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Modernization of the pension system in Ukraine

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Abstract

Since the 1990s, many countries have faced the problem of aging, which has led to more profound problems associated with the provision of normal retirement benefits; governments have begun reforming their pension systems by creating multi-pillar systems. Ukraine is also on the list of these states; during the last 15 years, there have been many attempts to introduce a three-pillar pension system, but they were unsuccessful. Therefore, there is a need to investigate the problems of the process of modernizing the Ukrainian pension system in terms of the role and influence of actors on the process of developing and implementing pension reforms and how it affects the state of the pension system.

The purpose of this study is to identify and investigate how the reform of the pension system affects the state of the pension system. Also, in the course of the study, the content and components of past pension reforms in Ukraine will be revealed, the need and expediency of those changes, and the change in the trajectory and goal of reforms in the development and implementation process; historical institutionalism and discursive institutionalism are theoretical framework for the research, since they explain the role of discourse and ideas in the process of development and evolution of the pension system. The empirical findings are based on data from eight interviews conducted with experts involved in the development of pension reforms as well as on secondary data.

Exploring the development of the pension system in Ukraine, I received very interesting results that do not coincide with the theory, but prove its importance. At different levels of formation of ideas, actors are guided by different goals and interests, which leads to ineffective discourse and as a result - reform do not achieve its goal. It was determined, that the main reasons for the reforms were and are: reduction the number of workers and increasing the number of pensioners; reduction of the level of replacement rate of wages by pension payments, which should be not less than 40%, in Ukraine - 28,8%; pension fund deficit. In addition, previously adopted reforms had a short-term effect and were not aimed at solving the problem, because in the process of development, reforms were influenced by the personal interests of decision-makers.

Keywords: solidarity pension system, three-pillar system, pension provision, accumulative pension system, replacement rate, deficit, demographic crisis.

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I. INTRODUCTION

1.1 Relevance and Background of the research

From the 1970s to the early 2000s, the trend towards early retirement across the world was observed, despite the prolongation of life expectancy, the improvement of living conditions and progress in the medical sector. This situation has contributed to the aging of the population and a further increase in retirement spending (OECD, 2013). This problem has been discussed by many leading international institutions (see, among others, the European Commission, 2006; 2009; OECD, 2011) for forecasting impacts and developing structural reforms. Many countries have faced the problem of aging populations and the fiscal stability of pension systems, and therefore pension reforms began to be introduced that included raising the retirement age, adjusting benefits, changing pension indexation rules, and others. At the same time, economists are actively exploring this topic and analyzing it from various aspects. There are simulation studies of the state of the pension system in various economic and political conditions (Andersen, 2012; Auerbach and Lee, 2009); other studies aim at achieving equilibrium in the system (Alonso-Ortiz, 2014; Heer and Irmen, 2014; Kaganovich and Zilcha, 2012; Poterba, 2014).

As Bonoli (2000) noted, pension systems have a very large redistribution potential, which contributes to the relevance of pension policies among various economic actors. Therefore, work on the creation of new systems has become very important in recent years. According to Andersson (2006), the need for pension reform has many economic, social and political factors in many countries, but the main thing is the increase in the number of retirees, as a result of rising life expectancy and falling birth rates. This situation has raised the need to develop a system that will be sustainable in the long run and will meet the interests of pensioners. As this issue is extremely relevant and difficult, it has led to the emergence of a large number of scientific works and the introduction of many pension reforms around the world. (Barr, 2006; Barr, 2009; Palacios and Pallaris-Miralles, 2000).

Turning to the experience of foreign countries, all European countries had the same problems: demographic, social and fiscal. However, they made the right and timely step - reformed the pension system, established capitalized organizations and upgraded the old ones. (Whiteford and Whitehouse, 2006). A good example of a successful reform of the pension system is China, which in December 2005 introduced a new policy aimed at unification of the former pension policy and the creation of individual accounts, as well as the transition to a macroeconomic system (Michl and Foley, 2001).

The insufficiency of the pension system can lead to financial difficulties and municipal bankruptcy (Gale and Krupkin, 2016). That is why it is necessary to make radical changes in systems

that can ensure the proper functioning of social protection, otherwise it can lead to many negative consequences.

Pribble (2013) notes the importance of the current situation in defining the results of social policy, the previous policy has a long-term impact on the process and the results of reforming the structure and components of social policy. Nevertheless, there is no theory explaining the mechanism by which the consequences of a policy change the process of reform, such an effect determines the various trajectories of reforms.

Turning to the theoretical aspect of the master theses, first historical institutionalism is used, however, the main theoretical basis that was chosen is a new form of neo-institutionalism - discursive institutionalism. Historical institutionalism gives a clear understanding of the historical aspect of events and evolution; it also looks at the components of different economic systems and how they are related. However, this theory does not explain why changes occur, who makes these changes and under what conditions. Historical institutionalism is used in master thesis through the prism of discursive institutionalism (Hall and Taylor, 1996; Hall and Thelen, 2006). Discursive institutionalism is a new theory formed from three early neo-institutional theories, one of which is historical.

Discursive institutionalism is a concept that is used for all methodological approaches directed at ideas and discourses, which are emphasized on the content of ideas and / or on interactive processes (Schmidt, 2002; 2006; 2008). Schmidt's work is a useful basis for our analysis of the reform of the pension system in Ukraine. Political communication and discourse are the central areas in this theory, which considers political discourse as "*defining the problem and causal relationships that determine effective solutions*" (Schmidt, 2000: 230).

Since 1991, Ukraine has become an independent transition economy in Eastern Europe. After the proclamation of independence, reforms in various spheres have been adopted in Ukraine, which promoted free markets and balanced the national budget. One of the most important issues facing the state is the problem of social security. Therefore, in 2004, the government adopted a law on the introduction of structural pension reform, which introduced a three-pillar system: a solidarity-based first pillar and two pillars of compulsory and voluntary accumulation, based on the system of individual accounts. As noted by Zaychuk (2004), such innovations were aimed at balancing the demographic, social and fiscal situation. However, according to the Law of Ukraine "On Compulsory State Pension Insurance» (2003) changes were implemented partly by focusing on the solidarity system. It should be noted that the third level of the pension system in Ukraine also works, but is not sufficiently developed. Today there is a three-pillar pension system in Ukraine, a solidarity system (first level) occupies 96%, voluntary non-state insurance (third level) - 4%, obligatory cumulative insurance - has not yet been implemented. Obligatory cumulative insurance (second level) according

to the Law of Ukraine “On Amending Certain Legislative Acts for Pensions Increase” (2017) had to be officially implemented from the beginning of 2019, but unfortunately, this did not happen again.

As indicated by official website of the Pension fund of Ukraine and official website of the Ministry of finance of Ukraine (2017), one of the problems of the pension system is that the pension system is financed only at the expense of the working population, whose number is constantly decreasing with the simultaneous increase in the number of pensioners, which leads to a decrease in revenues to the Pension Fund of Ukraine and its deficit. The deeper causes include aging, low retirement age and low official wages. In addition, at the same time, the size of pensions is very low, which does not provide a sufficient level of the needs of pensioners.

One more challenge to the current state of the pension system in Ukraine is the lack of development of reform packages, namely the mechanism for their official implementation, the creation of separate institutions for effective functioning and control (IMF, 2017).

1.2. Statement of the research problem

Recently, very important issues was the management of the pension system, the impact of politics on the state of the pension system, and whether pension reforms introduce a new logic for the functioning of the system (Coggburn and Kearney, 2010; Clair, 2013). Such a problem exists also in Ukraine, since during the last decade a lot of reforms were developed and adopted, but they did not give the expected result, therefore it is necessary to study this process. Radaelli et al. (2012) indicate that more attention should be paid to the role of actors and political levels in order to assess the impact of political processes on the outcome, therefore, suggesting use of discursive institutionalism.

In addition, the urgent question was the need to reform pension systems around the world and the acceptability of these changes (Nyce and Schieber, 2005; Michl and Foley, 2001; Campbell, 2004).

The main problem that will be investigated in this theses are factors of the necessity and expediency of the implemented reforms, as well as the process of their development and official implementation in order to achieve the balance of the State Pension Fund of Ukraine and the equitable level of social security of the population. The study is aimed at studying the reform process of the pension system and its impact on the state of the pension system. Considering everything that was mentioned, it is necessary to determine the main research question that will be disclosed in the study.

Problem statement of the thesis is: How does the process of implementation of pension reforms affect the state of the pension system of Ukraine?

1.3. Objectives of the study

In order to answer the main research question, in the process of writing this master thesis, it is necessary to examine some aspects of the reform of the pension system in Ukraine. One of the objectives is to analyze the changes that have occurred as a result of the introduction of the latest pension reforms, this applies to changes in coverage, adequacy of retirement benefits, financial sustainability and availability of retirement benefits, incentives, efficiency of administration, diversification of sources of pension income and other types which are components of the pension reform. All of these categories cover more specific changes that may have a short-term effect, but lead to a radical change (OECD, 2015).

The need for reforming pension systems around the world is caused by several factors: demographic aging, high unemployment, limited government budgets and the emergence of other risks, these conditions create important challenges for all countries (Nyce and Schieber, 2005; Taylor-Gooby, 2004). Therefore, another objective is to investigate the main causes for comprehensive social security reforms.

Weyland (2005) in his research identifies the most important factors that have a significant impact on pension system reform: (a) compromise at the development stage (b) adoption of pension policies. However, there is not much theory that explains the mechanism by which the effects of politics actually change the process of reform, which, as a result, determines the various trajectories of reforms. In this research, special attention is paid to the process of forming ideas and discourse between reformers as well as between politicians, since at different levels of management the goals of reform can change.

1.4. Structure of thesis

In order to answer the main research question of master's theses, a certain structure of research is used.

The Introduction. The reader is provided by background for the research as well as the main issues and the main research question. This chapter demonstrate the importance and relevance of the topic. In addition, the experience of reforming pension systems in foreign countries is briefly mentioned, and the theoretical framework that became the basis of the master thesis.

The literature review. The literary review of previous studies on this topic is presented in Chapter II. The chapter describes how other countries reform their pension systems; What challenges and risks can arise during the reform process, as well as the main components of the reform are described.

The theoretical framework. Chapter III describes the theoretical concepts that will help to understand and explain the issue under study, this theoretical framework is a basis for this research;

The methodology. The methodological principles, the methods used, the course of the research, research strategy, research design, research approach, and data collection were described in detail, are presented in Chapter IV.

The empirical part. This part of the master thesis provides the reader with information about the historical aspect of the research object, as well as about its current state though its main indicators of activity.

The analysis. The following Chapter VI describes the results and discussion of the findings through the theoretical framework.

The conclusion. In the end, the summary of the research are drawn, which are made based on the conducted research. In addition, chapter describe propositions for practical implementation and further research.

II. LITERATURE REVIEW

2.1. Introduction

Population aging and quick retirement raised serious doubts about the financial viability of the current pay-as-you-go retirement systems. It is widely believed that the provision of benefits to current retirees of the same size that current generations use can only occur at the expense of a significant increase in future payroll taxes. Thus, most developed countries attempt to reform their pension systems, focusing on smaller pensions and greater labor participation of their senior employees. At the international level, pension policies have begun to be actively reformed, due to the critique of social security mechanisms and the loss of public confidence in retirement benefits. The causes of this phenomenon include: the globalization of national economies, the dominance of market-oriented thinking and the loss of confidence in the ability of governments to plan the future (Hoskins, 2001). To overcome these challenges, countries have taken significant steps, such as eliminating state monopolies from social security agreements (ILO, 2000). Many studies have shown that social welfare reforms are carried out for political, economic, social and symbolic reasons. It should be noted that the World Bank insists on the private management of pension funds and compulsory defined contribution plans (Muhumuza, 2000).

This section describes a literary review of the reform process of pension systems from different countries. First of all, the importance of management of the pension fund is considered, the following sub-chapters analyzed the experience of pension reforms in Developed Economies and Emerging Economies. In addition, based on the literary review, the main incentives for reforming pension systems are identified. The factors influencing the reform process, the main risks and challenges in the reform process, as well as the main components of pension reform, were further explored.

2.2. Management of pension funds

Recently, the management of public pension systems has become an important policy issue, and a significant amount of attention is paid to explaining the financial performance of these systems (Chaney, et al., 2002; Cogburn and Kearney, 2010; Eaton and Nofsinger, 2004; 2008; Kelley, 2014; Schneider and Damanpour, 2002; Clair, 2013). Most of these studies tried to understand the management of public pensions, examining the impact of the political economy of pension systems on their financial performance. Most studies have given minimal attention to the institutional characteristics of state pensions. Some studies have focused on the relationship between state institutions and political relations (Clair, 2013). Other studies focused on one or two pension

institutions without extending the analysis to a wider institutional framework (Giertz and Papke, 2007; Hsin and Mitchell, 2014).

Reducing fiscal resources and increasing retirement benefits are critical issues for financial performance and human resource management (Goodman, et al., 2015). Many countries have responded to these financial problems by reducing staff costs and implementing pension reforms to take into account asset price declines and lack of pension funds (Seligman, 2013).

2.3. Pension reforms in Developed Economies

2.3.1. *Pension reforms in European countries*

The current situation in all European countries is characterized by the following factors: demographic aging, high unemployment, limited government budgets and the emergence of "new social risks", which creates important challenges for European pension systems (Nyce and Schieber, 2005; Taylor-Gooby, 2004). As a result, all European countries reformed their pension systems by effectively reducing the size of the non-funded component of the general pension system and focusing on new capitalized retirement institutions and modernizing old ones (Queisser et al., 2007). The creation of partially or fully funded pension systems is important: they create pension savings funds located in a number of pension institutions (pension funds, mutual funds, banks and insurance companies), whose impact is felt on all capital markets in the world (Harmes, 1998). It should be noted that these retirement benefit institutes, in particular pension funds, led the creation, development and global coverage of investment management practices and related institutions, and created significant demand for new financial products (Clowes, 2000).

The main issue of the study of pension reform over the past few years was to examine whether reform has introduced new institutions, new logic and has led to the involvement of new actors to improve the functioning of pension systems (Palier, 2006). At the same time, many institutionalists have resorted to less determined methods of analysis that are more capable of describing the current processes of institutional change (Campbell, 2004; Crouch, 2005; Streeck and Thelen, 2005). Therefore, the very important question is how some of the specific changes in the various institutional environments (Martin, 2002) regarding the financing of pensions are directed towards the organization of investment activities.

A few illustrative examples of the failed reforms in Italy (1994), France (1995) and Germany (1997) indicate that introduction of pension reductions may not be possible for many continental countries. Unlike these unsuccessful attempts, there are other examples of pension reforms, in particular in Italy (1995) and Spain (1997), as well as in France (1993), Austria (1997) and Finland

(1999), Which were more or less successful and recognized (Myles and Pierson, 2001). All of these reforms were based on centralized agreements between the government and the "social partners" (business and labor) or, as in the case of Italy and Spain, between governments and trade unions. Conducted negotiations of this kind are often criticized by economists as partial and ineffective attempts to slow down the growth of future retirement expenditures (Rostanio, 1996). At the same time, these reforms are often very radical and global; all of the above reforms have established a greater link between contributions and benefits, increased eligibility rules (early retirement pensions) and lowered replacement rates, that is, the ratio between retirement benefits and previous salaries.

One example of the successful implementation of reforms in 2011 was the comprehensive reform of the Norwegian state pension system that subscribed by Rasdal (2013), reform introduced new rules for the accumulation of pension benefits and the collection of old-age pensions, which allows people to retire at any age from 62 to 75 years. For the stabilization of the pay-as-you-go pension system for the Norwegian government, there were three options for choosing: the first is an increase in taxes, the second is the reduction of future retirement benefits and an increase in retirement age, and the third is the reduction of public spending in other areas. The work of the retirement commission and its report have created opportunities for reform and indicated specific ways to revise the Norwegian pension system, including three key elements: the introduction of a longevity factor; flexible retirement age; indexation of pension payments (NOU, 2004). Conclusions Brinch et al. (2017) argue that there is a significant negative factor in obtaining pension benefits in the New Norwegian pension scheme, for example, that many people are turning to retirement benefits without a pension, and that many people retire without age-related pensions.

2.4. Pension reforms in Emerging Economies

2.4.1. *Pension reforms in China*

A striking example of the successful reform of the pension system is the Chinese government, which in December 2005 unveiled a new policy aimed at unification of former pension policies and the creation of individual accounts, as well as the transition from the pay-as-you-go system to the macroeconomic system (Michl and Foley, 2001; Campbell, 2004). Lin and Ding (2007) and Zhang (2008) showed that these changes were successful, but they only looked at the situation with high wage growth and low return on investment.

Since the early 1990's, China has faced the problem of aging, the solidarity system has ceased to be effective and fair, that leads to implementation of a three-level system in 1991. They were the basic pension for all pensioners, financed by the state, enterprises and employees; an additional

scheme financed by enterprises from their trade surplus; and accounts funded by individual employees on a voluntary basis are paid upon retirement in the form of a one-time payment (Whiteford, 2003).

The transition from the old policy (1997) to the new one (2005) is mainly explained by the shortcomings in individual accounts, which should be compensated by both central and local authorities. It should be noted certain difficulties encountered in implementing reforms, unemployment in China, reducing the retirement age aging that may increase costs and reduce contributions to the Social Fund pension system.

2.4.2. Pension reforms in Latin America

Radical market-oriented pension reforms have been introduced by many Latin American countries in the 1990s. This modernization process introduced new private pension systems based on defined contributions and an individual capitalization plan, while pay-as-you-go systems were either completely eliminated or substantially limited.

Many comparative studies on the privatization of pensions in Latin America are considering first-generation reforms, offering a constructive explanation of why privatization of pensions has become widespread and differ from country to country (for example, Brooks, 2009; Castiglioni, 2005). However, these studies often reject a number of issues and challenges after the introduction of reforms. Recently, not only Latin American countries, but also many European countries have reformed their pension systems.

2.5. The main incentives for pension system reform

From a general perspective, based on the preliminary review of pension systems of other countries, it is possible to identify the main drivers of pension reforms: population aging, high unemployment, limited government budgets and the emergence of "new social risks", the insufficiency of the pension system, inflation.

Local and state governments are struggling to balance already limited budgets, trade unions are often accused of too generous public sector aid packages (DiSalvo, 2010; Freeman and Valletta, 1988). However, other studies have shown that trade unions do not have a significant impact on state pension provision, as state pension benefits are regulated by law (Munnell, 2012).

The insufficiency of the pension system can lead to financial difficulties and municipal bankruptcy (Gale and Krupkin, 2016). The non-monetary pension system needs more resources and more government borrowing to remain solvent (Bifulco et al., 2012; Rauh, 2017). The 2008 economic

crisis and further fiscal deficits have aggravated the problem of non-funded pension obligations (Clark and Sabelhaus, 2009; Russek, 2011).

However, despite the presence of several factors, the main argument in favor of reforms is the increase in the number of elderly people and the drop in birth rates (Andersson, 2006). This increased need to improve a system that meets the needs of the old and will be sustainable in the long run has led to a large number of issues, for example, whether private pensions should be mandatory or voluntary, the existence of certain contributions or defined benefits, and funding sources (Barr, 2006; Barr, 2009; Palacios and Pallarès-Miralles, 2000).

An analysis of the effects of population aging around the world in Fehr et al. (2010) is a good example. In addition, a good proof of the problem is the description of the situation in Spain, which Rojas (2005) investigated, which noted the effects of aging on the finances of the pension system in the world, where people with different levels of work experience are imperfect substitutes for production.

2.6. Factors that influence the reforming process

The ways of reforming the pension system cannot be explained only by short-term economic and political factors, therefore, a number of conditions that arise in the long term in different spheres and at different levels of government should be taken into account. As Pribble (2013) notes, the importance of the current situation in defining the results of social policy is given by many authors who note that the previous policy has a long-term impact on the process and results of reforming the structure and components of social protection. Nevertheless, there is a lack of a theory that explains the mechanism by which the effect of politics actually changes the reform process, which, as a result, determines the various trajectories of reforms.

Weyland (2005) in his research identify the most important factors that have a significant impact on the reform of Latin America's pension systems: (a) the type of compromise and (b) the adoption of pension policies. However, these factors are not the only variables that influence the results of the pension policy, moreover, they are potentially necessary conditions. There are also a number of short-term factors, such as the political orientation of the government, the effects of the economic crisis and the disappointment of the population in financial institutions, which can also be crucial.

Some studies conducted analytical and experimental models for the analysis of social security systems, taking into account the influence of various factors (Andersen, 2012; Auerbach and Lee, 2009), while other studies examined its impact on the labor market or general equilibrium (Alonso-Ortiz, 2014; Heer and Irmen, 2014; Kaganovich and Zilcha, 2012; Poterba, 2014). In addition, some

of the articles examined aspects of the political economy of increasing the number of retirees on social security policy (Borsch-Supan et al., 2014; Galasso, 2006; Galasso and Profeta, 2002).

Implemented pension systems are characterized by mandatory retirement age, and a focus on reducing budget deficits. The reason for this is the issue of sustainability, which, for the high-debt countries, has not only long-term but also short-term importance (Valdès-Prieto, 2000). In addition, the implemented mechanism differs from the theoretical version, since:

- indexation is associated with GDP growth;
- the survival rates have not been properly updated;
- the transition from the defined benefits to defined contribution requires time.

In addition, the aging factor is a fundamental balance factor, the properties of a new system are usually considered by simulation (Magnani, 2016).

2.7. Main risks and challenges

Asher and Bali (2015) explain that pension provision consists of three elements: the workforce involved in the system, that is, people who work officially; risks that may arise as a result of the introduction of a new pension scheme; adequacy of the pension system to reduce poverty. This section describes the main risks that arise in the process of implementation and as a result of pension reforms.

An important issue is the ability of the pension system to determine the risks related to the known or probable future results (Barr, 2002). Gillion et.al (2000) defines five main sources of risk:

- 1) demographic risks, including birth rate and mortality rates;
- 2) economic risks associated with the development of the labor market, wage growth and the level of return on investment and inflation;
- 3) political risks;
- 4) institutional risks, due to the inability to collect, store and accumulate financial assets;
- 5) the effects of individual risks.

The level and distribution of risks will vary depending on the design of the pension system. (World Bank, 1994).

De Nardi et al. (1999) stand out as the main work in this area. This document focus on the effects of cuts in pension payments and an increase in the mandatory retirement age. However, there is an assumption that reducing retirement generosity can reduce the opportunity cost of working at an older age, and therefore, contribute to late retirement.

In addition, Hinrichs and Jessoula (2012) point out that there are many social consequences and risks of such reforms. One consequence is the individualization of retirement income risks, which can lead to negative consequences such as poverty and inequality. The dependence of pension benefits

on the previous contribution to the official labor market is increasing, which can increase the level of inequality and poverty at retirement age. In addition, the privatization of pension schemes limits the ability to combine social risks, for example during a period of unemployment or informal employment. Such people are left to use only voluntary pension provision. Some professional pension schemes between employers and employees can redistribute risks, while with personal pensions it is not possible (Ebbinghaus and Wiß, 2011).

Another problem for the pension system is the adequacy of savings in the workforce. The most common approach to assessing the adequacy of pensions is the replacement rate. This ratio shows the amount of retirement benefit, compared with the last income before retirement. Park and Estrada (2012) argue that the adequate replacement rate determined by retirement pension experts varies from 66% to 75%. However, the opinions of scholars are different, for example, Mohd (2009) argues that an acceptable replacement rate was defined as 50% of the final salary. Therefore, there is a risk not to reach such a level of replacement rate, which may be caused by low wages of an employee in the past.

2.8. Components of pension reforms

There are different types of pension systems, depending on the components, the source of finance, the type of management and the obligation of accumulation; they can be mandatory or voluntary, individual or professional, as well as private or public. The sources of income for a pension system may come from employees or governments, and they can be funded partly or entirely or are calculated by the pay-as-you-go scheme, where monthly contributions are paid by the employer for their employee depending on their wages (Holzmann, 2013). Developed countries usually make the decision to make a hybrid system by mixing beneficial components of different schemes to achieve the desired result.

Tapia (2008) noted, that striking examples of countries that have introduced mixed systems are Argentina, which has a mixed system of contributions, the Chilean government has also introduced a compulsory private pension system, Sweden now has a pension system with three components, consisting of social security with a nationwide NDC scheme, another component is the financial scheme of professional pensions, complemented by a system of private savings.

In many countries, pension reforms have been adopted so it is necessary to identify their main components. Based on the study of pension systems in OECD (2015) countries, seven major components of pension reform can be identified through which reforms can be assessed.

1) *Covering* the pension system for a mandatory and voluntary scheme. Ensuring employee coverage through several retirement plans is a major challenge for welfare provision. All developed

countries have created compulsory or voluntary pension plans, both public and private. However, there is still a large proportion of workers not covered even by state pension schemes, since they work informally or do not work at all.

2) *Adequacy* of retirement benefits. Improving the adequacy of retirement income relates to the replacement of income or its redistribution as well as the reform of the formula of retirement benefits. Reforms aimed at improving adequacy include raising the level of coverage or level of retirement benefits, or these measures are implemented together. Improvement of retirement income for pensioners can also be achieved by reducing taxes. Replacement rate is one of the indicators of adequacy and it is equal to the ratio of net pension rights to the average net income over the lifetime.

3) *Financial sustainability* and availability of retirement benefits. Many OECD countries have adopted reforms to improve the long-term financial sustainability of pension systems to provide greater savings for the state budget. Most changes concerned the mechanism of pension indexation. There are several ways to increase financial sustainability, possible changes in: purposeful reduction of the level of pension benefits or changes in pension formulas, lowering the indexation rate of pensions or termination of indexation, including through automatic adjustment mechanisms, raising the rates of contributions in defined benefit schemes, and increasing taxes and social contributions to retirement income.

4) *Incentives* that encourage people to work longer and save more when they work. Pension reforms in many OECD countries are aimed at extending working life. Measures taken were of the following main types:

- increasing the retirement age;
- improving the provision of financial incentives for work after retirement age;
- less or no early retirement scheme.

5) *Efficiency of administration* to minimize current expenses of the pension system. High fees prevent employees from joining voluntary plans and make mandatory fees very expensive. Inefficiencies in costs are a threat to the stability and suitability of the plans themselves. In systems that use the state pension system, improving the efficiency of administration reduces administrative costs and improves public finances. Reducing costs and increasing productivity in a number of countries by improving institutional convergence, regulatory measures, or the use of new technologies improves the pension system.

6) *Diversification* of sources of pension income. Diversification policy has four main forms:

- Voluntary pension systems to improve investment opportunities.
- Provisions that allow people to choose how their retirement savings are being invested.
- Increase of investment opportunities for diversification of fund portfolios.

- Measures to raise the level of solvency of pension funds.

7) The seventh category covers *other types* of change, such as interim measures and those aimed at stimulating economic recovery.

SUMMARY OF LITERATURE REVIEW

In this chapter, I described the findings from the literature review. The experience of reforming pension systems from different countries of the world was analyzed and described. The experience of countries is divided into countries with developed economies and economies that are developing. The following section outline the main incentives for reforming the pension system, as well as the factors influencing the reform process. Next, I described the main risks and challenges that might arise, and pointed out the main components of past reforms in the world.

III. THEORETICAL FRAMEWORK

3.1. Introduction

Research on the political economy of developed countries in recent years is largely based on historical institutionalism that highlights the institutional structures and practices of national political economies (Steinmo et al., 1992; Thelen, 1999). This analytical framework gives a clear idea of historical patterns, institutional continuity and evolution, but does not explain institutional changes. It can explain the complementarity of the components in different spheres of the economy, the patterns of their interaction, but have difficulty explaining a typical changes and why certain rules were imposed on the old or reinterpreted.

Thus, the lack of basic political economy is the basis for an analysis that can investigate institutions in such a way as to explain the dynamics and continuity of change and which can explain how, why and when public servants can form their own macro-historical institutions, strategic interests and cultural norms. This approach, "discursive institutionalism", is the latest of "new institutionalisms", which distinguishes subjects who build their ideas, transmitted through discourse after logical comprehension.

Discursive institutionalism is a concept that is used for all methodological approaches directed at ideas and discourses, which are emphasized on the content of ideas and / or on interactive processes (Schmidt, 2002; 2006; 2008). Discursive institutionalism offers an understanding of why institutions change, transforming cognitive and regulatory ideas about the changes and causes of change at different levels - policies, programs and philosophies, as well as their discursive interaction with who spoke to whom, where, when and why. In addition, the approach considers these ideas in the "coordination discourse" of policymaking and in formulating them in the "communicative" discourse of discussion and legitimization. Discourse itself can take place from top to bottom, moving from leader to public, and from "bottom to top", or remains at the same level.

"Institutionalism" in this term speaks of the importance not only of the factor of communication, ideas or "text", but also of the institutional context. This institutional context is a specific construction and meaning of communication. It can also be regarded as a neo-institutional context that facilitates interaction and provides additional information about the laws, norms and strategies that underlie ideas and discourses.

In the research, for the most part, discursive institutionalism will be used, however, one cannot forget that this approach is derived from the three previous neo-institutionalism approaches, and historic institutionalism will be particularly useful. These two approaches complement each other and help deepen our understanding, to explain the dynamics of changes in historical institutionalism logic

structures through meaningful communication, and helps to explain the patterns of ideas and discourses in different institutional contexts.

3.2. From Historical institutionalism to Discursive institutionalism

Historical institutionalism focuses on institutes that are considered as sets of practices with similar characteristics, the structure of actions and results (Hall and Taylor, 1996; 1999; Hall and Thelen, 2006). I can figure out how regulatory systems have been reformed, but I cannot explain why they were reformed. To overcome such barriers, the approach has undergone a long evolution and has gained new forms, but the problems have remained. Such approaches still focus on what is happening, rather than explaining why this is happening. Historical institutionalism mainly focuses on the use of exogenous events rather than endogenous institutions.

Macro-historical approach mainly emphasizes structures and processes than events from which they originate, or persons whose actions and interests have caused these events. In addition, when ideas are viewed in the historical institutionalism aspect, they are the structures of thought, which are the path to action. Discourse in this approach is only articulation of these ideas.

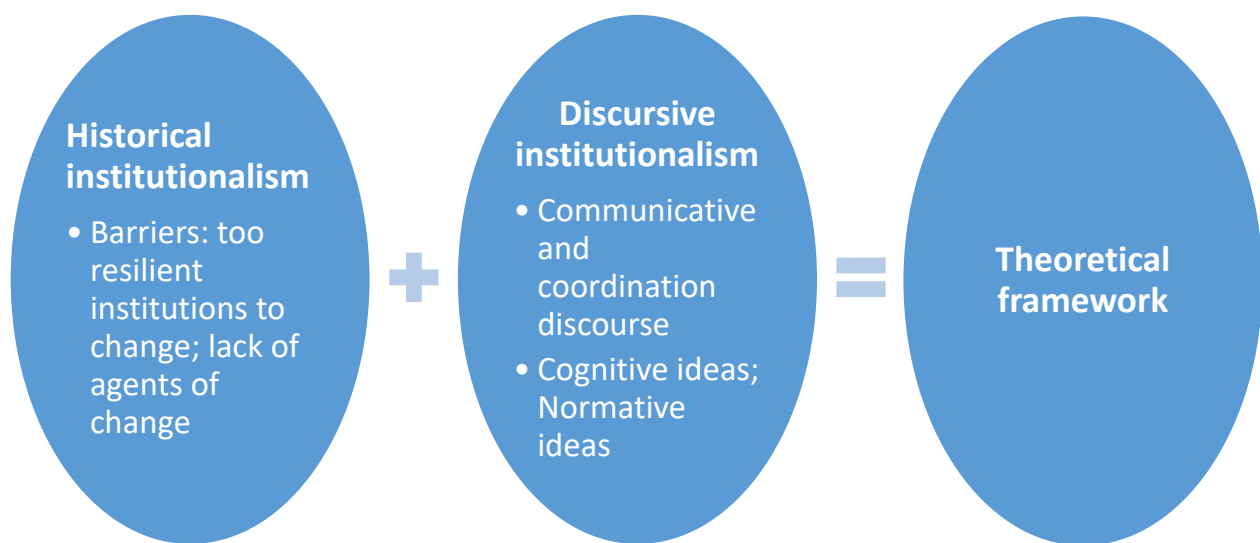
Historical institutionalism has two main barriers to explaining changes: the institutions that it studies tend to be too resilient to change, and they lack the agents of change. Institutional change is usually "happening" and is the result of external factors; it is not a process of development, but is a fact. The historic aspect is given a very limited role, since events occurring at a particular moment, "instill in motion the institutional structures or chains of events (of) deterministic properties" (Mahoney, 2000: 507) or "dependence on the path". Self-reinforcing sequence of events that, using mechanisms of "blocked effects" and "positive reinforcement" provides an increase in profits that, if they continue for a very long time, create a "deep equilibrium" that is very resistant to change (Pierson, 2000: 2004).

Radaelli et al. (2012) criticized all early neo-institutional approaches in the context of assessing the impact of institutions on political processes and noted that in order to avoid this, all research of neo-institutionalism should pay more attention to the role of actors and political levels, and not variables at the state level power. Schmidt (2010) also highlighted the importance of policy experts, such a coalition of advocates and political entrepreneurs, in the production, development and substantiation of new political ideas through discourse.

Like historical institutionalism, discursive institutionalism also explains the changes that occur shortly or gradually, through stratification, transformation or reinterpretation. However, for historical institutionalism, critical moments is the period when structures are shifted, in discursive institutionalism these moments are an explanation that is studied by ideas and discursive processes

that explain the changes. In addition, in historical institutionalism, the change is described through the institutional processes of stratification, transformation and drift, and then in discursive institutionalism, this change is explained by the thoughts of public servants and their interaction. Discursive institutionalisms deepen into the question, to what public activists say and do, which makes it possible to understand their ideas.

Consequently, the basis for this master thesis is the theoretical framework that consists of two institutional theories. Initially historical institutionalism was used, but this theoretical approach has limitations, these restrictions create the need to use a narrower theory - discursive institutionalism. Theoretical framework of master thesis can be presented on the following Figure 3.1.



Source: created by the author

Figure 3.1. The structure of the theoretical framework

3.3. Discursive institutionalism

Schmidt's work is a useful basis for our analysis of the reform of the pension system in Ukraine. Political communication and discourse are central areas in this theory, which considers political discourse as "*defining the problem and causal relationships that determine effective solutions,*" as well as "*normative content of the arguments offered by unpopular political initiatives*" (Schmidt, 2000: 230). Reformers must convincingly state that changes are *necessary and appropriate*. In addition, it is very important to change the "*basic definition of moral expediency*" if there is a need to pursue unpopular social welfare reforms (Schmidt, 2000: 230). The importance of discourse will inform our analysis.

I intended to show how Schmidt's analytical differentiation between discourses can be used to distinguish between different stages of the reform process in the country. I used Schmidt's work as a theoretical basis, and an analytical tool. Schmidt (2000) states that the degree of persuasiveness of the debate helps to explain whether countries can carry out unpopular reforms.

From a general point of view, discursive institutionalism is an approach that embraces all approaches that are combined with ideas and discourses to explain the political process and the boundary between post-structuralism and positivist traditions (Schmidt, 2010). In the study, discursive institutionalism is viewed in a more narrow sense, that is, as a separate conceptual framework lying next to the three new institutionalism approaches (rational, historical, and sociological). In this context, Schmidt's efforts are most striking (2002; 2006; 2008; 2010; 2012).

Despite the analytical comparison with similar approaches (Hay, 2008), Schmidt's framework is the only one that offers a theory that systematizes why, where, when and how the policy is debated. This theory argues that the effectiveness of political discourse in reaching consensus on a new policy program depends on the involvement of knowledge in policymaking. The paper examines the theory of recent Ukrainian pension reforms.

Discursive institutionalism is seen as an additional part of neo-institutionalism in order to explain political practices beyond the economic, historical and cultural determinism of previous approaches (Schmidt, 2010). It should be noted that the previous neo-institutionalism approaches tried to explain institutional changes (for example, Krasner, 1998; Mahoney and Thelen, 2010); their explanation is limited as they provide a description of the change process, not the cause of it (Schmidt, 2008). Discursive institutionalism does not reject early approaches of neo-institutionalism, but rather complements them (Schmidt, 2008).

Earlier forms of neo-institutionalism interpret institutions as data and external entities; discursive institutionalism views institutions as internal entities, as structures that control both their actions and results (Schmidt, 2008). The essential difference is that in earlier approaches, action is considered a product of rule and logic, since in the approach under study - action is the result of the discursive abilities of the actors. These abilities are determined by the actors' knowledge of how the world works and how to deal with it, what is institutionalized (Schmidt, 2008). Discursive abilities, on the other hand, relate to the ability of agents to think, speak and act critically in their context (Schmidt, 2008). Institutional changes are the product of interactions between participants, discussions, and because of the ability to persuade one another and the public about institutional changes (Schmidt, 2008; Widmaier et al., 2007). Rationality is cognitive, not instrumental, as in earlier theories (Polillo, 2011), or normative (as in sociological institutionalism). Interests are not permanent and cannot be combined with the basic ideas, beliefs and desires from which they emanate (Blyth, 2003).

Discursive institutionalism explores, as a discourse - or as a presentation of ideas, an interactive process through which ideas are transmitted - contributes to institutional changes in the reform process. At the level of public policy, the theory focuses on how the government uses discourse as a means of legitimizing its actions and reforms. The institutional context determines how a new political program is motivated and discussed.

3.4. The explanatory power of ideas

This theory understands knowledge as expert ideas, which are defined as “common beliefs about causal relationships” (Lindvall, 2009: 704), developed and disseminated by participants who are recognized by experts. According to Lindvall, expert ideas “are intellectual tools that political decision makers use to predict the possible consequences of policy alternatives” (2009: 705). From this aspect, political discourse is wider, in the sense that it entails normative and valuable arguments of *expediency* and *necessity*.

Cognitive ideas determine how the policy (first level) offers solutions to problems, as (second programs) identify problems that need to be addressed and identify methods to solve them, and both the policies and the programs are matched with deeper ones. The core (third level) of the principles and norms of relevant scientific disciplines or technical practices. Instead, normative ideas add value to political action and serve to legitimize policies by linking them to compliance. *Normative ideas* speak of how the policy (first level) corresponds to the aspirations and ideals of the general public, and as programs (second level), as well as (first level) respond to more profound changes (third level) of the principles and norms of social life, whether newly created the values of society, whether old (Schmidt, 2000; 2002).

The use of ideas can take place at three main levels. The first level includes politics or "political decisions". The second level of ideas includes general programs that underpin policy. They can be included in the "paradigms" that reflect the assumptions or organizational principles (Hall, 1993; Schmidt, 2002); as "landmarks" that provide a general vision of the world and its place in it (Jobert, 1989); as "programmatic persuasion" (Berman, 1998), which lies between the outlook and the specific ideas of politics; as "policy kernels" that provide diagnosis of actions and changes (Sabatier and Jenkins, 1993); or "problem definition" that provides possible solutions to the problem (Mehta).

The program ideas serve to identify issues that need to be addressed, goals to be achieved, norms, methods and tools that need to be addressed. At a deeper level of ideas, there is "public philosophy" (Campbell, 1998), "social mood" (Campbell, 2004), "deep core" (Sabatier and Jenkins,

1993); an outlook that shapes policies and programs with a deeper organization of ideas, values and principles, knowledge and society (Campbell, 2004).

For the first level of ideas, scientists identify a number of political and scientific factors that help explain why policies can be successful and why it is transforming. Hall (1989) suggests the need to give political ideas an administrative and political basis, in addition, to the viability of politics, while Kingdon (1984) argues that politics should be combined with the other two critical issues and policies to form a political idea. Other factors include the role of national traditions in shaping an acceptable policy when the state forms a national perception of defense and security issues. There is the same value of the expertise associated with testing the ideas of research institutes and think tanks (Rich, 2004). The element of time constraint is also a factor in policy success; and the turnover of generations, although this cannot explain the fact that certain ideas can be stored from one generation to the next, while others can radically change within one generation (Art, 2006). Lindwall shows that his conceptualization of expert ideas is consistent and useful in defining policy discourse (2009).

Monastiriotis and Antoniadis (2012) noted that even if public servants are ready to reach agreement, consensus building is less likely if the content and technology of reform is "wrong". This does not mean that the policy will work only when it is good. Very often situations are encountered when politicians and the public agree with politics that are poorly designed and cannot achieve their goals. Even in such situations, the policy is effectively grounded and has a convincing argument. Whether it will work in the planned regime and achieve its goals remains uncertain.

3.5. The explanatory power of discourse

"Discourse" is a more comprehensive concept than ideas. Using this term, we can point to ideas - which can come in different forms, as well as content - and interactive processes. The most discursive processes can help explain why certain ideas are successful and others unsuccessful because they are projected to whomever and where, though the discourse itself, both representation and process need to evaluate why it is successful in advancing ideas.

An important remark is that discourse must adhere to certain criteria. These are arguments that convey the necessity and expediency of a new policy. However, the effectiveness of discourse depends on the content of the program or reform itself. Policy discourse will not be so successful if this policy is poorly substantiated and ineffective, since the lack of data and the uncertainty of trade-offs of reforms undermine the criteria for perfecting its success. The potential of solving the problems of the new political program and its contribution to the future development of society is questionable when there is no evidence to support such arguments (Schmidt, 2002).

Any discourse can serve to formulate not only different levels of ideas - *political*, *programmatic*, and *philosophical* (Hajer, 2003) - and different types of ideas - *cognitive* and *normative* - but also different forms of ideas such as narratives, frames, memories, stories, scripts, images and more. Thus, discourse can combine technical and scientific arguments with more general stories that are consistent with the arguments of experts in order to create convincing arguments about the causes of current problems that need to be corrected and how they fit into the values of society (Schmidt, 2002).

After all, there are always ideas and discourse, most of which tend to improve the existing realities and few of them promote change. In the presented ideas, discourse contributes to the success or failure of ideas in the first place in terms of how he formulates the content of ideas. What contributes to the successful discourse actually covers many of the same things that make for successful ideas relevant issues, adequacy, applicability, relevance and resonance. Nevertheless, in addition, discourses become successful on a certain consistency and coherence between policy sectors (Radaelli and Schmidt, 2004). The formal institutional context also influences where and when discourse can be successful. Discourses are successful when the speakers turn their "remarks" to "correct" audiences (specialized or wider) in the "right" times in the "correct" way, which is considered convincing in cognitive terms (justification) convincing in normative terms (affiliation, legality). This suggests not only that ideas in the discourse should "make sense" within a particular discussion, but also that the discourse itself must be structured in a certain way, adhere to the rules and express ideas that are socially constructed and historically transmitted.

3.5.1. Communicative and coordination discourse

Schmidt (2000; 2008) considers *communicative* and *coordination* discourse. The first is designed to convince the general public, while the other is intended to convince the elite. The arguments of discursive success, both for coordination and for communicative discourses, arguments that justify the need for a new political reform from the point of view of its ability to solve problems, as well as its conformity, from the point of view of national values, and also the common vision of the future (Schmidt, 2002). The arguments for the need for reform will be more appropriate in the *coordination discourse*, and the arguments of expediency will be convincing in the *communicative discourse*. It is important to note that the clarity of the reforms and the consistency of discourse are crucial for legitimacy and consensus. However, these success criteria do not necessarily lead to discourse and increase the government's ability to reform. Other external factors, such as culture and interests, may arise during the reform process (Schmidt, 2002). There is a large list of factors that can affect the success of the discourse. According to Schmidt (2002; 2008), in order to take full account

of the role of discourse, it is necessary to closely monitor the political process and take into account the current factors of policy formation.

Thus, discursive processes of *coordination* and *communication* is the way to show why the idea can succeed or fail. In the political sphere, the "*coordination discourse*" consists of individuals and groups in the policy-making center that are involved in the creation, development and justification of political ideas: civil servants, elected officials, experts, organized interests and activists (Haas, 1992). Nevertheless, sometimes discourse is important for the success of ideas, sometimes not.

3.6. The limits of Discursive Institutionalism

Discursive institutionalism cannot explain all the changes, because there are things that simply "happen", conditions of existence vary independently from any factors. As historic institutionalists have interpreted, processes of change are often uncontrollable - since people can act without a clear understanding of what they are doing, creating new conditions as a result of "scalding" and destroying old standards as a result of "drift" (Streeck and Thelen, 2005). In addition, there are unpredictable consequences of deliberate actions of individuals who hoped for a completely different result. As Michel Foucault said: "People know what they are doing; they often know why they are doing what they do; but what they do not know is what they do "(Drefyus and Rabinow, 1982: 187). Describing the consequences of "what they do", scholars use historic institutionalism, which explains the influence of external factors. At the same time, while discursive institutionalism cannot explain actions for unpredictable situations, it can explore the ideals and discourses of civil servants about these events and their causes.

Discursive institutionalism explains the changes through the ideas of agents that introduce new rules into practice. However, according to Jabko (2006), the theory does not deny that there are individual interests and material reality. The problem is that there are material interests that determine the institutionalism of rational choice. That is, material interests can be decisive in ideas and discourses. However, discursive institutionalisms point out that this can bring not only utilitarian problems, but also much wider

It should be noted, that the majority of such interests will be formed collectively, which means that the theory can take into account many ideas that are derivatives of the interests of individuals. Considering their benefits in material realities, taking into account human behavior. Therefore, for discursive institutionalism, these ideas of interests should be noted and taken into account in the decision-making process. However, such a situation may serve as a reason for a more in-depth discursive approach that can clearly show the true incentives of people for such ideas (Schmidt, 2008).

Turning to Margaret Weir's statement (2006), we need to use an approach that adds to the interests of individuals in explaining, taking into account relational and cognitive factors.

As Schmidt noted, (2008) another problem is the linkage of interests with the authorities, namely the result of a link between government and ideas. In historical institutionalism, power is equated to a position. The place in the hierarchy is directly proportional to the number of resources that can be used to influence decisions. In discursive institutionalism, ideas and discourses are also given power, since bishops receive power through their ideas, giving them strength. Based on the principles of discursive institutionalism, positions may not play a role, since the decisive factor is a good idea and effective discourse, which gives a clear understanding of the content of the reform and its necessity.

Discourse is also viewed from the standpoint of power, as individuals gain strength from their ideas, giving power to these ideas. Ideal power, as defined by Hall (1989), is inherently relational, because ideas get power as much as they are for individuals. Conversely, individuals acquire power as far as their ideas are important for others and for the result. Therefore, the direct discourse should consider the positions and power of individuals. It should be borne in mind that the power comes not only from the position, but also from the ability of the subject to have power, that is, the process of forming an idea, its purpose, mode of presentation, audience, place and time can strengthen or weaken the power.

Lieberman (2005) notes that ideas can create a motive, but not an opportunity given by institutions. The historical and institutional context establishes conditions where ideas can be realized, and vice versa, ideas serve to introduce changes to existing rules or their destruction and adoption of new habits (Lieberman, 2005). The problem is that there are many differences in two institutional approaches that cannot be neglected. Namely, the fact that discursive institutionalism concentrates the research of institutes based on the context of ideas, as well as the inability to transform the rules, since they must at the same time adhere to the old rules. To overcome this problem can be by separating the two approaches, first using historic institutionalism to study the existing rules and laws, and then use this information as additional to the discursive analysis to investigate how ideas influence the existing rules and how discourse explains the dynamics of their changes (Schmidt, 2002; 2006).

SUMMARY OF THEORETICAL FRAMEWORK

In this chapter, I described the main theoretical approaches used in the study. For this study, two institutional theories were chosen: historical institutional and discursive institutionalism. These theories complement each other for a deeper understanding and explanation of the main issues.

Initially historic institutionalism was used to explain the chronological sequence of past reforms, but when the question relates to the reasons for the adoption of certain changes, discursive institutionalism is very useful in this case. I described when the transition from historical institutionalism to discursive occurs; as well as the limitations that each approach has.

IV. METHODOLOGY

4.1. The research question development

Every research starts with the process of defining problems and determining the main research question. This step is very important, as it determines the main directions of research to help the researcher to focus on a particular object of study. In addition, it is crucial at this stage of the research, to formulate very clear and understandable objects of the study and the main research question. Once the field of study has been determined, it is necessary to identify a more narrow problem that will interest the researcher, relevant in the World and in a particular country. The problem statement of my master thesis is: *How does the process of implementation of pension reforms affect the state of the pension system of Ukraine?* This question was determined after monitoring a large number of scientific and research literature from both foreign authors and Ukrainian. In addition, the state of the pension system of Ukraine and its main problems were investigated. The issue of my work is the process of reforming the pension system of Ukraine, as well as how decisions are taken on the implementation of a particular reform. This question was chosen because of the personal interest of the author, as well as social security retirement, should worry everyone, regardless of age.

It should be noted that my research question is complex, so in order to answer it, it is necessary to solve some less complicated tasks, this will facilitate the work of the author, and will be more understandable for the reader. Many researchers hesitate to devise research questions before they enter the field. However, creating several questions can help to navigate an unfamiliar research context. Therefore, my sub-questions are:

1. *What is new in the pension system?*
2. *Why pension reforms have been introduced?*
3. *How the interaction between different actors shaped the trajectories of the pension reforms in Ukraine?*

During the study, I will answer this sub-questions and it will help me to structure this work and achieve the goals.

4.2. Philosophical position

There are at least four reasons why understanding philosophical questions is very helpful. First, the researcher is obligated to understand the basic questions of epistemology in order to have a clear idea of how to use different methods of research. Secondly, it can help to formulate research design, which will give an understanding of what information to collect, how to collect and interpret it. Third, knowledge of philosophy can help the researcher recognize a design that can work. Fourthly,

philosophy can also offer how to adapt design to a research that has different limitations (Easterby-Smith, 2015).

Most central studies among philosophical approaches relate to *ontology* and *epistemology*. According to Easterby-Smith, (2015) *ontology* describes the nature of reality and existence; *Epistemology* relates to the theory of knowledge and helps the researcher to understand the best ways to explore the nature of the world.

The starting point for defining philosophy is ontology. Among the philosophers, the main discussion was between the categories of *realism* and *relativism*. There are several varieties of realism. The position on realism emphasizes that the world is concrete and external, and that science can only progress through observations that are directly related to the phenomena under study. (Easterby-Smith, 2015).

Easterby-Smith (2015) noted, that the position of *relativism* extends further, assuming that scientific laws are not just open, but created by humans. In my study, relativism position will be used, as its features are the same. People have different views and their ability to influence events and gain recognition can depend on their status and past reputation. Thus, the "truth" of a particular idea or theory is achieved through discussion and agreement between the main actors.

From *epistemological* point of view, Easterby-Smith (2008) highlights two opposing theoretical directions to the nature of social subjects: *positivism* and *social constructivism*. The key idea of *positivism* lies in the fact that the world exists externally and that its properties can be measured by objective methods, and not subjectively derived through sensation, reflexion or intuition. The idea of *social constructivism* is that many aspects of "social reality" are defined by people, but not by objective and external factors. Constructionism proposes that understanding can only be derived by considering the frame of reference of social actors and therefore understanding comes from the inside rather than externally (Burrell and Morgan, 1987). Therefore, the focus should be on how people, individually or collectively, think and act, and how people interact with each other in the process of communication and discussion (Easterby-Smith, 2015).

In some studies, the philosophical position can be defined as positivism or social constructivism. However, researchers sometimes use a combination of different methods and positions to achieve their goal. My philosophical position is closer to social constructivism. Characteristics of these position is specified in the table 4.1.

Table 4.1. Philosophical position (adapted from Easterby-Smith, 2015)

Criteria	Social constructivism
The observer	Is part of what is being observed
Human interests	Are the main drivers of science*

Explanations	Aim to increase general understanding of the situation*
Research progresses through	Gathering rich data from which ideas are induced*
Concepts	Should incorporate stakeholders perspectives*
Units of analysis	May include the complexity of situation*
Generalization through	Theoretical abstraction*
Sampling	Small numbers of cases chosen for specific reasons*

* - I use as a philosophical position

Therefore, after defining a philosophical position, I can develop a strategy for my study. As can be seen from the table, I will not be the part of what is being observed, will take into account the interests of individuals, will try to increase understanding of all the complexities of the situation, and I will interview a small number of people directly involved in decision-making and development of pension reforms.

All philosophical positions have their advantages and disadvantages as well as social constructivism. The strengths can be seen as the ability to see processes of change over time, adapt to new challenges and ideas, and to understand the influence of individuals. However, there are also weaknesses, such as the difficulty of collecting data, which can take a lot of time, because it is sometimes difficult to find people who can give you the information you need (Easterby-Smith, 2008). The process of data analysis and interpretation is also very difficult because it is difficult to control progress, so a clear plan needs to be developed. There is also the risk of receiving unreliable and false information due to distrust of the researcher or the personal interests of the respondent.

4.3. Research design

This section covers issues related to the research design and development of a strategy that will be useful during the study. Lawrence (2014) noted that the strategy of developing and conducting research will be different depending on whether it is quantitative or qualitative. My research is qualitative, so I will be completely immersed in a series of data being very attentive to new ideas throughout the process of data collection. Sometimes researchers use a combination of qualitative and quantitative methods in their work. Using quantitative methods, qualitative research can help the researcher interpret and better understand the complex reality of the situation and the effects of quantitative data (Mack, 2005). A detailed description of the qualitative research method is presented in the table 4.2.

Table 4.2. Characteristic of a qualitative research method (adapted from Mack, 2005)

Criteria	Qualitative research approach
General framework	The desire to explore the phenomenon

	Uses more flexible tools, categorization of answers and questions, semi-structured methods (in-depth interviews, observations)
Analytical objectives	To describe variation To describe and explain relationships To describe individual experiences To describe group norms
Question format	Semi-structured interviews
Data format	Text (Received from audio recordings, videos and notes)
Flexibility in study design	Some aspects of the study are flexible (additions, exclusion or different formulation of interview questions) Answers of participants influence how and what questions researchers ask further Data collection and research questions are adjusted according to what has been studied

The advantage of qualitative research is its ability to make complex text descriptions of how people experience this research problem. It provides information on the "human" side of the question, that is, controversial behavior, beliefs, thoughts, emotions and people's relationships, as well as information about how people communicate and conduct discussions (Mack, 2005).

After I have determined that it is best to answer the research questions using a qualitative method, it is necessary to consider what type of research will be conducted, which depends on the overall purpose of the study.

A *case study* chosen for study can be used for both qualitative and quantitative methods. In developing the case study, the "case" I chose, becomes the basis for a holistic and in-depth study of aspects that will be useful for achieving the goal of my study. This is an approach "in which the particular situation is intensively studied" (Gilbert, 2008: 36). The thematic study focuses on a limited subject, which is very representative. "An example study by Greenel (1981: 302) characterized by a very flexible and open method of data collection and analysis ". Therefore, a lot of information is gathered for research from different sources to get a complete picture of the situation. According to Burns (1997: 365), "the case study focuses on its peculiar complexity, not the total number of cases."

Yin (2003) and Stake (1995) use different terms to describe a variety of cases. Yin categorizes case studies as explanatory, exploratory, or descriptive. He also differentiates between single, holistic case studies and multiple-case studies. Stake identifies case studies as intrinsic, instrumental, or collective.

For my research, I chose exploratory type of case study, which is used to study situations in which the evaluated intervention does not have a clear, single result (Yin, 2003). This method is very useful, because its purpose is “to progressively narrow the scope of research topic and to transform discovered problems into defined ones” (Zikmund, 2003: 62). In addition, the study will also contain elements of the descriptive type, which is used to describe an intervention or phenomenon and the real-life context in which it occurred (Yin, 2003).

Therefore, it was decided that the qualitative research method is the most suitable for this study, since the quantitative method provides only a brief and specific information about the object of study. Since the research has a descriptive and exploratory character, the main condition for achieving the goal is to conduct semi-structured interviews. Therefore, during my work on master thesis, I interviewed specialists who developed pension reforms in Ukraine, as well as with scholars who have been studying this topic for a long time. All the primary data that was collected became the basis for writing the empirical part of the study. In addition, secondary data such as scholarly articles, official reports, studies, analyzes, legislators, have been widely used to make a general idea of the problem being investigated and to support the data received from the interview.

4.4. Data collection and analysis

As I mentioned in the preceding paragraph, the study is qualitative, so it is necessary to collect qualitative data. Qualitative data is part of the information collected in a non-numeric form. The most common types of qualitative data are reports that the research participants said; such as interviews and transcripts, written observations, images, videos and documents (e.g., company reports and meeting protocols) (Easterby-Smith, 2015).

It should be noted that the methods and strategies for collecting information for quantitative and qualitative research are significantly different. Qualitative research is characterized by more open questions and answers, so it is important to record all the interaction between the researcher and the participant in the study. There are three main methods of data collection in qualitative research (Kumar, 2019):

- 1) semi-structured interviews;
- 2) participant observation;
- 3) secondary sources.

As the investigative events occurred earlier, I have no way to observe the participants. Therefore, I use two other methods of collecting qualitative information, the primary information is mostly taken from an interview that describes the experience, thoughts and attitudes of people to the

issue that I investigate. Secondary information, which I analyzed and included in the empirical part, consists of state reports, scientific publications, laws and standards, and so on.

4.4.1. Primary data

Qualitative interviews are directed conversations evolving around questions and answers about a certain topic (Lofland and Lofland, 1984). Interviews differ from everyday conversations in that they are based on series of questions that follow a particular purpose, usually the in-depth exploration of a particular topic or experience (Charmaz, 2014).

Interviewing is an ordinary method of gathering information from people. There are many definitions of interviews. According to Monette et al. (1986: 156), “The interview includes an interviewer who reads questions to respondents and recording their answers.” Burns (1997: 329) consider “an interview is a verbal exchange, often face-to-face, although the phone can be used, in which the interviewer is trying to get information, belief or opinion from another person.” Consequently, any interaction between people, or face to face between two or more persons for a particular purpose, is called an interview.

The interview is always contextual and discussed, and - unlike the interrogation - its purpose should be discussed between the interviewer and those who answering. “Interviews provide opportunities for mutual discovery, understanding, reflection, and explanation [...] and elucidate subjectively lived experiences and viewpoints” (Kumar, 2019: 137), As Kvale and Brinkmann (2009) noted, the aim of qualitative interviews should be to collect information that captures the meaning and interpretation of phenomena in relation to the interviewees. Interviews, like other ways of data collection, have their advantages and disadvantages, which are described in the table 4.3.

Table 4.3. Advantages and disadvantages of the interview (adapted from Kumar, 2019)

Advantages of the interview	Disadvantages of the interview
This is the most appropriate approach to studying complex areas, as the interviewer has the ability to prepare a respondent before asking questions.	Interviews are labor-intensive and expensive. This is especially true when potential respondents are located in different geographic areas.
This is useful for gathering in-depth information.	The quality of the data depends on the quality of the interaction, so the information received from different respondents may vary.
The interviewer is able to supplement the information received as a result of the responses with the data obtained from the observation of non-verbal reactions.	In an interview situation, the quality of the data is influenced by the experience and skills of the interviewer.

The question can be explained.	Data quality can change when many interviewers are used.
Interviewing is more widely used.	The researcher can introduce his bias while forming questions and summarizing the answers.

Researchers need to know and use six main and very important practical interview tips that can influence the outcome, they are: gaining trust; awareness of social interaction; using the appropriate attitude and language; access; choice of interview place; and recording an interview (Easterby-Smith, 2015). All these factors enable researchers to improve their skills and get useful data.

According to Easterby-Smith (2008) the interviews can be highly formalized and structured. Other interviews are based on a list of issues that can be addressed more flexibly (semi-structured interviews). Finally, there are interviews where questions are used to stimulate conversation rather than direct answers interview.

In my research, I use semi-structured interviews to give interview participants an opportunity to talk freely about their experiences, thoughts and views that can give me deep details. In the course of political studies, semi-structured interviews are most often used. According to Harrell and Bradley, (2009) the semi-structured interview uses a guide with topics and questions that need to be explored. This type of interview is used when the researcher wants to go deep into the subject and get detailed information about the research object. The advantage of this type of interview is the freedom to choose the order of questions, but the questions are the same in order to obtain comparable information from each respondent.

When I began to think about who would be better interviewed and who could give me honest and depth information about the reform process in Ukraine, it was decided that it was necessary to find an independent reform organization or individual experts involved in the process of reform. Since the policy may have their own interests and views that are associated with this process. Moreover, their views may depend on the convictions of the political party, therefore their answers may not correspond to the real situation. McClelland (1965) conducted careful studies about common-sense notions of 'motivation'. He concluded that people could not be trusted to say exactly what their own motives are, as they often get ideas about these from commonly accepted half-truths. According to Easterby-Smith, (2015) in order to avoid such a situation, the interviewer must listen and hear what the person wants and does not want to say. In this situation non-verbal data helps, for example, loss of visual contact, gesticulation and facial expressions. In addition, when uncertainties arise, it is useful to check the obtained data, summing up what has been said, that can be presented as obtaining explanations. It is useful to arrange the so-called "test" to be sure that you get true answers.

The method of data collection, which involves conducting personal interviews, can have several problem points. The first difficulty arose during the search for respondents, so I will describe this process briefly. The first step was a meeting with the head of the International Department of the “Reanimation Package of Reforms” organization. The “Reanimation Package of Reforms” is the largest coalition of leading non-governmental organizations and experts in Ukraine that united to promote and implement reforms in Ukraine. She gives me the contacts of several people involved in pension reform; it helped me to start the process of data collection. I used the “snowball method” for getting into contact with other persons related to the process of development and discussion of pension reform in Ukraine. Johansen et al. (2004) explain that the "snowball method" is when the researcher tries to identify people with a high degree of knowledge on a particular topic and then ask them about other potential respondents. Thus, each of the respondents gave me contacts who have a lot of experience in this field and can provide me with the necessary information. Thus, each of the respondents gave me contacts of people, who have a lot of experience in this field and can provide me with the necessary information.

All respondents also mostly worked in the "Reanimation Package of Reforms" organization and participated in the development of laws on pension reform, some of respondents are experts in this field. In general, I conducted 8 interviews, 5 of which are part of the "Reanimation Package of Reforms" organization; head of the Department of Social Insurance and Pensions of the Federation of Trade Unions of Ukraine; 1 expert on the pension system; and the head of the National Commission on Securities and Stock Market (detailed information is in the Table 4.4.).

Interviews were conducted in the Ukrainian language, as all respondents are Ukrainian citizens. All interviews were recorded on the voice recorder, and notes were made to follow the contents of the interview and direct it if necessary. Then, all the interviews were transcribed and translated into English, this process took some time.

The interviews were conducted personally, and lasted about 1 hour. One of the respondents found in his tight schedule only 15 minutes, but during this time, he gave me a lot of useful data. The longest interview lasted about 2 hours. I am very grateful to all the respondents that they found some time to share such valuable and useful data with me.

Table 4.4 Information about respondents

№	Respondents	Previous experience	Place of work	Duration
1.	Respondent 1	Board of the Pension Fund of Ukraine	Chief Executive Officer at the Ukrainian Federation of Security Head of the Institute of Civil Liberties on a voluntary basis	1.5 h.

			Expert in the Reanimation Package of Reforms – RPR Member of the Commission - Director of the Department in the National Financial Services Commission	
2.	Respondent 2	Manager of the "pension reform" group at the "Reanimation Package of Reforms" organization	Expert in Social Policy at the Institute of Social and Economic Research	45 min.
3.	Respondent 3	Chief Expert of the "Financial Sector and Pension System Reform" group "Reanimation Package of Reforms"	Vice President of KINTO Chief Expert of the "Financial Sector and Pension System Reform" group "Reanimation Package of Reforms"	1.25 h
4.	Respondent 4	Expert of the "Financial Sector and Pension System Reform" group "Reanimation Package of Reforms"	Expert of the "Financial Sector and Pension System Reform" group "Reanimation Package of Reforms" Founder в Pension-Actuarial Consultant	2 h
5.	Respondent 5	Expert of the "Financial Sector and Pension System Reform" group "Reanimation Package of Reforms"	ICU Director, Head of Local Asset Management ICU	1 h
6.	Respondent 6	Head of the Department of Social Insurance and Pensions of the Federation of Trade Unions of Ukraine	Head of the Department of Social Insurance and Pensions of the Federation of Trade Unions of Ukraine	1.30 h
7.	Respondent 7	Worked in the Ministry of Finance; One of the founders of the investment company "ARTA"	Head of the National Team of the Stock Exchange and Stock Market	15 min
8.	Respondent 8	Chief Accountant of "Atika Group"	PhD, Associate professor Expert on pensions	1.5 h

The interview guide (detailed questions for the interviewer) that was used during the interview is given in Appendix A (English versions).

4.4.2. Secondary data analysis

In addition to primary data, I can use secondary sources of data collection. This type of information is not the main in my master thesis, but this additional information supports the primary data obtained from the interview. In addition, it should be noted that the search and analysis of secondary data began at the stage of choosing a topic and determining the main research question. This gave me the opportunity to understand the problems better about the phenomenon under study.

According to Easterby-Smith (2015), secondary textual data is written sources of information produced for purposes other than research, but with some relevance for this research project. Secondary data sources include company and government reports, archive data, ads, news articles, books and blogs. Secondary data is often used to supplement primary data (for example, interviews), and sometimes data is compiled only from secondary sources.

Secondary sources, as one of the methods of data collection, are used for both qualitative and quantitative research (Kumar, 2019). However, for quality studies, attention is usually drawn only to descriptive information that helps describe historical and current events.

The use of secondary data in the study has its advantages and disadvantages. The advantages of secondary data are - first, saving time and effort for the researcher. Second, secondary data often have high quality, as it published on the official websites of companies and the government. Thirdly, secondary data may reveal a historical aspect for a particular project, which may not be possible due to the collection of primary data (Easterby-Smith, 2015).

In general, the main difference between secondary data and primary data is that the primary data are collected by the researcher and, thus, the data are better suited to the research objectives. Therefore, the main disadvantage of secondary data is that it does not always fit into the research that we want to explore (Easterby-Smith, 2015). Therefore, it is very important that the research questions are guided and shaped - and not the other way round (Ghauri and Grønhaug, 2010). When using data from secondary sources you need to be careful and keep in mind the following factors (Kumar, 2019):

- Validity and reliability - The validity of information may vary significantly depending on the source.
- Personal bias - the use of information from personal diaries, newspapers may have a personal bias problem, as these authors are likely to show less rigor and objectivity.
- Availability of data - It is therefore important to make sure that the necessary data is available before continuing the study.
- Format - Before deciding to use data from secondary sources, it is important to make sure the data is available in the required format.

Taking into account all of the above, secondary data for my research was selected from reliable sources and analyzed very carefully. The main sources of secondary data were official government web sites, early scientific publications on this topic (Ukrainian and foreign), articles, reports, laws, books, political speeches.

4.5. Validity and Reliability

Each researcher in his research seeks to achieve a high level of reliability and validity. It is impossible to have perfect reliability and validity, but they are the ideals we are striving for. Neuman (2014) noted that reliability and validity are ideas that help establish truth, credibility or believability of results. Reliability means dependability or consistency. It suggests that the same thing is repeated or recurs under the identical or very similar conditions. Validity suggests truthfulness. It refers to how well an idea “fits” with actual reality. Since this is a qualitative research, it is necessary to consider these categories in terms of qualitative measurement

Reliability. This study uses the interview method and analysis of various secondary data for sequential recording, as it is a qualitative research. Joppe (2000: 1) defines reliability as: “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.”

One of the difficulties with reliability is that processes are unstable over time and it is believed that the subject and our attitude towards it are a developing process. In qualitative studies, a number of data sources are considered and several measurement methods are used. It should be noted that various researchers who use alternative measures could find different results. This is because data collection is an interactive process in which individual researchers work in developing countries, whose context dictates the use of a unique combination of measures that cannot be repeated. Various activities and engagement with different researchers are useful because they can highlight different aspects or dimensions of the subject (Neuman, 2014). The concept of *reliability* from the perspective of a research tool makes sense: if the research tool is consistent and stable, hence predictable and accurate, it is considered reliable. The greater the degree of consistency and stability in the tool, the greater its *reliability* (Kumar, 2019).

Validity means truthfulness. In qualitative studies, we are more interested in achieving authenticity than realizing a single version of “Truth.” Internal validity is necessary to verify what was identified as the cause actually gives the effect. External validity reflects the extent to which research findings can be discussed beyond direct research (Johnson and Duberley, 2000).

Guba and Lincoln (1994) have suggested a framework of four criteria as a part of the constructivism paradigm of ‘validity’ and ‘reliability’ in quantitative research. According to Guba and Lincoln (1994: 114), trustworthiness in a qualitative study is determined by four indicators – credibility, transferability, dependability and confirmability – and it is these four indicators that reflect validity and reliability in qualitative research. “The trustworthiness criteria of credibility (paralleling internal validity), transferability (paralleling external validity), dependability (paralleling reliability), and confirmability (paralleling objectivity)”. According to Kumar (2019), to some extent, it is possible to establish the "validity" and "reliability" of results in a qualitative study in the form of a model proposed by Guba and Lincoln (1994), but its success mainly depends on the repetition of the process and methods of data collection that are difficult to achieve in a qualitative research

4.6. Ethical background to the study

In the process of qualitative research, it is very important to follow all the ethical principles, as the study involves an interview, this issue becomes especially relevant. One of the first principles is the informed consent of respondents, which ensures respect for individuals. Informed consent ensures that people understand what it means to participate in a specific study so that they can consciously decide whether they want to participate in the study (Mack, 2005). It is necessary to inform the respondent about the research in such a way that this is understandable to the respondent. According to Mack, (2005) the respondent should be informed about such information as:

- The aim of the study.
- What is expected from the respondent, including the amount of time for the interview.
- Expected risks and benefits.
- The fact that participation is voluntary and can be canceled at any time.
- Confidentiality level.
- The name and contact information of the researcher.
- The name and contact information of the person in charge responsible for the interviewer's rights.

This information may be provided in writing or oral. In my case, since all the interviews were conducted in person and by appointment, these data were given orally before the interview.

A high degree of confidentiality is required. To indicate the person of the respondent who participated in the research is unethical. In some studies, researchers identify a sample of interviewed people in order to indicate the relevance of the data, in which case it is necessary to make confidential data provided by the respondents (Kumar, 2019). In this study, the respondents are confidential, but their experience is indicated in order to show that the information received is relevant to this study.

Research ethics takes place at every stage of the research, however, special importance should be given to ethical principles at the stage of data collection, transcription and interpretation. It should be mentioned about such a category as “the bias” of the researcher, which is also unethical. The bias is a deliberate attempt to conceal the actual results of a study or some part of it (Kumar, 2019). The researcher must be impartial and independent in order to interpret data truthfully.

SUMMARY OF METHODOLOGY

This section describes the main methodological principles of the study. First, I described the main issues and development of the research question. The ontology of the study is close to relativism; epistemology is closer to social constructivism. My research is qualitative, with descriptive and explanatory characteristics. Primary information was collected through semi-structured interviews with experts who participated in the development and implementation of reforms. In addition, secondary data was used to better understand the topic and reinforce the words of the respondents. In general, I interviewed eight experts and public servants. Also, I have identified methods that have been used to achieve reliability and validity. Finally, I described the ethical foundations of research used during the research, which are related to the confidentiality of the data and the personalities of the respondents, with the truth of the impartiality of the results.

V. EMPIRICAL PART

5.1. INTRODUCTION

To determine the impact of pension reforms in Ukraine on the state of the pension system, an analysis of the discursive process between the developers of the pension reform package and between politicians was selected. In this chapter, I consider the main reason why it was decided to introduce pension reform, components of these pension reforms, and what results it led to. First, the reader is provided with a general description of the country, the pension system of which is being investigated. In addition, I am considering how cognitive and normative ideas are formed and go through the coordinative (necessity) and communicative (expediency) discourse, forming other trajectories of pension reforms than those that were planned.

This section is mainly based on interviews with reformers of the Ukrainian pension system and experts, who are directly involved in the reform process. Sources of secondary information, such as official government web sites, publications of scientific articles and others, are also used to develop this section.

5.2. General description of the country

Ukraine is an independent country located in the Eastern and partly in Central Europe, and it is the largest country in Europe. On July 16, 1990, the Verkhovna Rada adopted the Declaration on State Sovereignty (1990), which marked the beginning of a confrontation between the governments of the Soviet Union and Ukraine. On August 24, 1991, the Verkhovna Rada of Ukraine adopted the Declaration of Independence of Ukraine (1991). This act was supported by 90.32% of Ukrainians in a referendum. This marked the emergence of an independent state.

Ukraine was initially considered a republic with favorable economic conditions, however, the country experienced a deeper economic decline than some of the other Soviet republics. As IMF Resident Representatives (2002) noted in their commentary, in Ukraine during the recession, Ukraine lost 60% of its GDP between 1991 and 1999 and suffered from rapid inflation. At that time there were many protests and strikes.

In 1996, the Constitution of Ukraine was adopted, which affected the stabilization of the political system. In the same year, a monetary reform was carried out, which contributed to the introduction of the national currency - the hryvnia. Since 2000, the rapid growth of the economy has started, on average by 7% annually.

In accordance with the Constitution of Ukraine, it is a unitary state, consisting of 24 regions, the Autonomous Republic of Crimea and two cities with a special status: Kyiv is the capital and

largest city, and Sevastopol, the largest city of the Crimea. However, it should be noted, that since 2014 there is a war in the country, so the territory of the Crimea and some eastern regions are occupied. Ukraine is a parliamentary-presidential republic. The supreme body of state power is the Verkhovna Rada of Ukraine, and the head of state is the President of Ukraine.

According to the data of the State Statistical Service of Ukraine (2016), the population of Ukraine is 42.5 million, not taking into account the Crimea. The capital of the state is the largest city - Kyiv. The official language is Ukrainian, but it should be noted, that a significant part of citizens speaks Russian. As noted in Global Wealth Report (2018), Ukraine is at the stage of economic development and it ranks 88th on the index of Human Development. According to an analysis conducted in 2018, Ukraine has the second lowest GDP per capita in Europe. In addition, population poverty and corruption are rapidly increasing.

Nevertheless, despite these negative factors, the country is one of the largest exporters of grain around the world (World Trade Report, 2013). Ukraine has a developed military component; the army is ranked second after the Russian Federation's army in all Europe. The country is a member of the United Nations, the Council of Europe, the Organization for Security and Cooperation in Europe (OSCE), the GUAM Organization for Democracy and Economic Development, and one of the founding states of the Commonwealth of Independent States (CIS).

The political and economic direction of Ukraine is a very important component of the country's development. In Ukraine, these views have been constantly changing, as the authorities and the president have a great influence on the political orientation of the entire country. There is a need to analyze changes in the politico-economic direction during the period of Ukraine's independence. Strizichenko (2016) in his study considers six stages of development of the political and economic direction of the Ukrainian government.

Stage 1. Western direction (1991-1994). After gaining independence, the Ukrainian government chose the western direction of development. During this period, 35 international agreements were signed between Ukraine and other countries and international organizations (Declaration on the State Sovereignty of Ukraine, 1990). Ukraine receives the status of a nuclear-free country, this step is welcomed by the United States and the whole Europe, this fact brings Ukraine on the international level.

Stage 2. Western direction (1995-2002). In this period, the purpose of foreign policy of Ukraine was integration into the European Union and NATO. In 2002, the President of Ukraine created the State Council for European and Euro-Atlantic Integration for coordination of actions authorities on integration of Ukraine into the political, economic and legal space of Europe.

Stage 3. Uncertainty (2003-2004). Since the end of 2002, documented benchmarks for Ukraine's foreign policy have not been implemented de facto. On the one hand, the goal of Ukraine

was an association with the European Union, and on the other hand, Russian business structures began to receive significant preferences, and the Ukrainian government began to work closely with Russia. Such a foreign policy of uncertainty negatively affected the relations with Europe and the United States, and in 2004, the Military Doctrine of Ukraine's Development (2004), which excluded the Euro-Atlantic and European integration of the country, was changed. This stage ended with the Orange Revolution of 2004.

Stage 4. Western direction (2005-2009). During this period, the formation of Ukraine's development in the conditions of cooperation with the EU began again. Construction of political and economic relations between Ukraine and Russia in a new format for the creation of a free trade zone. Thus, although the Ukrainian government has resumed its work with the EU, it has continued to develop its cooperation with Russia.

Stage 5. Uncertainty (2010-2013). The beginning of this phase is very similar to stage 3, when some goals are declared, but in fact, the foreign policy of Ukraine moves in the other direction. Thus, in the context of a continuous trend towards European integration, Ukraine's dependence on lending increased, which, in turn, determined the government's efforts to find cheap loans for Ukraine. The end of this phase was in November 21, 2013, when the government refused to sign the Association Agreement with the EU. After this event, the views again go to the side of the Russian Federation.

Stage 6. Uncertainty (2014-now). Changes that took place in early 2014 were decisive. Ukraine chose the course of European integration, in 2014 an Association Agreement between Ukraine and the European Union was signed, laying the foundations for adapting Ukrainian legislation to European standards. An important event was the approval of the Ukraine-2020 Sustainable Development Strategy by a decree of the President of Ukraine (2015)

From this point of view, this issue can only be considered until 2014, since later, there were too many destabilization processes that would not allow objectively assess the current guidelines for political and economic direction of Ukraine. The most important obstacle is the fact of occupation of the Crimean peninsula by the Russian Federation, as well as the war in eastern Ukraine. Because the direction could be chosen not "for" the European Union, but "against" the Russian Federation.

5.3. Historical aspects of the reform process of the Pension System of Ukraine

This paragraph describes and analyzes the historical aspect of reforming the pension system in Ukraine. Research on political economy in recent years was mainly based on historical institutionalism, which gives a clear view of how the system has changed over a period, the interaction and interdependence of the components of the system (Thelen, 1999). Therefore, it is necessary to study the history of pension reforms in Ukraine from this point of view. However, based on historical

institutionalism, it is possible to describe and understand only the fact of the change and evolution of a pension system that has several stages, so it is necessary to use also discursive institutionalism that can explain why such changes have occurred and what factors influenced it. At this moment, the theoretical framework shifts from historical institutionalism to the use of discursive institutionalism.

In Ukraine, the full-scale pension reform is gradually being introduced in recent years. Its need is connected with the aging of the population, characteristic of the whole world, and the shortage of the Pension Fund of Ukraine. Respondent 2 explains:

“There were two ways: protection from poverty and the German system. Historically, two systems were formed. The first was the Nordic-European system, when pensions were paid only to those who needed it. And the German system, another its name Bismarck model, envisaged the payment of taxes, and then the same payments to people from the state. In the period of reforming the states that used the northern European system it was easy to move to a multilevel system. However, the countries of the German system began to move later and more problematic. Everything seems good, but the demographic crisis has come, which has become the reason for pension reforms since the mid-80's.”

The history of the Ukrainian pension system is clearly divided into five stages:

1) 1991-2003, (Law of Ukraine "On Pension Provision" 1991) the period of inertial inheritance and extensive distribution. Unlike most post-socialist countries that conducted rather radical pension reforms within the framework of market transformations in the transition period, in Ukraine until 2004, the norms and parameters borrowed from the legislation of the Soviet Union operated in Ukraine. *“In 1995 we first talked about pension reform in Ukraine. Although we had at that time already the Law on Pensions, adopted in 1991. But it basically reiterated the norm of the Soviet Union”* - said Respondent 5.

Although it should be noted that for the first time officially about the pension reform in Ukraine, the issue was raised in the Presidential Decree entitled "On the main directions of pension reform in Ukraine" of April 13, 1998 (Official Bulletin of Ukraine, 1998), where it was recognized that only the state solidarity system. *“The decree of the President of Ukraine in 1998 was correct, timely and consistently worked out, and if we consistently acted on this decree, today we would have had a full three-tier pension system.”* - Respondent 3 noted. It is impossible to solve the problem of decent pension provision for citizens, and the task of transition to a new model of the pension system - the three-pillar. *“In 1995, the World Bank report came out that, within the framework of the Solidarity Pension System, the problem of raising pensions and general prosperity has not been resolved”* - Respondent 2 notes in his interview. The pension policy was mainly aimed at extending already existing and introducing new benefits and privileges, in particular:

- Expanded list of occupations / works that give the right to early retirement by age and retirement pension;
- New privileges were provided for the payment of lower contributions (for individuals - entrepreneurs, agricultural producers, etc.), and the practice of writing down payment arrears has been extended;
- So-called special pensions with considerably more favorable conditions for civil servants, local self-government officials, people's deputies and their assistants, scientific and pedagogical workers, journalists, judges, prosecutors, etc.

As a result, not only the number of pensioners and the amount of retirement expenses, but also the inequality among pensioners have increased. The problem of deficits was solved through the regulation of the maximum pension, the vast majority of pensioners received roughly the same amount, which was determined by the availability of funds in the Pension Fund. In the second half of the 1990s, when the Pension Fund was included in the state budget, pension debt was formed, which reached the maximum in 1999 (more than 2 billion UAH with an average pension of 60.7 UAH), (State Statistics Committee of Ukraine, 2006) in some regions pensions not paid for half a year. With the economic recovery arrears of pensions were eliminated, but pensions remained extremely low.

2) 2004 - September 2011, (Law of Ukraine "On Compulsory State Pension Insurance", 2003) an attempt to build a three-pillar pension system on an insurance basis. Reform in 2004 provided the following construction: the first level - reformed in the direction of strengthening the pay-as-you-go system (PAYG); the second level - compulsory state cumulative insurance; the third level - non-state pension provision for voluntary participation. Respondent 6 explains:

"The law, which came into force on January 1, 2004, has been introduced, it has been developed for almost 10 years due to difficulties in the process of discussion and it has been determined that we need to introduce a three-tier system. The first level is a solidarity system that needs to be modernized, the third level is non-state pension provision, although in Ukraine there were quite a lot of non-state pension funds working successfully, but they did not work at the legislative level, but more as insurance companies. Moreover, the second level is a compulsory accumulation system, although the positions were different, even to me, to be honest. But after many discussions, seminars and conferences, everyone agreed that it is necessary to introduce three levels."

The second level remained a projection, as part of the contributions from the solidarity system had to go away, and there was a huge deficit. At this stage, the solidarity system made important steps towards strengthening financial stability:

- Introduction of personalization of accounting and control of actual payment of contributions in determining the insurance period (monthly payment of an amount not less than the minimum contribution);

- A new pension formula is defined which, in addition to the length of service, takes into account the earnings of a person during the entire work period (calculated on a monthly basis in relation to the country's average), adjusted to the salary base of the calculation of the pension;
- The differentiation of pension programs according to the sources of financing for insurance, which is financed from own revenues of the Pension Fund, and non-proprietary, which are financed at the expense of budgetary funds, is specified.

However, this did not give the desired result, as pension policy began to be actively used for electoral purposes. Parliamentary or presidential elections took place almost every year, and laws / regulations on increasing pension guarantees were adopted every time. *“All that has been since 2004 is not a reform, because as a result of changes, the replacement rate has not increased, but decreased”*, - said Respondent 3.

In the end, the minimum retirement benefit in the amount not lower than the subsistence minimum for persons who have lost their ability to work (which determines the size of the minimum age pension) was guaranteed to all, regardless of the availability and duration of the insurance period. On the one hand, it has made it possible to protect the elderly from poverty, on the other - it eliminated the motivation to participate in pension insurance. The increase in the subsistence minimum has become the main mechanism for indexation of assigned pensions, resulting in a differentiation of their sizes quickly settled down with the following fixing at a level close to the minimum.

“Following the law on the introduction of a three-tier pension system in 2004, it was envisaged that another law would be adopted concerning the introduction of the second pillar of the pension system, as the norms were written, but they have not yet entered into force. In 2007, many concepts were written, everything would be fine if there had not been a crisis in 2008.”, - says Respondent 6.

3) *October 2011 - 2014*, (adoption of the Law of Ukraine "On Measures for Legislative Support of the Reform of the Pension System", 2011) significant parametric changes in the solidarity system in order to stimulate the population to extend the labor period:

- *“In connection with the demographic issue, in 2011, the retirement age for women under 60 was raised, although the issue of raising the retirement age had risen for a long time. Of course, we did not agree with the increase in retirement age, but this decision was made. have also increased the minimum length of time that a person should have to apply for a pension from 5 to 15 years. All these changes were mainly due to the lack of revenues to the pension fund”*, - says Respondent 6 in his interview.
- Introduced a more flexible system for calculating bonuses for postponing retirement and significant restrictions on indexation of payments to working pensioners.

- The reform measures of 2011 allowed reducing the number of new pensioners by age and the number of pensioners in general, but failed to stop the growth of pension expenditures and the Pension Fund deficit, as electoral interventions continued. *“From the point of view of social protection, these changes cannot be called improvement, it was simply an improvement of the legislation for reallocating expenditures and balancing the budget of the pension fund”*, - Respondent 6 notes.

4) 2014 - September 2017 (Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Pensions", 2013), severe restrictions and freezing of indexation of pensions. The economic crisis, aggravated by a tense military-political situation, prompted the introduction of a regime of rigid austerity and consolidation of social expenditures. Within the framework of the pension system, a significant number of measures were aimed at limiting early retirement possibilities:

- Early retirement pensions for unemployed persons registered in the State Employment Service were canceled and no more than 1.5 years left from the moment of retirement until the retirement age is reached;
- The list of productions, professions, positions, employment in which gives the right to retirement on the basis of preferential terms is substantially reduced;
- A gradual increase of 5 years of retirement age and / or the overall length of service required for early retirement has begun;
- The minimum age has been set and the gradual increase of 5 years of professional insurance required for retirement for a senior service has begun.

Nevertheless, the main way of saving was the complete cessation of indexation of pensions and minimum guarantees, including the freezing of the subsistence minimum and the fixation of many retirement supplements / surcharges in nominal terms as of December 2013. The increase in the subsistence level was restored only from September 2015 and again under the pressure of electoral considerations. The further dynamics of the subsistence minimum at best would cover current inflation, but was not able to compensate for the loss of real value from consumer price growth over 2014-2015 by more than 70%.

The most resonant and controversial decision of this stage of reforms was a sharp decrease in the size of the unified social tax (UST), to the mandatory state pension insurance. By the end of 2015, the size of the UST for employers ranged from 36.76% to 49.7% depending on the class of professional risk of production, for self-employed - 34.7%, for hired employees - 3.6%. Since the beginning of 2016, the only social contribution is paid only by employers and self-employed at the same rate of 22%. At the same time, the proportions of the distribution of UST have been modified in such a way as to ensure adequate income from three types of social insurance (in the event of

unemployment, temporary disability, accidents at work), and the entire deficit is concentrated in the pension system. In general, the amount of the pension contribution as a part of the UST has almost doubled.

The demonstration of the decline in the size of the UST was supposedly aimed at stimulating the business to shake off and develop, but in reality raised serious doubts about the financial capacity of the insurance pension system: in 2016 and in 2017, UST revenues account for less than half of all revenues to the Pension Fund budget.

5) *2017 – now*. The government is constantly developing and implementing changes to the law, so some of them should be noted. According to Amendments to Certain Legislative Acts of Ukraine on Increasing Pensions (2017), the following changes have taken place:

- Annually the minimum work experience will increase for one more year. In 2028, the increase will reach the maximum - 35 years of work experience need to have to retire by age.
- Changes in the cost of the year of work experience by 1.0 instead of 1.35. This is an indicator on which the insurance experience multiplies when calculating the size of the pension. Its size is directly proportional to the size of the pension.
- The period of work experience includes military service, full-time study at state universities, PhD and doctoral studies.
- Entrepreneurs who worked on the simplified taxation system will be able to enroll in the period of work experience from January 1998 until the end of 2017.
- From January 1, 2018, the size of pensions for deputies, civil servants, prosecutors, diplomatic staff, and scientific staff will not exceed 10 living wages.
- From January 1, 2019, the general obligatory pension insurance should be introduced. In the compulsory cumulative system, in addition to the UST, a percentage of wages will be accounted for (2-3% according to the forecast of the Univir investment group).
- Since 2019, the mechanism of annual indexation of pensions is working to prevent inflation. In the first two years, indexation will lead to 50% wage growth for the previous year, and another 50% increase in inflation in the future.

The historical survey shows that pension policy in Ukraine is shaped more by the current situation, rather than long-term strategies. As a result, the reform measures are carried out unsystematically and do not guarantee an adequate effect either on the financial stability of the pension system or on its fairness.

5.4. The role of ideas about reforms of the pension system of Ukraine

One of the main steps in any reform is the emergence of ideas from people who are experts in their field and their ideas depend on their experience and knowledge. If we consider the pension reform in Ukraine, it should be noted that there are two areas of policy ideas on social security. I will start with ideas that are the basis for the reformers who develop pension reforms. *“If we talk about ideas, where are the reforms coming from, then the main telling factor for us is society”*, – Respondent 7 notes. Sociological surveys in the field of pensions are carried out to determine the needs and problems of society.

“We use a number of performance indicators of the Pension System of Ukraine and understand what we can do and figure out how this can be done. The most important is, of course, the definition of the problem. This process can take place on the basis of statistical data, as a result of the analysis of performance indicators, or by the method of observation and sociological surveys.”, - explains Respondent 1. The "Reanimation Package of Reforms" organization employs professional analysts to predict the results of a specific change. This helps to understand which ideas are useful and which are not. *“There are many associations involved in the development of pension reform, such as RPR, USAID, the Ukrainian Association of Investment Business, the Target Team of Reforms.... We create the so-called plan of action, which ends with the drafting of the bill.... Regarding state policy, it identifies the areas for reform and plans, one of the most well-known is the 2020 plan, which envisaged elements of reform.”*, - explains Respondent 5.

In addition, many constructive ideas are formed as a result of the analysis of Ukraine's experience in the past and foreign experience in pension provision. Respondent 3 says:

“Most of the ideas are generated from the analysis of foreign experience and experience of Ukraine within the Russian Empire.... Actuarial calculations were made in 1890. First of all, the experience of Ukraine was studied, a good example is the Netherlands experience since 1919..., as well as the experience of the USA.... So, everything has already been done and calculated many years ago, it is only necessary to project the situation to our day and do all that is said.”

The working group "Pension Reform", dealing with pension reforms, was very diversified. *“Someone defended the ideas of the solidarity system, someone advocated ideas about the accumulation system only in the private sector, either in the private sector or in the public sector. We had very good experts and we were able to reach agreement. We tried to get the best from each expert's ideas, it was a way of compromise.”*, - says Respondent 4 in an interview. Consequently, it is necessary to determine the need for adoption of pension reforms and the acceptability of certain changes that were made by the reformers at each stage of the reform of the pension system of Ukraine,

starting from 2004. Respondent 2 emphasizes: *“There is no other way, the issue of pensions can only be solved by introducing a multilevel pension system.”*

After reformers have developed a concept, this needs to be discussed with many representatives of different fields of activity, most representatives usually approve this concept, since it has been designed taking into account the interests of all segments of the population, but not the interests of politicians. *“In this context, we cannot advance, because politicians have another goal, on the one hand, to save, and on the other hand, the PR. If this is a good pension reform, politicians cannot get significant benefits from it.”*, – Respondent 4 emphasizes.

Now it is necessary to describe the nature of the generation of ideas of politicians directly involved in the adoption of one or another part of the pension reform. After reformers approve the pension reform bill, they are looking for support from the political forces that can contribute to the implementation of this reform. Respondent 4 emphasizes: *“But it is very important to talk with influential people.... For example, we talked with deputies from the Social Policy Committee, with the ministers, with the regulators and realized that they were not interested in it, because they believed that it was only necessary to pay pensioners more.”*

The views and ideas of politicians are very different from the ideas of the reformers, because politicians only talk about the introduction of compulsory pension system, but nobody wants to do it. *“There should always be a driver in the Verkhovna Rada.... But this driver should be communicative, because if it comes from the opposition, it will not be able to do anything.”*, - explains Respondent 4. *“Pension reforms are very problematic, because it is necessary to take unpopular reforms, raise the retirement age, work experience. Adoption of such changes requires political will, because it negatively affects the rating of perceptions of power.”*, - explains Respondent 5.

Realizing that the demographic crisis is inevitable, since the 2000s, the authorities have recognized the need to introduce a second level of pensions, with the support and advice of international organizations. At that stage, the replacement rate met the expectations, but after the collapse of the Soviet Union, the devaluation had a negative impact on the level of income.

Considering the history of pension reforms, it can be noted that many regulations and laws have been adopted since 2004, but for some reason only parts of the law on the solidarity system were actually implemented. *“There are no objective reasons why the reforms that were introduced in 2004, then in 2014, and in 2017, were not implemented. It was necessary to do everything that was planned, and everything was left on paper due to the disorganization of the state level.”*, - emphasizes Respondent 2 in an interview.

There are several drivers in Ukraine that can influence the development of the pension system: politicians and international organizations. Political force may be the President or a political party with a majority of votes. An international organization that influences pension reforms in Ukraine is

the IMF. *“When the IMF supported the introduction of the second pillar of the pension system, it was more likely that it would be implemented. And now the IMF offers Ukraine to refrain from introducing a mandatory accumulation system, therefore the government agrees with such a proposal....”*, - says Respondent 3.

The analysis of the previous reforms shows the true arguments and facts why the Ukrainian pension system has changed in this way. The first attempts to change something were in 2004, the law on obligatory pension accumulation was adopted, which introduced a two-pillar pension insurance structure. Almost all respondents noted that the reform in 2004 was correct and timely. However, Respondent 6 is paying attention, – *“We did not agree on the size of pensions, because according to the formula it was laid down that for each year of work 1% of earnings is taken, this indicator did not meet the standard that for 30 years of insurance, pension cannot be less than 40% of wages.”* Nevertheless, the delay in the introduction of compulsory system had a negative result, as the crisis began in 2008. In addition, all the reformers talk about the time spent, because in 2007 pension reform had to be completed. In 2008, the coefficient of insurance was increased from 1 to 1.35., but problems have not yet been resolved.

In the realities of the demographic crisis in 2011 for women, the retirement age was increased to 60 years. They also increased the minimum experience that a person should have in order to apply for pensions from 5 to 15 years. *“All these changes were mainly related to the lack of revenues to the pension fund. From the point of view of social protection, these changes were not improvements, it was simply an improvement of the legislation for redistribution of expenditures and balancing the budget of the fund,”*, - emphasizes Respondent 6. The same was in 2017, but more significantly, changed the formula for calculating pensions, again reduced the coefficient of insurance from 1.35 to 1. Respondent 1 is convinced that *“such changes have been introduced, taking into account the state's capabilities. Of course, much more could be done, and it was necessary to do it another 20 years ago, and now fewer opportunities.”* In the realities of aging of the nation, an increase in the deficit of the pension fund of Ukraine was necessary to stabilize the situation.

The characteristic feature of the pension reforms in Ukraine is their one-time effect; the problems are not solved radically. *“In 2014, special pensions and indexation of pensions were canceled, which was a very unwise step. The reform in 2017 was more effective, as from 2010 to 2017, the pension system had huge imbalances in the pension fund and this “fire had to be extinguished.””*, - says Respondent 2. All respondents stated that the reforms since 2014 were aimed at balancing income and expenditure of the pension fund of Ukraine, but not improving the social security of pensioners. *“Those actions that the Government is currently doing are non-transparent, as the Ministry of Social Policy prepares normative acts that do not discuss with the public, these*

laws seem to change, but do not solve the problems of poverty The government legally redistributes funds in order to satisfy, first of all, own interests.” - explains Respondent 1.

“The law, which was adopted 2 years ago, changed the parameters of retirement - the insurance period from 15 to 30-35 years; this is a very significant increase.”- says Respondent 8. This is a hidden increase in retirement age. Any changes in this direction are not perceived by the population, they create a negative effect. Other changes related to the solidarity system were confronted with the opposition of the people, because politicians used these changes in their favor. The disparity of the pension system with the needs of the time, the low level of retirement payments for most citizens, and its burdens for society and business required urgent changes, which led to the new reform of the pension system.

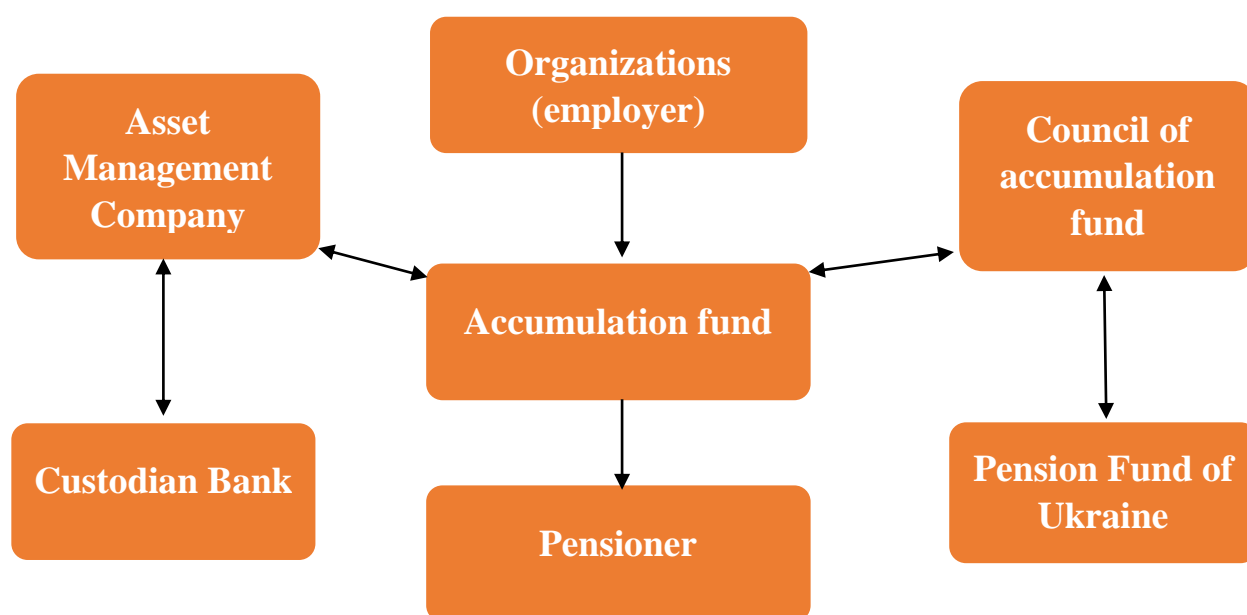
5.4.1. The role of ideas in the context of the introduction of a mandatory cumulative system

The need for introducing a mandatory cumulative system is understood by reformers and politicians, and this direction is now the main goal for achieving the normal functioning of the pension system of Ukraine. There were several attempts to introduce the second pillar of the pension system, starting in 2004, however, all these attempts failed. The last attempt was in 2017. The Law of Ukraine "On Amending Certain Legislative Acts for Pensions Increase" of October 3, (2017) was adopted. According to the Law, from January 1, 2019, a compulsory cumulative pension system should operate. Respondent 2 explains: *“But again, nothing was done. By July 1, 2018, all the infrastructure of the second level had to be developed. Already in September, began to talk about the postponement of the introduction of the second level by January 1, 2020.”*

At this stage, the National Securities and Stock Market Commission of Ukraine is involved in the drafting of the bill, and recently they have been briefed on the completion of its elaboration. Respondent 7 says: *“The National Securities and Stock Market Commission of Ukraine has completed the elaboration of the draft Law of Ukraine "On Compulsory Cumulative Pension Provision", which introduces the 2nd level pension system in Ukraine. The draft law is approved by ministries and departments. It is expected that after approval at a government meeting, it will be submitted for consideration by the Verkhovna Rada of Ukraine as a government.”*

However, one of the respondents said: *“We began to develop a plan of measures that was later agreed and approved in 2017, which resulted in the Order of the Cabinet of Ministers. The Commission on Securities and Stock Market in March 2019 reported on the end of the draft law, which was identical to what was developed in July 2017. Why did not you accept it in 2017?”*

The bill complements the existing solidarity pension system with a new, accumulative, in which every employed citizen will make payments to his personal retirement account. After reaching the retirement age, he will be able to receive additional payments at the expense of contributions. Also, in case of death of the account holder, the money may be fully inherited. As well as the citizen is entitled to freely choose a non-state pension fund (NPF) or an asset management company (AMC). *“It is anticipated that professional asset management companies will manage retirement funds, which will be selected on a transparent and competitive basis to comply with the highest professional and ethical industry standards. The document stipulates the independent status of pension managers.”*, - says Respondent 7. The proposed model of the Mandatory Accumulation System is depicted in the figure 5.1.



Source: developed by the author according to information from interview 7

Figure 5.1. Obligatory Accumulation System Model

In addition, it is proposed to set a contribution rate of 2% of the person's income during the first year of the introduction of the accumulative pension system. Over the next few years, they will increase by 1% each year to the final level of 10%. Nevertheless, it is important that the growth of contributions will only take place if the average wage in Ukraine is at least 5%. Thus, the maximum level of deductions (10%) will be established only if the average wage in the country exceeds the current by 40%.

Therefore, it will soon be decided whether a compulsory accumulation system will be introduced in Ukraine, and whether this bill will be adopted by the government. Alternatively, this attempt will fail, like the previous three.

5.5. Factors of necessity to reform pension system of Ukraine

The pension reform relates to absolutely everyone, and when people think that it is too early for them to think about retirement, they are in fact wrong. This cannot be considered as a social security reform. Before making a pension reform, many changes need to be made in other areas: social policy, employment, financial sector. Only when there are reforms in other areas, then we can say that this is a pension reform. It is the most complicated, because its results can be seen in 40 years. For example, from the moment a student started working until he retired.

While in the early 1990s, almost two pensioners were on a single pensioner, today they are in fact one pensioner. Such changes have affected the financial position of the Pension Fund and led to its systemic crisis. According to analysts' forecasts, over time, one person who pays contributions will have a 1,4 of pensioner, which ultimately spoils the pension system, leaving no chances for the given summer age to work for those who work today. While in 1995 there were about 28 million people in Ukraine, this number began to decrease every year. There are currently only 10.5 million officially working people.

The difficulties were with the minimum and maximum retirement, their ratio was 1/3, and their size was rather low. In addition, there was a difficult financial situation of the Pension Fund. At the end of the 90's there was a debt payment.

According to the State Statistics Service of Ukraine (2019) and the Ministry of Social Policy (2019), the number of pensioners in Ukraine in recent years or exceeded the number of employed, or these figures were almost the same. The disparity of the pension system with the needs of the time, the low level of payment of pensions for most citizens, its burden for society and business required urgent changes, which led to the reform of the pension system.

The conclusion is simple, that it is necessary to reform and introduce several levels of the system: solidarity or its modification, the introduction of the second level, which also has several modifications, and the third level - voluntary. For the first and second levels, this classification may vary in the context of the organization of cooperation and development. *“The introduction of such a multi-level pension system provides the opportunity to solve fiscal, political and social problems.”*, – as noted Respondent 5. *“The reforms were necessary to balance the budget of the PFC, but it would not lead to the desired result without getting the economy out of the shadows.”* - thinks Respondent 8.

“To evaluate the performance of the pension system, you should look at the Replacement Rate - how much the pension replaces the labor income. We have signed international conventions, according to which, at least 40% must be provided, and we are now replacing 28.8%.”, - notes Respondent 1. Moreover, this coefficient in Ukraine is constantly falling. In addition, since 2014

pension indexation has stopped, which has reduced the size of the pension even more. In 2018, the indexation process was re-introduced because of reform.

The changes that have taken place over the past few years have, on the one hand, increased pension benefits and, on the other hand, have introduced rules that reduce the state's obligation in the future. *"Deputies often say that the pension fund is a bankrupt, this is not true, because the plans are executed very clearly. Bankruptcy is our pension system, not a retirement fund. The Pension Fund is just a management body that simply administers in accordance with those rules that are adopted in the state. We now have a huge budget deficit and, in fact, the pension reform has raised pensions, but its purpose is to reduce the state's debt to pensioners."* - Respondent 4 thinks.

Respondent 7 notes: *"People have no incentive to pay contributions to the pension fund because they know that they will not have pensions, or they will be insignificant. People do not have the guarantees that they will live in retirement, as the retirement age has increased. When a mandatory cumulative system will work, in case of death, these funds will be inherited by children or relatives."* So our system creates incentives to work informally, it is beneficial both for the employee and for the employer. This is the problem of the shadow economy, which cannot be solved without pension reform. The following paragraphs describe in detail the reasons for the adoption of past reforms and the need for adoption of new ones.

5.5.1. Analysis of the Pension System of Ukraine

A key aspect of an attempt to reach consensus on the need for a pension reform in Ukraine is to analyze and describe the problems that are present in the social protection system. As one of the developers of the pension reform package in Ukraine noted, *"The first step in our work is to analyze the key indicators of the system in order to identify urgent problems"*. Based on the theoretical basis, discursive institutionalism clearly explains the process of discourse and decision-making among reformers and among politicians, which considers political discourse as *"defining the problem and causal relationships that determine effective solutions"*(Schmidt, 2000).

In accordance with the Decree of the President of Ukraine of April 13, 1998, No. 291, which outlined the priority directions of pension reform, and in accordance with Art. Two of the Law of Ukraine "On Compulsory State Pension Insurance" of July 9, 2003, which entered into force on January 1, 2004, the system of pensions in Ukraine, consists of the following levels:

- 1. Solidarity system of compulsory state pension insurance;*
- 2. Accumulative system of compulsory state pension insurance;*
- 3. The system of non-state pension provision.*

However, the Solidarity System provides only minimal benefits to pensioners. It represent no more than 30-35% of the average income earned before retirement.

At this stage of its existence, the solidarity system in Ukraine feels tangible difficulties in raising funds to the pension fund without appropriate subsidies from the budget for proper payments to pensioners. This is evidenced by the estimated data that will be shown in the table. 1. *“According to optimistic forecasts, the accumulation system will work in 2021,”* - says Respondent 7. Special interest of citizens is in the system of voluntary pension provision, which is based on the principle of "catch up to retirement", and operates on the principles of independence from the state in terms of accumulation of resources, voluntary participation of individuals and a legislative guarantee of returning invested funds. Further, the structure and elements of ensuring the functioning of the pension system of Ukraine will be considered in more detail (Table 5.1.).

Table 5.1. The main indicators of the pension system of Ukraine for 2012-2018

Indicator	Year						
	2012	2013	2014	2015	2016	2017	2018
Population, mln	45,6	45,5	45,4	42,8	42,5	42,3	42,3
Number of pensioners, mln	13,8	13,6	13,5	13,6	12,2	11,9	11,7
Pensioners,% of population	30	29,9	29,8	31,8	28,7	28,1	27,7
Minimum pension, UAH	882	949	949	1074	1247	1452	1497
Subsidies from the state budget, bln. UAH.	65	83	87	95	143	141,3	139
Working population, mln.	31,8	31,9	31,9	29,2	29,3	29	30
Annual inflation,%	99,8	100,5	124,9	143,3	112,4	101,6	109,8
Average dollar exchange rate, UAH / USD.	7,99	7,99	11,88	21,84	25,88	26,8	27,5
Subsistence minimum for January 1, UAH	1017	1108	1176	1176	1330	1544	1700

Source: developed by the author according to the data¹

Table 5.1. shows the dynamics of a number of indicators characterizing the population and pensioners, the amount of minimum pensions and average wages, income and deficit of PFCs, living wage and other important macroeconomic data on the situation in Ukraine for 2012-2018. In

¹ ukrstat. gov. ua.

particular, the number of pensioners for this period decreased from 13.8 million to 11.9 million, indicating negative trends in the health and financial position of people of this age. The growth of the minimum pension was 58.9% (from 882 UAH in 2012 to 1497 UAH in 2018). The deficit of the PFU budget (from UAH 26.2 billion to UAH 149.3 billion) and subsidies from the state budget increased significantly (from UAH 65 billion to UAH 139 billion). Especially disappointing data for the average US dollar. He also grew from 7.99 UAH. for 1 USD was up to 27.5 UAH, and it was far from a record figure.

The size of the pension should not only compensate for a certain part of the lost earnings, but also provide a pensioner's consumption budget that should not be lower than the minimum. *“Ukraine still has not introduced the main KPI - that is, the replacement rate, which would clearly reflect the work of the pension system,”* – Respondent 2 notes. However, Respondent 3 reminds: *“On average, this substitution rate should not be lower than 40%, however, various figures indicate different numbers. There are European Union standards, the European Social Welfare Code or the European Social Charter.”* Table 5.2. shows data on this ratio for Ukraine.

Table 5.2. Indicators that characterize the functioning of the pension system of Ukraine

Indicators	2012	2013	2014	2015	2016	2017	2018
Replacement rate	41.4%	45%	43,9%	37,7%	32,8%	31,5%	28,8%

Source: developed by the author²

As can be seen from the table 5.2., the coefficient does not meet the requirements. Due to the fact that the number of pensioners is increasing and wages are not rising, so the corresponding low self-revenues of the Pension Fund, this is another obvious explanation for the need to introduce a three-pillar system.

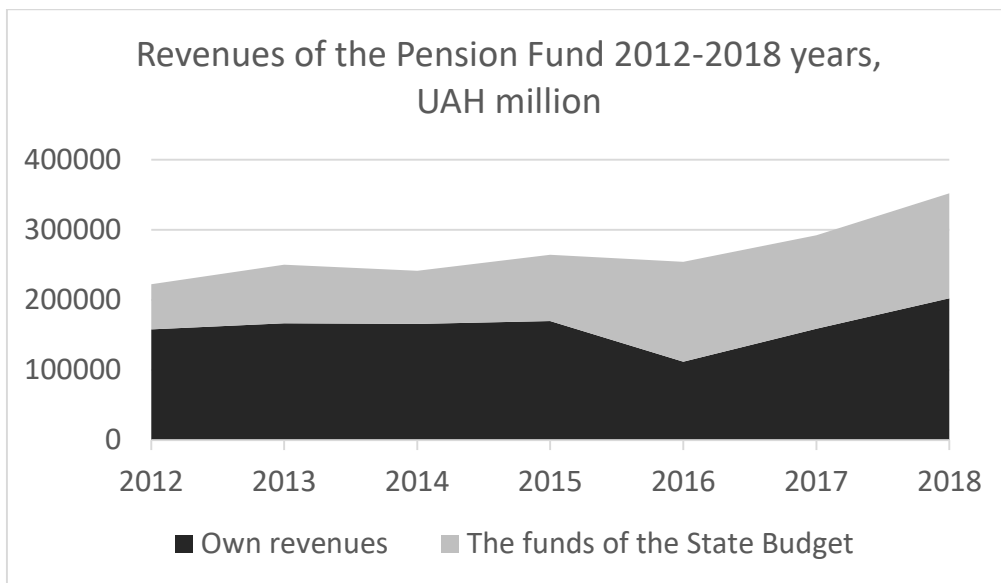
5.5.2. State of the Pension Fund of Ukraine according to the main indicators

One of the main reasons for the need to reform the Ukrainian pension system is a persistent imbalance in the Pension Fund of Ukraine. Turning to the experience of developed countries, which have long started the process of reforming their pension systems, forming a multi-level pension system. The reason for such decisions is that *“the solidarity system is not capable of ensuring the normal functioning of the pension system.”*, – as notes Respondent 2. Therefore, it is necessary to conduct an analysis of the main indicators of the Ukrainian Pension Fund, in particular income and expenditure.

² <https://seosait.com>

There are currently 11.4 million pensioners in Ukraine and 10.5 million people who are officially employed and about 5 million people work "in the shadows", besides, about 6 million went abroad to work. Therefore, it is necessary to pull these people out of the shadows. Respondent 6 notes: *“Previously, entrepreneurs paid 40% of UST, besides, workers still paid 3.6%, entrepreneurs began to say that it was too much, enterprises were not competitive or profitable. Therefore, in 2016, the UST decreased to 22%, which was a very unreasonable step.”*

First, the revenues of the Pension Fund of Ukraine for the period from 2012 to 2018 are analyzed. All fund revenues are allocated to own revenues and revenues from the State Budget of Ukraine.



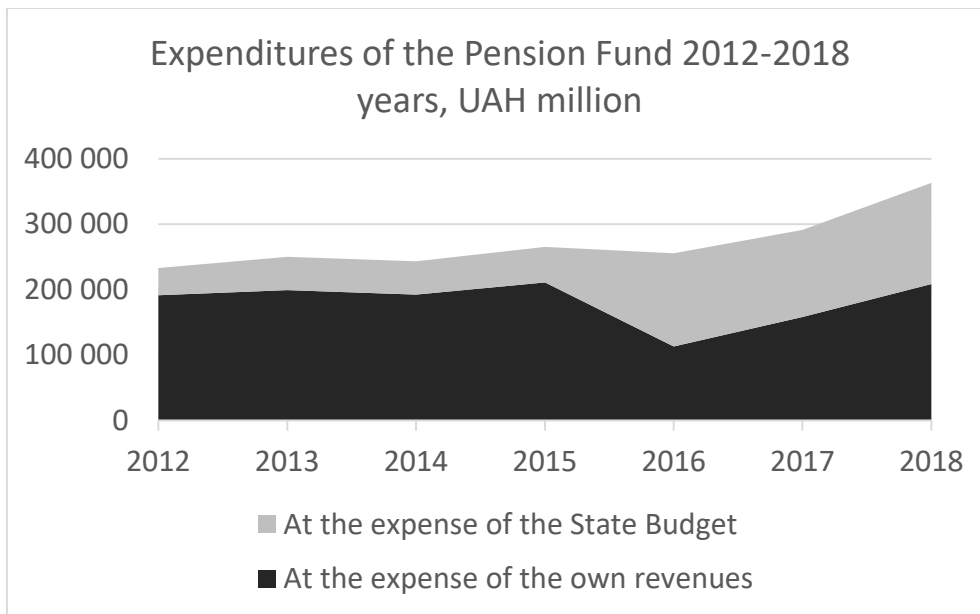
Source: developed by the author based on the information³

Figure 5.2. Revenues of the Pension Fund 2012-2018 years

The Fund's income dynamics is relatively stable until 2016, and then the indicator was reduced to 2017, when a sharp increase in both income items occurred and reached the highest level. (Figure 5.2.) In total, during the entire period under study, own revenues increased by 21%, and revenues from the state budget by 57%, which means insufficient self-revenues for the normal functioning of the pension system, therefore, it is necessary to maintain the level of income by increasing the state financing of the fund.

Analyzing the expenditures of the Pension Fund of Ukraine it should be noted that most of the expenditures are financed by the own funds, however, the State Budget funds also occupy a significant part in the structure of expenditures. Expenditure dynamics until 2016 remained at a stable level, but then began to increase gradually (Figure 5.3.).

³ <http://cost.ua/>



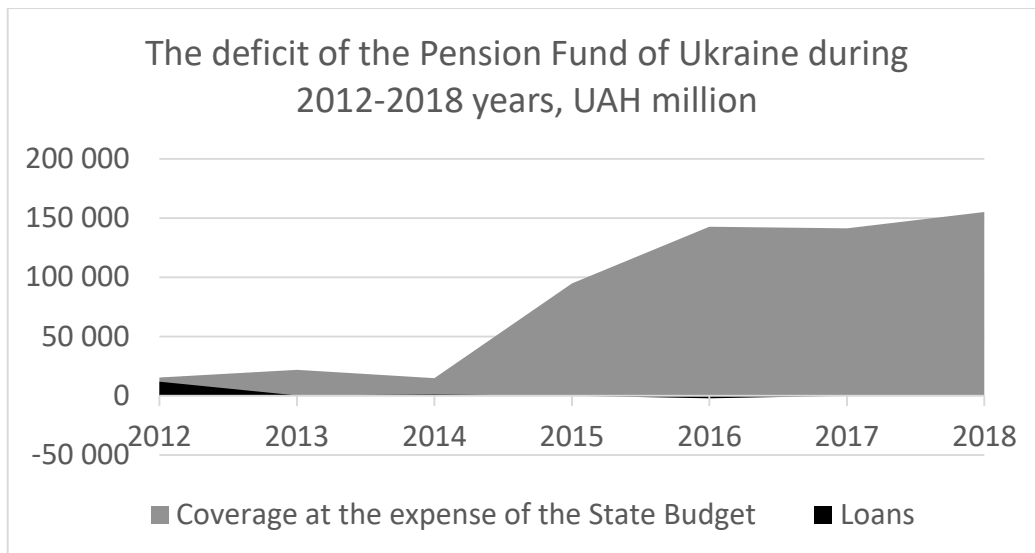
Source: developed by the author based on the information⁴

Figure 5.3. Expenditures of the Pension Fund 2012-2018 years

It is important to note that the expenditures of the Pension Fund at the expense of the State Budget, which grew by 73% from 2012 to 2018, compared with own expenses, which increased by only 8%.

An important factor is the deficit of the Pension Fund of Ukraine, which grew every year, although now this growth has stopped. In order to achieve this, a second pillar of pensions has to be introduced, which has not yet been made, although the law was adopted in 2004. – Respondent 2 remind. The main indicator is the level of the deficit of the Pension Fund of Ukraine, as it indicates the ability of the fund to work effectively. For the whole period under investigation, there is a shortage of funds, although by 2014 the figure remained stable, however, it continued to grow rapidly until 2016.

⁴ <http://cost.ua/>



Source: developed by the author based on the information⁵

Figure 5.4. The deficit of the Pension Fund of Ukraine during 2012-2018 years

Realizing this catastrophic situation, the government began a policy of stabilization, increasing revenue and reducing expenditure, which gave only partial results. The growth of this indicator has stopped, but this does not give long-term results (Figure 5.4.).

5.5.3. Demographic situation in Ukraine

The need for pension reform is justified not only by the economic but also by the demographic situation in the country. A negative factor that influenced the need for reform is the demographic crisis, which led to a significant reduction in the population, a change in the proportion of economically active citizens, which significantly changed the ratio of the number of pensioners and the employed population and adversely affected the parameters of the joint pension system. *“Ukraine, like the rest of the world, now has demographic problems, that is, the aging population and the Solidarity system, which now basically assumes the entire pension system, cannot fully ensure its normal work, therefore the necessary changes”* - says Respondent 1.

“Solidarity system, the Bismarck variant used throughout the world. The same system was brought from the Soviet Union to modern Ukraine. It is impossible to say that it is bad; the solidarity system works well when ten workers have one pensioner, but not when there are less than four employees per one pensioner. Therefore, it is necessary to introduce another level of the pension system, which will allow employees to accumulate for their retirement.” - thinks Respondent 3.

⁵ <http://cost.ua/>

Respondent 5 reminds that there are works that were created in the last century by the World Bank; they developed a theory about the demographic crisis in some countries. They concluded that existing solidarity systems were not able to provide the required level of substitution rate.

According to statistics from last decades, there is a tendency in Europe to increase life expectancy along with a decline in fertility. This generates significant problems in pension systems. As for Ukraine, we also have a low fertility rate, but, unfortunately, life expectancy continues to be much lower than the level established in European countries. All this results in a high demographic burden on retired people of working age.

Table 5.3. Forecast of the population of Ukraine, thousand people on average per year

Year	Population, mln.	Of which:	
		Working age	Pension age
2001	48415,5	27984,7	11492,8
2005	47447,8	28706,1	11204,9
2010	46008,5	28091,9	11377,5
2015	44616,5	26570,7	11840,1
2020	43150,8	24905,7	12273,8
2025	41741,2	23716,9	12534,4
2030	40536,2	22566,3	12950,5
2035	39280,5	21066,1	13475,8
2040	38526,3	19533,0	14328,0

Source: developed by the author according to Mnich (2007)

The forecast of Ukraine's demographic development, which was carried out by UN experts. According to the data, the increase in the population of retirement age is expected by 2050 (Table 5.3.).

5.6. Power of discourse

In the previous paragraphs, many factors of the necessity and appropriateness of reforms of the pension system of Ukraine were noted; these arguments were used by reformers and experts to understand what concept is necessary. In this context, discourse plays a very important role, it may be between reformers or between politicians, or between reformers and politicians; in addition, a discursive process may involve a society as it responds positively or negatively to all changes.

Discourse takes place at different levels of development, and it certainly has a significant impact on reform packages, both on the content of the reforms and on the results. Respondent 1 comments: *“The first level is organizations like our "Reanimation Package of Reforms" that are engaged in developing the content of reforms based on the needs of society. We are studying the state of the pension system, and then we identify the problems that need to be addressed.... Discourse is*

present at every stage of the development of the reform, we are constantly discussing the issues and how each change can solve or not solve the problem, because this is our goal - to solve the actual problems as a result of reform.”

RPR have collaborated with such an organization as the USA ID and in fact wrote laws with them since 2000 years. There were round tables, seminars with the participation of employers, trade unions, deputies, financial companies to cover the views of all spheres related to the pension sector. If the pension system works well, it is beneficial for everyone.

Constantly important discourse is at the stage of studying the historical aspect, studying the experience of foreign countries, analysis of the state of the pension system. Respondent 2 tells: *“Then there are meetings where options are discussed. Everyone has his own experience and knowledge, so he can offer completely different approaches to solving the problem.”* All the reformers emphasized the importance that some influential political party supported their version, that is, they had similar views on the solution of the problem, and otherwise the Verkhovna Rada of Ukraine would not adopt this reform. In the government, this reform is being discussed, and it may change in some way, making corrections that may be beneficial to certain people. The politicians' own interest in this reform plays an important role here, so the concept can be fundamentally changed.

In addition, discourse plays its role at other levels of development and adoption of reform, since further developed reforms packages are passed to the Government that is, the Verkhovna Rada, the Ministry of Social Policy, and the Ministry of Finance. At this stage, the government is already deciding what part of the reforms to introduce, but which is not. Respondent 1 think: *“Here the personal interests of politicians, who may be aimed at enrichment themselves, play a very important role. At this level, the content of the package of reforms can radically change and accordingly the goals of reforming change, for example, if the goal was to improve the situation, then it became - to stabilize. Between these two concepts there is a big difference.”*

The bill is submitted to the Verkhovna Rada Committee only from the government or from deputies, if it is a government bill, there is a greater chance that it will be adopted. If the government is formed by a coalition, then the bill is also adopted. Thus, the Verkhovna Rada Committee makes its amendments and passes the bill to the expert administration, then the bill is in the Government. The figure 5.5. reflects all stages of development and adoption of the bill on pension reform.



Source: developed by the author according to information from interview 4

Figure 5.5. Stages of development and adoption of reform

If discussions between reformers and policy makers refer to the special rules of the functioning of a system that does not deal with financial matters, then they are relatively quickly agreed. But when the issue concerns the financial aspect, it is very difficult to achieve the proposals of analysts, trade unions, and public organizations have been taken into account. Respondent 6 has the impression that, *“when developers try to discuss the financial aspect of a law, between politicians and civic organizations, this issue is not even discussed, because politicians point out their failure to do anything, and I think it's a reluctance to discuss financial issues.”* Respondent 8 mentions foreign experience when decisions are made by independent organizations that do not benefit from the adoption of a law.

Almost all respondents emphasized the fact that politicians use the Social Sphere to achieve their own goals; social leverage can manipulate the population, for example, before the election.

Therefore, politicians use their power to achieve political or financial goals. Four respondents are convinced that the current system allows any political force that has come to power to control more than 10 million voters. Recently, in Ukraine, before the elections, there was an automatic increase in pensions, an additional payment to low-income pensioners and promised a thirteenth pension. The authorities know that they can influence the content of reforms, so politicians listen to expert advice, but they do so as beneficial to the authorities first of all. They use the solidarity pension system as a tool for human manipulation, so they do not want to implement a second level of pension insurance. If there will be private pension accumulation, the authorities will not be able to use this lever of influence.

5.6.1. Barriers to modernization of the pension system of Ukraine

If we consider the modernization of the Pension System of Ukraine, then it is necessary to divide this process into 2 sub-sections: modernization of the working Solidarity system and introduction of Level 2 - Obligatory Accumulation System. There are some barriers to achieving these two goals, they can be discussed in the process of discourse, or the discourse itself may be a problem. That is why it is necessary to indicate what barriers the reformers see in the process of developing and discussing the pension reform.

Considering the problem in general, *“the main barrier is the functioning of only one level - the Solidarity System.”*, - think Respondent 8. Moreover, an economic miracle will not happen, even if the economy starts to develop, - says the Respondent 1. Respondents described the main barriers to the modernization of the Solidarity System that arose during the drafting of bills in such a way:

- Raising retirement age leads to the fact that people, especially men, are not sure that they will survive until they are given a pension. In addition, retirement benefits are so low that people are not ready for them to refuse to consume today;
- Based on the previous statement, people do not want to work officially, because they are not sure if they will live when the retirement age comes and how much their pension will be; as a result, a low level of own revenues of the Pension Fund;
- One of the problems is the fact that the subsistence minimum, which is directly proportional to the pension, is not determined by the state based on the actual expenses of the household.
- Currently, real wages do not grow so fast. Picketti shows that capital gains are rising faster than wage earnings;
- The government does not create incentives for people to pay pension contributions to the Solidarity System.

There are many barriers associated with the introduction of the Mandatory Accumulation System. In addition, the reformers have expressed the opinion that there is no need to abandon the solidarity system as it is the basis of social protection, but it needs to be complemented by compulsory pension insurance and voluntary pension insurance. However, Respondent 5 is paying attention: *“The introduction of the second level, which at the beginning of the 21st century was acknowledged by the World Bank as a panacea, is now not a panacea and a mechanism that can solve all problems. There are many reasons for this. One of the problems is to balance the deficit of the State Budget and Pension Fund that existed or exists in any country.”* According to reformers and experts, the main barriers that are in the process of discussion and implementation are:

- The second level needs to be implemented, but it is necessary to have a solid solidarity system, because now we are saying that the countries that liquidated the solidarity system are now returning to it, for example, Chile;
- There is no political force that supports pension reform and there is also no agreement among market participants as it should be;
- There is a problem with the introduction of a cumulative pension system: parameters, terms, support, regulators. It is believed that such parameters contained in the content of the reform do not meet the latest requirements and new experience;
- An insufficient level of savings can be a serious problem and cause a lot of questions about the effectiveness of this system;
- An important issue is the lack of personification who should be responsible for implementing the second level. The Ministry of Social Policy believes that this issue relates more to the financial sector and that the Securities and Stock Market Commission should do this, which

in turn expresses a lack of such powers. As a result, there is no responsible agency that would do this.

In fact, the law provides that from January 1, 2019, a compulsory cumulative pension system should be introduced. Nevertheless, again, by July 1, 2018, all the infrastructure of the second level had to be developed. In September, deputies began to talk about the postponement of the introduction of the second level by January 1, 2020. *“That is, the main reason is the inaction of the government.”*, - the Respondent 2 states.

Politicians argue that there is no regulator in the country. In fact, we have the National Commission for Financial Services, the Securities and Stock Market Commission, the National Bank of Ukraine, non-state pension funds, *“so we have all the possibilities, but the authorities do not want to do this.”* - says the Respondent 7.

One of the reformers emphasizes that, in general, there is no objective reason to postpone the introduction of a mandatory accumulation system. If we analyze the work of non-state pension funds in Ukraine, we can see that they work well. *“There are currently 62 non-state pension funds in Ukraine, and the 20 most successful ones can be attracted to system.”* It is therefore necessary that people who work in the government and deputies have liberal values, respect for human freedom, economic freedom, and freedom of choice.

5.6.2. Main risks related to the implementation of the Mandatory Accumulation System

“Many plans for introducing a multi-level pension system were written, however, very few of them were at least considered by the authorities.”, – notes Respondent 1. Therefore, the first and most important risk is the lack of recognition by the authorities that one Solidarity system cannot provide a balance of the pension system.

The main step now is the introduction of the second pillar of the pension system, so the main risks are related to this level of the pension system. The second risk is investment risks. Profitability may be less than expected, but each year it may be different, so it is necessary that in the thirty-year interval the profitability was positive, as the experience of foreign countries shows. If there is a negative return, then a person can change the pension fund. However, the government can control this situation, as the Central Bank can control the level of inflation in the country.

Respondent 1 reminds that, previously, according to the plan, this percentage should have been 15%, now it has been reduced to 10%, which is positive. It is important here to understand who will form the second level, whether the employer, the worker, the state, or all three? It is necessary

for each link to take part in this. In addition, there is a risk that the introduction of additional deductions from wages will result in concealing it from taxation. - Respondent 8 thinks.

If a mandatory cumulative system is introduced and people will have to choose a fund in which they will invest. *“There is a risk that many people will not choose a fund.”* - thinks Respondent 3. Respondent 2 adds: *“...there may be problems with the infrastructure of the new system; it is necessary to elaborate in detail the duties and authority of each institution that will be involved in the system.”*

The second level can be introduced now, but there is the risk that only about 10% of people will be able to accumulate for a normal retirement age, due to the low wages in the country. Respondent 6 analyzes: *“If Second Level will work with this salary as now, then about 90% will not receive a monthly pension; they will receive a one-time payment, as their personal account will be insufficient to pay a monthly pension in the amount, that should be, so we do not reach the goal.”*

SUMMARY OF EMPIRICAL DATA

In this chapter, I described the basic data that was collected as a result of the interview and analysis of secondary data. The first section provides general information about the country, for a better understanding of the reader of the overall political, economic and demographic situation. Next, I described the historical aspect of the development of the pension system in Ukraine. The main part of the chapter describes the process of forming ideas about the necessity and appropriateness of reforms, as well as the discursive process that influences the development of reforms. In addition, the main barriers and risks discussed in the process of formation of ideas and discourse are indicated.

VI. ANALYSIS

6.1. Components of the recent reforms in Ukraine

The Ukrainian pension system has had many stages of reform since 1991, when Ukraine became independent, however, until 2004 there were no significant changes, since it was difficult to move away from the Soviet Union system. Historical institutionalism gives a clear idea of historical patterns, institutional continuity and evolution, but does not explain institutional changes (Steinmo et al., 1992; Thelen, 1999). Real reforms began in 2004, directing the mechanism of transition to a three-pillar system. One of the aims of the study is to analyze recent pension reforms in Ukraine and what changes they brought. In this context, the historical aspect of the research will play an important role. Historical institutionalism focuses on institutes that are considered as sets of practices with similar characteristics and the structure of actions (Hall and Thelen, 2006). Therefore, in the context of historical institutionalism, it is necessary to describe the institutional principles of pension reform and the actions of key actors. Next, the components of the previous reforms that were adopted in Ukraine, as well as their analysis, will be considered.

Historical institutionalism has two main barriers to explaining changes: the institutions that it studies tend to be too resilient to change, and they lack the agents of change (Hall and Thelen, 2006). Before the introduction of reforms in 2004, the Bismarck model of the pension system worked in Ukraine, as it is known, it was difficult for all countries with such a model to switch to a multilevel system, the same situation occurred in Ukraine. By 2004, there were already ideas for introducing a three-pillar system; however, due to the fact that the country was in a difficult economic situation after the collapse of the Soviet Union, these ideas were not received by the government, as it was necessary to deal with more global problems. Even in spite of the World Bank's findings in 1995, the failure of the Solidarity System to ensure the normal functioning of the pension system due to demographic and economic changes.

The historic aspect is given a very limited role, since events occurring at a particular moment, instill in motion the structures or chains of events (Mahoney, 2000). Previous pension reforms took place in three stages, and each of them was characterized by certain changes in the system. Table 6.1. shows the main changes related to retirement age, work experience, pension conditions, etc.

Table 6.1. Components of recent pension reforms in Ukraine

Components	2004	2011	2017
Pension age, years	Men – 60 Woman - 55	60	60, 63, 65
	5 years	15 years	25 years

Work experience, years The minimum period of payment of insurance premiums to qualify for a retirement pension	The minimum period of premium payments for the minimum pension by age:		Gradual increase to 2028 insurance period of 35 years
	25 for men and 20 for women	35 for men and 30 for women	
Minimal pension	In the size of the subsistence minimum for people who have lost their ability to work. Additionally, it accounted for 2.5% of the minimum pension for every 6 months of a later retirement, after 1% for each year of payment of contributions over 20 and 25 years	In the size of the subsistence minimum for people who have lost their ability to work. Additionally there was 1% of the minimum pension for each year of payment of contributions over 30 and 35 years	From January 1, 2018, 40% of the minimum wage, but not less than the subsistence level for people who have lost their ability to work
Maximum pension	No restrictions	10 subsistence minimum sizes for disabled people. From 01/01/2016 - 10 740 UAH.	10 subsistence minimum sizes for disabled people. From 31/12/2017 - 10 740 UAH.
The size of contributions to the PAYG (Pension Fund of Ukraine)	The employer paid 33.2% in the form of pension contributions per employee to the Pension Fund of Ukraine. The employee paid 2% of his salary in the form of contributions to the Pension Fund of Ukraine.	The employer paid a certain% in the form of pension contributions for his employee to the Pension Fund of Ukraine (from 36,76% - for the 1st class of professional risk of production up to 49,7% for the class 67 professional risk of production)	The employer pays 22% in the form of pension contributions for his employee to the Pension Fund of Ukraine.
Salary to calculate the pension	It was determined taking into account the average wage for the last year before retirement.	It was determined taking into account the average salary for the last 3 years before retirement	The salary (income) for the entire period of the insurance period starting from 1.07.2000 is taken into account
Indexing of pensions	Annually at least by 20% growth in real average wages in Ukraine compared to the previous year in case of increase of the	Every year at least 20% growth in real average wages in Ukraine over the previous year in the case of increasing the size of a living wage	Each year by a factor corresponding to 50% of the consumer price growth rate for the previous year and 50% of the average salary growth (income) in

	subsistence minimum for disabled people	for those unable to work, but not less than the growth in inflation last year	Ukraine for 3 calendar years
Recalculation of pension	Every 2 years based on insurance for a pension if the insured person after a pension continued to work	Every 2 years in the case of an increase in the subsistence minimum for people who have lost their ability to work. Pensioners who work - after dismissal or termination of income-generating activities	Each year, the recalculation of previously assigned pensions should be carried out by taking into account the increase of the average wage (income) indicator in Ukraine
Working pensioners	In case of an increase in the subsistence minimum for disabled people, the pension is transferred irrespective of the fact of work.	In the case of an increase in the subsistence minimum for disabled people, the pension was recalculated after dismissal. Retirees who received more than 4 134 UAH. In 2016 and before 1.10.2017 they paid a 15% tax	For working pensioners canceled 15% tax on pensions
Coverage	Introduction of a three-pillar pension system, compulsory pension insurance does not work (level 2), voluntary pension insurance has a small share	PAYG - basic, compulsory pension insurance still does not work, the development of voluntary pension insurance	PAYG - basic, compulsory pension insurance still does not work, the development of voluntary pension insurance

Source: developed by the author based on previous chapter.

However, even then it became clear that a three-pillar pension system had to be introduced, and a draft law, which was finally adopted in 2004, was drafted for almost 10 years. Historical institutionalism can explain the complementarity of the components in different spheres of the economy, the patterns of their interaction, but have difficulty explaining a typical changes and why certain rules were reinterpreted (Steinmo et al., 1992; Thelen, 1999). The law provided for certain changes in the Solidarity system (table 6.1.), but most importantly, the introduction of compulsory cumulative insurance and non-state pension insurance. For practical implementation of the accumulation system, it was necessary to adopt a number of norms related to the infrastructure, work mechanisms, reporting and accounting, which was not done since the financial crisis of 2008 began. The crisis has led to an increase in public debt and, in general, a difficult financial situation in the country, which did not allow such a complex mechanism to be implemented from a financial and social point of view, as the solvency of the budget and citizens decreased.

Institutional change is usually happening and is the result of external factors; it is a fact (Mahoney, 2000). Therefore, it turned out that only the Solidarity system was reformed, the changes had an effect on the calculation of the pension, at that time it was acceptable, since pensions remained at a fairly normal level, the terms of calculation were clear to citizens. In addition, a positive feature was the indexation of pensions and an adequate number of years of work experience for retirement.

The changes that took place in 2004 cannot be called a reform, because this word means an improvement that did not happen, as the replacement rate continued to decline. By 2011, the pension fund deficit continued to increase, which led to a new reform. As was stated, the government's goal was to fill the pension fund, so a number of changes were introduced that could help it. Primarily, the retirement age and work experience that allowed people to retire has been increased, which significantly reduced the number of pensioners, and thus reduced the fund's expenses. Detailed changes can be found in the Table 6.1. In general, the country's social policy during this period was aimed at reducing the deficit of the pension fund, which worsened the situation of people from a social point of view, as it had to work longer, knowing that the pension would be low.

The next reform was adopted in 2014; its characteristics are not listed in the table, because these changes only supported the course of social policy to balance the pension fund. Due to factors such as the financial crisis, the difficult political situation and the beginning of the war in eastern Ukraine, the past changes did not give the expected result, therefore the government again increased the retirement age and restricted many social benefits, and the indexation of pension was stopped. This situation has worsened the level of financial support for pensioners even more. However, at the same time, this law reduced the size of the unified social tax (UST) to 22% with the goal of stimulating business development. As historic institutionalists have interpreted, processes of change are often uncontrollable - since people can act without a clear understanding of what they are doing, creating new conditions (Streeck and Thelen, 2005). Because of the action of state bodies, they are offset, since, on the one hand, the fund's expenses are decreasing, while incomes do not grow, so the pension fund's deficit continues to increase. Self-reinforcing sequence of events that, using mechanisms of "blocked effects" and "positive reinforcement" provides an increase in profits that, if they continue for a very long time, create a "deep equilibrium" that is very resistant to change (Pierson, 2000). Therefore, it is important to note that this law provided for the introduction of an accumulation system, but again, the interests of the government were aimed at "saving" the solidarity system.

The last pension reform was adopted in 2017. There were very significant changes in the formula for calculating pensions, not for the benefit of people. The government made a very desperate step by reducing the weight of the year from 1.35 to 1, gradually increasing its working experience to 35 and raising the retirement age again to 65 years. There are unpredictable consequences of deliberate actions of individuals who hoped for a completely different result (Drefyus and Rabinow,

1982). Nevertheless, these steps cannot improve the state of the pension system of Ukraine without the introduction of the accumulation level, since the demographic crisis in principle does not allow the solidarity system to work successfully. This was understood, therefore, an attempt was again made to implement the accumulation system. According to the law in 2017, the accumulation system had to start its work in 2019. However, because of the disorganization of state bodies this did not happen, because the mechanism of its work was not developed on time.

Summing up, I can argue that the analysis of the historical analysis of previously adopted pension reforms proved that reforms did not improve the state of the pension system. The standards and changes that were introduced had a short-term perspective, and their aim was to balance the pension fund, that was done at the expense of reducing the financial wellbeing of people and increasing the retirement age. It should be noted that the retirement age in Europe is high, but they cannot be compared, account should be taken on the difference in working conditions, low health and high mortality rates in Ukraine.

6.2. The difference in ideas

The process of developing and adopting reforms is very long and can be influenced by various factors. According to Lindvall, expert ideas “are intellectual tools that political decision makers use to predict the possible consequences of policy alternatives” (2009: 705). Ideas have been identified as having an important role in the reform process at each stage of development and implementation. Kingdon (1984) argues that politics should be combined with the other two levels to form a political idea. Therefore, it is necessary that ideas at different levels have the same goal and complement each other by meaning and actions.

There are two types of ideas for pension reform in Ukraine. First, it is the ideas of the reformers who are developing pension reforms, based on the results of sociological and analytical studies, modeling of various variants of the development of events, historical experience and experience of other countries can be used. There is the value of the expertise associated with testing the ideas of research institutes and think tanks (Rich, 2004). Discursive theory understands knowledge as expert ideas, which are defined as “common beliefs about causal relationships” (Lindvall, 2009: 704).

Reformers must convincingly state that changes are necessary and appropriate. "Problem definition" can provide possible solutions to the problem (Mehta). Therefore, the process of their work begins with identifying problems and factors of the necessity and appropriateness of reforming the pension system; later in the following paragraphs, I will return to this stage for a more detailed description. However, all these ideas are derived from the third level of philosophical ideas that define the broadest and most profound ideas. The use of ideas can take place at three main levels. The first

level includes politics or "political decisions". The second level of ideas includes general policies underpinning the policy. The third level is a philosophical one that defines the prospects for policy and programming (Hall, 1993; Schmidt, 2002). The reformers' ideas about the pension system are in line with philosophical ideas, so they develop effective mechanisms that are pre-conceived and calculated, their effect is expected and obvious.

The first level of ideas is a political one that defines political actions, and the second is a program that defines problems and ways to solve them and both the policies and the programs have to be matched with deeper ones. (Schmidt, 2000; 2002). These two first levels in Ukraine work in their own way; at that moment, practice and theory do not coincide, because political and program ideas do not correspond to a deeper, philosophical one. Monastiriotis and Antoniadis (2012) noted that even if public servants are ready to reach agreement, consensus building is less likely if the content and technology of reform is "wrong". One example of such situation is the Strategy 2020, which identified the need for the introduction of an accumulation system. This is explained by the fact that the global course of social policy is now aimed at the introduction of a multilevel system, and Ukrainian politicians often discuss the need to introduce a cumulative system. However, their actions and programs are aimed at solving problems with the Solidarity system, in particular, reducing the shortage of pension funds, which has a short-term effect and does not solve the cause of the problem.

Considering the factors of the necessity and appropriateness of reforms, I can emphasize that the bills that were developed by the reformers were relevant and necessary for increasing the replacement rate. Very often situations are encountered when politicians and the public agree with a policy that is poorly designed and cannot achieve its goals. Even in such situations, the policy is well-grounded and has a convincing argument, but it is unknown how it will work (Monastiriotis and Antoniadis, 2012). Therefore, at the political and program level, the bills changed and remained necessary and acceptable, but these reforms did not pay enough attention to the introduction of a multi-level system, therefore reform did not have the desired effect.

The element of time constraint is also a factor in policy success (Art, 2006). An important condition for change is the time, since the introduction should have taken place in 2004-2007, at that time, it was necessary and acceptable, but now the situation has deteriorated from a demographic, political and economic point of view, and now the implementation process will be more complicated.

6.2.1. Cognitive and normative ideas

Cognitive and *normative* ideas should also be separated. *Cognitive ideas* determine how the policy offers solutions to problems (Schmidt, 2000; 2002). The *cognitive ideas* of reforming the pension system in Ukraine determine that the policy is not aimed at solving long-term problems of

the pension system, the last changes are expressed only in the constant increase of the retirement age, insufficient increase of pensions and other levers that covertly worsen the social situation of pensioners.

According to Jabko (2006), the theory does not deny that there are individual interests and material reality. This situation is explained by the personal interest of politicians in the functioning of the Solidarity system only, in order to have an impact on a large number of voters. For discursive institutionalism, these ideas of interests should be noted and taken into account in the decision-making process (Schmidt, 2008). Despite the fact that politicians understand the need to introduce a cumulative pension system, they delay the implementation process for 15 years, noting that there are many barriers and risks. However, it has been determined that these barriers and risks can be resolved, the government's unwillingness remains the only barrier.

Normative ideas speak of how the policy corresponds to the aspirations and ideals of the general public, and as programs, as well as respond to more profound changes (third level) of the principles and norms of social life (Schmidt, 2000; 2002). *Normative ideas* of reformers are in line with the ideals and expectations of society and the public, because their goal is to increase the replacement rate, which means raising the level of pensions. Such a situation may serve as a reason for a more in-depth approach that can clearly show the true incentives of people for such ideas (Schmidt, 2008). But, if we talk about the ideas of politicians, the reforms they introduce are unpopular, people do not trust state authorities, and such changes as a sharp increase in retirement age, an increase in the necessary work experience, a decrease in the coefficient determining the year of work, they are not perceived by society, because the replacement rate is not increasing and, at the same time, the living conditions deteriorate. It is very important to change the "basic definition of moral expediency" if there is a need to pursue unpopular social welfare reforms (Schmidt, 2000: 230). It should be recalled that in March 2019, the National Securities and Stock Market Commission reported on the completion of work on a draft law on the introduction of the accumulation level, however, this proclamation has not yet been considered by the Verkhovna Rada of Ukraine, therefore it is inappropriate to state the change of government ideas on implementation three-pillar pension system.

6.3. Discourse as the main stage of the reform process

Discourse between reformers and between politicians or between reformers and politics is a more important stage than the formation of ideas, because in the process of discourse it is possible to reach consensus. The most discursive processes can help explain why certain ideas are successful and others unsuccessful (Schmidt, 2002). In this context, three types of discourse should be considered,

depending on the actors involved in it. The discursive process between the reformers is successful, despite the fact that all experts have different experiences, but as a result of discussing different options, they are able to come to one conclusion, that is, the fact of the need to develop ideas about the accumulation level, as the Solidarity system can only be modernized, but it needs to be supplemented by other levels.

Discourses are successful when the speakers turn their "remarks" to "correct" audiences in the "right" times in the "correct" way, which is considered convincing in cognitive and normative terms (Radaelli and Schmidt, 2004). Coordination discourse between the reformers cannot be successful if, in discussing their ideas with politicians, it was unsuccessful. These have to be arguments that convey the necessity and expediency of a new policy (Schmidt, 2002). The ideas of the reformers are grounded and based on the real situation and the expected results. When reformers discuss bills with politicians, they are listening to all the ideas and conclusions, but still put their interests in the first place.

As Schmidt noted, (2008) important problem is the linkage of interests with the authorities, namely the result of a link between government and ideas. Here, I clearly see the limitation of the theory, when the personal interests of politicians in the aspect of finance and the continuation of political career during the parliamentary and presidential elections play an important role.

What contributes to the successful discourse actually covers many of the same things that make for successful ideas relevant issues, adequacy, applicability, relevance and resonance (Radaelli and Schmidt, 2004). In some cases, the bill proposed by the reformers was implemented, for example, reforms adopted in 2004 and in 2014. It is important to note that the clarity of the reforms and the consistency of discourse are crucial for legitimacy and consensus. Nevertheless, these success criteria do not necessarily lead to discourse and increase the government's ability to reform (Schmidt, 2002). However, in the course of the discourse between politicians, it has been changing and not being implemented in general, the accumulation system has not been introduced, because it was necessary to adopt a lot of norms about the functioning of the system, this was not done. Reforms cannot be effective, as policy at the political level is ineffective and poorly planned. The proof is that past reforms were aimed at balancing the budget of the pension fund, however, despite all the changes; the deficit continues to grow (Schmidt, 2002).

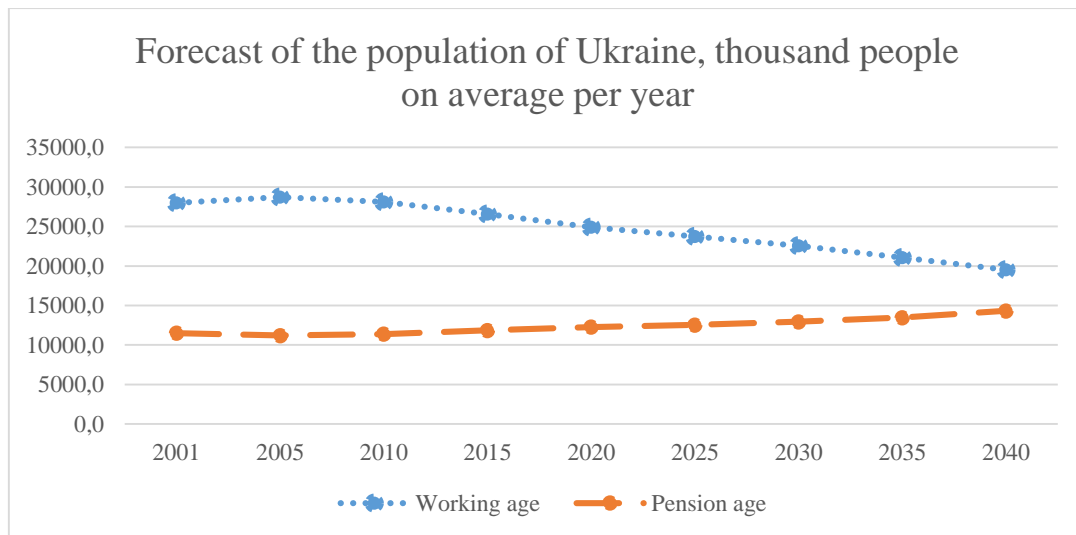
Schmidt (2000; 2008) considers *communicative* discourse, designed to convince the public. Based on the interviews, I can state that communicative discourse is present only at the development stage, because reformers organize round tables for discussion, in which various representatives of society are present. Everyone has the right to express their views and make corrections. Nevertheless, at the political level there is no communication with society. The reform was introduced and made public; therefore, the public is often dissatisfied with the changes.

6.4. Determination of necessity and expediency of reforms

A necessary condition for successful reform is the correct definition of the problem and ways to solve it. The arguments for the need for reform will be more appropriate in the coordination discourse, and the arguments of expediency will be convincing in the communicative discourse (Schmidt, 2002). These are cognitive ideas in the communicative and coordinating discourse; they provide for discussion of the arguments of the necessity and expediency of reforms. This aspect should be analyzed in more detail, as it is the basis of successful discourse and reforming the pension system. The "coordination discourse" consists of individuals and groups in the policy-making center that are involved in the creation, development and justification of political ideas: civil servants, elected officials, experts, organized interests and activists (Haas, 1992).

Political communication considers political discourse as "defining the problem and causal relationships that determine effective solutions," (Schmidt, 2000: 230). Reformers must state that changes are necessary and appropriate. To determine the problem and the need for reform, reformers conduct large-scale studies and analyzes of the state of the pension system. Based on the empirical part, I can highlight the key factors for the need for pension reforms in Ukraine.

1) The first and main factor is the demographic crisis, each year the number of working population decreases, which means a decrease in the income of the pension fund. This decrease is due to the following reasons: unwillingness to pay contributions to the pension fund (informal employment), shadow economy, labor migration, low wages. The number of retirees at this stage is decreasing as a result of reforms: increasing the retirement age, increasing working experience, and so on. Past reforms have been aimed at balancing this situation, however, they have not achieved their goals, since one working person now provides pensions to 1,4 pensioners. Based on projected calculations of the number of working population and pensioners (figure 6.1.), it should be noted that if there are no changes, the number of pensioners will increase and the number of employees will decrease.



Source: developed by the author based on previous chapter.

Figure 6.1. Forecast of the population of Ukraine, thousand people on average per year.

Thus, discourse can combine technical and scientific arguments with more general stories that are consistent with the arguments of experts in order to create convincing arguments about the causes of current problems that need to be corrected and how they fit into the values of society (Schmidt, 2002). There is a need for more profound changes that should be aimed at bringing the economy out of the shadows and creating incentives for the people to work officially. People need to be sure that their accumulation will be paid to them in retirement, and not reduced as a result of regular changes to fill the pension fund. Therefore, there is a need to introduce a savings system where people can safely accumulate their money on their personal accounts.

2) Another important factor related to the previous one - the deficit of the pension fund. This problem is associated with a more global fact that the pension system itself is bankrupt due to the principle of its functioning. The effectiveness of discourse depends on the content of the program or reform itself. Policy discourse will not be so successful if this policy is poorly substantiated and ineffective, since the lack of data and the uncertainty of trade-offs of changed reforms undermine the criteria for perfecting its success (Schmidt, 2002). Therefore, again, this problem had a short-term solution, a reduction in spending and an increase in revenues, which was the goal of all past reforms. Until 2014, this indicator was stable, but then the United social tax was reduced almost twice, it was an ill-advised decision, which led to a sharp increase in the pension fund deficit. The situation became so critical that it needed an immediate stabilization, so unpopular reforms were adopted in 2017, which reduced the state's obligations to pensioners. All these events prove the factor of unpredictability in government decisions and the fact that their discussions were not based on predictive research. Reforms and plans are implemented clearly; the problem is the content of reform and policy.

3) The last, but not the least, important factor is the dynamics of the replacement rate of people's income by pension. According to world standards, it should be at least 40%, but in Ukraine it is currently 28.8%, which is unacceptable. In the process of developing and discussing ideas between reformers, this is the main indicator of the success of various changes. However, at the national level, this figure is not discussed and not taken into account, instead they use the indicator of the fullness of the pension fund. This expresses the most important difference between the two groups of experts. As defined by Hall, (1989) the direct discourse should consider the positions and power of individuals. As Schmidt noted, (2008) the place in the hierarchy is directly proportional to the number of resources that can be used to influence decisions. Since the final decisions are discussed and adopted by the government, the goal of reforms is to balance the pension fund, rather than improving the financial provision of pensioners.

6.5. Barriers and risks discussed in the process of interaction

The process of discussion between different actors determines the barriers that arise or may arise in the process of modernizing the pension system of Ukraine. It was found, that the main barrier is the personal interests of politicians, which hinder the implementation of the accumulation system. Interests are not permanent and cannot be combined with the basic ideas, beliefs and desires from which they emanate (Blyth, 2003). The barrier associated with the modernization of the Solidarity System is its overload and the fact that it cannot cope with emerging challenges. Barriers that are more specific: distrust of people to government, unofficial employment, low wages and pensions, lack of incentives for people to pay contributions to the pension fund. Normative ideas speak of how the policy corresponds to the aspirations and ideals of the public (Schmidt, 2000; 2002). This means that past ideas and government reforms did not meet the values and interests of people. All these barriers require deeper reforms not only in the social sphere. However, the reformers point out that the main way of solving these problems is to implement the accumulation system. The politicians agree with this, but still reform only the solidarity system with short-term changes that do not bring the effect. Based on the principles of discursive institutionalism, positions may not play a role, since the decisive factor is a good idea and effective discourse, which gives a clear understanding of the content of the reform and its necessity (Schmidt, 2008). Although, in Ukraine positions play a very important role, the main hidden barrier remains the fact that Ukraine has no political power that can and wants to implement a multilevel system.

It should be noted, that reformers and political scientists, during their coordination discourse, are discussing even more profound barriers associated directly with the implementation of the accumulation level. Reformers identify these barriers as lack of political power, who are interested in

the implementation of the second level; there is no responsible institution that would have to deal with the implementation. From the side of politicians, there are even more barriers associated with the slow development of the financial market in Ukraine, the problem with the functioning mechanism of the system to be developed, the unwillingness of people to accumulate, the view is expressed that it is necessary to first stabilize the Solidarity System. However, in the process of data collection, it has been determined that all these problems can easily be solved.

Schmidt (2000) argues that the degree of convincing debate helps to explain whether countries can make unpopular reforms. It seems that the country cannot make unpopular reforms, as there is no communicative discourse with the public and people cannot be sure that after unpopular reforms will be an improvement, so they do not accept them. On the other hand, the discourse is ineffective at the political level, since the introduction of the Accumulation System is a necessary but unpopular reform, since employees will have to deduct a portion of their income, so politicians do not want this implementation because they can lose their votes in the elections.

Reformers are convinced of the need to implement a cumulative system, but when drafting a bill, it is important to take into account certain risks of its implementation, which may occur in any developed country. According to their forecasts, with the current salary level, it is estimated that only 10% of pensioners will be able to accumulate the amount for monthly payments, therefore, it is necessary to increase the level of income of citizens. In addition, there are many risks from an investment point of view, since saving the cost of savings will require high investment returns and work with foreign financial markets. There may be a situation that not all people will join the accumulation system, despite the fact that it is obligatory. However, again, these risks may disappear, if fuses and guarantees are created, this can only be affected by the political level. Most importantly, what worries the reformers is their time spent on drafting bills that will not be adopted by the government.

6.6. Effect of past pension reforms on the state of the pension system

The current state of the pension system can be called “drowning ship”, and the reforms that were introduced are only “two small boats for 1000 people”, although they cannot even be called reforms, they were cosmetic changes that did not give the desired effect. Reforms introduced since 2004 were aimed at balancing income and expenditure of the Pension Fund of Ukraine, but not to the radical changes in the principles of a system that is not capable to work effectively. The potential of solving the problems of the new political program and its contribution to the future development of society is questionable when there is no evidence to support such arguments (Schmidt, 2002). Such impressions arise when assessing political discourse. The process of developing and implementing

reforms was complex and had many disadvantages that negatively affected the outcome. At the development stage, the best experts in the field of pensions were involved in order to develop effective mechanisms for the functioning of the pension system, and they were able to do this three times in 2004, 2014 and 2017. Some of these changes were implemented by the government, but they concerned only the modernization of the Solidarity System.

If we consider only the Solidarity System, I can state that in Ukraine we have one of the best legislative bases around the world because it was developed by the best experts. However, the principle of functioning of only one level of the pension system in the conditions of the demographic and financial crisis does not work anymore. According to Jabko, (2006) material interests can be decisive in ideas and discourses. However, discursive institutionalism suggests that this can bring not only utilitarian problems, but also much wider. The social sphere has become very politicized, the fact that politicians can manage it, creates unfavorable conditions for its development. This situation allows political forces to control almost 30% of the population before parliamentary or presidential elections that is why the government delayed the introduction of a compulsory accumulation system.

VII. CONCLUSION, CONTRIBUTIONS AND IMPLICATIONS

7.1. Summary of the study

This research studied the process of development and implementation of pension reform and its impact on the state of pension system in Ukraine, on the basis of a combination of historical and discursive institutionalism. It began with the study and analysis of the historical aspect, since it is very important to know and understand the past experience of reform, in this aspect it was very useful to use historical institutionalism, the use of this theoretical approach helped to understand what reforms were taking place, the link between different institutions and mechanisms (Thelen, 1999). Discursive institutionalism was also used at this stage, which gave a comprehensive explanation of the causes of these changes (Schmidt, 2000). The empirical part is constructed in accordance with theoretical approaches in order to understand the influence of ideas and discussions on the process of reforming the pension system and the result of reforms. Empirical findings were very unexpected and interesting, which, accordingly, led to unexpected results of this study.

On the question: *“How does the process of implementation of pension reforms affect the state of the pension system of Ukraine?”* I would answer: *“The process of reform development is divided into two stages, depending on the actors, initially the reform is created by the reformers, at this stage it meets all the requirements of the time and the situation in the country and is aimed at increasing the replacement rate, which is considered convincing in cognitive and normative terms (Radaelli and Schmidt, 2004). The second stage, when the reform is passed to the government, where politicians change the concepts of reform and implement only those changes that satisfy their interests and fill the pension fund, but not the entire reform in general. The main problem is the connection of interests with the authorities, namely the result of the relationship between power and ideas (Schmidt, 2008).”* In this context, it becomes clear that the purpose and the trajectory of reform are changing in the process of its development and implementation, depending on the personal interests of political entities. Throughout the investigated period, the government postponed the introduction of the accumulation system, despite the fact that it was necessary, and had to be done in 2004. As a result of the study, it becomes clear the importance of the successful formation of convincing arguments and the process of communicative and coordination discourse for the successful implementation of reforms (Schmidt, 2008), which is in Ukraine at a low level.

The analysis of the experience of reforming the Ukrainian pension system, as well as the process of forming ideas and discussions between reformers and politicians regarding pension reforms, led me to the following conclusions:

- ✓ Historical approach mainly emphasizes structures and processes than events from which they originate, or persons whose actions and interests have caused these events (Hall and Thelen, 2006). Therefore, from a historical aspect, the process of reforming the pension system of Ukraine began in 2004, when the country's social policy was aimed at introducing a three-level system, but instead of introducing a cumulative system and legitimizing voluntary non-state pension insurance, the government began to reform only a solidarity system that could not have been successful due to the demographic and financial crisis. The changes had a short-term effect and were not aimed at increasing the replacement rate, but were aimed at balancing the pension fund. It was also not possible to balance the pension fund, because the demographic problem is getting worse every year, despite an increase in retirement age.
- ✓ According to discursive institutionalism, the main aspects for successful reforms are arguments for the necessity and expediency of reforms that arise in the process of coordination and communicative discourse (Schmidt, 2002; 2006; 2008; 2010; 2012). The main reasons for the reforms were and are many factors: a decrease in the number of working people and a simultaneous increase in the number of pensioners (demographic crisis); the reduction of the replacement rate of wages by pension payments, which should be not less than 40%, in Ukraine it is 28.8%; pension fund deficit.
- ✓ Political and program ideas should coincide with deeper philosophical ones that are in line with general norms and expectations (Schmidt, 2000; 2002). Different levels of development of pension reforms have different goals. At the reformers level, the goal is to increase the replacement rate, which is the main indicator of the successful functioning of the pension system and corresponds to philosophical norms. However, at the political level, the goal is to balance the pension fund, which cannot be achieved without the introduction of a three-pillar system. Therefore, the reforms did not achieve the desired effect, as there was no compromise between reformers and politicians, as the government changed the trajectory of reform in the wrong direction. Consequently, reforms cannot be successful without consensus; and if the policy is “wrong”, poorly formed and cannot achieve its goals (Monastiriotis and Antoniadis, 2012).

My arguments is in line with the results of Ervik and Lindén (2015: 406) that “a coordinative discourse focusing on the need for reform and a communicative discourse claiming that this reform was fair”. However, the result of their research determined the success of the reform and the effectiveness of discourse with the elite and the public. At the same time, this study proves the imperfection of coordination discourse at various levels and the lack of communicative discourse with the public. In addition, poorly formed and unpredictable policies played an important role.

Decisions were made not as a result of constructive discourse at different levels, but based on the interests of decision-makers.

7.2 Contributions

I believe that my research on the modernization of the pension system of Ukraine will have theoretical and practical contribution. This research can be used by other researchers in the same field as well as by practitioners working in this field. This research will be especially interesting for people planning to work in reform organizations or in the social sphere, as they will be able to understand the processes that take place during the development and implementation of various reforms.

Also, I believe that my research contributes to theoretical literature in various aspects. First, I have made a literature review on the experience of foreign countries that reformed their pension systems, identified their particularities and complexities. In addition, I have researched the main barriers and risks that may arise in the process of implementing pension reforms, this analysis may be useful for reformers and politicians involved in the implementation of various reforms. While conducting a literary review, the main components of any pension reform were identified, which could help researchers who study the structure and effectiveness of a pension reform to understand the constituents of a particular reform.

In this study, I show how the two theoretical perspectives (historical institutionalism and discursive institutionalism) can be used to explore such a complex theme like pension system. Although they are very different, I am convinced that in combination, they are able to provide true and objective results, revealing the essence of the problem in many respects.

It should be noted that the theme of retirement provision is extremely relevant throughout the world in developed and developing countries. Since the demographic situation cannot be solved by itself, it is necessary to look for other ways to ensure the normal functioning of pension systems and to provide pensioners with decent pensions.

7.3. Limitation of the research

The social sphere, pension provision and pension reforms are a very broad and deep topic, therefore, in the context and scope of the master theses, it is impossible to describe and analyze all aspects of this topic. Also, the collection of primary data was carried out through an interview with reformers, experts, representative of trade unions and a representative from the National Commission on Securities and Stock Market, but did not include the views of politicians, donor institutions and pension fund workers, so I cannot give a broad understanding of pension reforms in country. Therefore, I have set several limits that outline my research.

- ✓ Initially, the historical aspect of pension reforms in Ukraine since 2004 was described and analyzed, that is, the past experience of reforming and the effect of past reforms on the state of the pension system of Ukraine.
- ✓ In addition, in the context of discursive institutionalism, the formation of ideas and the discursive process among actors involved in the process of elaboration and implementation of pension reforms in Ukraine were investigated. It also determined the necessity and expediency of past pension reforms.
- ✓ In the end, it was defined as an interactive process between the main actors deciding on the introduction of pension reform, changing the trajectory and the purpose of the reform.

7.4. Research opportunities and further application of the theses

The study of various reforms is a very complicated process, it is especially difficult to determine why they are not successful, perhaps the problem is in the reforms itself or in the actions of decision-makers. Radaelli et al. (2012) indicate that more attention should be paid to the role of actors and political levels in order to assess the impact of political processes on the outcome. Consequently, it proves that the topic of my thesis is interesting, relevant and widespread and requires further research.

Further research can be directed to other aspects of the pension system, such as pension benefits and their comparisons, the effectiveness of implementing various pension schemes. Accordingly, comparative qualitative research, as well as quantitative studies that can more accurately examine the financial aspect of the pension system and the reforms, can be conducted.

Otherwise, the researchers may continue this study by deepening the discursive analysis to other levels of government regulation, and perhaps this will enable us to understand the nature of the ideas of politicians who have the power to make decisions about the implementation of one or another reform. This way, it will be possible to understand why such reforms are adopted, why they do not work and do not bring improvement.

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IX. APPENDIXES

Appendix A: Interview Guide

Interview Guide in English

This interview is conducted for writing master's theses on the course "Public sector finance". I ask you to answer these questions as you think, because your opinion is important. It should be noted that during the writing process, the personality of respondents who participated in the interview would not be disclosed.

1. Can you explain the nature of pension reform?
2. Whether the recent pension reform in Ukraine was necessary? Why?
3. What factors contributed to the need to reform the pension system and what has changed in the pension system of Ukraine?
4. Why were such pension reforms implemented?
5. What are the barriers to modernization of the pension system?
6. What risks arise in the process of implementation of the pension reform in Ukraine?
7. Why a compulsory cumulative pension system has not yet been introduced in Ukraine?
8. How pension reforms generally affect the state of the pension system in Ukraine?
9. Does the discourse influence the content of reforms? If yes, then how?
10. Can the discourse influence the results of pension reforms? If yes, then how?
11. Describe the process of ideas generating for modernization of the Ukrainian pension system?