of new approaches should occur either simultaneously at all levels or starting from the top tier of the chain of command—it will not work otherwise.

New approaches will not likely be any productive if the AFU does not launch an efficient selection process simultaneously.

## Payroll

Individuals make the decision to join the Armed Forces based on a number of factors, including the economic situation in the country and their own standing in the labour market. Money plays an important role in people’s motivation to serve.

Here, the problem is that the pay level is low given the tasks that the Army has in its operations, plus the pay system does not encourage people to take on any additional responsibilities.

Minimum monthly pay of a serviceman in a mechanized brigade as of the end of 2019:

- UAH 10,208<sup>14</sup> for service outside the JFO;
- UAH 16,708 if deployed to the second line of defence in the JFO;
- UAH 27,208 if deployed to the first line of defence in the JFO.<sup>15</sup>

<sup>14</sup> Source: Head of Financial Department of one of Mechanized Army Brigades (as of the end of February 2020).

<sup>15</sup> Order of the Ministry of Defence N 215 of May 7, 2019 sets that a bonus for servicemen deployed directly to the line of contact at UAH 17,000; for servicemen deployed in other places within the defined area of the JFO, at UAH 6,500.

The respondents believe that even with a bonus for combat deployments to the JFO, the pay is too low given the environment and conditions they are in, and the level of risk.

« A cashier girl at McDonald's gets UAH 11,000.<sup>16</sup> She's about 16 years old. This is exactly how much a soldier gets in camp. »

A significant share of the monthly pay consists of additional components, including bonus. The amount of the bonus is set by the Minister of Defence of Ukraine and is tied to tariff categories. The lower the tariff category is, the higher is the percentage used to calculate the bonus.<sup>17</sup> This to a significant extent eliminates the pay gap between privates, NCOs and junior officers.

« The pay gap for a rifleman and a section commander is about UAH 1,000. But a sergeant has so much more responsibility than a private soldier. »

Bonuses for service record, advance training courses, etc. also play a role in the elimination of such pay gap. This is why sometimes an officer in the rank of major and on the position of battalion commander gets approximately UAH 22,000, a Category 2 sniper gets UAH 19,000, and a driver with over 25 years of service gets UAH 23,000. However, a battalion commander has a significantly higher level of responsibility than a sniper or a driver.

The existing payroll system is not encouraging servicemen to grow professionally and get promoted and get a higher responsibility.

The AFU should not consider money as the foundation for motivating the personnel. The economic theory says that when someone gets a pay increase, they work more and harder only until a certain point in time and then begins to value their own time more than the higher salary, so the initial effect of the pay increase vanishes.<sup>18</sup>

The payroll system should pursue the following objectives:

- recruitment of motivated professionals;
- encouraging servicemen to ongoing self-development and advance in their career.

In view of this, it is recommended to introduce a payroll system that would be based on the actual levels of pay for the civilian equivalents of the relevant military positions. This requires the introduction of a grading system that will help determine the value of the specific position for goals of the organization and calculate the monetary equivalent of such value. The implementation of such system requires the involvement of civilian HR experts.



<sup>16</sup> In fact, salaries are slightly different. The pay of a McDonald's daytime shift employee in Mykolayiv (165 hours/month) (approximately 21 working days, 8 working hours a day) was UAH 8,368 as of January 2020. A similar position in Kyiv was UAH 10,095: <https://bit.ly/2TbNOxK>

<sup>17</sup> As of 2019, the Minister of Defence of Ukraine set the monthly bonus for the Army at 161% of the official salary for the positions corresponding to Tariff Category 1 (210% for positions corresponding to Tariff Category 1, for servicemen with service record of up to 1 year) and 35% of the official salary for the positions corresponding to Tariff Categories 23 to 60.

<sup>18</sup> This is a so-called backward-bending labour supply curve. Charles Whelan, Naked Economy. Exposing boring science, — Kharkiv, 2018. — P. 303.

Grading will help eliminate the injustice of the existing payroll system and will encourage servicemen to excel professionally because the grading system does not modify the payroll amount with additional bonuses.

## Management quality and leadership

The AFU is a hierarchy-based organization where servicemen must act upon orders of their chain of command.<sup>19</sup> However, a goal would not always be achieved through an order. For example, you cannot order someone to sign a new contract. The respondents believe that the issues related to management and leadership in the AFU are an echo of the old conscript-based army that was made on coercive grounds. In the coercive system of command and control, there was no need to win the hearts and minds of the personnel, and hence keep them in the army and motivate them to properly do the assigned tasks. There was no need for this in a system where the personnel was constantly changing. Instead, a contract army requires a change in the personnel management approaches, because a contract army is one of many labour market players and has to fight for the personnel, just like any company fights for the staff it employs.

During the interviews, some of the respondents suggested that such old management approaches as humiliation, inability to communicate with personnel properly and arrogant treatment are quite common for old school officers who have no combat experience and for the so-called military retirees who re-joined the AFU when the war in Eastern Ukraine began and brought the old approaches back in. The respondents pointed out that such kind of behaviour is very rare for young officers, commanders with combat experience and elder people who have experience in international missions and operations.

Another reason why the quality of management and leadership in AFU is poor is that the leadership is not taught how to people management skills. Talking to us, the young military graduates have repeatedly highlighted that during the training time students, except for student platoon commanders, have no practice in command appointments. Young graduates also bring the practices they had in their military academies to the army. Although some teachers and instructors set the right example for the students, other cases exist, too. In summer 2019, a teacher of one of the military academies in a conversation with the authors of this study made it clear that in his opinion his students were “morons”. The respondents also reported similar cases of humiliation that occurred at other AFU educational facilities.

To a certain extent, the inappropriate attitude of some commanders to the personnel is caused by the personnel’s own behaviour.

«  
If you treat them nicely, they start going too far. And if you treat them badly, they don’t cross the red lines and do what they are asked to do. The system is built in a way that the commander is an oppressor who is taking people’s rights and freedoms away.  
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<sup>19</sup> Paragraph 30 of the Law of Ukraine N 548-XIV “On the Internal Service Charter of the Armed Forces of Ukraine” dated March 24, 1999.

The commander's factor is difficult to overestimate in the army, and in most cases the combat capability of the unit depends on the commander.

« I see that my commander is doing terrible things, and he even gets promoted. Then, he nearly killed his chief of staff with a stool. So why should I go and serve under his command? Should my life depend on him? »

The respondents were asked what commanders, in their opinion, were good or bad. These answers helped produce an approximate description of a good commander:

- acts as a role model;
- works individually with every subordinate;
- provides resources required to perform tasks;
- allows subordinates to take an initiative;
- does not distance from the subordinates;
- is able to solve conflicts;
- treats subordinates with respect;
- is not afraid of higher commanders.

The seasoning of commanders in the AFU occurs in two ways: training and daily routine. That is why the curricula of military academies and training centres should be revised and improved. Leadership courses and the humanities (such as sociology, psychology, ethics), with appropriate content and quality of teaching, should become a mandatory component of training for commanders of all levels.

Monitoring<sup>20</sup> of performance on leadership courses should take place on an ongoing basis. The expected deliverable is a healthier ambience in units and subordinates being happier with their commanders, and commanders being happier with their subordinates.

In general, the AFU should learn from the personnel management experience gained by the civilian world.

## Combat deployments

Some servicemen joined the AFU with the motivation to fight in Eastern Ukraine as part of the Joint Forces. For them, it is important to feel belonging to the common goal, the liberation of the occupied territories and the protection of their families. For this type of people, positional warfare is a very demotivating factor that negatively affects their decision to stay in the Army.

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<sup>20</sup> Monitoring means a constant surveillance of certain processes; management decisions are proposed based on the monitoring results.



«« *We are not advancing, and neither is the enemy. What do we have to do on the frontline, then?* »»

Such opinions are particularly common among the individuals who joined the AFU in 2014 or 2015 on the wave of patriotism and who are an asset with significant combat experience and motivation.

In order not to lose these assets, the AFU should offer such servicemen tasks where they can utilize their skills and capabilities as much as possible. One of the ways to help retain these people in the army could be the expansion of Ukraine's peacekeeping activities and participation in military missions around the world.

It is also important to pay attention to the information component of working with servicemen. Currently, there is literally no information support for decisions made by the leadership of the country and the AFU—or it is given in form of reading official media releases written in a formal language which does not contribute to the credibility of such information.

## Environmental factor

The servicemen featuring in the section above were divided into “motivated” and “troublemaking” groups. Here, we will focus on the latter category.

The AFU is an institution that has to set requirements to servicemen. However, in reality such requirements exist on paper only, and people with physical and psychological disorders, various types of addictions and a low level of personal development are often accepted for service.

Lack of proper selection process service is a consequence of the low staffing numbers; military registration and enlistment offices have recruitment plans that are have to be complied with. Because of this, military enlistment offices would turn a blind eye to diseases and other incompliances of the candidates with the eligibility criteria.

«« *A serviceman with a punctured liver, one kidney only and 4 craniocerebral injuries was deployed to my unit. Of course, he got all these injuries in his civilian life, so he came to us for his first contract. But he is literally falling apart and cannot do his immediate job.* »»

Units often receive people who do not bring any value but only fill in the structure. Such servicemen demotivate the “motivated” colleagues because the “troublemakers” do not do their job properly, create additional burdens on other servicemen and are detrimental to the unit's capacity.

«« *Why should I have an “avatar” [alcohol abuser] in my mortar platoon? He is be carrying a mine being drunk, he stumbles and falls—and the entire crew is dead.* »»

So-called money-makers are a separate category. These are people who only want to make money and get benefits from the AFU. The perfect pattern of service for such individuals is “less effort and more money”.

« A lot of “money-makers” were told that in the army it is perfectly fine to do nothing and still get paid. These are the people who can hardly find a job in civilian life, and this is why they join the AFU. They do not want to dig, but if they are deployment in the JFO and a mine lands somewhere close to them, some of them become smarter and grab the shovels. But they do nothing in camp. »

Commanders are usually trying to get rid of such “troublemakers”; the easiest way is to make them transfer to another military unit with a promotion. This method is particularly common for getting rid of officers. There is also a dismissal procedure in place for misconduct, but it does not block the individual’s military career because military registration and enlistment offices are interested in getting the recruitment plans done and, in some cases, may even create a new personal file for an individual. This is how all the previous negative history is lost.

A full-scale selection for enlistment in the AFU should be introduced. However, it is necessary to change the approach to determining fitness for service by health condition and make a list of diseases and injuries that do not have any actual impact on the fitness to service.

The purpose of the selection process should be the gradual accumulation of a critical mass of “motivated” servicemen in units. In our opinion, the required number of such people will have a positive effect on the ambiance in units and at the same time will set a standard of conduct for those individuals who tend copy the behavioural patterns of the majority.

In addition, the AFU should introduce quality selection mechanisms gradually, so that their impact on staffing is smooth and does not lead to a sharp drop in the number of new recruits.

“Troublemakers” should be fired from the AFU. Re-educating and treating servicemen should not be the AFU’s task. Without the “troublemakers”, the overall size of the AFU will shrink but the share of “motivated” personnel will increase. However, clear criteria for such dismissal must be prepared jointly with HR specialists and lawyers.

## Other issues

In addition to the key issues, the respondents often mentioned others issues that, although affecting their decision to stay in the army or leave it, mostly add to the nine factors mentioned above. The respondents were not saying that these issues could be the reason for leaving, although this is possible on some occasions. These issues may make an impact on the formation of a generally negative impression of the AFU. They include:

- transfer to another unit;
- psychological and physical load;
- lack of psychological rehabilitation;
- corruption;
- material supply and support;
- attitude of society;
- lack of trust in the military and political leadership;
- lack of properly planned incentives;
- social humiliation of servicemen;
- lack of awareness of servicemen's rights and lack of knowledge on how to defend those rights.

# Section 3



# Opinion poll results

A wide-scale anonymous survey of servicemen from the mechanized, motorized infantry and mountain assault Army brigades was conducted from December 2019 to January 2020. 2,065 servicemen took part in the survey,<sup>21</sup> including 397 junior officers, 627 sergeants and sergeant majors and 985 soldiers. Sampling error, taking into account the design effect, does not exceed 4.5% for private soldiers, 5.6% for sergeants and sergeant majors, and 6.9% for junior officers.

The purpose of the survey was to identify the quantitative indicators of the motivation of the active servicemen, estimate the extent to which servicemen consider each of the above factors as important for staying in the army, and how satisfied they were with these factors.

Given the sensitivity of the information obtained during the survey, only generic results are presented here. The full set of data was transferred to the relevant command and control bodies for processing.

## Estimating the motives

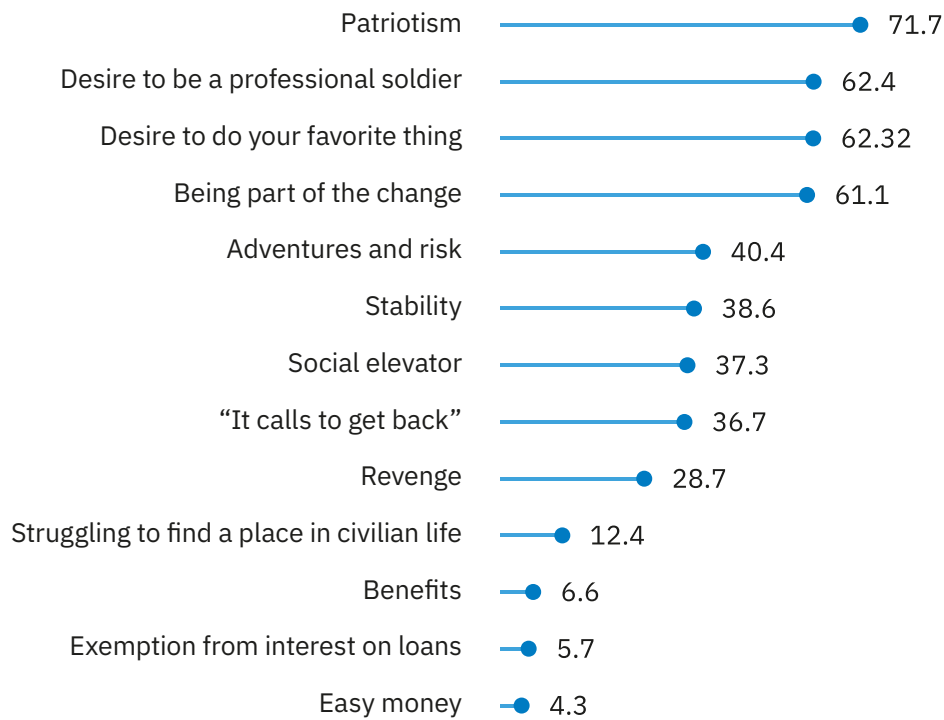
Motivation included specific motives such as patriotism, desire to become a professional military, etc. Such motives were revealed during the interviews and grouped later. More information about some of these motives is given below.

The respondents provided their own interpretation of their motivation. These figures represent the subjective opinion of the respondents. They may not have been fully aware of their own motivation and self-censorship might have also been a case – when the respondents consciously or subconsciously indicate socially welcome answers instead of the truth.

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<sup>21</sup> 56 respondents did not indicate the category they belonged to.

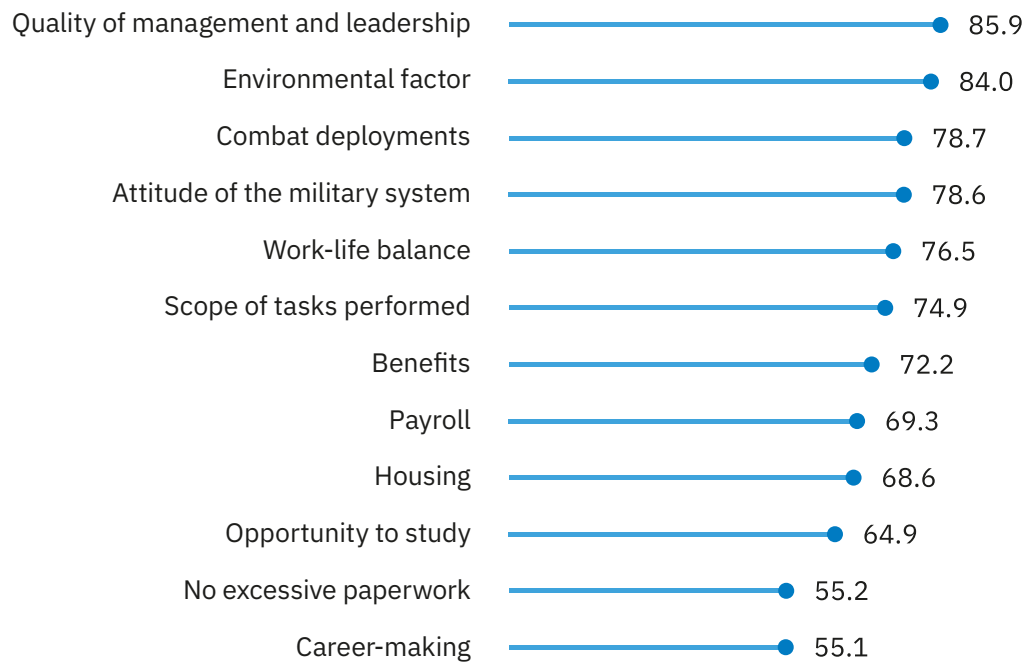


**Figure 1.** Motivation of servicemen (%)

## Measurement of the factors influencing the decision to continue the military service

Two more points were added to the factors outlined in Section 2 during the survey: benefits and satisfaction with the job. The factor of self-development and career-making was divided into two separate points so that the respondents were asked 12 questions about importance and satisfaction.

There is no value of average importance / satisfaction, just "important / unimportant" and "satisfied / dissatisfied".

**Figure 2.** Average indicator of the factor's importance (%)**Figure 3.** Average dissatisfaction with the factors (%)



# Section 4





# General guidance for changes

Military command & control bodies focus mainly on old approaches to personnel management. Overall, the system is poorly aware of the connection between the ongoing development of a competitive labour market, approaches to people management, and the AFU's performance.

## Process analysis and optimization

In many cases, military command & control bodies are not aware of the real situation in the troops. The Ministry of Defence and the General Staff of AFU should create their own analytical task forces or outsource contractors. Using qualitative and quantitative research strategies, such task forces could provide the command & control bodies with systematic and methodologically verified answers to challenging questions. It appears highly unlikely that the command & control bodies are capable of achieving such results using only reports and inspections as the toolkit. The findings of this study also prove this.

Western armies have been using analytical task forces for a long time, and their primary task is to identify what professional, social and economic problems the servicemen and their families face and to provide recommendations.

Creating a strategy to overcome the problems that exist in the army is important, but is not a sufficient task. If the AFU manages to address the problems described in this study, new challenges will emerge over time. This suggests the need for monitoring to be able to detect the problems at the early stage, localise and fix them, and then share the experience with other units. The problem analysis will help not only to find ways to solve the problems but also to identify them at the early stage and take action to get rid of them.

It is necessary to use a model for implementing changes and solving the existing problems that will allow tracking the consequences of the decisions made and do so on a cyclical basis. It can be based on the PPDIIO model,<sup>22</sup> which describes change management in the system as a cycle of six repetitive steps.

- **Stage 1. Preparation.** The task of this stage is to identify the needs to be met.
- **Stage 2. Planning.** The purpose of this stage is to draft project requirements, make a draft implementation plan, explore the existing context of the problem, designate the project team and allocate roles and responsibilities.
- **Stage 3. Design.** At this stage, you need to develop a detailed problem-solving project based on the requirements developed at the planning stage.
- **Stage 4. Implementation.** The task of this stage is to implement the project and not to disrupt the operation of the existing system.
- **Stage 5. Management.** The implemented changes and their consequences are observed, documented, and adjusted if necessary.
- **Stage 6. Optimization.** Elimination of shortcomings before they affect the operation of the organization.

## Planning the change

The problem of staffing shortages is complex, so solving it requires tackling all demotivating factors. Mitigating some of them will require significant financial, intellectual and time resources, and the rest can be removed with a lot less effort. Therefore, the change implementation plan for the entire set of the problems must be made in a way that servicemen would feel that the situation is constantly improving. It makes sense to first implement the changes that require the least of resources and time (for example, reducing the number of logs), then proceed to those that can be implemented in the medium-term perspective (such as training for commanders), and finally address those that require a lot of time and resources (such as the implementation of electronic paperwork or solving housing issues). It is extremely important to launch long-term processes immediately.

## Communication problem

In the AFU, horizontal connections between servicemen are very common, and information (especially distorted and inaccurate) spreads quite quickly between the units. Instead, vertical communication, which, in theory, has to track problems, barely works because as information is going from bottom to top and vice versa, it ends up becoming distorted, incomplete or outdated.

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<sup>22</sup> Prepare, Plan, Design, Implement, Operate, and Optimize.



The authors have personally experienced poor vertical communication during this study. One of the Army Operational Commands sent a telegram to a subordinate military unit with an order to conduct an opinion poll of 133 servicemen and provide the collected questionnaires to the Operational Command, while the General Staff of the AFU ordered the command and control bodies to provide assistance to the “Come Back Alive” team in conducting the opinion poll.

Cases like this create a situation where even though a certain system has been already implemented and is working in the army, its positive effect might be reduced merely due to poor communication or lack of it. Having a good solution does not guarantee that the problem will be solved. In view of this, the AFU needs to review its internal communication system. It makes sense to do it jointly with an HR expert and communications team, and also fully automate the processes.

## Cooperation with NATO

The problems of the AFU are not unique: recruiting and retaining the required number of professionals is a considerable problem not only for our army, but also for NATO member states.<sup>23</sup> Just like in Ukraine, the cause of these problems is the decrease in the numbers of young people, increased competition in the labour market, many new educational opportunities, etc.<sup>24</sup>

With the purpose of finding out the causes and solving the problem, NATO has set up a Human Factors and Medicine task group. This group is part of the RTO, NATO’s research and technology organization.<sup>25</sup> The group identified 10 areas where solving problems would allow armies to achieve the goals relevant to recruiting and retaining the personnel. Some recommendations of this group are included in this study.

The Ministry of Defence and the General Staff of the AFU should establish liaison with the relevant NATO agencies, in particular, the NATO Research and Technology Organization. Their ready-made solutions and best practices can be at least partially used in the Armed Forces.

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<sup>23</sup> Military Compensation: Trends and Policy Options: <https://bit.ly/2v8gHTB>

<sup>24</sup> Recruiting and Retention of Military Personnel, Art. 3E-1.

<sup>25</sup> The Research and Technology Organization (RTO) of NATO.



# Conclusions

The findings of the study have revealed real problems that affect the servicemen's willingness to continue their service in the Army. The same problems likely—to a certain extent—affect servicemen in other branches of the AFU. In addition, issues such as the attitude of the military system, quality of management and leadership, processes and procedures inherent to the AFU prevent the new talented people to join the AFU.

Addressing the issues raised in the study will help improve the personnel situation in the army; however, this does not imply that the AFU will not be facing any new personnel-related challenges. The AFU will just evolve, and the problems will move to the next level. We can see that not all problems have material nature and a significant number of issues are related to the value component of each individual. The value component will be growing over time and as the material problems get solved.

We suggest that certain processes need to be made more complicated in order to increase their efficiency.

Process changes must primarily affect the strategic and operational levels. Personnel and staff of the command & control bodies must learn new complex processes. The state must provide relevant training and ensure that it is delivered in an efficient manner and that the new knowledge and skills are implemented in practical work.

For the tactical level, on the contrary, processes should be simplified at the expense of more complicated processes at higher levels. It is better to teach a complex subject to a small group of people in command & control bodies than to demand that servicemen do complex and inefficient processes.

The proposed changes should improve the standard of life for servicemen and make it more comfortable. However, such an increase in comfort must be balanced by increasing requirements to servicemen, the introduction of mechanisms for objective evaluation, etc.

The state should not demand a high-quality performance from a serviceman without providing them with all necessary materials and intangible assets. The state should not turn a serviceman into another benefit holder though. It should evaluate the contribution of every serviceman to the AFU's goals of and provide them with decent compensation.

# Annexes

## Consolidated list of recommendations

<i>Problem context</i>	<i>Recommendations</i>
<b>Housing</b>	
Principles for solving the housing problem	Change approaches to housing through phasing free permanent housing out, implementing shared responsibility, ensuring privacy, and respecting the needs of servicemen.
Accommodation for permanent residence	<p>Prevent the growth of the queue of applicants for permanent accommodation.</p> <p>Abolish the rule of providing servicemen with accommodation for permanent residence.</p> <p>Develop a strategy to address the housing issue for the servicemen who are already registered as applicants for permanent accommodation.</p> <p>Develop a system to distribute the financial burden related to housing for permanent residence based on the capabilities of the state and the serviceman.</p> <p>Develop approaches to reforming the housing system to ensure the efficient use of the budget.</p> <p>Offer servicemen who applied for permanent accommodation to get a preferential mortgage loan instead.</p>
Service accommodation	<p>Shift from the service housing model to the position-linked housing model.</p> <p>Develop a list of garrisons where it makes sense to provide servicemen with position-linked accommodation in view of the economic feasibility and availability of housing options in the real estate market, and where it makes sense to pay a housing rental compensation instead.</p>
Rental compensation	<p>Introduce a mechanism to estimate the market value of real estate leases.</p> <p>Conduct an annual analysis of the market value of real estate for individual garrisons.</p>

<i>Problem context</i>	<i>Recommendations</i>
Rental compensation	<p>Based on the findings, review the grouping of towns and cities according by the market value of rent.</p> <p>Determine what share of the market value of rent will be compensated by the Ministry of Defence.</p> <p>Gradually increase the amount of the rental compensation to a certain share of the market level.</p>
<b>Work-life balance</b>	
Family and the AFU	<p>Develop and implement steps to create favourable conditions for military families.</p> <p>Make a social protection policy for servicemen taking into account potential interests and needs of their families.</p> <p>Explore the cost and potential impact of implementing infrastructure for children of military personnel.</p>
Working hours	Comply with requirements of the legislation on working hours.
Predictability	<p>Introduce the practice of providing servicemen with high-quality and timely information about certain aspects of the service, taking into account the interests of the AFU.</p> <p>Make reliability and predictability one of the AFU's values in the context of keeping the promises.</p>
Vacations	<p>Take the interests of servicemen into account when making annual vacation plans.</p> <p>Stick to the annual vacation plan and respect principle of providing some time off after combat deployments.</p> <p>Improve the vacation granting system.</p>
<b>Processes and procedures</b>	
Automation and digitalisation	<p>Determine what documentation can be kept electronically and what processes can be automated.</p> <p>Digitalise and automate as many processes and procedures in the AFU as possible.</p> <p>Simplify the processes for servicemen at the tactical level as much as possible.</p> <p>In course of simplification, digitalisation and automation of processes, consider informal practices used by the troops.</p> <p>Introduce an electronic paperwork system.</p>



<i>Problem context</i>	<i>Recommendations</i>
Review of processes	<p>Review the relevance of the existing processes and procedures for the AFU.</p> <p>Eliminate irrelevant and overlapping processes and procedures. Review other processes &amp; procedures for improvement.</p> <p>Reduce the number of safety briefs to a minimum.</p>
Inconsistency between legislative provisions and practical application	<p>Review legal acts, specifically the AFU's field manuals, for their applicability to the actual practices and procedures.</p>
Non-core tasks	<p>Determine which types of activities will be done without using servicemen.</p> <p>Analyse alternative ways to achieve the goals of these activities.</p> <p>Outsource contractors to conduct as many tasks of non-military nature as possible.</p>
Review approaches to supervision	<p>Review approaches to supervision in the AFU, making more focus on quality control.</p>
<b>Self-development and career-making</b>	
Qualifications	<p>Make an emphasis on the recruitment and retention of highly-qualified personnel.</p> <p>Develop personal and professional qualities of servicemen.</p>
Military career	<p>Introduce a career management system that would be understandable to servicemen.</p> <p>Consider implementing the "Up or Out" system in the AFU.</p>
Performance	<p>Set the goal of enhancing the performance of individual servicemen and the AFU as an organisation.</p>
Factor of trainers and quality of training	<p>Develop a feedback system in education and training.</p> <p>Use the experience of civilian educational institutions in approaches to teaching.</p>
Selection of candidates for training	<p>Make an emphasis on the reasonable use of resources in course of personnel training.</p>
Evaluation system	<p>Develop and implement an objective evaluation system for servicemen.</p> <p>Develop a productive system for protection of the servicemen's rights where a subordinate can challenge their grade without a fear of consequences or can complain that they are getting a biased attitude from the commander.</p>

<i>Problem context</i>	<i>Recommendations</i>
Expectations that did not come true	Involve a civilian HR specialist to introduce methods for implementing the realistic expectations of the AFU personnel.
<b>Values</b>	
Inconsistency between the values of the AFU as an institution and the values of servicemen	<p>Determine which system-shaping characteristics of the AFU's organizational culture need to be eliminated and which social values the army is ready to integrate.</p> <p>Develop/improve specific mechanisms for eliminating the toxic characteristics of the AFU's organizational culture.</p> <p>Shape values by teaching servicemen daily behaviour practice.</p>
<b>Payroll</b>	
Payroll system	<p>Conduct an additional research on the efficiency of the existing payroll system of the AFU.</p> <p>Develop and implement a new payroll system that would fully achieve the goals of the AFU's payroll system.</p> <p>Apply the grading method in creation a new payroll system.</p> <p>Involve subject-matter experts to develop a new payroll system.</p> <p>The new payroll system should be based on the principles of marketability, justice, clarity, flexibility and value of the position and employee for the AFU.</p> <p>Promote the servicemen's perception of their pay as fair (during and after the introduction of the new payroll system).</p> <p>Do not use minimum wage as a reference point.</p> <p>Stop using bonuses are a means of punishment (non-payment) rather an incentive.</p>
Payroll level	<p>Develop and implement an algorithm to calculate the servicemen's pay.</p> <p>When calculating the pay amounts, follow the policy of competitiveness in the labour market.</p> <p>Create and implement a payroll mechanism that would provide a flexible response to changes in the payroll market and in the qualifications or status of the employee.</p> <p>Introduce the principle of increasing the payroll increment by hierarchy.</p>
Efficient use of funding	<p>Introduce the principle that servicemen do military tasks only.</p> <p>Gradually transfer non-military work and services to outsourcers.</p>

<i>Problem context</i>	<i>Recommendations</i>
<b>Quality of management and leadership</b>	
Attitude to personnel	<p>Eliminate humiliating treatment of servicemen by the commanding staff in all levels.</p> <p>Enhance leadership qualities of commanders.</p>
Approaches to personnel management	<p>Leadership, planning, emotional management and time management courses should be a mandatory part of training for commanding staff at all levels.</p> <p>Ongoing monitoring of the results of leadership courses, etc.</p> <p>Create and implement a mechanism for feedback and evaluation of teachers by students.</p> <p>Develop a Code of Conduct that will be binding upon all servicemen.</p> <p>Involve civilian HR professionals and human rights advocates in the development of the Code of Conduct.</p> <p>Develop and ensure an efficient mechanism of punishment for non-compliance with the Code of Conduct.</p>
<b>Combat deployments</b>	
Combat operations	<p>Create a policy of personnel retention in the army, taking into account the needs and peculiarities of servicemen whose main motive are “combat deployments”.</p> <p>Expand the international engagement of the AFU in peacekeeping and military operations.</p>
Negative information background	<p>Involve a civilian subject-matter expert to improve the information policy in the AFU.</p> <p>Explain the foreign and domestic activities of the military and political leadership to servicemen.</p> <p>Teach servicemen information security.</p>
<b>Environmental factor</b>	
Selection of candidates for military service	<p>Develop a selection procedure for military service and identify qualitative physical, mental, professional indicators, etc.</p> <p>Change approaches to determining fitness by health condition and make a list of diseases and injuries that do not actually affect the service.</p> <p>Introduce the selection to the AFU based on quality indicators instead of filling in the numbers.</p>

<i>Problem context</i>	<i>Recommendations</i>
Performance of military registration and enlistment offices	<p>Change approaches to planning the recruitment for military service.</p> <p>Conduct a research to identify ways to improve the performance of military registration and enlistment offices.</p> <p>Provide good-quality training for recruiters with regard to the existing situation, in particular in certain regions, and the recent achievements of civilian recruitment processes.</p>
Allocation of servicemen to positions	<p>Inform individuals who expressed willingness to join the AFU of their rights as recruits.</p> <p>Develop a system that would in the best way possible accommodate the individual's expectations about service, their actual capabilities and the AFU's demand of certain positions.</p> <p>Improve the system of job passports with the involvement of an HR specialist so that recruiters and officials responsible for appointments to positions within units/commands can make the best possible selection for positions in the AFU.</p>
Dismissals	<p>Develop criteria for objective identification of "troublemaking" servicemen and bring them to the attention of the units.</p> <p>Develop and convey methodological recommendations for units on the procedure for dismissal of the "troublemaking" servicemen.</p> <p>Gradually dismiss servicemen recognized "troublemaking" from the AFU.</p> <p>Simplify the procedure for dismissal from the AFU.</p> <p>Introduce an effective mechanism to protect the rights of servicemen.</p>
<b>Guidance for change</b>	
Process analysis and optimization	<p>Introduce a mechanism for performance analysis, feedback and review of the AFU's processes.</p> <p>Systematically monitor and analyse processes existing in the AFU.</p>
Process of change implementation	<p>Use PPDIIO or a similar model to track the consequences of decisions.</p>
Algorithm of changes	<p>Use an algorithm of changes that would include training processes, practical application, monitoring, feedback and a second chance; dismissal of personnel in some cases.</p>

<i>Problem context</i>	<i>Recommendations</i>
Communication issue	<p>Introduce new approaches and practices in personnel management at all levels, including the commanding levels.</p> <p>Improve the existing mechanisms of communication between military C2 bodies and military units.</p>
Cooperation with NATO	<p>Use the experience of NATO members countries in solving the personnel issues.</p>



# Annex 2

## Grading

Grading is a method for determining the “importance” and contribution of certain positions to the organisation’s goals and estimating the pay level for these positions.

The idea of grading is as follows:

1. The organisation (AFU) in accordance with its applicable methodology determines how important is the contribution of certain positions to its overall objectives. This is the most responsible and important step of the grading method.
2. The contribution is measured in points. Positions that scored approximately the same are included in common groups, so-called grades. Given the number of positions in the AFU, there can be multiple grades.
3. Payroll of a serviceman depends on the grade of their position.
4. To get a better pay, the individual has to move up the “ladder” within their grade and move to higher grades.
5. Positions fall into a particular grade according to their impact on the achievement of the organisation’s goals. Servicemen move upwards within the same grade depending on which new skills they have learned and how well they are developing their professional talents.
6. The most difficult and long stage is the implementation of the grading method, producing job profiles and estimating the impact of certain positions on the organisation’s goals. When the system is ready, it only needs to be administered and updated – which takes a lot less time than its development.

To give a better understanding of the grading method, all steps required to develop the grades are briefly described here below. A point to note is that the development of such system for the AFU requires the involvement of the relevant civilian HR subject-matter experts and conducting an in-depth training of HR specialists in the relevant military C2 bodies.

## 1. Creating position profiles

This step requires making a list of all positions in the AFU and create the relevant position profiles, i.e. describe the requirements for the successful completion of tasks by servicemen (duties, skills, level of responsibility, competencies,<sup>26</sup> etc).

A job description usually has the following structure:

- functions of the employee and their liaison with other employees;
- what means are used to achieve the goal (mechanisms, equipment or machinery);
- performance goals and results (products, service, etc.);
- employee's profile (education, personal qualities, professional qualities, etc.);
- physical requirements (strength, observation skills, endurance, etc.).

As of 2019, the AFU Internal Service Doctrine is predominantly defining such job instructions. The army started introducing certain job descriptions.<sup>27</sup>

## 2. Determining the position's impact

It is necessary to choose a method to determine the position's impact. The factor-point method is the most commonly used because it is considered to be the most understandable and convenient. To use it, you first need to determine which factors will be used to calculate the impact. Possible factors to use include:

- certain competencies (language skills, management skills, driving skills, etc.);
- complexity of the tasks done by the individual;
- decision-making responsibilities;
- management scale and responsibility;
- danger to life and health, etc.

Each factor should be divided into levels, and a certain score must be assigned to each level.

## 3. Evaluation of every position

Job evaluation should be done by a relevant expert group. The employee in the job being evaluated, their superior(s), and of course, an HR specialist should be members of this expert group. This is important because the evaluator may not always be aware of all aspects relevant to each position.

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<sup>26</sup> Competences are the ability of an employee to do work in accordance with the position's requirements. Position's are tasks and implementation standards adopted by the organisation.

<sup>27</sup> Paragraph 1.6 of Order of the Ministry of Defence N 170 of April 10, 2009 "On approval of the Guidelines on Implementation of the Military Service in the Armed Forces of Ukraine".

The following scores might be obtained:

- platoon commander: 175 points;
- company sergeant major: 215 points;
- company commander: 265 points, etc.

#### **4. Determining the limits of grades and calculating their numbers**

Depending on how all positions score following the assessment, they will be placed in a certain number of groups (grades). Please see an example below:

- 1 to 200 points: grade 1;
- 201 to 500 points: grade 2;
- 501 to 750 points: grade 3, etc.

#### **5. Sublevels within a grade**

There are normally 3 to 5 sublevels within the same grade. This allows increasing the pay within the same grade, which motivates the employee to develop further. This means that a serviceman can still be a sergeant while improving their knowledge of combat medical care or their leadership skills, which will contribute to their pay increase and career opportunities.

#### **6. Checking the grading system for “sustainability” and inconsistencies**

If it happens that, as a result of grading, for example, a company commander and a signals specialist are in the same grade, this may be an indication of an error. On the other hand, this signals specialist may be so important for the AFU that they really deserve to be in the same grade as a company commander. In any case, the place of certain specialists in certain grades is determined by the position's value for the AFU.

A point to note is that the grading system that is implemented in the US Army (and some other NATO armies) is tied to military ranks. However, the U.S. personnel management policy is designed in a way a higher rank a priori means more responsibility. Ukraine's personnel management policy is currently built in a way that, for example, a major in the Operational Command may be having duties that relevant to the level of an NCO with secondary education only.

That is why at this stage this idea allows having different ranks within the same grade. In future, following the personnel policy reform, the AFU will be able to implement a grading system that would be more similar to the Western model.

In addition, very large or very small pay gaps might have a negative impact on the willingness of growth and development, which also needs to be addressed.

- 7. Market analysis, payroll range for each grade and increments for grade sublevels**
- 8. Evaluation for compliance with the new requirements to positions using objective approaches (to prevent favouritism)**
- 9. Pay level for a particular employee**

In practice, it may happen that certain positions in the AFU are currently underpaid—and, vice versa, certain positions are overpaid.

The new payroll system has to be tested for sustainability. A payroll system would be sustainable if it does not disrupt the interaction between people. For example, if platoon commander and their subordinates appear in the same grade as a result of the evaluation, this may indicate a calculation error. If such situation is justified, the AFU must be able to substantiate it in a convincing manner. Otherwise, servicemen might not perceive the system as fair and get demotivated by it.

## **Method for calculation of the market-level payroll**

There are various approaches to calculating the market level of payroll. Analysis of supply and demand in the labour market is one of them.

To do this, take one position within a grade that has an equivalent in civilian life. Payroll comparison here is not based on job titles (e.g. a driver/mechanic in the AFU vs a driver at a civilian transport company), but rather on comparing the duties of the particular position. The reason is that different organisations may have different requirements for positions with the same title. For example, a “driver” may spend 90% of the time working as a loader and only 10% of the time as a driver.

The AFU must also consider the threat to the driver’s/mechanic’s life at work. This can be done through the introduction of a certain coefficient so that the individual’s pay will be increased by this amount that will be reflecting the risk in their work.

After finding the equivalent jobs, the next step would be collecting information about the existing supply and demand for such jobs. In Ukraine, websites like [work.ua](http://work.ua) and [rabota.ua](http://rabota.ua) are the most commonly used for this purpose. Analysis should cover the resumes (supply) and vacancies published.

Having analysed the labour market, we can come to a conclusion that military position “A” with a certain list of duties best matches certain civilian positions where pay ranges from UAH 10,000 to UAH 15,000.

The market-level payroll is therefore determined for one position within each grade. For example, if an organization has 100 positions broken down into 20 grades, then market level needs to be determined for 20 base payrolls. All other 80 payrolls are calculated automatically based on the base salary within the corresponding grade.

Calculating the market level of an employee’s pay on a certain position might take 3 to 5 hours for a subject-matter expert.

## Payroll calculation for the grade

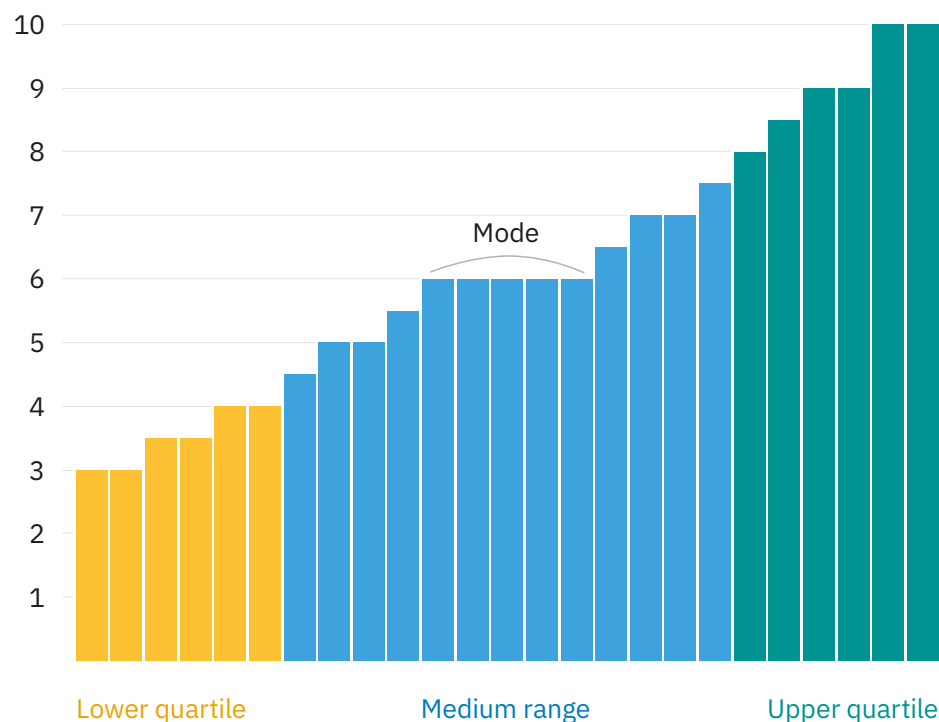
One basic minimum wage (a “benchmark” wage) is usually taken for the purposes of calculating the payroll within each grade. Market level is calculated for such benchmark wage. All other payrolls within a grade are calculated pro rata based on the benchmark wage.

If there are several categories within the grade (such as, 3 to 5 categories), the payroll for each category will be increased based on its score. If payroll for Category 1 is UAH 12,000, payroll for Category 3 in the same grade can be UAH 14,000.

What benchmark wage would correspond to the market level of UAH 10,000 to UAH 15,000? It depends on the organisation’s strategy, policies and budget. This question must be answered by the employer, in this case, the AFU.

Some employers follow the principle “we pay little and are constantly changing the personnel”. In this case, you should set the payroll in the lower quartile. If the approach is “we offer the average pay in the market, just like everyone else”, then it makes sense to look for mid-range figures and base your pay offer on them. If the employer gives preference to the principle of “we make an emphasis on strong experts”, then payroll can be set at the upper quartile or even higher.

**Figure 4.** Calculation of payroll for the grade, UAH thousand



In this context, the US Army set the 70th percentile level. However, the AFU should find the level that would be suitable for its own needs and capacity.



## Payroll requirements

Payrolls in the adjacent grades should overlap. This approach will ensure a better pay for a person who is developing themselves and learning new skills in their grade compared to a “beginner” in a higher grade. By using this approach, the organisation contributes to the perception of payroll as a fairer system.

Example:

- grade 1: UAH 15,000 to UAH 22,000;
- grade 2: UAH 19,000 to UAH 25,000;
- grade 3: UAH 23,000 to UAH 29,000.

## System flexibility

In order to keep the system flexible, the benchmark wage for each grade should be compared with market offers from time to time (for example, every six months). If an organisation has 20 grades, its HR Department should review 20 benchmark wages against the market pay every six months.

In countries with more stable labour markets, the pay is normally increased once a year, but more commonly once every 2 to 3 years. However, the pay levels may be changed more often if there is considerable turbulence in the labour market (war, depreciation of the national currency, hyperinflation, etc.).

## Development of individual development and training plans

Following the development of the grading system of grades, individual development plans have to be created. This is required to determine what an employee need to do for their career advancement and to achieve the employer’s (AFU) goals in a more productive manner.<sup>28</sup>



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<sup>28</sup> To a certain extent, the AFU is already doing this through the development of individual career management plans in accordance with Order of the AFU Chief of Staff N 19234/s of August 14, 2019 and the 2020 Concept of the AFU Personnel Management Policy: <https://bit.ly/3c6feOj>

## Annex 3

# Calculation of administration costs for preferential mortgage lending system

### Number of servicemen

The registered size of the AFU as of the end of 2019 was 193,959 servicemen. 41,374 servicemen would not be eligible for the preferential mortgage lending program:

- students being civilian young people: 6,273 persons;
- conscripts: 21,400 people;
- active-duty personnel who applied for getting permanent accommodation: 13,701 people.

Therefore, 152,585 servicemen are eligible for the program.

### Funding

The preferential mortgage lending program should replace the system of providing servicemen with permanent accommodation under the budget program “Construction/ procurement of housing for the AFU personnel” (KPKVK 2101190).

UAH 1.2 bn was allocated for the implementation of the 2101190 program in 2020. This amount is channelled for service accommodation and accommodation for permanent residence (construction, reconstruction, acquisition, compensations and debt repayment).

Since there is no information available on what share of this amount is allocated to service housing and which share is allocated to permanent residence housing, as part of the simulation process we have suggested that the 2101190 program budget can be divided in half. It means that the model considered here assumes that in 2020 UAH 600 m will be spent on service housing and the remaining UAH 600 m on housing for permanent residence.

### Tax contributions

Army pay is subject to individual income tax (18%) and military duty (1.5%) (the total of 19.5%).

If the entire amount of UAH 600 m is spent on payments under the preferential mortgage lending program in the first year, it will be reduced to UAH 483 m. For the second year (taking into account the increase in funding) it will be UAH 516.67 m, etc.

## Lending conditions

For the calculation purposes, we took a one-bedroom apartment in a new building in Vinnytsia with an area of 40 m<sup>2</sup> as an example. As of February 6, 2020, the median price of 1 m<sup>2</sup> of such apartment was UAH 16,700.<sup>29</sup> Accordingly, the total cost of the apartment was UAH 668,000. For the convenience of calculations, the amount is rounded up to UAH 670,000.

The calculations were based on the following conditions:

- loan: UAH 670,000;
- interest rate: 22.0%;
- preferential interest rate: 8.8%;
- period: 15 years (180 months);
- types of payments: differentiated payments and annuities;
- down payment: 10.0%;
- Ministry of Defence's discount: 60.0% of the monthly interest payment;
- credit burden on the family: 35.0%.

The Ministry of Defence's discount means that the army will pay 60% of the serviceman's monthly interest payments under the loan. The actual interest rate on the loan therefore drops from 22% to 8.8%.

## Additional costs

Additional costs payable by a serviceman in connection with a preferential mortgage include:

- **one-off payment for the mortgage agreement execution.**  
Under this model, a fee for such service in Vinnytsia might be ≈ UAH 10,000;
- **one-off bank lending fee.**  
The fee ranges from 0.5% to 1% of the amount (0.75% on the average).  
 $UAH\ 670,000 \times 0.75\% = UAH\ 5,025$ ;
- **annual real estate insurance fee**  
≈ 1.2% of the property value.  
 $UAH\ 670,000 \times 1.2\% = UAH\ 8,040$  (annual insurance fee), or UAH 670 per month.  
For 15 years, this amount will be  $UAH\ 8,040 \times 15 = UAH\ 120,600$ .

Therefore, the borrower will have to pay ≈ UAH 15,000 in the first month as additional one-off expenses. Additional monthly expenses payable for the 15 years of the lending period are UAH 670.



<sup>29</sup> Real estate prices in Vinnytsia. The median cost of m<sup>2</sup> in a new building as of December 2019: <https://bit.ly/3cbgjoa>

## Comparison of differentiated and annuity payments

	<i>Period</i>	<i>Differentiated payments</i>	<i>Annuity</i>
<b>Mortgage</b>		UAH 670,000,00	UAH 670,000,00
<b>Timeframe</b>		15 years (180 months)	15 years (180 months)
<b>Interest rate</b>		22.0 %	22.0 %
<b>Preferential interest rate</b>		8.8 %	8.8 %
<b>Payment due by the borrower (without discounts)</b>			
Minimum value	1 m.	UAH 3,411.42	UAH 11,491.71
Maximum value	1 m.	UAH 14,405.00	
Average value	1 m.	UAH 8,908.21	
<b>The MoD discount</b>			
Minimum value	1 m.	UAH 36.85	UAH 124.13
Maximum value	1 m.	UAH 6,633.00	UAH 6,633.00
Average value	1 m.	UAH 3,334.93	UAH 4,885.03
<b>Net Payment (discounted)</b>			
Minimum value	1 m.	UAH 3,374.57	UAH 4,858.71
Maximum value	1 m.	UAH 7,772.00	UAH 11,367.58
Average value	1 m.	UAH 5,573.28	UAH 6,606.68
<b>Expected minimum required family income</b>			
Minimum value	1 m.	UAH 9,641.62	UAH 13,882.02
Maximum value	1 m.	UAH 22,205.71	UAH 32,478.79
Average value	1 m.	UAH 15,923.67	UAH 18,876.24
<b>Total amount of payments</b>			
Without the MoD discount	15 yrs	UAH 1,603,477.50	UAH 2,068,507.56
With the MoD discount	15 yrs	UAH 1,003,191.00	UAH 1,189,203.03
MoD discount	15 yrs	UAH 600,286.50	UAH 879,304.54
<b>Number of people who can be given a preferential mortgage in the first year</b>	1 yr	<b>6,259</b>	<b>6,094</b>
<b>% of all contract serviceman</b>	1 yr	<b>4 % to 10 %</b>	<b>3.99 %</b>
<b>Number of people who can be given a preferential mortgage for 15 years</b>	15 yrs	<b>30,468</b>	<b>23,164</b>
<b>% of all contract serviceman</b>	15 yrs	<b>19.97 %</b>	<b>15.18 %</b>

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