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BETWEEN BUDGETARY SUPPORT AND SOCIAL INSURANCE: FINANCIAL RISKS AND SUSTAINABILITY OF UKRAINE'S VETERAN POLICY

Background. ***The full-scale armed aggression against Ukraine has led to the rapid formation of a large veteran community, transforming veteran status into a long-term and systemic social risk. The existing system of veteran support, which is predominantly based on budgetary benefits and one-off compensations, increasingly generates financial risks and affects the financial sustainability of the social protection and compulsory state social insurance systems, particularly the pension system. The purpose of this study is to assess the financial risks and limitations of the benefit- and budget-based model of veteran policy in Ukraine and to substantiate the need for its gradual transformation toward social insurance mechanisms for war-related social risks.***

Methods. ***The study employs an integrated methodological approach combining institutional analysis, comparative analysis, and a scenario-based assessment. The empirical basis includes official budgetary data for 2025–2026, legislative and regulatory acts, and analytical materials of national authorities and international organizations. Scenario modeling of the veteran population is applied to assess potential financial risks to the compulsory state social insurance system, with a focus on the Pension Fund of Ukraine under uncertainty about the duration of the war and the post-war recovery.***

Results. ***The results demonstrate the emergence of a structural asymmetry in which veterans constitute a growing group of recipients of social and pension benefits while contributing only partially to insurance premiums. This imbalance generates long-term financial risks for the social insurance system. A comparative analysis of veteran support models in the United States, Israel, and Ukraine reveals the institutional limitations of a purely budgetary approach and highlights the advantages of integrating insurance-based mechanisms to ensure predictability and financial stability.***

Conclusions. ***The study substantiates the feasibility of developing a hybrid social insurance model for veterans that combines budgetary guarantees, insurance funds, and active labor-market reintegration policies. The application of a scenario-based approach is justified as an effective analytical tool for assessing the financial sustainability of veteran policy in the context of Ukraine's European integration and long-term social risk management.***

Keywords: war veterans, social insurance, war-related social risks, scenario analysis, financial sustainability, veterans' recognition policy, European integration, structural asymmetry.

Background

The full-scale war in Ukraine has led to the emergence of a fundamentally new social group - millions of military veterans and their families. The rapid increase in the number of war veterans in Ukraine creates a new type of long-term social risk, which directly affects the financial sustainability of the compulsory state social insurance system, particularly the pension system. According to estimates from government agencies and think tanks, the number of individuals with combatant status already exceeds 1.5 million and could reach 1.8–2.0 million in the medium term. This is further supported by public statements from the Ministry of Veterans Affairs of Ukraine and analytical reviews by international institutions.

The existing system of veteran support, which relies primarily on various benefits and one-off payments, may prove financially unsustainable in the long run. World Bank experts estimate that expenditures on veterans' benefits and compensation for their family members could reach approximately 1% of pre-war GDP (World Bank, 2022).

This article substantiates the need to revise Ukraine's veteran policy through the lens of social insurance, transforming payments from one-off, privileged aid into guaranteed insurance benefits that align with current economic realities.

Literature review. Research on social protection and veteran policy under conditions of war combines two complementary strands of inquiry: (1) academic studies on social security and war impacts, and (2) institutional evidence from national and international organizations, which is essential given the limited number of peer-reviewed studies specifically focused on veteran social insurance in Ukraine.

Recent academic work highlights the persistent impact of war on social security systems. Bazhenova and Banna (2025) employ empirical analysis to assess how military aggression affects human social security in Ukraine, finding that external shocks significantly deteriorate income security and social vulnerability, especially for displaced populations and those living below the median income level, which underscores the structural pressures faced by social protection mechanisms under prolonged conflict.

Complementary research by Bazhenova et al. (2024) underscores that external shocks and armed hostilities worsen human social security outcomes in multiple dimensions, including employment, income, and access to services, making it imperative to examine veterans' specific protection mechanisms within this broader context.

Institutional and legal analyses also contribute to understanding the challenges of veteran support. Klymenko and Chepurko examine the transformation of Ukraine's social protection system for war veterans, noting legislative

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changes, digital accessibility, and institutional measures aimed at enhancing access to benefits and services, and the importance of digital platforms in facilitating veterans' interaction with social protection institutions.

In addition to studies focused directly on war and social security, research on digital inclusion and social service delivery provides relevant insights. Services developed on digital platforms such as Ukraine's Diia portal – including online access to veteran status and disability certificates – demonstrate how digital transformation can improve the accessibility of benefits and reduce administrative barriers for veterans and their families, serving as an important institutional mechanism for enhancing financial inclusion and service delivery in wartime conditions.

Because academic research on veterans' social insurance in Ukraine remains limited, institutional evidence from international and national bodies helps fill critical gaps. The World Bank's SPIRIT Program for Ukraine outlines efforts to modernize social protection infrastructure, strengthen inclusive employment and social service systems, and support reforms that include disability and veteran reintegration, indicating international policy directions for sustainable social systems in crisis contexts.

National budget developments also reflect institutional priorities. The Verkhovna Rada Committee on Social Policy's recommendation for increased funding to the Ministry of Veterans Affairs and the Pension Fund in the 2026 state budget highlights expanded fiscal commitments to veteran support, including long-term credit programs and infrastructure development for veteran spaces, showing how national policy is adapting to evolving needs.

Efforts to enhance financial inclusion and barrier-free access to services for veterans are visible in initiatives such as the Memorandum of Cooperation between the National Bank of Ukraine and the Ministry of Veterans Affairs, which aims to create inclusive banking environments, accessible financial products, and remote service delivery for veterans - all critical for economic reintegration and financial participation.

The reviewed literature reveals that while there is strong evidence on the general effects of war on social security systems and the vulnerabilities of affected populations, direct peer-reviewed research on veteran social insurance and institutional design under conditions of full-scale war in Ukraine remains scarce. Academic studies provide important theoretical and empirical foundations, but institutional reports and policy data are essential for understanding current practices, fiscal commitments, and innovations, such as digital service delivery, that are shaping veteran support. This study integrates these two strands to develop a more comprehensive understanding of the transformation of veterans' social protection and the design of sustainable social insurance mechanisms in wartime.

Methods

The study employs a mixed-methods research design combining institutional analysis, budgetary assessment, and scenario-based evaluation to examine the transformation of the veterans' social protection system in Ukraine under conditions of full-scale war.

The methodological framework includes a qualitative analysis of the regulatory and institutional architecture of veterans' policy, focusing on the roles of central executive authorities, particularly the Ministry of Veterans Affairs of Ukraine, and on the interaction between budgetary instruments and social insurance elements. Official legislative acts, strategic documents, and analytical reports of public authorities and international organizations were used as primary sources.

Quantitative analysis is based on budgetary data for 2025–2026, including expenditures on veterans' benefits, pensions, and compensation payments to families of fallen servicemen. To assess fiscal pressures, the study applies indicative calculations of aggregate expenditures and compares them with potential revenues from the unified social contribution (USC), thereby identifying potential financial gaps in the Pension Fund of Ukraine.

The scenario-based approach is used to model alternative trajectories of the veteran population (1.5, 1.8, and 2.0 mil. individuals), taking into account variations in economic activity, disability rates, and participation in contribution-based schemes. For each scenario, projected expenditure levels and contribution-based revenues are estimated to assess the financial sustainability of the system under different conditions.

A comparative approach is applied to analyze models of veterans' social protection in Ukraine, the United States, and Israel, allowing identification of structural limitations of the predominantly budget-based model and the potential advantages of integrating insurance mechanisms.

The research also applies elements of structural and functional analysis to identify asymmetries between the scale of veterans' social benefits and their participation in contribution-based social insurance schemes. The scenario approach was employed to evaluate the financial sustainability of alternative policy configurations in the context of Ukraine's European integration.

Results

In Ukrainian legislation, a war veteran is defined as "a person who participated in the defense of the Motherland or in combat operations" (The Law of Ukraine "On the Status of War Veterans and Guarantees of Their Social Protection", 1993). It is crucial to perceive the veteran not as a "recipient of aid," but as the citizen who has fulfilled a specific social "contract" with the state by ensuring its security. Psychologically and socially, the status of a combatant is not always perceived unambiguously by society; upon returning home, veterans often experience a lack of understanding or wariness within their communities. While service members are accustomed to operating under clear rules and receiving state support, they encounter unpredictability and divergent expectations in civilian life. Research confirms that veterans frequently face a range of social challenges - from employment difficulties to post-traumatic adaptation - that complicate their social reintegration (Klymenko, Chepurko, 2023). Therefore, the state must develop a "recognition policy" that accounts not only for veterans' material needs but also for the psychological aspects of their transition back to civilian life.

One-off Disability Assistance. The Law "On the Status of War Veterans" and related regulations provide for one-off payments to veterans with disabilities resulting from combat injuries. The amount of these payments is tied to the subsistence minimum: as of late 2025, it is set at 400 subsistence minimums for individuals with the 1st Disability Group (DG), 300 for the 2nd DG, and 250 for the 3rd DG. Consequently, a wounded veteran with 1st DG can expect an amount equivalent to approximately 1.5 million UAH (some €30,200 by 2026). However, the rising costs of medical treatment and rehabilitation, particularly prosthetics, exacerbate the problem of insufficient payments.

Monthly Supplements and Pension Provision. Current legislation guarantees veterans an increase in their pension payments. Specifically, individuals with a disability resulting from war who belong to the 1st DG receive a supplement equal to 50% of the subsistence minimum for incapacitated persons -

700 UAH (approx. €15). Those in the 2nd DG receive 40% – approximately 580 UAH or €12, and those in the 3rd DG receive 30% – around 440 UAH, €8.80. (Horodynska, 2024). Combatants are entitled to a supplement of 25% of the subsistence minimum (≈360 UAH or €7.60).

In addition, there is a minimum monthly targeted assistance, ranging from 70 UAH for wounded veterans with 1st DG to 40 UAH for combatants. These amounts do not meet veterans' actual needs, especially given rapid inflation and the high costs of medical treatment and rehabilitation.

Assistance to Families of Fallen Service Members. Significant attention is devoted to one-off compensation for the families of fallen defenders. Starting from 2025, a payment of 15 million UAH (approximately €302,000) per family has been introduced (Ministry of Veterans Affairs, 2024a). According to the Resolution of the Cabinet of Ministers of Ukraine, one-fifth of this amount (3 million UAH) is paid immediately, while the remaining 12 million UAH is disbursed in equal installments over 80 months (approximately 150,000 UAH (roughly €3,000) per month). This mechanism is designed to provide long-term financial protection for the family.

At the same time, discussions regarding fairness and inclusivity have emerged. For instance, unofficial partners of the fallen previously had to prove their right to compensation in court. The Chernivtsi District Administrative Court recently recognized the right of a "common-law wife" of a fallen service member to receive these funds. Such cases underscore the need for a clearer legal framework to secure the rights of all veterans and their families (Consultant.net.ua, 2024).

An analysis of the financial security and social benefits provided to war veterans reveals the fragmented nature of the existing support system. Within this framework, individual monetary instruments are not always interconnected by a unified management logic or consistent recipient support. Under these circumstances, the institutional dimension of veteran policy implementation becomes paramount.

This specifically concerns the role of the government body responsible not only for administering payments but also for comprehensive coordination of social, rehabilitative, and service-based support mechanisms for veterans and their family members In the Ukrainian context, the Ministry of Veterans Affairs of Ukraine (MVA) acts as this central coordinator, tasked with verifying statuses and ensuring the targeted delivery of social guarantees. Its functions extend beyond fiscal management to include developing digital platforms to simplify application procedures and providing legal support to families navigating the compensation system.

This institutional coordination is essential for overcoming the current fragmentation and ensuring that financial support translates into effective social reintegration and long-term stability for the veteran community.

In a short period, the newly established MVA has transformed from a bureaucratic agency into a service-oriented center. Significant focus is placed on digitalization; notably, an electronic veteran's certificate has been introduced through the "Diia" mobile application. Over 1 million Ukrainians can now use a virtual veteran ID without presenting paper documents (Digital Ministry, 2024; MVA, 2024b). This facilitates faster verification of combatant status or disability status resulting from war for accessing benefits. The MVA, in collaboration with the Ministry of Digital Transformation has developed and continues to expand other digital services, such as the "e-map of services" and a job vacancy portal, systematically consolidating state aid into a "single window."

According to the Digital Ministry, the goal is to make services for veterans "simple, accessible, and fast" by removing bureaucratic barriers. However, there remains a significant challenge regarding whether the Digital Ministry possesses sufficient authority and resources to effectively fulfill the role of a "social insurance ombudsman" capable of guaranteeing automatic payments based on need. While the results of digitalization demonstrate real achievements, a full transition to an insurance-based security model will require further development of institutional mechanisms (Digital Ministry, 2024).

This institutional coordination is essential for overcoming the current fragmentation and ensuring that financial support translates into effective social reintegration and long-term stability for the veteran community.

At the same time, the effectiveness of the MVA of Ukraine and other involved institutions is largely determined by the scale of the veteran community and the volume of financial resources required to implement relevant programs. This necessitates a turn toward quantitative assessments, an analysis of budgetary expenditures, and an examination of the statistical limitations that define the real boundaries of state veteran policy during the war and post-war periods.

In the 2025 State Budget of Ukraine, 10.7 billion UAH (about €215.7 million) was allocated to veteran policy, of which 2.19 billion UAH (about €44.2 million) was directed to direct support for veterans and their families. Notably, nearly 300 million UAH (some €6 million) was earmarked for the development of veteran entrepreneurship (MVA, 2024c). The 2026 State Budget of Ukraine envisages expenditures for veteran policy totaling 18.9 billion UAH (some €381 million by 2026), with an emphasis on housing, rehabilitation, the establishment of a military cemetery, and the development of veteran spaces. These funds will finance housing compensation (5.7 billion UAH, about €114.9 million), the creation of the National Military Memorial Cemetery (4 billion UAH, some €80.6 million), support programs (4 billion UAH, about €80.6 million), accompaniment services (2.9 billion UAH, some €58.4 million), and dental prosthetics (1 billion UAH, about €20.2 million) (Ministry of Finance of Ukraine, (2025).

Estimating future expenditures remains a complex challenge. The total number of service members and potential veterans is not publicly disclosed; for instance, the strength of the Armed Forces of Ukraine is a state secret. However, based on open-source data, analysts note that Ukraine's security and defense sector comprises approximately 1 million individuals. Preliminary estimates suggest that, in the event of a protracted war, this figure could reach several million people with "veteranized status" (Klymenko,& Chepurko, 2023). Notably, the former Commander-in-Chief of the Armed Forces of Ukraine, Valerii Zaluzhnyi, predicts that after the cessation of active hostilities, the number of veterans will reach approximately 2.5 million, meaning every fifth Ukrainian will be a veteran or a family member of a defender (TSN.ua., 2024).

Such a massive scale will imply a significant budgetary burden. A World Bank report emphasizes that even current payments from war-related social programs are already very high and require further long-term planning (World Bank, 2022).

The estimates of the veteran population and the resulting budgetary burden demonstrate that maintaining an exclusively benefit-based model of social protection in the short- and medium-term poses a risk of financial instability for the system. Under these conditions, there is an urgent need to explore alternative approaches to providing social

guarantees for veterans. This specifically involves transforming existing mechanisms to provide social insurance for risks associated with loss of working capacity, disability, and death.

A new approach to veteran support involves transitioning to a social insurance mechanism covering "injuries" or "loss of life." One option is to create a specialized "Veteran Insurance Fund" or to integrate these risks into a general social insurance fund. The core idea is that the state pays insurance premiums for service members, similar to the Unified Social Contribution (ESC). In this model, the occurrence of a combat-related "insured event" – such as injury, disability, or death - automatically grants the right to a guaranteed payout.

A similar principle is already in place within NATO countries. For example, in the United States, service members are automatically enrolled in Servicemembers' Group Life Insurance (SGLI). They contribute a small portion of their income (a few cents per $1,000 of coverage) to receive up to $500,000 in insurance benefits in the event of death or disability (U.S. Department of Veterans Affairs, 2025). At the same time, the UK pension system is built on the principle of "occupational schemes": all Armed Forces personnel are automatically included in pension schemes, in which they pay no contributions, as pensions are funded entirely by the state budget (UK Government, 2025).

This experience demonstrates that European and American models can be combined, ranging from voluntary or obligatory insurance (with small premiums) to guarantees provided through direct budgetary funding. For Ukraine, developing its own system could involve, for instance, establishing fixed insurance payments and clearly defined compensation formulas. Furthermore, the experience of NATO partners suggests the importance of transparency. For example, the U.S. employs the "colored money" principle in veteran programs, where payments have strictly designated purposes to prevent misuse. Implementing such a model would allow transforming existing mechanisms into a system of social insurance for risks associated with loss of working capacity, disability, and death.

Consequently, the convergence of the state's humanitarian duty with its financial capabilities necessitates a departure from the chaotic system of numerous benefits in favor of a clear system of insurance guarantees. Transitioning to social insurance means that all new payments will be guaranteed and pre-planned – either within the budget or through insurance funds - and automatically provided upon the occurrence of an insured event. The MVA, in collaboration with experts, must develop mechanisms to shift social support toward predictable insurance payments and services rather than one-off programs. Such a model will ensure that the "recognition policy" is based on the state's economic capacity to fulfill its obligations to veterans over the next 30 to 50 years.

As World Bank analysts warn, unaccounted-for post-war obligations could impose a heavy burden on the budget (World Bank, 2025a). The key lesson for Ukraine is to clearly define all obligations to veterans, calculate their costs, and, where possible, pre-finance them to avoid future spending surges. In this context, further research should focus on modeling "veteran insurance," assessing the financial sustainability of chosen solutions, and identifying optimal financial instruments to minimize state expenditures while maximizing veteran protection.

The generalization of the research results allows for a transition from describing existing problems and approaches to forecasting potential trajectories for the development of the veteran social insurance system. Given the high level of uncertainty regarding the duration of the war, the scale of demobilization, and the state's economic capabilities, it is appropriate to use scenario analysis to assess the potential consequences of various management decisions.

Unlike traditional social risks, veteran status combines an increased probability of disability, prolonged periods of loss of working capacity, and the need for long-term social support. Therefore, assessing its impact on the social insurance system requires a scenario-based approach. This allows for the consideration of both the uncertainty surrounding the size of the veteran community and the limited availability of detailed statistical information.

Two horizons are used in this study. The short-term horizon covers the period up to 2030, conventionally viewed as the stage of Ukraine's institutional adaptation to EU social policy standards. The medium-term horizon covers the period up to 2040, when veteran policy transitions into a phase of systemic integration into insurance-based social protection mechanisms.

To formulate scenarios for the size of the veteran population, three alternative variants are utilized: 1.5 million, 1.8 million, and 2.0 million individuals (Table 1). These parameters are consistent with demographic estimates and the logic of post-war recovery, and they align with the International Labour Organization and the World Bank's recommendations for analyzing social obligations in post-conflict countries (ILO, 2025).

Table 1

Veteran population scenarios and social insurance engagement

Indicator	Scenario 1	Scenario 2	Scenario 3
Total number of veterans, million people	1.5	1.8	2.0
Economically active share, %	55	50	45
Share of persons with disabilities, %	20	22	25
Share of non-contributors to the USC, %	45	50	55

Source: scenarios' estimates developed by the authors based on ILO approaches to analyzing vulnerable groups in social insurance systems.

Under current Ukrainian legislation, war veterans are not exempt from paying USC if employed. At the same time, a significant portion of veterans remains outside the labor market in the initial years following demobilization due to health conditions or the need for rehabilitation. This situation reduces the Pension Fund of Ukraine's (PFU) potential revenues.

As a result, a structural asymmetry arises: the veteran community simultaneously serves as a major recipient of pensions and social payments while contributing only partially to insurance premiums (Table 2). Such imbalances are characteristic of post-war economies and are extensively documented in World Bank and OECD reports regarding the fiscal sustainability of social protection systems (OECD, 2025; World Bank, 2025b).

The short-term scenario assumes the state budget will continue to play a dominant role in financing veteran

payments, given veterans' limited participation in generating revenues for the Pension Fund. During this period, the social insurance system effectively serves a compensatory function, responding to the growing number of pension and social benefit recipients without adequate expansion of the USC payer base.

Table 2

The impact of veteran payments on the PFU budget through 2030

Indicator	1.5 million people	1.8 million people	2.0 million people
Average annual payment per veteran, thousand UAH	120	120	120
Total expenditures, billion UAH	180	216	240
Estimated USC revenues, billion UAH	85	80	75
Potential financial gap, billion UAH	95	136	165

Source: estimates developed by the authors based on OECD (2025).

Taking into account the temporary or permanent withdrawal of a portion of veterans from the labor market, USC payments decrease, exacerbating the PFU's structural deficit. Under such conditions, the key task of state policy is not the expansion of benefits, but rather the formation of mechanisms for the "insurance-based return" of veterans to the system – through employment, retraining, and partial participation in insurance contributions.

In the medium term, the increasing pressure on the social insurance system will be driven by the aging of the veteran community and rising average costs for medical and pension provision. Following the approaches used in EU countries to assess social risks, such trends necessitate a transition from a benefit-based model to an insurance-based financing model (European Commission, 2025a).

The medium-term scenario (up to 2040) envisages a gradual transition from the benefit-budgetary model to a combined social insurance system for veterans (Table 3). In this context, Israel's international experience is particularly relevant for Ukraine, as it demonstrates the possibility of combining state responsibility for war-related risks with the active participation of veterans in insurance mechanisms.

By 2040, it is potentially feasible to establish a separate insurance circuit to cover war-related social risks. This framework would operate within the pension system, with clearly defined funding sources.

Furthermore, EU support, in line with current practices, may be directed not toward the direct financing of pension payments but toward strengthening the system's institutions, digitalizing administration, and supporting the reintegration of veterans into the labor market (World Bank, 2025). Such a strategic approach ensures that international aid fosters long-term systemic sustainability rather than merely covering current fiscal deficits.

Table 3

Ukraine's social insurance burden scenarios up to 2040

Indicator	Low scenario	Base scenario	High scenario
Number of veterans, million people	1,5	1,8	2,0
Average annual benefits, thousand UAH	150	165	180
Total costs, billion UAH	210	264	324
Share of costs covered by contributions, %	45	40	35

Source: estimates developed by the authors.

The EU does not provide direct financing for pension or social payments to specific categories of the population, a policy confirmed by official European Commission documents. At the same time, through the "European Social Fund Plus", it is possible to fund programs for professional adaptation, retraining, and psychological support for veterans, thereby indirectly reducing the burden on national social insurance systems (European Commission, 2025b).

The research results indicate that without introducing insurance mechanisms to finance veteran-related social risks, Ukraine's social insurance system will face an increasing structural deficit. This highlights the urgent need to develop a hybrid model that combines pension insurance, targeted compensation instruments, and reintegration programs. Such a model would balance the state's social obligations with long-term fiscal stability (European Commission, 2025c).

Veteran social security policies in different countries are shaped by the scale of military participation, the duration of military conflicts, and the institutional capacity of the social insurance system. In this context, the experiences of the United States and Israel are particularly illustrative, as both countries have a long history of military mobilization, a significant share of veterans in their populations, and established specialized mechanisms for social security.

At the same time, the Ukrainian model is currently in its formative stage, which necessitates a comparative analysis to identify potential directions for institutional adaptation.

In the United States, veterans' social security is administered through an autonomous system centered on the U.S. Department of Veterans Affairs (VA), which operates in parallel with the general social insurance system. Veteran payments – including pensions, compensations, and medical benefits – are primarily funded by the federal budget rather than social insurance funds.

Veterans account for approximately 6–7% of the US population, totaling more than 16 million people (Department of Veterans Affairs, 2025). While employed veterans contribute to the Social Security system in general, their special benefits do not establish insurance rights for other population categories. This model minimizes pressure on the pension system; however, it creates a significant fiscal burden, exceeding $300 billion annually.

Thus, the American model is characterized by a clear separation between the social insurance system and veteran policy. While effective under conditions of high state fiscal capacity, this model is difficult to replicate for transition economies.

Israel has one of the world's highest proportions of the population with military experience, due to its system of universal conscription. According to the Israeli Ministry of Defense, a significant portion of the adult population holds veteran or reservist status.

Social security for war veterans and persons with military-related injuries is provided through a combination of the national insurance system and specialized compensation

programs. Israel's National Insurance Institute administers pension and social benefits, while the Ministry of Defense is responsible for compensation, rehabilitation, and long-term support for individuals with service-connected disabilities (National Insurance Institute…, 2025).

Unlike the United States, the Israeli model is more integrated: veterans remain active participants in the social insurance system, and their insurance contributions play a vital role in funding pension funds. At the same time, the state assumes a significant share of the costs associated with military risks, thereby reducing the financial burden on the insurance system (The Conversation, 2025).

The Ukrainian system of veteran social security is characterized by fragmentation and the dominance of a benefit-budgetary approach. Social guarantees for war veterans are primarily funded by the state budget, while the system of mandatory state social insurance – specifically the pension system – lacks distinct mechanisms for compensating war-related social risks.

According to estimates by the MVA, the share of veterans in the population structure could reach 10% or more, bringing Ukraine closer to the levels seen in countries with prolonged military conflicts. At the same time, a significant portion of veterans temporarily or permanently exit the labor market, limiting their ability to pay the USC and increasing pressure on the PFU.

Unlike the United States and Israel, Ukraine lacks an autonomous veteran fund or a specialized insurance subsystem. This leads to cross-subsidization and exacerbates the structural deficit within the social insurance system.

Table 4

Comparison of veteran social security models

Indicator	United States	Israel	Ukraine
Share of veterans in the population	6–7%	High (reservists)	Potentially 10%+
Primary source of funding	State Budget	State Budget + Social Insurance	State Budget
Role of social insurance	Limited	Significant	Inconsistent
Specialized authority	Department of Veterans Affairs	Ministry of Defense + National Insurance Institute	Ministry of Veterans Affairs
Model sustainability	High	High	Limited

Source: compiled by the authors.

A comparative analysis shows that none of the models considered can be mechanically implemented in the Ukrainian context. The American approach requires significant budgetary resources, while the Israeli model is based on a long-standing institutional tradition and a high level of veteran involvement in economic activity. The most promising option for Ukraine is to develop a hybrid model that combines elements of social insurance, targeted budget programs, and active policies for reintegrating veterans into the labor market.

A cross-country comparison of social security models for veterans in the US, Israel, and Ukraine highlights the main institutional challenges and opportunities for reforming Ukraine's social insurance system. Unlike the US, where veterans' policy functions as an autonomous budget segment, and Israel, where veterans are integrated into the national insurance system, Ukraine lacks a sustainable mechanism for combining insurance and compensation instruments.

Given Ukraine's potential accession to the EU in 2030 and the expected growth in the share of veterans in the population, it is advisable to use a scenario-based approach to assess the burden on the social insurance system.

Discussion and conclusions

The results of the study show that the full-scale war in Ukraine has formed a fundamentally new configuration of social risks, within which veteran status is becoming a long-term and systemic factor influencing the sphere of social insurance. The rapid growth in the number of veterans and their families is transforming veteran policy from a narrowly focused social program into a component of the nationwide social protection system.

The findings of this study are consistent with previous research emphasizing the negative impact of war-related shocks on social security systems and human well-being (Bazhenova, & Banna, 2025; Bazhenova et al., 2024). In particular, the growing financial pressure on social protection mechanisms identified in this study supports the conclusion that increased vulnerability and structural imbalances occur under wartime conditions.

An analysis of the current system of financial support for war veterans has revealed its fragmentation and the dominance of a preferential budgetary approach. One-time payments, monthly supplements, and pension allowances do not constitute a comprehensive insurance mechanism and do not ensure the long-term predictability of state obligations. With rising inflation and the growing need for veterans' medical and social rehabilitation, this model is gradually becoming financially unsustainable.

Scenario analysis of the number of veterans and an assessment of the budgetary burden on the compulsory state social insurance system revealed a structural financial gap between veterans' payments and the proceeds from the single social contribution. A significant proportion of veterans leave the labor market in the first years after demobilization or make limited contributions to the Pension Fund of Ukraine, exacerbating the Pension Fund's deficit. In the absence of changes in financing mechanisms, these trends may become cumulative in the medium and long term.

At the same time, this study extends existing research on veterans' social adaptation in Ukraine (Klymenko, & Chepurko, 2023) by shifting the focus from social and institutional challenges to the financial sustainability of social insurance mechanisms. This allows for a more comprehensive understanding of the long-term implications of veteran policy.

A comparative analysis of social security models for veterans in the US, Israel, and Ukraine has shown that there are no universal solutions. The American model is based on high fiscal capacity and the autonomy of veterans' policy from the social insurance system, while the Israeli approach integrates veterans into nationwide insurance mechanisms while maintaining state responsibility for military risks. For Ukraine, the most appropriate model is a hybrid one, adapted to limited budgetary resources and the conditions of European integration.

The results also complement studies on digital financial inclusion (Naumenkova, Mishchenko, & Mishchenko, 2023), highlighting that institutional and technological solutions alone are insufficient without a financially sustainable social protection model.

The study also allows for generalizing the key limitations of the current benefit- and budget-based model of veteran

policy in Ukraine. First, the predominance of one-off payments and fragmented benefits does not ensure the formation of a coherent and predictable system of long-term social protection. Second, the weak linkage between benefits and contribution-based mechanisms leads to an imbalance between expenditures and revenues within the social insurance system. Third, the absence of pre-financing instruments increases fiscal vulnerability under conditions of a growing number of beneficiaries. These limitations collectively constrain the system's financial sustainability and justify its transformation.

In this context, the transition from a benefit model to a social insurance system for war-related risks is seen as a strategic direction for reforming veteran policy. This approach involves clearly defining insured events, calculating liabilities in advance, using pre-financing mechanisms, and integrating programs for the reintegration of veterans into the labor market. Implementing these measures will improve the financial stability of the social insurance system and ensure an adequate level of social protection for veterans in the post-war period.

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МІЖ БЮДЖЕТНОЮ ПІДТРИМКОЮ ТА СОЦІАЛЬНИМ СТРАХУВАННЯМ: ФІНАНСОВІ РИЗИКИ ТА СТІЙКІСТЬ ВЕТЕРАНСЬКОЇ ПОЛІТИКИ УКРАЇНИ

В с т у п . ***Повномасштабна збройна агресія проти України призвела до швидкого формування великої спільноти ветеранів, перетворивши статус ветерана на довгостроковий і системний соціальний ризик. Існуюча система підтримки ветеранів, яка переважно базується на бюджетних пільгах та одноразових компенсаціях, дедалі більше формує фінансові ризики та впливає на фінансову стійкість системи соціального захисту й обов'язкового державного соціального страхування, особливо пенсійної системи. Метою цього дослідження є оцінювання фінансових ризиків та обмежень моделі ветеранської політики України, що базується на пільгах і бюджеті, а також обґрунтування необхідності її поступової трансформації у бік механізмів соціального страхування для покриття соціальних ризиків, пов'язаних із війною.***

М е т о д и . ***Застосовано інтегрований методологічний підхід, який поєднує інституційний аналіз, порівняльний аналіз та оцінку на основі сценаріїв. Емпіричною базою є офіційні бюджетні дані за 2025–2026 рр., законодавчі та нормативні акти, а також аналітичні матеріали національних органів влади та міжнародних організацій. Для оцінювання потенційних фінансових ризиків обов'язкової державної системи соціального страхування застосовано сценарне моделювання ветеранів, зокрема Пенсійного фонду України, з урахуванням невизначеності щодо тривалості війни та післявоєнного відновлення.***

Р е з у л ь т а т и . ***Результати демонструють виникнення структурної асиметрії, за якої ветерани становлять зростаючу групу отримувачів соціальних і пенсійних виплат, водночас сплачуючи лише часткові страхові внески. Ця дисбалансована ситуація створює довгострокові фінансові ризики для системи соціального страхування. Порівняльний аналіз моделей підтримки ветеранів у США, Ізраїлі й Україні виявляє інституційні обмеження суто бюджетного підходу та підкреслює переваги інтеграції страхових механізмів для забезпечення прогнозованості та фінансової стабільності.***

В и с н о в к и . ***Дослідження обґрунтовує доцільність розроблення гібридної моделі соціального страхування для ветеранів, що поєднує бюджетні гарантії, страхові фонди й активні політики інтеграції на ринку праці. Використання сценарного підходу виправдане як ефективний аналітичний інструмент для оцінювання фінансової стійкості ветеранської політики в контексті європейської інтеграції України й управління довгостроковими соціальними ризиками.***

К л ю ч о в і с л о в а : ***ветерани війни, соціальне страхування, соціальні ризики, пов'язані з війною, сценарний аналіз, фінансова стійкість, політика визнання ветеранів, європейська інтеграція, структурна асиметрія.***

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