

The Actors behind a Substantial Pension Reform in Bulgaria

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ABBREVIATIONS

ABV	<i>Alternative for Bulgarian Revival</i>
AICB	<i>Association of the Industrial Capital in Bulgaria</i>
ATAKA	<i>Attack Nationalist Party</i>
BCCI	<i>Bulgarian Chamber of Commerce and Industry</i>
BIA	<i>Bulgarian Industrial Association</i>
BSP	<i>Bulgarian Socialist Party</i>
BU	<i>Bulgaria Uncensored</i>
BZNS	<i>Bulgarski zemedelski syuz</i>
CEIB	<i>Confederation of Employers and Industrialist in Bulgaria</i>
CITUB	<i>Confederation of Independent Trade Unions</i>
CL	<i>Confederation of Labour "Podkrepa"</i>
COLA	<i>Cost of Living Allowances</i>
DBG	<i>Dvizhenie Bulgaria na Grajdanite</i>
DPS	<i>Movement for Rights and Freedoms</i>
DSB	<i>Demokrati za Silna Bulgaria</i>
GERB	<i>Citizens for European Development of Bulgaria</i>
IMF	<i>International Monetary Fund</i>
NCTC	<i>National Council for Tripartite Cooperation</i>
NFSB	<i>Nacionalen Front za Spasenie na Bulgaria</i>
NPSD	<i>Narodna Partiq Svoboda i Dostoinstvo</i>
NRA	<i>National Revenue Agency</i>
NSSI	<i>National Social Security Institute</i>
PF	<i>Patriotic Front</i>
PPF	<i>Professional Pension Fund</i>
RB	<i>Reformist Bloc</i>
SCPI	<i>Supplementary Compulsory Pension Insurance</i>
SDS	<i>Syuz na Demokratichnite Sili</i>

SSS	<i>State Social Security</i>
SVPS	<i>Supplementary Voluntary Pension Insurance</i>
UPF	<i>Universal Pension Fund</i>
VMRO	<i>Bulgarsko Nacionalno Dvizhenie</i>
VoC	<i>Varieties of Capitalism</i>
VPF	<i>Voluntary Pension Funds</i>

1. Introduction

In the recent decades, the aging profile not only in Europe but also in the world, has changed dramatically. A predicted scenario, elaborated by the European Commission, addresses core problems in the European welfare systems and economies. The scenario projects that by the year 2060 in the European Union for every person aged 65 and more, there will be 2 people of working-age. The public pension expenditure is predicted to consume 13% of the GDP (European Commission, 2015). It would directly result in inability of state pension system to ensure the people's old-age wellbeing. The pension system has always been a vital and controversial matter as it concerns great population groups and public expenditure. Over the years, it has changed its structure but now it requires rapid and functioning method in order to overcome the increasing demographic challenges (Schubert, Hegelich & Bazant, 2009). Despite the recent empirical data by international institutions and agencies presenting the crucial and inevitable need for bold reforms, some countries in the EU are still unwilling to realize them.

Bulgaria has been facing high percent of aging population – decreasing birth rates and longer life expectancy, 7th world place (United Nations Department of Economics, 2015) and high levels of unemployment rates at the same time, 13.0 % compare to the average of EU28 10.8% for the period 2003-13 (Eurostat, 2014). In result, these factors lead to a financial pressure for the pension schemes. Moreover, being part of the European Union the state experienced difficulties maintaining Maastricht criteria, despite that Bulgaria is not part of the European Monetary Union, and European law harmonization to the national law that have resulted in a budgetary pressure in the end. In addition, the high emigration levels in the working-age population contribute to the negative effects of the aging population problems (Stoilkova, 2005).

1.1 Bulgarian Pension System and Latest Reform

The pension system appears to be unsustainable and unlikely to fulfill its main objective: fighting with old-age poverty and provide income after retirement (OECD, 2005). The contemporary Bulgarian pension system is a three-pillar model. It has an obligatory first pillar based on the solidarity PAYG principle, a mandatory second pillar based on private funds schemes and a voluntary third pillar financed by the individual contributions (National Social Security Institute, n.d.). The minimum monthly amount of social pension insurance cover in Bulgaria is BGN 157.40 (\approx € 80.81) (European Commission, 2015) that indicates the low income of people in their

retirement age. Based on that, Bulgaria is considered as a low-spending welfare state with low contributions and low benefits (Sotiropoulos & Pop, 2007; Haggard & Kaufman, 2008).

Bulgarian social security system has gone through dynamic changes since its beginning. The basis of the Bulgarian contemporary social system lies in crucial modifications after the fall of the communist period (1989) and the start of the new democratic regime. Those changes were driven by the adjustment to new economic, social and political factors and followed by the example of the developed Western countries, namely, the implementation of the three-pillar system in Bulgaria, 1999 (National Social Security Institute, 2016). The demographic and economic problems of the country followed by the economic crisis in 2008 accelerated to a system eager to be reformed. The last reform 2014-2015, part of the coalition government of the Prime Minister Boyko Borisov, has initiated a heated discussion not only within the country but also on a European level as well. The reform addressed three major adjustments: increasing the social security contribution with 2%, recommendation by the World Bank (Domeland et al, 2013), the second change was the raise in the pensionable age¹, by the year 2029 it will reach 65 years for men and by 2037 for women, the third change and the most argued is the employees' opportunity to transfer private funds into the state first pillar (Zahariev, 2015).

The third modification was an unusual practice compared to the pension reforms of the European countries. The International Monetary Fund Report addresses this as a fundamental “unorthodox” change (International Monetary Fund, 2015). The critical wave of comments continued by a statement from PensionsEurope organization considering the reform as a controversial to the importance of the funded occupation pensions in order to maintain sustainable pension schemes in Europe (PensionsEurope, 2015). The specifics of the reform are in the decision of the government to take a step backward from the already proven working measurement and propose a totally different and inadequate to the state conditions. Therefore, international organization were looking for the reasoning how the political actors involved in the process managed to come to a consensus and implemented a reform that has been highly controversial by

¹ Until that moment, the retirement age for women was 60 years and 10 months, while for men, it was 63 years and 10 months. The length of the service was: women – 35 and 2 months; men – 38 years and 2 months. (News BG, 2015).

affecting not only the insured, but also business and mainly jeopardizing the long-term sustainability of the social security system.

1.2 Research Question

In order to achieve its main objective, namely, the relationship between the actors representing the state (politicians and bureaucrats) and the actors representing the society (unions and employers), the study bases its explanation on several theoretical insights. The first theory focuses on the role of the social partners in the democratic countries within the shaping process of welfare politics. The Veto points' theory regards as a central explanation for the legislation of a reform. The reform process is seen as "a sequence of decisions taken in a series of political arenas" (Immergut, Anderson, & Schulze, 2007, pp. 7). The hypotheses derived from this principle regards the strong links between the trade unions and the ruling government. Thus, the stronger connection there is, the more influential the social partners are.

The second main theory is an overbuilding block of the veto points theory. It outlines the importance of the decision-making institutions that can influence the legislative process. The focus is on the "veto players" that could be divided into two groups: institutional and partisan political actors (Tsebelis, 1995;1999;2002). The institutional veto players are granted by the constitution with power allowing them to affect the legislation of policies. While the partisan veto players are those parties constituting the parliament. Therefore, the presence of many veto players could conclude in a static process, unlikely to produce a policy change.

In addition, there are authors who have analyzed different aspects of the policy dynamics in terms of pension reform process. One of the most outstanding ones is Paul Pierson (1994,1996,2001) and his work focusing on the welfare-state retrenchment. Explaining the process mainly by outlining the role of the beneficiaries of the programs who has built the policy in a way that would be satisfying for their goals in the end. The author focuses on the role of partisan power within the policy-making process. Moreover, by aiming to analyze dynamics within pension reform, it is vital to emphasize the role of the trade unions and how governments often see them as an instrument for gaining political support (Bonoli, 2000). Furthermore, the collaboration between the organized labours (high-skill and low-skill) generates strategies increasing the supplementary pensions to a greater coverage of workers. In times of political weakness, trade unions are more willing to collaborate and reach solidarity among them (Naczyk & Kaiser, 2015).

Thus, for all of the reasons mentioned above this study will focus on the research question: *How have the political actors managed to adopt the pension reform in Bulgaria?* It is crucial to examine this case, not due to the unusual type of reform changes rather than focusing on the actors' decisions within this process. In order to understand the adoption of the reform, this study will answer questions as why and who was involved in the pension reform process (political party, interest groups, trade leader, employers and etc.), the interaction between those parties and the sources they have used in order to come up with a consensus agreement. The answer will provide an explanation regarding the doubts whether the reform will sustain in the long term and if not, whose interest it is defending. Moreover, focusing on the pension policies it is a source for gaining in-depth knowledge of political interactions.

1.3 Justification

Besides the budgetary burden and the economic pressure on the pension scheme, the Bulgarian political elites had not managed to implement a substantial pension reform for the last 15 years. Therefore, what triggered this study research was to examine what were the factors that contributed to the policy adoption, why that moment was the most suitable one. So far, the empirical studies have not provided any systematic analysis of the problem. Scholars as Sotiropoulos, Neamtu and Maya Stoyanova focus on explaining how has the welfare state in two post-communist countries developed. The comparative study between Bulgaria and Romania outlined how the transition period from communism to democracy affected the social policy. The time accent was on the late 1990s (Sotiropoulos, Neamtu, & Stoyanova, 2003, pp. 656). Moreover, there were political scientist addressing social effects of the Bulgarian pension reform in 2000-2002 on the low living standards of the pensioners (Asenova & McKinnon, 2007). The study addressed the economic challenges and their solution through pure economic analysis which disregard any political science explanatory framework.

In the contemporary literature, there is a comparative study of the two countries that have joined the EU in 2007, Bulgaria and Romania. The author examines the differences between the pension reforms in the recent decades considering the management of the PAYG systems (Adascalitei, 2015). The author uses political institutionalist framework in order to explain the dissimilarities between the countries.

The mentioned empirical studies indicated that there is a literature gap in terms of an analysis of the contemporary reform and the theoretical perspective. The scholars have not yet focused on the recent reform dynamics. Moreover, they have analyzed the reforms based on either economic argumentation or institutionalist theory. This case study will argue that both of the methods would not provide an explanation to the problem regarding why the pension reform deadlock had been broken and more importantly, how. This study will contribute to filling this gap not only by providing a present-day analysis on the matter but also by using veto points and players' theory as main explanatory principles. Principles that none of the scholars have used so far in explaining the Bulgarian pension system.

1.4 Research Design

The study aims to measure several conceptualized variables in order to provide an answer to the case hypotheses mentioned above. Firstly, the political system type was important in this analysis as both theories were focused on the “constitutional structure of the institutions” within the development of the welfare state politics (Huber, Ragin, & Stephens, 1993). An overview of the Bulgaria political system contributed to the analytical dynamics of this study. Even though that the literature argued that in the current retrenchment period political institutions did not matter as they used to in the past (Immergut et al., 2007).

It was crucial to make a link to the second main study concept, namely, the type of pension politics. By explaining the structure of the pension system, tiers and pillars, and the type of reforms: parametric (changes in the parameters of the current pensions), systematic (new type of pension system), regulatory (modifications in the investment regulations on funds) and administrative (Schwarz, 2006, pp. 16), the text searched for potential explanatory variables. Thus, in order to examine the nature of the reform, an analysis of pension framework was conducted by searching for indicators as contribution rates, retirement age, years of service, means testing, defined-benefit system/defined contribution system and etc.

The political actors' behavior was a main explanatory variable; therefore, its broad concepts will be operationalized in smaller indicators. The political actors were divided into two groups – state and social actors. Their behavior is analyzed through their speeches, parliamentary statements, interviews, legislative proposals and bargaining agreements.

The demographic and economic conditions were considered within the argumentation of this text as well. The text has already mentioned the negative rates of aging population and unemployment. The analysis goes further and outlines the budgetary pressure constraints. Authors as Bonoli & Shinkawa (2005) considered those problematic conditions as a main explanation for the type and scope of the pension reforms within the European continent. Nonetheless, within the scope of this case study, the current text supports the statement that those factors can only explain the emergence of the reform at first place but does not explain the politics within the decision-making process (Immergut et al. 2007).

The study approach is, as already mentioned, a single-case design. In general, its main application is to present a sufficient and precise explanation of a certain outcome (Toshkov, 2016); in particular, explaining the adoption of the latest pension reform in Bulgaria. It could be criticized for its limitation of generalizing that could be rather gain through comparative study. Nevertheless, by conducting a comparative study, the analysis would be able to examine only a restraint number of evidence. Therefore, it might not take into account crucial for the study variables. Bulgaria is a democratic country with a post-socialist past and part of the European Union. Thus, by examining the political dynamics and its unusual reforms, the study could be used later as a basis for reform process analysis in similar state's political characteristic and economic conditions, for instance, in Eastern European post-socialist countries.

The presented hypotheses were examined by using the following types of data: primary sources of government documents, secondary data, and semi-structured interviews. The secondary data analysis is constituted by investigating parliamentary acts, bills and minutes, government documents, and newspaper and magazines. The semi-structured interviews are one of the main instrument used by scientists in order to examine political actors' behavior and negation processes (Bryman, 2012). Those interviews were conducted between mostly members of the Bulgarian Parliament, namely, ministers, pension expert committees and representatives of unions and employers. The data analysis is based on the process-tracing research technique (Toshkov, 2016).

1.5 Outline

In order to establish a clear link between pension politics and political actors, the study firstly presents a theoretical framework based on that notion and the derived case hypotheses in Chapter 2. The research design of the thesis is elaborated in Chapter 3. In order to clarify the characteristics

of the Bulgarian pension case, Chapter 4 presents a description of the Bulgarian political and pension systems. In the next chapter 5, the collected data and its analysis are presented. Finally, the main results of the hypotheses and their implications are explained in Chapter 6.

2. Theoretical Framework

The literature so far has undoubtedly scrutinized problems capturing the industrialized countries' pension systems after the WWII. Authors aim to explain how states have managed to deal with welfare challenges as increasing life expectancy, increasing unemployment rates, decreasing birthrates, slow wage growth and financial budgetary constraints (Anderson & Immergut, 2007; Bonoli, 2007; Anderson, Kuipers, Schulze & van den Nouland, 2007; Marier, 2008). Despite the financial problems, states have confronted difficulties with political and institutional unpreparedness as well. In result, every country has found its own solution to resolve the intense problematic matters. Thus, it led to a diversity of pension models. This section of the research will be focused on explaining how have pensions system, institutions and the “new politics” of retrenchment (Pierson, 1996) varied in the new era of globalization and European integration. In the end of the section, the author will present a summary of the thesis hypotheses derived from the theory overview.

2.1 The Economic Conditions: Demographic Rates and Budgetary Constraints.

The literature analysis would not be complete without the debate regarding the demographic and economic pressure of the pension reforms. The disability of the pension systems in Europe started with the generous pension schemes of the state PAYG system during the postwar years. Haverland referred that time as the golden age of the welfare state due to the extent coverages and reduced retirement age (Haverland, 2001, pp. 310). The crisis demographic conditions in Europe outlined the pension policies as a crucial economic matter. Economist and scholars considered the ageing population and low economic growth as crucial issues of the pensions models due to their direct relation with the financial viability and generosity of the schemes (Chand & Jaeger, 1996; OECD, 1998; World Bank, 1994). Hence, the statement that a radical pension reform of the European pension model was necessary, has been supported by many scientists (Gruber & Wise, 1999; Börsch-Supan & Miegel, 2001; Feldstein & Siebert, 2002; Clark, Munnell & Orszag, 2006).

An important moment of the Bulgarian economic development in terms of welfare policies is the post-communist period of the 1990s. The South-Eastern countries have experienced difficult times with low levels of industrialization and urbanization, high levels of poverty and unemployment (Louzek, 2008). The Bulgarian PAYG system implemented during the communism was massively shaken by the banking and currency crises in 1996-1997 followed by

hyperinflation. Another crucial factor that influenced the pension system at that time, were the high levels of emigration and low birth rates. After this crisis periods, Bulgaria implemented reforms recommended by the IMF and the World Bank, i.e., the multi-pillar system (NSSI, n.d.).

The demographic and economic conditions cannot simply explain the pension reform in Bulgaria. Undoubtedly, these factors are part of the initial conditions proposing the reform in the first place. However, the study is aiming to answer questions as how and which factors stand behind this reform, therefore these circumstances themselves cannot simply provide the desired answers.

2.2 The challenges of the Welfare State

2.2.1 Political Struggles with the “New Politics” of the Retrenchment

With respect to welfare state politics, this study addresses the new economic dynamics and reshaping the contemporary welfare system politics in the 21st century. Political scientists focus their explanatory framework on describing the reasons why the welfare state is not likely to be transformed easily. The political science literature examines the correlation between the public institutions and the pension reforms dynamics. Scientists put effort to explain whether and how the policy-making institutions influence the welfare state policies. One of the first broad quantitative studies presents the state as a “set of institutions that processes pressures from economic interests and organized groups and produce binding decisions or policies”. Moreover, the constitutional nature of those institutions (bicameralism, single-member-district electoral systems, referenda, presidential government, federalism) is an essential part of the welfare state expansion politics (Huber, Ragin & Stephens, 1993, pp 713-22).

Paul Pierson’s work outlines standpoints regarding the obstacles of retrenchment programs in the era of the latest socio-economic conditions (Pierson, 1993, 1994, 1996, 1998, 2000; Pierson & Weaver, 1993). His main thesis explains how “new politics” have emerged in term of retrenchment politics and moreover, the differences between austerity and expansion state politics. Those “new politics” put the retrenchment as a central dispute in the political science literature. During the expansion era of the social programmes, the political actors had only faced the positive voters’ reaction and take credit for the beneficial programs. However, the “new politics” of retrenchment challenged the political actors within the convergence processes of turning a generous social state into a new neoliberal model. Moreover, the political actors are influenced by

the electoral will, thus, their decisions carry on the electoral burden on their shoulders. That represents the difficulties in applying retrenchment policies rather than policies with great social benefits. Those austerity reforms are not that popular mainly due to the fact that it is hard to promote policies that are aiming to cut society benefits of the welfare programs. It is hard to introduce reforms where parties are promoting social cutbacks. In that line of reasoning, Pierson's approach explains how voters and electoral politics matter within the process of welfare politics.

Other authors analyze the behavior of the political actors and labeled their actions with the term "blame-avoidance". Weaver has firstly introduced the term by justifying how politicians manage to overcome the electoral pressure by making some of their decision less transparent driven by their will to maximize their chance for reelection (Weaver, 1986; Pierson & Weaver, 1993). Practical examples for blame avoidance is the President Reagan's Social Security cost-of-living allowances (COLAs) for early retirees. He proposed cutting in COLAs in the very first year of its office. However, it generates a lot of negativism, therefore, Reagan's reaction was to disassociate with it. Authors as Weaver classifies his reaction as a clear example of blame-avoidance (Weaver, 1986, pp. 376). In the second stage of office, the President stated that he would only accept the cuts measurement if he received the support of the bipartisan majority in Congress. Thus, he used the second strategy tool of blame avoiding, i.e., the "blame-sharing" (Weaver, 1986, pp. 376). Coalition governments are often used as an instrument for the adoption of difficult and controversial welfare state reforms. After implementing a reform, the constituents would not be able to point at only one guilty party. "Blame buffering" is also an important strategy when it comes to introducing new policies. Schludi emphasizes the importance of including the support of the expertise stakeholders' groups, for instance, social partners. By expressing their support of a certain social policy, social partners neutralize or "buffer" the public resistance towards the politicians as they are seen by the society as arbiters or mediators (Schludi, 2005). Hence, all the approaches above summarize the political costs of their decisions that turn those reforms unfavorable for the politicians.

2.2.2 History Legacy and Pension reforms

Secondly, it is crucial to observe how the history matters in regards to pension politics (Pierson 1994). This explanatory framework is part of the contemporary institutional theories of politics. The role of the historical context on the policy outcomes is presented by the historical

institutionalism and path-dependency (Thelen, 2003). Authors as Mahoney and Schensul explain different conceptualization of the path-dependence and mainly, the “application of history and temporality to the understanding of social and political phenomena” (Mahoney & Schensul, 2006, pp. 454). The main standpoint is that the historical events reflect on the decisions taken in present time. It emphasizes the core idea that once the actors have taken a series of decisions in the past, it would impose a high cost changing them. That cost could be financial, political or electoral. There are several historical events that have been explained by this institutional theory. For instance, the empirical study of Haverland (2001) sees the implementation of the PAYG pension system, specifically, in Netherlands and Germany (and other European countries) as a path-dependency choice. A choice that could be hardly changed as it is getting to costly for states to maintain high expenditure levels on social policies. The Industrial Revolution in England, for instance, has been also considered as a consequence of a series of path-dependent events that ended up in an industry boom in the 18th century (Goldstone, 1998).

Those events have explained a path that has led institutions and actors to a certain stage where every taken decision is dictated by the consciousness that a shift from the track would impose a potentially negative effect. This is phrased in the literature as a historical lock-in: “the idea that units may find themselves on paths of development from which they are unable to escape” (Mahoney & Schensul, 2006, pp.463). The “Polya urn”² experiment and mathematically formalized explanatory framework by Arthur has given a practical explanation of the historical capture (Arthur, 1994). With respect to the historical institutionalism, this experiment represents the idea that once the actors have entered the path the logic of probabilities support the idea that the change is unlikely to happen (Mahoney & Schensul, 2006). Even though it could be possible to predict the outcome, there is also a chance that the outcome could be not always the most efficient one. A commonly used example is the QWERTY keyboard. It is theoretically proven that this type of keyboard is not the most suitable solution in terms of convenience and speed. However, the society is already used to it and would hardly shift to another type due the fact that it would be too costly to implement that change.

² The “Polya urn” model presents an experiment with an urn where initially we have **a** red and **b** blue balls. In every trial, a ball is taken randomly from the urn and then returned it into to its place by adding a new ball **c** with the same colour

The pension reforms (and welfare politics, in general) are resistant to modification due to the conditions mentioned above. Therefore, a breaking point is needed in order to tear the capture, a crisis moment called by the scholars “critical juncture” (Capoccia & Kelemen, 2007). They underline how important this moment could be as it reveals “relatively short periods of time during which there is a substantially heightened probability that agents’ choices will affect the outcome of interest” (Capoccia & Kelemen, 2007, pp. 348). In regards to the pension politics, the PAYG system could be taken out of its lock-in moment since there is a critical event destabilizing the institutional system and the actors within. An example of this is the unification process in Germany (Marcussen, Risse, Engelmann-Martin, Knopf, & Roscher 1999; Capocia & Kelemen, 2007). It could be said that the fall of the communism had been the critical moment in the East and South- East part of Europe when countries took a new direction and started altering their welfare systems into more responsive to the new economic order without putting at risk their national economies (Sotiropoulos, Neamtu & Stoyanova, 2003). Thus, the historical legacy limits the reform options for policy-makers (Pierson, 1994).

2.2.3 Institutional stickiness and Veto-theory

All of the problematic areas and resistance conditions of implementation retrenchment reforms is summarized by the literature argumentation as the limitation of institutional stickiness (Pierson, 1996). He considers the formal and informal institutional “veto points”, and “path-dependent” processes explaining the institutional stickiness (Pierson 1996, pp. 414).

The veto point theory is a main ground of this research paper. Immergut (1990, pp. 391) in his comparative analysis of health care association in Switzerland, France and Sweden, he concludes that there are veto points within political system answering the question what makes the political systems vulnerable. Later in his work, the author gives a clear definition of that notion. He presents this veto theory by focusing on the decision taken within the decision-making process on different political sectors (Immergut, 1992). The veto is likely to be imposed by the opportunities of each political system. Factors making the veto more likely to occur are mainly the constitutional rules and de facto electoral results (Immergut et al., 2007, pp. 7) Hence, it is important to examine whether within the political arenas there are different constitutional rules that could enable or limit the legislative process. The veto in a parliamentary government could be imposed, for instance, by the President, bicameral parliament, Supreme court or referendum. In a

majoritarian system, veto occurs by the necessity of the support of the legislative majority to the executive. The complexity of the legislative system underlines the importance of examining the bargaining process within the pension reform dynamics.

Why is it important to analyze the veto process? The veto is an indicator for the dynamics in a legislative process, more precisely, for its difficulties. Therefore, by examining the decision-making from that perspective, a study can better conclude why a policy change occurs or not. Moreover, the theory gives an opportunity for focusing on the preferences of the political actors involved and their role in the legislative process. With regards to the pension politics, where many political actors and institutions are involved, this approach most appropriately meets the main objective of the research.

George Tsebelis (1995,1999,2002) uses a “veto player” approach aiming to provide a systemized framework explaining how governments are structured. He outlines the two categories factors that are needed for a policy to be implemented: *institutional or partisan veto players*. The institutional veto players are structured by the constitutional rules of every state. It resembles the veto points theory; however, the difference is that Tsebelis values the politically significant institutional veto players by their partisan majorities (Immergut et al., 2007, pp. 7). The partisan veto players are those stakeholders who are part of the government, for instance, political parties and social partners. Tsebelis (1999) aims to examine the correlation between the ideological distance of the actors’ preferences and the number of the involved veto players. He examines whether a significant law change is possible in a government with large coalitions. In the study “Veto players and Law Production in Parliamentary Democracies”, Tsebelis (Tsebelis, 1999, pp. 594) concludes that “the more partners in a government coalition, the more difficult is to induce a significant change”.

In this rational choice institutionalism, crucial part is policy preferences of the actors. If those preferences are completely opposite, therefore, the policy reform will be hardly implemented. Immergut and Anderson conclude that the political parties has limited ranged of policy preferences, thus, it will be hard to reach a consensus with other political parties (Immergut et al., 2007, pp. 8). Nevertheless, both theories present a framework which explains the shaping

role of the political institution to the policy process. The study examines the hypothesis that *a proportional consensual type of a democratic system makes the pension reform process difficult.*

2.3 Pension Frameworks

The pension policy is the main focus of this study; therefore, this section will specify the objectives, the structure and the different theoretical pension approaches. The first question that will be clarified is the main goals of the pension system. According to Anita Schwarz (2006, pp. 2), the main purposes are: first, to decrease the likeliness of elderly poverty; second, to decrease the difference between the living standards of the individuals between their working and retirement age, i.e., consumption smoothing. The first objective could be funded by general revenues and in terms of the second one, the workers' contribution payments are needed as capital source (Schwarz, 2006, pp. 2). In general, the pension policies aim to make those objectives working by the mixing the private and the public funds (Rein & Rianwater, 1986).

The pension reforms are not popular amongst politicians and society. First of all, their result is seen after years, therefore, the electorate that is voting now are not yet familiar with the future outcome (Pierson, 1998). For example, the reform regarding the retirement age in Bulgaria case is smoothly implied with a transition period ending in 2037 which means that the accumulation of funds will be visible in years. Second, any rise in the pension plan aiming to ensure good living standards for the elderly is paid by the younger generation. Therefore, it is a common observation that policy-makers meet resistance and disapproval from the young generation. (Marier, 2008).

Pierson (1994, pp. 14-17) has provided a framework classifying pension reforms in order to examine the success or the failure of Reagan and Thatcher's reforms. This framework consists of three components: program spending, program structure and systematic retrenchment. In addition, Immergut *et. al's* (2007) work outlined an objective of the first mandatory PAYG pillar to prevent old-age poverty and deal with redistribution problems. The second pillar is mandatory as well. It could be private or public fully funded. The suggested forms are personal savings plan or occupational plans. This pillar aims to provide more security when it comes to individuals' savings. The third pillar is the voluntary occupational or personal saving plans. It is targeted to people who would like to ensure their retirement years with more income for higher living

standards (World Bank, 1994, pp. 16). The World Bank addresses the importance of implementing Chilean type of privatization within Eastern Europe as it is most suitable for the economic conditions in the region. Müller notes ‘These choices would signal the government’s intention to transfer four crucial aspects of the public programs by analyzing 16 Western countries: coverage, benefits, financing and administration. However, the authors emphasized that in terms of political conflicts the most sensitive matters are regarding benefits and financing (Immergut et al. 2007, pp. 18). Marier (2008, pp. 41) concludes that despite all the different frameworks mentioned above, it is crucial to outline the main purpose of the pension reform, i.e., minimizing future pensions expenditure. His potential instrument for that is analyzing the effect of the pension reforms on groups of individuals.

An essential change in the latest Bulgarian reform concerns characteristics related to the pillared pension system. Therefore, in the next paragraphs, the text focuses on explaining the main pension structure. In the beginning of this section, it was mentioned the economic struggles and pressure of the PAYG public pensions; the consequences of the ageing population on the economic growth (Gruber & Wise, 1999) and the negative effects of imposing high taxes on the pension system (Feldstein & Siebert, 2002). Therefore, the World Bank 1994 report come up the recommendation of applying a three-pillar pension model (World Bank, 1994). In the report is emphasized that a combination of the publicly managed scheme that pays an earnings-related defined benefit dependent on the financing of payroll taxes on a pay-as-you-go basis is problematic in terms of efficiency and distribution. The statement criticized the single pillar systems as publicly managed funded plans, for instance, practice in Africa has shown that those give too much power in the arms of only one party that could misuse its power and lead to unsatisfying outcomes. Misuse examples are hidden taxes on labor or corruption. (World Bank, 1994, pp. 12-14).

For all of the reasons mentioned above, the statement recommends multipillar system starting with first pillar which is mandatory publicly managed. This pillar would be financed by the taxes imposed by the state’s government. The pension, in this pillar, are means-tested targeting the poor of all ages, guarantee minimum pension or fixed universal or employment-related flat benefit (Müller, 1999, pp. 27).

Nevertheless, the World Bank suggestions were criticized to some extent by the International Labour Organization and some conservative economists (Friedman, 1999). Louzek (2008) argues that the main problems were not regarding the structure of the first and the third pillar rather than the mandatory second pillar. The main critique was towards the statement that the fund-based financing would not be able to solve problems as a demographic crisis. Furthermore, the author notes that the financial crises in the South Asia, Russia and Mexico's capital markets support the argumentation that pension funds could not be as sustainable as expected (Louzek, 2008, pp. 121).

2.3.1 Communist Pension Models

With regards to this case's pension system, it is crucial to analyze the fact that Bulgaria is a former communist Eastern European country and it struggles to be as economically competitive as the countries in the West. The transition period to democracy and market economy is an important period in the socio-economic development of Bulgaria economy during the 1990s. The author Bob Deacon categorized the developing welfare system in East European countries in four typologies: post-communist conservative corporatism, conservative corporatism, social-democratic type and liberal-capitalist type (Deacon, 1992, pp. 181). According to him, Bulgaria followed under the post-communist conservative corporatism type due to the fact that even after the transition period there were agreements between the social partners and the government which were still based on socialist values (Deacon, 1992, pp. 182). Therefore, even though the research is concentrated on examining a current period of the Bulgarian pension system, it is important to consider the legacy of the post-communist period on the economy.

2.3.2 Contemporary Pension Reform Classification

Lastly, by specifying the retrenchment as an important part of the reform process, the literature answers the question regarding the type of austerity policies. Peter Hall (1993) presents a framework explaining the nature of changes in a hierarchical order. His classification of the reforms is divided in three order groups. The first order presents an adjustment changes as a reaction of the economic changes in a certain policy area, for instance, the increase of the age in response to the demographic crisis. The second order reflects the changes of the instruments and their settings of a macroeconomic policy without changing the overall functioning of the system, e.g., a change of the pension contribution formula. The last third order present the changes that are

the most dramatic, the one that alter the goal or the philosophy of the established model (Hall, 1993).

In addition to this policy change classification, Anita Schwarz (2006, pp. 16-20), a lead economist at the World Bank, presents a framework explaining not only the nature of the pension reforms but also the pension-specific tools which contribute to the overall understanding and impact of the pension reforms. Her classification of the reforms is divided in four groups: parametric, systematic, regulatory and administrative reforms. The parametric reforms are concentrated on changes in the parameters of the current pension system. The systematic reforms explained notions of a system reform of the current pension system. An example of that is the changes of defined-benefit system to defined contribution system in countries, for example, as United Kingdom, Canada, USA (Broadbent, Palumbo & Woodman, 2006, pp. 2).

In terms of political economy, the study examines how the type of the reforms matters compared to the outcome. It is commonly believed that the parametric reforms are easier to implements as they are more likely to be understand by the wide audience and more likely to be discussed within the parliament than a substantial programmatic reform (Marier, 2008, pp. 35). However, authors as Hinrichs and Kangas (2003) present an opposite standpoint by arguing that a great number of small parametric changes could result in an essential systematic modification. The conclusion of the presented theoretical argumentation notes the idea that the type of retrenchment polices should be examined in order to answer the question regarding the political dynamics and whether it has influence on the status quo or not. With respect to that notion supplemented by the political ideology concept, the study observes the following hypothesis: *high number of political parties within the government leads to a large range of political preferences and turns the adoption of a programmatic pension reforms into an extraordinary event.*

2.4 Political Ideology

With regard to the welfare politics, there is a debate whether the political ideologies should be taken into account while analyzing social reforms. Some authors note that within the new dynamics and politics in the welfare system, party ideologies are not considered as an influential factor (Ross, 2000). On the contemporary, there are political scientists defending the thesis that Left and Right differ in terms of welfare politics (Garett, 1998; Levy, 2001). It is commonly believed that left-

wing parties aim to implement policies defending needy society members (Levy 2001, pp. 281). It is assumed that voters' perception is more positive when a left-wing party is trying to alter the pension system rather than when a right-wing party initiate a reform (Ross, 2000).

The political ideology is important matter when it comes to political preferences. Scientist as Tsebelis (1999) recognized the political spectrum demands influential in terms changing the status quo. Therefore, during the analysis the study takes into consideration and examines the political preferences of the left and the right political parties within the debates of the Bulgarian Parliamentary readings.

2.5 Social Partners and the State

The participation of the social actors is considered as central during the implementation of an austerity reform. The text has mentioned above that labor have been recognized by the literature as a crucial player in the new politics welfare dynamics. In order to go beyond the statement that their actions and attitude towards the new reforms are vital, the scholars examine more precisely how they matter and where is their position in reference to the whole complex picture. There are several comparative studies explaining the differences in the outcome of the welfare reforms within states with the labors responses. For instance, Sweden's variation of outcomes regarding the retrenchment reforms in different policy sectors in the 1990s was justified by the strong union preferences (Anderson, 2001). Social partners' preferences vary in each welfare policy sector due to the fact that labor has different aims in every policy and can gain different benefits. With respect to the pension politics, unions' main purpose it to ensured that the system will be financially stabilized and could result in "deferred wages" (Anderson & Meyer, 2003). Inspired by those theories, the thesis examines *the hypothesis whether the inclusion of the social partners in the reform process slows down the dynamics of the reform.*

Other authors stressed the importance of the formal institutionalization of the unions' position in the policy process. Marier (2008, pp. 47) divided the union position within the administration into two categories *Parliamentary Integration and Social Partnership*. In his comparative work, he concluded that the Social Partnership, in both Belgium and France, indicates an immense participation of the social partners in the administration of the pensions. With regards to the Immergut ('s veto point, this social partnership influence could be considered as a collective

veto point actor. He also noted that it was typically applicable for the countries of the Bismarckian³ system as the social partners provided a great part of the financial stability of the system through employers' contribution. Unions illustrated their superior role with the statement that they "are paying for it". Therefore, the role of the government is limited to a supervisor and mediator of the policy process. However, in the second category, Parliamentary Integration, the state is the main contributor to the financial stability of the pension system. Hence, the unions have to find another way to gain strong position in the pension programs. According to the author, social partners aimed to get involved by capturing office or the state bureaucracy, therefore, they become part of the state. Examples here are the Beveridge type of countries (UK, Canada) (Marier, 2008, pp. 49). In some countries, the unions have successfully incorporated into the state pension program, for instance, Sweden (Korpi, 1983; Esping-Andersen, 1985). Other examples as the United Kingdom presents failure due to the Labour Party's low electoral support (Fawcett, 1995). Therefore, the main insight is that the trade unions seek for support within the system (relationships with political parties and leaders) rather than outside. The support of the government is a main driving force in this model, therefore the focus is on the electoral system of the country. A clear example, the Thatcher's reforms were implemented lacking any involvement of the social partners (Marier, 2008, pp. 50). Based on that reasoning, the study derived a *hypothesis* that a *highly institutionalized social partnership system leads to the difficult adoption of a reform*.

The literature uses the "Varieties of Capitalism" (VoC) approach in order to examine the role of trade unions and employers in the line with the politics of pension reforms as well. The approach recognizes the "embeddedness" of the pension politics in the functioning of the state economies. Moreover, the link between the markets constituting those economies and the organizations of employers and industries is a main explanatory variable of this approach. It recognizes the nature of this complex actors' intersection as "complementarities" which explains the difficulties in a policy change (Streeck & Thelen, 2005; Thelen, 2003). Furthermore, The VoC

³ Two types of models are commonly accepted in the West European pension systems: the Bismarck and Beveridge (Baldwin & Falkingham, 1994). The Bismarckian model origins from the social insurance system established by the German chancellor in 1889. Its main objective is to provide a good standard of living of the insured. The second model is named after William Beveridge. In his report, *Social Insurance and Allied Services*' in 1942 he explained the purpose of this system which is focused on the redistribution through taxes and transfers aiming to protect society from poverty.

approach focuses on the crucial link between banking system, private investments and pension reforms outcome. In that line of reasoning, scientists recognize the industry insurance as a key actor during pension negotiations (Bonoli & Schinkawa, 2005). Thus, the thesis aims to observe the *hypothesis whether the adoption of a reform would be likely with the support of the employers.*

To sum up, in order to examine the role of the social partners within a pension program it is important to analyze the type voting system and the administration of the pension programs as those factors are main veto points indicators. Moreover, an observation of the institutionalization of the social actors is necessary.

2.6 Hypotheses Summary

The discussion above presents a great amount of theory and empirical work concerning the role of the institutions, the type of political system, the types of pensions, “the new politics” of the welfare state and pension system, the preferences of the political actors and the positions of the social actors. The correlation between those theories and the Bulgarian pension reform are exposed in the following hypotheses:

Hypothesis 1: The inclusion of social partners in the pension reform process slows down the dynamics of the reform.

Hypothesis 2: The adoption of the reform would be likely with the support of the employers.

Hypothesis 3: A highly institutionalized social partnership system leads to the difficult adoption of a pension reform.

Hypothesis 4: High number of political parties within the government leads to a large range of political preferences and turns the adoption of a programmatic pension reform into an extraordinary event.

Hypothesis 5: The proportional consensual type of a democratic system makes the pension reform process difficult.

In the next chapter, the study research design will be presented where the main research techniques and data collection methods are explained. After that, the text will be followed by a section examining the presented hypotheses and discussing their results.

3. Research Design

The aim of this section is to present an overview of the selected research method. The qualitative study approach is suitable for descriptions and explorations (Corbin & Strauss, 2008). Moreover, the researcher of this study used a single case study design for the following reasons. According to the literature, case study presents an “intensive study of a single case” (Toshkov, 2016, pp. 286). Thus, the researcher aims to understand the case being studied or as Gerring argues “to shed light on a question” (Gerring, 2004, pp. 344). Mostly the case is an example of a “broader phenomenon” (Gerring, 2004, pp. 341; Toshkov 2016, pp. 288). The keyword in this statement is the word “phenomenon”, namely, a case study research will not be plausible if it is not linked to a broader class reference. In addition, the case study distinguished with the scope of the examined variables (Toshkov, 2016).

Qualitative researchers have the opportunity to get in personal and close relationship with the participants. Moreover, the qualitative researchers are characterized with “creativity and imagination”, the ability to live with ambiguity”, “curiosity” and etc. (Corbin & Strauss, 2008, pp. 13). Hence, the aim of this study is to investigate the pension reform phenomenon from the perspective of the participants closely involved within the process. The author is curious and willing to enrich the empirical data by the observation of collected by the personal communication with the respondents. This method is presented by the theory as “participating in the mind of other human being” (Lofland & Lofland, 1995, pp. 16). An insight that cannot be gained by a quantitative approach (Corbin & Strauss, 2008).

The thesis is a single case as it fulfilled the criteria mentioned above. An in-depth analysis of the Bulgaria pension reform 2014-2015 was conducted. The thesis focuses on the main variables: the political and institutional Bulgarian system and the behavior of the social actors. The close and detailed analysis contributes to aim of the case to have a rich and justified case explanation of the current reform process which could not be fulfilled with a comparative or quantitative research. The literature experiences lack of researches on the factors standing behind the adoption of a successful reform in the recent 15 years. Hence, using a qualitative study approach enables the researcher to derive conclusions that could be linked to the “broader phenomenon” of the pension politics and the involvement of the state and social actors.

Nevertheless, it is crucial to be said that even though the methodology of the research is a single-case, links are made with practices of other European countries as well.

3.1 Data Collection

The current study aims to observe the behaviour of certain actors, therefore, in order to fulfill this goal the study uses a triangulation as a data collection method. The triangulation is presented in the literature as “attempt to map out, or explain more fully, the richness and complexity of human behavior by studying it from more than one standpoint” (Cohen & Manion, 1986, pp. 254). Hence, the aim of the data triangulation (Denzin, 1978) is to enhance the validity and the transparency of the data.

3.1.1 Interview Data

The first data source, face-to-face interviews, is the most prevalent method used in the qualitative studies (Bryman, 2012). The interview is a useful tool in the context of the thesis as it enables to build a personal connection with the participants. The connection itself was necessary as it enriched the authors findings with real negotiation process examples, opinions and social actors’ interaction. The aim of the semi-structured interview is to obtain interpretations from the respondents’ words regarding the examined topic (Gubrium & Holstein, 2001).

Within the scope of the thesis, six interviews were conducted. The respondents list is addressed in the Appendix, section A. The face-to-face interview approach contributed establishing an atmosphere that predisposed the respondents to share information. The respondents were selected by the following criteria:

- Directly or Indirectly involved in the Bulgarian pension reform in the period 2014-2015;
- To represent a side of the tripartite dialogue (government-trade unions-business);
- To represent an independent side of the negotiation process – state experts;
- To represent various political parties within the Parliament;
- To be high-ranked – Ministers, Leaders of trade unions and employers’ organizations, Parliament members and etc.;

Based on these criteria, the research aim was to observe the thesis of the actors influencing the legislative process and moreover, the reasoning standing behind their involvement or non-involvement. The initial purpose was to include political parties from all sides of the political spectrum. Each political party representative, who were part of the Labour, Social and Demographic Policy Committee were contacted, nevertheless, only the members of political party ABV responded. The following Table 1 represents the final sample of the respondents participating in the study:

Table 1. Interview partners overview

Respondent	Name	Occupation (2014-2015)	Side of the social dialogue
1	<i>Ivaylo Kalfin</i>	<i>Deputy Prime Minister, Minister of Labour and Social Policy, ABV; Chairman of the NCTC (2014-2015)</i>	<i>Government</i>
2	<i>Petya Malakova</i>	<i>State expert "Labour law, social security and working conditions" at the Ministry of Labour and Social Policy</i>	<i>state</i>
3	<i>Mariana Todorova</i>	<i>Party representative ABV Member of Labour, Social and Demographic Policy Committee</i>	<i>Government</i>
4	<i>Yordanka Krysteva</i>	<i>CITUB member, expert trade and economic activities</i>	<i>Trade unions</i>
5	<i>Lychezar Simeonov</i>	<i>Social Assistance Agency, Ministry of Social and Labour policy, expert</i>	<i>neutral</i>
6	<i>Grigor Dimitrov</i>	<i>Employers' Interest Protection: Director General Insurance Policy, Bulgarian Industrial Association</i>	<i>employers</i>

As it could be seen in Table 1, even though the number of the respondents was not large, they represented crucial important sides of the political dialogue. Moreover, their leading position and high-ranked profile within the reform process gave a great insight and enabled the process of gaining evidence in support of the study hypotheses.

The questions were elaborated based on the hypothesis and the variables previously identified by the theoretical framework. The questionnaire was consisted of around 15 questions.

The questions are provided in the Appendix, section B. The structure of the questionnaire was the same in every interview, however, some of the questions were altered regarding the profile of the respondent and respondent's contribution to the research. The opening question was the same for every respondent as the purpose was not only to examine the motives standing behind the initiation of the reform but also to make the participant feel comfortable. Here is an example of the opening question:

The pension reform was one of the most debatable policies in the past 2 years. Unlike other reforms, it reached a certain completeness. Could you please explain how the reform started? What were the main motives standing behind the reform?

During the rest of the interview, the respondents were asked direct and indirect questions (Bryman, 2012) in order to explain their role and aim in the process and the collaboration with other actors. Moreover, interviewees were asked to comment the role of the employers and trade unions behaviour. In the end, the participants were requested to give an assessment of the overall reform process:

Do you consider yourself as satisfied with the result achieved by the pension reform? Do you think that you could have adopted more substantial changes? If so, could you please indicate what you could have done more and what factors or actors have implemented their preventative effect?

It is crucial that the interviews were conducted in Bulgarian. The researcher speaks fluent Bulgarian and that contributes establishing link between the interviewer and the interviewee. Moreover, the validity and understanding of the data are not affected due to the lack of language barrier. All of the respondents were asked to be recorded. However, only two of them gave a permission. Transcripts of those two interviews were elaborated immediately after the meetings as Bryman (2012) advises. During the interviews with the other respondents, the researcher took detailed notes and systematized them in reports.

3.1.2 Secondary Data

The second source used to enrich the knowledge regarding the actor's behavior are the official documents from the Bulgarian National Assembly, minutes from Parliament hearings, minutes from the official meetings of the Labour, Social and Demographic Policy Committee, newspapers

and etc. The aim of using secondary data was to observe more precisely the actors' point of view and to gain different perspective. Moreover, this perspective contributes the researcher to gather insight regarding the reform process in a present time rather than observing the actors' reactions post factum. The following Table 2 presents the used sources and the purpose they served:

Table 2. Secondary data overview

Category	Goal	Sources	Target group
Newspapers	Tracking the reform dynamics in order to outline important events related to the research question; Contributed in elaborating the chronological line of the reform;	Leading Bulgarian newspapers: - Mediapool; Dnevnik; Trud, Manager; Investor; Blitz; NewsBG; OFFnews;	All participants;
Government documents	- to observe the voting, actors' argumentations and the political parties votes according to their political affiliation within the parliament; - to gather information regarding the political system;	Constitution; Amendment Bill for SSC Acts - Labour Code; Parliamentary minutes - December 2014, May - July 2015 Registration votes during readings;	Mainly the behaviour of the political party members. Nevertheless, the social actors were also observed;
Organizations' Websites	to examine the social actors, point of view from their statement and actions during the pension negotiations;	Trade unions and employers' official website and statements: - Podkrepa, CITUB, National Social Security Institute, BIA;	Social partners;

3.2. Data Analysis

The researcher uses techniques and methods for data analysis recommended by the literature. With a case study, the researcher main goal is to gather "observations for various aspects of a case"

(Toshkov, 2016, pp. 295). The observations are classified as evidence whose implication justify the research hypotheses. The evidences are mainly classified into two dimensions; *certitude* (the likelihood that the evidence will occur if the hypothesis is valid) and *uniqueness* (the likelihood that the evidence will occur even though the hypothesis is false) (Toshkov, 2016, pp. 295). In order track the evidence in support of the role of the social actors and type of pension reforms, the researcher uses a main research technique called *process-tracing* commonly applied style for conducting a case study research (Toshkov, 2016). The researcher selected it due to its characteristics of building up a clear portrayal of causally related sequence of events, “concatenation” (Waldner, 2013, pp. 68).

Firstly, the analytical approach used for the systematization of the interview data was the coding method. A coding is the term for “taking the raw data and raising to a conceptual level” (Corbin & Strauss, 2008, pp. 66). In order to clustered the respondent words in theoretically related topics and themes, the researcher, firstly, transcribed the interviews as Bryman advised (2012). The used coding practiced were divided in two steps. The first one is the termed open coding which divides the data by categories and concepts. The second step, axial coding compares the categories already set during the first step (Corbin & Strauss, 2008). The results were used as evidence in refer to examine the thesis hypotheses. The coding themes were divided in several topics: respondents’ role and goals; social partners’ role within the negotiation process; political affiliation attitude; the type of government and the assessment of the adopted type of reform.

Secondly, the secondary data was examined in order to supplement the process tracing of the hypotheses evidence. As Toshkov (2016) suggested the process tracing of the interviews combined with the secondary data can be most suitable for examining the factors standing behind the actors’ motivation and decision taken in the process of pension reform. In addition, the researcher used the process tracing as tool for elaborating a chronological line of events in order to examine the causal relationship between the certain reform events and the outcome of interest. (Toshkov, 2016).

3.3 Conceptualization of the Main Variables

During the process-tracing in a case study, a researcher observes a larger set of variables of a concrete case. However, within a scope of a thesis one cannot examine all of the possible variables

(Toshkov, 2016). Because of that, the researcher of this thesis focuses on the following set of indicators.

3.3.1 Social Actors

Undoubtedly, political actors played a leading role in terms of new politics and legislative processes. Within the scope of this study, social partners are divided in two groups: state and social actors. With respect to the welfare politics, the social figures are an important condition for passing a reform. Moreover, Marier (2008) emphasizes on the institutionalization of those social partners. One of the aims of this research is to examine whether the exclusion or the inclusion of the social partners are influencing the outcome and if there are, in a what way.

With respect to the Bulgaria pension reform process, a great part of the research is focused on the social partners' institutionalization and their interaction with third parties. In order to clarify the definitions used later in the analysis, the text will provide a brief explanation. Firstly, the term social partnership regards the collaboration between important key actors in policy-making process of economic and social policies. Main question is which actors are included in the real-life policy practice. Their main role is to represent the interest of the participant compromising their structures (Casey & Gold, 2000, pp. 9). Therefore, they are seen as a mediator of the policy dialogue in order to enhance the constituency of the legislative process. Main topics of discussion are labour rights, wages and retirement policies. In general, they cover the social protection of the workers. The interaction process between those partners is indicated as "social dialogue" aiming to achieve an agreement contributing to the negotiation process (Casey & Gold, 2000, pp. 9).

In connection with the Bulgarian case, the study focuses on the social partners who are the main actors within the social dialogue regarding the pension reform. The first key role player is the Confederation of Labour "Podkrepa" (CL Podkrepa), a main trade union at national level. The second organization is the Confederation of Independent Trade Unions in Bulgaria (CITUB). As it was mentioned before, the role of the employers is central in the pension reform. Therefore, the research examines the behavior of the National Union of the Economic Managers in Bulgaria. More precisely, three main business unions: Confederation of Employers and Industrialist in Bulgaria – union of the Bulgarian business (CEIB), the Bulgarian Industrial Association (BIA) and Association of the industrial capital in Bulgaria (AICB).

To sum up, the attitude of the social actors and their participation in the process is a crucial variable of this research due to the fact that firstly, the research needs to establish the system of partnership practicing in the Bulgarian social system and then examines the correlation between institutionalized type and the actors' behavior.

3.3.2 Political Preferences

The second concept regards the actors' political preferences within the policy process. The policy process is based on the conflict or the consensus between different actors. Tsebelis's (1990) rational theory emphasizes on the role of the political actors and their process when it comes to policy change. The political preferences can be triggered both by the rational motivation of actors and the existing institutional structure. The veto player approach argues that political actors' preferences are the leading force of the veto players (Jahn, 2011, pp. 45). In that line of reasoning, the study aims to examine the link between political preferences of each actor and the outcome of interest, i.e., the adopted pension reform. More precisely, the analysis focus on how the different actors' groups pursue their interest.

This study considers indicators for the political preferences as parametric or programmatic measurements offered by each participant. For instance, the main socialist party BSP insisted on saving the age and the length of the service for retirement as they were, having an option for early retirement, increasing the social contribution in fund "Pension" with 2% in 2016 and in fund "Unemployment" from 1% to 2% (Mediapool, 2015). This statement illustrates the nature of their policy demands in order to support the reform in the parliament.

In conclusion, this concept correlates with the hypothesis concerning that the number of political parties and their preferences in Bulgarian parliament assume an unlikely pension reform adoption. Considering the type and number of preferences is important to be included in the analysis as it gives ground for a potential reasoning how the reform started in the first place and how it corresponds with the other concepts – institutional design, electoral system and types of pension reform.

3.3.3 Electoral System and Type of Government

The theoretical approach of this study is based on the veto points and veto player theory. According to this approach, a central explanatory variable is the electoral system in a state. By establishing

the type of the electoral system, it contributes to explain the type of government and complexity of the pension system (Marier, 2008, pp. 54). Therefore, it elaborates the *hypothesis 5* claiming that the proportional consensual type of a democratic system makes the pension reform process difficult.

Democracies are differently classified by the scholars: Liphart's classification of between majoritarian and consensus democracies; Powell "vision of democracy" and Person and Tabellini categorization of executive and parliamentary types (Immergut et.al, 2007, pp. 4).

The majoritarian and consensus democracies are based on the distribution of executive power. Simply explained, in a majoritarian system the only one party is the winner and it could implement public policy alone; while in a consensus, the power is divided in three levels- executive, legislative and judicial. The proportional type of system could include power-sharing arrangements between the dispersed power inside the government in order to introduce a reform (Powell, 2000). The main feature of the proportion system that it includes more policy actors with their own preferences (coalitions and small parties within the Parliament), therefore, the number of veto points is higher. However, Tsebelis's theory not only on the number of veto-players involved but also on the ideological distance between the government partners' preferences (Tsebelis, 1999).

Thus, it is a good starting point for the analysis as it shows where and what is the position of each actor, namely the interaction between electoral system and the institutionalized structure of relationships. However, it could not explain alone the existing policy outcome; therefore, it is related to the concept concerning the type of pension reforms (and the hypotheses related to that notion) as it regards the correlation between the established system and the nature of the reform. With regards to the Bulgarian pension system, the research aims to assess whether the proportion system and the coalition type of government can produce a significant reform.

Commonly, the electoral system is arranged in the constitution of every country. A portrayal of the Bulgarian institutional system is elaborated according to the following indicators: redistribution of the power, type of election, number of political parties, formed coalitions and political agreements. Those indicators are stated in the Bulgarian Constitution which is a primary source.

3.3.4 Type of Pension Reforms

The last concept addresses the type of pension reforms. It is crucial to examine the nature of the reforms even though the research does not aim to explain the economic reasoning standing behind the reform measurements. In the scope of the research goal, the study focuses on the link between the social institutionalization, political preferences, electoral system and the type of reforms.

Besides the pillars categorization explained in the theoretical framework, the reforms were also classified in four groups regarding the nature of the changes (Hall, 1993). The current study used the classification of the World Bank which is initially based on the Hall (1993) category framework. The first group is the parametric reforms which indicate changes in parameters regarding contributions, benefit and eligibility conditions. Those changes affect the distribution impact on the contributors and beneficiaries. Indicators, for instance, are an alteration of the contribution rates, wages (post retirement indexation of pensions, minimum pensions) and in terms of eligibility, retirement age and years of service. The systematic changes regard all the implemented modification within the pension system. However, they are divided in two subgroups: introducing new type of pension system or a modification in the existing one. For instance, introducing new pillars in order to gain new revenue for the system is just a supplement alteration to the old system. The administrative reforms concentrate on improvement in the administrative system within a country. The aim is to improve the database and the quality of the saved records (Schwarz, 2006, pp. 17-23).

In regards to the Bulgarian case, the text examines the implemented changes based on the presented indicators. The researcher aims to find evidences supporting the association between type of government and type of reforms. The analysis on the data collection determines to provide answers to the *hypothesis 4* addressing the link between preferences and programmatic pension reforms.

4. Description of the Bulgarian Pension System

In order to clarify the specifics of the Bulgarian case, the research provides a description of the political system and the pension system. The aim is to contribute to the reader's better understanding of the potential factors standing behind the research problem and its solution. Firstly, an overview of the political system is made as it supports the analysis concerning the correlation between veto points and player theory and the type of reforms implemented. Secondly, the contemporary Bulgarian pension system is explained including a brief historical reference to main reforms in the past years.

4.1 Bulgarian Political System

4.1.1 Institutions of the Government

A historically important moment in the contemporary Bulgarian system are the changes adopted after the fall of the communism. A new democratic constitution was implemented in the 1991 and new institutional order has been placed. The new constitution proposed to establish a legal framework that would create a stability during the transition period (Tanchev, 2002).

According to the constitutional text, Bulgaria is a republic with parliamentary form of government and unitary state (BG Constitution, Art. 1). It is clearly stated that the creation of political parties based on "ethnic, racial or religious line" are forbidden (BG Constitution, Art. 11). The political pluralism is a leading principle as well. The power is divided in three branches: legislative, executive and judicial.

The legislative power's main engine is the National Assembly (Narodno Sybranie) which is defined as unicameral consisted with 240 members. National Assembly is a permanently acting body and exercises parliamentary control during its 4-year mandate. The legislative acts are passed by a majority of more than one-half of the present Members (BG Constitution, Art. 81). In addition, the National Assembly pass the budget, schedule elections, elect and remove the Prime-Minister, establish taxes and e.g. (BG Constitution, Art. 84).

The executive power is in hands of the Councils of the Ministers, headed by a Prime Minister. The Councils is comprised by Prime Minister, Deputy minister and ministers. The Prime Minister is nominated by the President after consulting with the parliamentary groups. The

nomination is based on the party or the coalition holding the majority of the seats in parliament after the ballot elections (BG Constitution, Art.99). The main objective of the nation's governing body is to conduct and monitor issues concerning the "State's domestic and foreign policy". Therefore, it dominates in the Bulgarian political life. In regards to the social policies, the Prime-Minister and the Minister of the Labour and Social policy determines the main features of the pension reform and elaborate the legislative proposal of the reform in collaboration with the Labour, Social and Demographic Policy Committee.⁴ Before voting a bill in the Parliament, a consultation with the social partners is needed. The participation of the social partners and their legal rights are arranged by the Constitution. In the Bulgaria Labour Code is said that trade unions and employers' organizations can defend their interest in terms of social policies and labour conditions (Labour Code, Art. 4).

The third branch is represented by Judiciary. The court system is administrated by the Supreme Court of Cassation, the Supreme Administrative Court, courts of appeal, regional courts, courts-martial and district. courts. (BG Constitution, Art. 119). Their main objective is both protect the legislative right of citizens, State and legal entities. A separate and crucial body is the Constitutional Court.⁵ It is responsible for interpreting the Constitution and monitoring the constitutionality of the laws and other acts passed by the National Assembly and the acts of the President (BG Constitution, Art. 149).

The President of the Republic of Bulgaria is head of the State and represents the nation on international forums. The President is directly elected with a mandate for 5 years. However, he has limited powers. His main duties are: schedule elections for a National Assembly, sign national treaties, being head of the army, consult the National Assembly and "promulgate laws" (BG Constitution, Art. 98). As it was mentioned above, he nominates the Prime-Minister in order to form the government. It is important to be emphasized on the President's power to impose a veto

⁴ Within the National Assembly, there are Standing and Ad hoc Committee supporting the work of the Parliament. The Standing Committees co-operates in terms of parliamentary control while Ad hoc Committees are formed regarding a certain matter in order to give an expertise statement. Besides the bill movers, others experts, social partners, public organizations or business could be involved in the consultation process as well (National Assembly).

⁵ It is consisted of 12 judges elected by the National Assembly, President and by joint meeting of the judges of the Supreme Court of Cassation and Supreme Administrative Court (BG Constitution, Art. 147).

on a National Assembly's bill. The parliament is obliged to conduct a debate where the new law will pass if a majority of more than half of all members of the National Assembly vote for its adoption; in other words, the veto will be overcome (BG Constitution, Art. 102).

With respect to theory of the veto points and player, the descriptive portrayal above outlines several indicators in support of that theoretical approach. The presented institutional arrangements indicate that the Bulgarian legislation process involves a great number of actors due to the separation of the powers. This separation generates a constant interaction and interdependence amongst the institutional bodies. The political party pluralism plus the coalition governments inside the Parliament influence the legislative process. In order to pass a bill, the government needs the support of the majority of the Members. Every political party has its own vision and preferences towards certain policies, therefore, this diversity could be seen as an obstacle concerning the pension reform process (Tsebelis, 1999). To sum up, this indicates the veto players comprising the parliament. Other institutional veto players are the President and the Constitutional Court ability to stop a legislative act by using their veto powers.⁶ A partisan veto player could also be considered the social partners participating in the legislative process.

4.1.2 Elections and Political Parties

The Bulgarian electoral system concerning the Parliament formation is a proportional type. The elections are “universal, equal and suffrage by secret ballot”. The proportional system cannot form a one-party Parliament. The National Assembly has 240 seats which are proportionally distributed based on the list of parties, a coalition of parties and initiative committees voted in 32 mandate districts (National Assembly, n.d.). The minimum threshold that every party should reach in order to win seat in the Parliament is 4%.

The political life in Bulgaria was unstable in the period before the reform in 2014. The elections were results from the collapse of the former coalition government headed by the Boyko Borisov's right-wing party GERB formed in 2013's elections (Deloy, 2014). The government was

⁶ In regards to the instruments of the direct democracy, the referendum is considered as an indicator for a constitutional veto points (Immergut et al., 2007). However, according to the Bulgaria constitutional order, referendums concerning matters regarding taxes and the amount of social contributions are not allowed (Law for direct citizens' participation, Art. 9). A partisan veto player could also be considered the social partners participating in the legislative process.

facing regular protests due to the imposed high energy prices. After the resignation of the government in February, a caretaker cabinet was appointed and in May 2013 new parliamentary elections were conducted (Ganev, Dimitrov & Bönker, 2014). The new government was headed by socialist party's (BSP) leader Plamen Oresharski who formed a coalition with centrist's party DPS and the nationalist right party ATAKA. The government lasted for fourteen months, however, it had experienced many controversial dynamics: a nomination of an accused of corruption DPS party member for the head of the National Security Agency; construction of a Russian-financed gas pipeline and financial crises after the bankrupt of the Bulgarian Cooperate Commercial Bank (Deloy, 2014). Based on all the negative dynamics and political disagreement, the governments resigned due to the withdraw of the DPS from the coalition government which again resulted in new early parliamentary elections.

The elections for the 43rd National Assembly were held on 5th of October 2014 where 8 political parties went over the threshold and entered the Parliament – GERB – 84 seats, BSP – 39 seats, Movement for Rights and Freedoms- 38 seats, Reformist Bloc – 23 seats, Patriotic Front – 19 seats, BU- Bulgaria without Censorship – 15 seats, ATAKA (nationalist party) - 11 seats, ABV – 11 seats. In results, a coalition government was formed between GERB and the Reformist Bloc supported by Patriotic Front and ABV (EuroActiv, 2014).

To sum up, the presented political environment in Bulgaria indicates that there were a lot of changes and modifications in the recent years. The instability of the political system was considered as one of the reasons for the lack of any substantial policy reforms. The policy dynamics in the country were blocked for a while.

4.2 Bulgarian Pension System and Historical Dynamics

The pension system in Bulgaria has gone through several historical changes before it reaches its present form. Those changes address both system and content. A brief historical overview is presented in next part of the text followed by a description of the current structure of the Bulgarian pension system.

4.2.1 Historical Overview

The first pension insurance law regarding disabled militaries was implemented in 1886. After that numerous funds for teachers, doctors, civil servants and employees were created as well. An

official “Law for Pensions of the Employees” was established in 1915. In 1924 Bulgaria created overall social insurance system by implementing the “Law for Public Insurance”. The social insurance system was the first one in the Balkan region at that time (National Social Security Institute-NSSI, n.d.).

In the years of the socialist period in Bulgaria, a new “Law for the Public Insurance” was adopted in 1948. According to it, the citizens had the right to benefits and pensions estimated by the years of service. In this period, the state was in the center of the system. It was the main payer and redistributor. The adoption of the “Labor Code” obliged the state to fill any budgetary gap concerning any shortage of incomes of the insurance payments (Mrachkov, 2011).

During the socialism, the pension system was highly financed and regulated by the state. In the beginning of the new democratic era, the pension system faced a new reform in 1995 with the adoption of the “Fund Social Security Law”. These changes were driven by the new socio-economic and demographic conditions in Europe. In addition, a new third pillar of the pension system was introduced by creating a law for “Additional Voluntary Pension Insurance”. This step put the ground of the private fund in the Bulgarian pension system. The first and second pillar were arranged in the “Code for the Obligatory Pension Insurance” in 2000 (NSSI, n.d.)

4.2.2 Current Pension Model

The Bulgarian pension system is based on the three-pillared structured. The first pillar is a mandatory state, State Social Security (SSS), where citizens have the right to receive benefits and pensions based on the year of service and retirement age. The mandatory insurance contributions are arranged by the “Budget of State Social Security Act”. Those contributions are based on the social security income, years of service and other factors (Pension Insurance Institute, n.d.). In this pillar, the PAYG principle is implemented, the working generation finances the current pension income of the current retirees. The administration is conducted by the National Social Security Institute (NSSI, n.d.). Finances of the pillar are concentrated in the fund called “Pensions”. According to the “Social Security Code” (SSC), the pillar covers the majority of employees and servants, state servants (except the marine servants) included in art. 69 from the SSC, fund “Maternity and Sickness”, “Unemployment Fund” and “Labour accidents and occupational disease”.

The second pillar is a Supplementary Compulsory Pension Insurance (SCPI). The operation of the pillar is based on capital principle, namely, the individual's contributions are accumulated in a private retirement account. The gathered revenues are managed by licensed pension insurance funds which are divided in two main funds: Universal Pension Fund (UPF) and Professional Pension Fund (PPF). The funds are managed privately without the inclusion of social partners. The pillar's coverage is mandatory for people born after 31.12.1959 to receive a second supplementary pension, regulated by UPF, and for people being part of the first and second category of labor receives pensions for early retirement regardless their age, regulated by PPF. The range of contributions is based on criteria considering the "type of the insured persons and the distribution between the contributor and the insured person" (National Revenue Agency – NRA, 2016). The contribution payment in PPF is entirely paid by the employer while the payments in UPF are shared between employer and employee. There are all arranged by the State Social Insurance Budget Act.

The third pillar is the Supplementary Voluntary Pension Insurance (SVPS). All citizens over age 16 are able to participate in the fund. The aim of the fund is to ensure individual income in retirement years. The capital principle is functioning here as well. Individuals could voluntary deposit in their own account which they could use both before and after retirement. A legal framework regarding the functioning of the private funds is established. The funds of the individuals are managed and invested by voluntary pension funds (VPF). The regulation of the funds in the second and the third pillars are supervised by the Financial Supervision Commission (Pension Institute, n.d.).

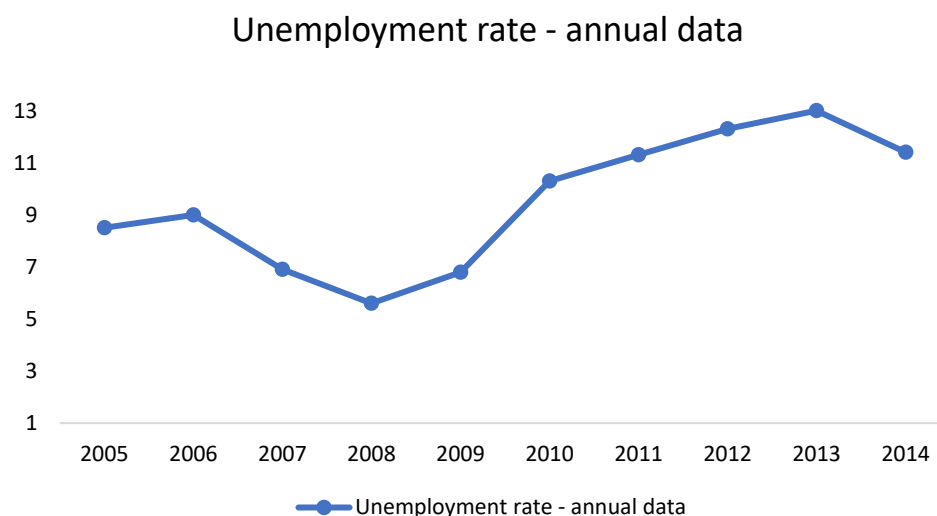
4.2.3 GERB's Pension reform I (2009-2010)

Before focusing on the main historical moments and changes of the pension reform in 2014-2015, it is important to mention the dynamics in the social politics in previous governments.

A main problem in the Bulgarian pension system is the high budgetary deficits and the low pension rates which were a result of the world crisis in 2008-2009. The budgetary deficit of the National Social Security Institute in the end of 2009 was 628 million leva. The Parliament voted to subsidize the first pillar of the pension system by 850 million leva. The Institute explained the high deficit with the high unemployment rates (Dnevnik, 2009). According to the Table 3, the

horizontal axis of the unemployment annual rate illustrates an overall trend of increase in the unemployment rates, from 5.6 % in 2008 up to 13.0 % in 2014. As it could be seen, during the pension reform initiation in 2010, right after the crisis, the numbers went up almost twice, from 5.6% up to 10.3%. It could be concluded that these dynamics pressured the financial stability of the state pension funds. Because of that the initiated pension changes were concentrated on changing the retirement age in a solution for accumulation more budgetary funds.

Table 3. Unemployment rate in Bulgaria (2005-2014)



Source: Eurostat (2014)

As a result, the Social Minister Totyo Mladenov who was part of the rightist GERB government, announced in September 2009 a proposal for equalizing the retirement ages between men and women. The idea was not received well by the trade unions (Mediapool, 2010). However, in January 2010, the Ministry of Labour and Social policy proposed a reform package consisted of two options: increasing the retirement age and the years of service. The first option proposed to increase only the years of service with 3 years in once from 2012 without increasing the retirement age. The second option suggested to increase the women's retirement age in 2012 by 4 months every calendar year until the age reached 63 years old in 2019. Moreover, since 2021 the retirement age for men and women should be increased at the same by four months until the age both reached 65 years old. The government promoted more the first option as it did not offer increase in the retirement age with the argumentation that in a crisis economic condition there

would not be any drastic pension parametric changes. After the severe outcry from the trade unions, the government was provoked to slow down the reform (Mediapool, 2010).

The new dynamics started in August when the government adopted a change to increase the retirement age for the third labour category⁷ by one year from 2012 to 2013. In addition, the first and third labour category would gradually increase from the beginning of 2011. In October 2010, massive protests were organized by trade union organization (CITUB) in the capital. The PM Boyko Borisov had a personal meeting with them to negotiate their demands (Blitz, 2010). The result was an agreement which arranged not the conditions for retirement rather than the contribution rates. The contribution rates were increased with 2%, from 16% to 18%. In result, the employers expressed their disagreement of the governments' neglect of their position within the social dialogue by leaving the tripartite (Dnevnik, 2010).

In the end of October 2010, the Social Minister Mladenov and the head of the NSSI announced a new change. The National Social Security Institute became a holder of the assets of the professional pension funds. Moreover, the years of service was planned to be increased from 2015 by four months annually until it reached 37 years for women and 40 for men. The retirement age was planned to start increasing in 2024 by 6 months annually until individuals reached 63 years for women and 65 for men. At that time, the retirement age for men was 63 years and for women was 60 (Pariteni, 2010). The government also managed to convince the businesses in the absence of the trade unions to increase the social contribution to 1,8%. However, the trade unions did not want to comply with the proposed changes and the left the tripartite dialogue. In a result, the reform was blocked until the end of 2010 (Dnevnik, 2010).

4.2.4 GERB's Pension reform II (2011)

The attempts for a new pension proposal proceeded in 2011 as well. The reform was initiated again by the right political party GERB and promoted by the Financial Minister Simeon Dyankov and

⁷ The Council of Ministers determines which profession to which category is assigned according to the nature and particular labour conditions. The categorization of the labor of the retiree is carried out on the basis of provisions adopted by the Council of Ministers Ordinance for categorization of labor retirement (State Gazette.123 of 1998). According to the Ordinance, there are three categories of labour. In short, the first and second categories include engineers, minors, marines, police, military or any labour with severe working conditions. The third category is the most massive one including all other professions (Ministry of labour and social policy, n.d.).

the Minister of Labour and Social policy Totyo Mladenov. The reasoning standing behind this reform proposal were linked to previous unsuccessful reform and the unsolved issues of the budgetary deficit.

The reform process was again consisted of massive protest organized by the CITUB and several trade unions' exits from the tripartite dialogue. Finally, in December 2011 the government managed to pass the pension proposal in the Parliament. The reform text included the following changes. Firstly, the retirement age for the third category labour was increased by four months annually from 2012 until 2021 when the women would reach age of 63 and men age of 65. The proposal changes concerning the years of service were the same as the one mentioned in the reform in 2011, 37 for women and 40 for men. The retirement age of the individuals who did not manage to reach the minimum of 15 years of service was increased from 65 to 67 in 2012. Another crucial changed was the modification of the formula for indexing the pensions. So far it was based on the Swiss rule, namely by updating the index by the half of the increase of the insurance income plus half the rate of the inflation. However, since 2013 the indexing was based only on the inflation rates (Mediapool, 2011).

The reform received the majority vote in the Parliament and was successfully implemented. However, the reform was criticized by the majority of the political parties. The political party GERB was blamed for the inefficient negotiation process. Political leaders accused the government that the proposed changes should not be even considered as a reform (Mediapool, 2011).

The critical moment was when the trade unions organization CITUB and Podkrepa asked the President to impose a veto on the adopted changes regarding the radical increase in the retirement age. The President Pyrvanov responded to their demand and applied his veto power (OFFnews, 2011). Nevertheless, the Parliament voted again the reform proposal which was again adopted by 122 votes (Dnevnik, 2011).

The presented reform processes presented a trend that the past governments realized that the pension system was in a crisis and a substantial reform was necessary. However, all the initiated reforms were focused mainly on parametric changes in the contributions rates, retirement age and years of service. Nevertheless, the reform of 2014-2015 presented a new reform portrayal.

4.2.5 Latest Pension Reform (2014-2015)

The pension reform process was blocked during the political crises in Bulgaria between 2012 and 2014. The reform dialogue was revived by the new coalition government formed after the elections in 2014. The reform was one of the requirements included in the binding coalition agreement between right-wing party GERB and the democrats of Reformist Bloc supported by the nationalist of National Front and the centre-left party ABV signed in November 2014 (Economy Magazine, 2014).

The Minister of Labour and Social Policy Ivaylo Kalfin started a negotiation process between political parties, trade unions and employers at the beginning of his mandate. The negotiation topics were concerning the retirement age, social contributions rates, increase in the social contribution in funds “Pensions” and “unemployment” and the method of contribution increase. Beside the parametric changes, there was a proposal for structural change in December 2014. The Bulgarians born after 1959 who were insured by the universal pension fund (UPF) would have the option to choose once whether or not to transfer their fund to the first state pillar managed by NSSI. This fundamental modification was voted by the two political parties with the highest number of seats in the Parliament, i.e., GERB and centrist DPS. The other coalition partners were against this change (Mediapool, 2014).

In a result, the stability of the coalition was shaken. The main conflict was between the Reformist Bloc and GERB (Vesti, 2014). The political party regarded the issue to the President Rosen Plevneliev by expecting for him to impose veto on the implemented change. However, the President did not veto the controversial change. Plevneliev argued that political leaders needed more time for a debate, therefore, he gave them chance to reach a consensus until March 2015 before using his veto power. Furthermore, the Reformist Bloc threatened to refer the Constitutional Court after the President’s response. The private pension funds also insisted on the veto of the President (National Assembly, 2014).

At the same time, the socialist party BSP which was not part of the coalition proposed a contra-reform in January 2015. A main discrepancy between both proposals was that the left-party suggestion aims to ban the increase in the years of service and retirement age. The BSP proposal

was considered as political strategic move rather than as a substantial and expertise reform (Mediapool, 2015).

Another highly disputed change addressed the amount of contribution rates. In April 2015, the government suggested a gradual increase of the social contributions in fund “Pensions” and “Unemployment”. The overall increase would be 4,5 % implemented in the next 12 years. It was estimated that this would generate revenues of 1.1 billion leva. The main employers’ organization AICB, BIA and CEIB were against these changes (Investitor, 2015).

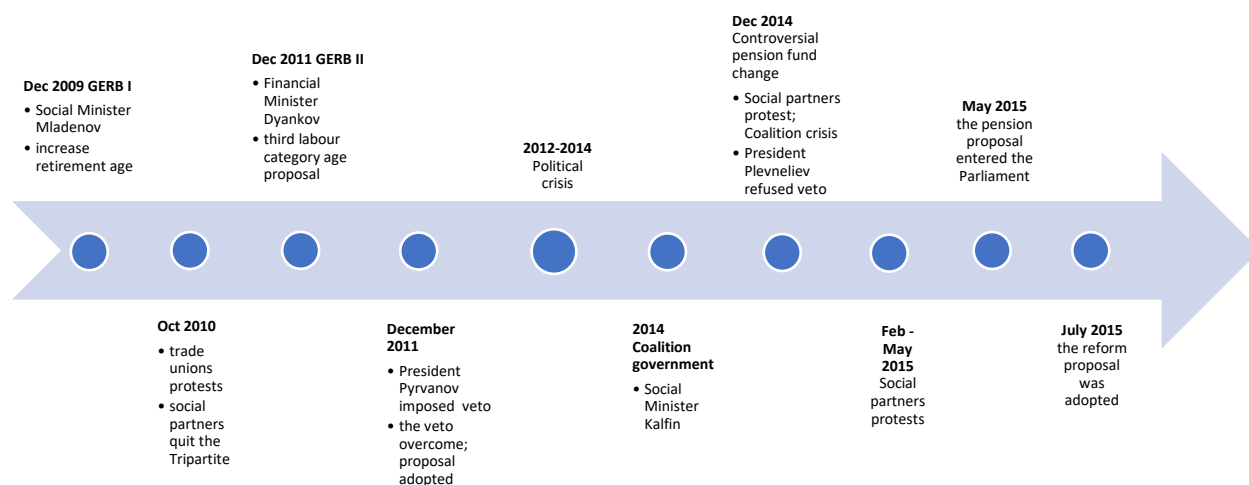
However, after the intense negotiation process the government managed to reach a consensus with both sides of the tripartite dialogue. The reform officially was adopted by the Parliament in July 2015. The main reform changes are the following. First of all, individuals would be able to transfer their pension funds from supplementary mandatory pension insurance to the UPF “Pensions” and fund “Pensions for individuals under Art. 69” – first pillar (Amendment Bill for SSC, 2015, Art. 4b). Secondly, the contribution rates were increased. As it was mention in the previous reform 2011/2012, a consensus with the business was reached by adopting 1,8 % increase. However, in this reform, the social contributions were increased by 2% but there the raise is divided in two years. Therefore, a social contribution in fund “Pensions” will be increased by 1% in 1.01.2017 and by 1% in 1.01.2018⁸ (Amendment Bill for SSC, 2015, Art 6). Thirdly, employees from the first labour category, working in hard working conditions, would retire at age 55, 10 years earlier that the usual workers. The workers in the second labour category would retire at age 60 years or 5 years earlier than the usual workers (Amendment Bill for SSC, 2015, Art 68). The last main change addressed the retirement age of men and women. The reform adopted a smooth increase and gradual equalization of the retirement ages of men and women to age of 65 years targeted until 2037. The individual, who did not have enough year of service, were allowed to get retire at age 65 with minimum 15 years of service. After all, the reform raised the retirement age to 67 years and the minimum service was increased by 3 months annually until it reached 18 years of service in 2027 (Amendment Bill for SSC, 2015, Art 68).

To sum up, the last reform was a combination of parametric and systematic reforms. Even though it concerns the same problematic areas, the reform managed to reach a consensus between

⁸ More precisely, 0.56% are paid by the insurer and 0.44% by the insurance person.

state, trade unions and business. The main emphasizes was on the methods that it offered for implementing those changes, namely, gradual increase in every modification. In order to help the reader, an event timeline Table 4 is presented. The timeline summarizes the reform dynamics from 2009 until the latest reform adoption in 2015.

Table 4. Historical overview of the pension reforms events (2009-2015)



After providing a historical description of the main controversial moments in the reform dynamics, the study will proceed to an analysis of the case data collection in the following chapter.

5. Analysis and Results

The next step is to focus on examining the results from the process tracing of the conducted interviews supported by analysis of the government documents and newspaper data. Every stage of the reform has been systematically and precisely described by using the collected data. Next to that, in every section a coding interview analysis presents the results concluded from the personal answers of the main political and social actors.

The aim of this chapter is to investigate whether there is an association between the political structure, the actors' behavior and preferences, and the outcome of the pension reform.

5.1 The Role of the Social Partners

5.1.1 Social actors' institutionalization

Trade unions have intensively participated in the process as they are one of the parties in the established social partnership in the Bulgarian institutional system. During the process tracing focused on the social actors' behavior, several indicators were considered as crucial in terms of hypotheses justification.

Firstly, the text examines the social actors' behaviour since the very first minute of the reform. As it was mentioned in the previous chapter, an intensive work on the reform started with the mandate of the new coalition cabinet. Minister of Social and Labour policy Ivaylo Kalfin initiated a working group on the pension reform proposal which not only the tripartite actors but also everyone who was related to the pension policies. A potential indicator symbolizing the role of the social actors could be recognized in the common trend of seeking their support. Political actors as the government and more precisely, the Minister itself, highly sought for their support. According to the Minister, the social partners' aim was to come up with a process that is as transparent as possible as they were seeking a stability of the reform.⁹ At that stage of the analysis, that statement could be only considered as an assumption regarding the social actors' commitment to the pension reform.

According to the veto-player theory, the analysis recognizes the trade unions and the employers as main veto-players which possess the opportunity to impose their veto points in every

⁹ Citation from the interview with Respondent 1 – the Minister of Social and Labour policy

stage of the reform process. Firstly, it is important to mention the institutionalization of the social partners according to the Bulgarian legislation. As stated in Art.3 of the Labour Code, the National Council for Tripartite Cooperation (NCTC) had consultative function on a national level concerning employment, security and standard of living issues. The Council main purpose is to regulate the process and to establish a dialogue with the government (Labour Code, 2016). The tripartite decisions do not impose any action regarding the legislation process. That means that their statement could be overcome when a reform enters the National Assembly.

However, the social actors have found other ways to overcome situations when their positions are not recognized by the political parties inside the Parliament. Firstly, that is the usage of lobbying as an instrument to push through believes within the Parliament. Their second weapon is the massive protest. For instance, at moment of the pension reform the largest independent trade organization (CITUB) had total members around 270, 000 people (CITUB, 2015). In addition, the second largest labour organization CL “Podkrepa” had 150, 000 members (Podkrepa, 2015). The employers’ organizations as BICA had more than 80 branch chambers with more than 500 000 workers (BICA, 2015). A mobilization of those three organizations could turn into massive protest for a country with overall population of 7 205 677 (National Statistical Institute, 2014). A full mobilization will result in a protest of 770 150 participants or approximately 10% of the Bulgarian population. In the following of this section, the thesis concerning the veto point power of the social actors will be supported by examples taken from the reform dynamics.

5.2 Trade Unions’ Participation

5.2.1 Secondary data

In reference to the pension reform of 2014-2015, an explicit example for such an interference was the massive protest of both trade organizations, CITUB and CL “Podkrepa”, which they initiated in the very first beginning of the reform. The disagreement was regarding the initial reform proposals claimed by the government. The suggested reforms were integrated within the “Draft Law of the State Social Security Budget for 2015” (National Assembly, 2014). The main disagreement of the trade unions was regarding the retirement age. In the proposal, Socia Minister Kalfin and the government suggested the increase of the retirement age and the length of the service to be changed from 4 months in 2015, adopted by the previous government, to 2 months. However, the leader of the CITUB Plamen Dimitrov argued that for the trade unions the only

solution would be a potential increase of the retirement age by 0 months and increase of the service by 4 months. He also announced the date (11.12.2014) and the place (in front of the National Assembly) of a protest consisted of 5000-6000 CITUB members (Mediapool, 2014). During the protest, Plamen Dimitrov claimed that in no way will the trade unions sign an agreement with the ageing increase proposal of Minister Kalvin. Apparently, at that moment political parties of the PF and the opposition showed their disagreement as well by supporting the protest (Dnevnik, 2014).

In a result of the protest, Prime Minister Boyko Borisov initiated a meeting just a few days after the protest with the participation of the government and the trade unions. The aim of the government was to reach a consensus as the situation was extraordinary, namely, the urgent adoption of the Budget regarding the State Social Security until the end of the year. During the meeting, the participants come up with a decision stating that the increase of the retirement age would not be implemented in the following 2015 and they imposed a deadline, 31st March, when a long-term decision concerning the pension issues must be taken (Dnevnik, 2014).

The presented events illustrate the setback of the pension reform due to the social outburst. The initial parametric¹⁰ proposals regarding the retirement age were declined. The reform took a step backward. The trade unions at that moment did not show any willingness to change parameters of the age and were skeptical regarding the government's desire for changing the pension system. Moreover, the employer's organization BIA accused the government of abandoning the reforms due to the pressure and the warning for more protests imposed by the trade unions. The employers also criticized the agreement as they were excluded from the signed memorandum between trade unions and the government (Dvenvik, 2014).

The disagreement of the trade unions was illustrated by their statements addressed to the Minister and the head of the Tripartite Council – Ivaylo Kalvin. These statements were part of the assessment of the Budget for the Social Security where each social partner expressed their official position.

¹⁰ As it was mentioned in Chapter 2, the parametric changes regard alteration of the parameters in a pension model. For instance, changing the contributions rates, benefits or eligibility conditions (retirement age, length of service and etc).

In the statement, the trade union organization “Podkrepa” criticized that the social contributions for the first pillar were not changed in the recent years. Furthermore, the contributions were even systematically decreased in the period 2001-2010. Secondly, “Podkrepa” addressed the demographic problems where they exclude the increase of the retirement age for the third labour category from 1. 01. 2015 as a solution. The trade unions also used a comparison with the previous government to portray their negative opinion. They called the initiated reform “Without Dyankov but with Dyankov’s methods”.¹¹ The government was accused, even though Podkrepa have alerted regarding the great pension problems and deficits, of not aiming to conduct negotiations regarding the crucial topic (Podkrepa et al., 2014, pp. 2-9).

The negotiation process was again blocked just before entering the proposal in the Parliament. This time the conflict was between labour unions and business. The employer organization CEIB¹² and its leader, Kiril Domuschiev, threatened the government and the National Cooperation of the Tripartite to quit the social partnership due to the fact that decisions were taken without the participation of the businesses. They accused the trade unions of misuse of the members in a protest mobilization and threatened the government to initiate an employers’ protest (Actualno, 2015). In a response to the businesses’ threat expressed in an interview for a leading Bulgarian newspaper, trade unions’ leader Dimitryr Manalov¹³ said that employers would make a mistake if they thought that they could pressure the government position with their protests in order to get rid of the changes regarding the pension funds. Moreover, he openly addressed the second social instrument, namely, the lobbying. In order to capture the seriousness and the threatening note of his words, his words will be quoted: “You have no idea the extent of the lobbying power of pension funds” (Trud, 2015).

In April and May, the governments faced the same dynamics cycles of threats and protests organized by the trade unions. Trade unions CITUB and Podkrepa again addressed official statements to the PM Boyko Borisov and other Parliament members. In the statement, they expressed their total disagreement with the pension proposal in that time regarding the retirement

¹¹ The Dyankov reform was explained in chapter 4. This was the second reform of the GERB government which managed to implement a radical increase of the retirement age despite the imposed veto of President Parvanov.

¹² CEIB – the Confederation of employers and Industrialist in Bulgaria.

¹³ It is important to be mentioned that the trade unions CL “Podkrepa” elected Dimitryr Manalov as a new organizational leader on the ninth congress held on 08-10.02.2015 (Podkrepa, n.d.).

age, which was an increase for women retirement by 2 months until 2029 and by 3 months after 2030 until 3037. For men, the increase was with 2 months in 2016-2017 and from 2018 by 1 months every year until 2029. In end, they again threatened the system with protests (Dnevnik, 2015).

A critical moment was when the new measurements addressed the people retirement conditions in a labour category with professional occupation in the Security Sector, military and police officers. Minister of Social and Labour Policy and the working group proposed in April 2015 a retirement age of 52 years and 27 years of service as a condition for retirement and a gradual increase up to 55 years. Up to that moment, those professional categories had only the condition of 27 years of service without the age condition. The professional trade unions' reaction was a ten-day protest marathon against the proposal who were already in the Parliament debate (Mediapool, 2015). There were meetings between trade unions, Minister of the Interior Rumqna Bachvarova and Minister of Social and Labour Policy Ivaylo Kalfin. However, the trade union were not satisfied with the debate and continue the protests and even asked for Bachvarova's resignation (Mediapool, 2015).

Despite the trade unions outcry, the Parliament recognized the measurement as crucial to be adopted. In result, art. 21 in the Social Security Code was adopted by the political parties with 86 for votes (Registration and Votes by Political Parties, 2015). It could be concluded that regarding this measurement the protest did not influence the initial government plan.

5.2.2 Interview data

Supplementary to the chronological portrayal of the events related to the trade unions behavior, the text will provide a second evidence that could be characterized as an evidence with higher certitude as the personal interview with the actors highly involved in the process provides a trustworthy case insight.

The respondents were asked several direct questions to comment the trade unions role in the reform process; whether they had a decisive influence or simply to give an assessment of their behavior. The following Table 5 presents an overview of the respondents' answers to those questions. Each of the interviewees, despite the employer respondent, confirmed that the participation of the trade unions in the process was highly influential to the overall outcome.

Firstly, the Minister Kalfin who had one of the closest personal contacts with the representatives of the military and police trade unions, claimed that their role was “very important during the negotiations”. Also, he explicitly underlines their role in the period where the pension of the miners, police officers were addressed. Due their close debate they managed to find a “balanced solution”.¹⁴

The state expert Petya Malakova, commented that both the role of the employers and the trade unions were vital due to the institutional arrangement of the NCTC. She highlighted their power as a lobbying actor if their position was not taken into account during the reform debate. She also mentioned that a reform will have a high probability to fail the legislative procedure within the Parliament. Furthermore, she underlined that all of the social actors were aware of the problems of the system and everyone was working towards changing the system.¹⁵

Mariana Popova, the representative of political party ABV, referred to the trade unions approval vote (after the satisfaction of their request regarding the “Security Sector” pensions) as a “core component to success” by concluding that without their approval a reform “would not be possible”. Additionally, she mentioned the role of the Social Partnership institutional arrangement.¹⁶

The trade union respondent commented the position of the trade unions as a cooperative as their purpose was to solve the inequalities in the system. Additionally, the interview assumed that their protests could be seen as uncooperative actions towards the government. The respondent concluded that without their support a reform “would hardly have been possible”.¹⁷

The state expert, Lychezar Simeonov, characterized the role of trade unions as one that “have postponed the process” with their demands regarding the retirement age.¹⁸ The employer representative Grigor Dimitrov expressed a similar position. In his view, trade unions had a “negative role” as they had demands for higher pension income without providing the solution for

¹⁴ Citation of the interview with Respondent 1 – Minister of Labour and Social policy, Ivaylo Kalfin.

¹⁵ Citation of the interview with Respondent 2 – State expert Petya Malakova.

¹⁶ Citation of the interview with Respondent 3 – Political party representative ABV, Mariana Popova.

¹⁷ Citation of the interview with Respondent 4 –trade union organization CITUB member, Yordanka Krysteva

¹⁸ Citation of the interview with Respondent 5 - Social expert, Social Assistance Agency, Ministry of the Labour and Social Policy, Lychezar Simeonov.

gathering capital for the pension system. He outlined that this was the starting moment of their disagreements.¹⁹

Table 5. Criteria accessing the trade unions behaviour

Narrative used by the respondents	Frequency in the answers
<i>Very important actor</i>	2
<i>Without their support, the reform has a high probability to fail/ Would not be possible</i> <i>Their approval equals success</i>	4
<i>the importance of the institutional arrangement</i> <i>NTCT</i>	6
<i>Negative behaviour/ postpone the reform process</i>	3
<i>Contributes with expertise</i>	2

5.2.3 Theoretical Reference and Main Conclusions

To put it in a nutshell, the presented crucial moments, statements and interaction between the trade unions and the other political actors are in favour of the veto-players theory concept. Precisely, trade unions have several times postponed the pension reform by conducting protests events. They used their members as a threatening instrument against the government. They were not only seen as a member of the social partnership but also seen as a carrier of the electorate's will. Therefore, Pierson's theory could be referred to the case events. The retrenchment programs of the government had difficulties to be adopted due to the resistance of the society. The resistance was generated by the massive support of the trade unions. However, the blockage of the reform was visible at several stages (in very first beginning, policy and military retirement age). Moreover, not only did they postpone the reform process and impose pressure on the government and the other actors involved, but they also blocked changing more the eligibility parameters, namely the

¹⁹ Citation of the interview with Respondent 6 – Employers' Interest Protection Bulgarian Industrial Association (BIA), Grigor Dimitrov.

retirement age and the length of service for some labour categories. Their total denial of the substantial increase was expressed numerous times. However, in the end, the retirement age concerning the largest labour category was changed according to the government initial plan. The comprise that the Social Minister Kalfin proposed was in the gradual increase scheme which turned the change in favour of the employees. Hence, their actions were not meaningless due to the apparent compromise.

In addition, the semi-structured interviews supported the evidence derived from secondary data analysis. When it comes to social politics, in our case precisely a pension reform, trade unions did influence the policy-making process. Not only did they slow down the negotiations, therefore, made a reform process difficult in terms of satisfying demands but they also altered the initial government's proposals. There is an association between the protests, negotiations within the working group and the changed eligibility parameters regarding the retirement age and length of service for the people working in the "Security Sector". Theory addressed this causal assumption in the thesis that certain important trade unions organizations' approval is an inevitable condition for a pension policy reform adoption (Anderson, 2001). In Bulgarian case, those were the largest trade unions organizations CITUB and CL "Podkrepa" which used all of their members to satisfied their own demands. Therefore, there was a presence of a social actor who imposed influence both by using its members as a protest weapon and the lobbyism as a working instrument within the Parliament.

5.3 Employers' Participation

5.3.1 Secondary Data

The second crucial social actor that the analysis examines is the employer. The employers' organization had different demands regarding contribution rates, private pension funds, retirement age and other pension conditions compared to the trade unions. The process tracing analysis aims to examine the employer's interference during the reform negotiations in order to track down the right evidence for supporting the study *hypotheses (1,2, 3)*.

The first expressed disagreement of the employer's organization was in reference to the proposal of the political party GERB concerning a change in the Labour Code. The change addressed the one-time opportunity for the citizens born after 1 January 1959 to choose, in a one-year deadline, whether they would be insured by the pensions fund or by the first pillar. The idea

of this proposal was to convince people to shift their funds from the private funds (second pillar) to the first pillar aiming to reduce the state budget deficit. The Budgetary Commission at that time approved the proposal. In result, it entered the Parliament for voting. The Vice President of Bulgarian Industrial Association (BIA) Dimitar Brankov widely expressed the negative position of the businesses against this measurement. He accused the government of neglecting the Tripartite debates before proposing any change in the National Assembly (Investitor, 2014).

The employers were highly concerned as for them the existence and the financial stability of the pension funds was strictly related to the economy. Therefore, the insecure economic conditions would affect the businesses. According to the Bulgarian Industrial Association, those reforms proposal concerned around 3.5 million people (those born after 1959) who had deposited in past 16 years around their 5% contribution accumulating around 7.7 billion leva. They also asked for a longer and widely opened debate (Dnevnik, 2014). Moreover, the employers' organization Association of the Industrial Capital (AICB), Bulgarian Industrial Association (BIA), Bulgarian Chamber of Commerce and Industry, and Confederation of Employers and Industrialists in Bulgaria (CEIB) requested an increase of the retirement age and equalization between men and women, an increase in the length of service, a retirement age for second and third labour category and other parametric changes explained in an official statement (BICA, BCCI, BIA, & CEIB, 2014).

Despite the employers' opinion and requests, the Parliament neglected their position and went further within the Parliament debates. In a result, one of the employers' organizations BIA addressed a letter to the President Plevneliev in which they asked him to use one of his duties as a President, namely, to impose a veto if the proposal was adopted by the Parliament. Their main argumentation was that government had violated the social dialogue and its grounds by isolating important institutions and actors. Furthermore, they stated that the government "maintain a model of party and government control over the social cooperation by involving comfortable easy to handle social partners" (Mediapool, 2014). However, after some political confrontations between the political parties, which will be explained later in the analysis, the changes were adopted. The President's respond was that he would not impose veto as he gave the Parliament a three-month deadline to debate and solve the issue (Dnevnik, 2014).

The second crucial escalation between employers and the other political actors was as a result of the ongoing protest of the trade unions. As it was mentioned in the previous section, there was a moment of blockage of the reform. The process was interrupted by the intensive demands of both employers and trade unions which had completely opposite suggestions. The employers wanted an immediate increase in the retirement age and the length of service. Moreover, they were not agreed with the trade unions' suggestions for higher contribution using them as the main alternative for filling the budget gaps of the system. For the first time since the beginning of the reform, in February 2015 the employers' organization expressed their total disagreement by threatening the government with a protest. One of the major employers' organization Confederation of Employers and Industrialists (CEIB) and its leader Kiril Domuschiev threatened that the employers would join the trade unions' protest as only in that way they could be heard. Domuschiev addressed again the negligence of the Social Ministry within the scope of the social partnership. Additionally, he outlined the importance of the employers' participation in the system as they were the main contributor to the GDP. Therefore, he advised the government to consider their demands otherwise they would quit the social partnership (Manager, 2015).

The National represented employers' organizations Association of Industrialist Capital, Bulgarian Industrial Association, Confederation of Employers and Industrialists, and the Bulgarian Chamber of Commerce and Industry elaborated a recommendation document in March 2015 which summarized their policy preferences towards the changes in the pension system. The recommendation letter was addressed to the head of the Tripartite Social partnership and Social Minister Ivaylo Kalfin. The core policy recommendations of the business are presented in Table 6.

Table 6. Overview of the main policy preferences of the business/ 18.03.2015

№	PENSION POLICY PREFERENCES
1.	<i>Save the three-pillar model of the pension system;</i>
2.	<i>A radical change in the system for determining and granting disability pensions in order to prevent abuses and limiting the deficit in the Social Security funds (first pillar);</i>
3.	<i>An Increase by 6 months annually of the retirement age for third labour category for both sexes to 65 years and the length of service to 37 years for women and 40 for men;</i>
4.	<i>The income and expenses for insured persons under Article 69 can be divided into separate fund of State Social Security;</i>
5.	<i>Repeal of the second labour category and change the criteria for risk and burden of work under first labour category;</i>
6.	<i>Change distribution 50/50 between the insurer and insured persons and keeping of the size of present contributions;</i>

Source: Bulgarian Industrial Association, № 05-02-32

After the threats from both of the social actors, the following months were filled with weekly debates and meetings until the moment when the actors' positions started getting closer to each other. Employers were convinced that the contributions must be changed while trade unions accepted that the increase of the retirement age. However, the negotiation regarding the exact rates of the planned changes was planned to be discussed within the Parliament and the Working Commission. On 20th May, the PM Boyko Borisov officially announced, after an NTCT meeting, that the pension proposal would enter the Parliament for debates and voting. The Deputy PM Kalfin appealed for support from the political parties as the reform proposal had the principle agreement from the social actors. (Mediapool, 2015).

5.3.2 Interview Data

The primary data source of the personal interviews highly contributes to the analysis regarding the employers' role in the pension reform process. The respondents were asked directly regarding the role of the employers' organizations and the overall dynamics of the negotiating process. Moreover, they were asked to assess the concrete moment of their disapproval outcry in February when they addressed a letter to Minister of Social and Labour policy, Ivaylo Kalfin with their main demands. The main narratives which were used in illustrating the employers' behaviour are summarized in Table 7.

The Social Minister Kalfin clarified the details regarding the letter as that in the beginning of the process the employers expressed their distrust. He emphasized that the businesses were credible commitment and gradually were convinced on the changes. The focus was that they were not satisfied by the current pension system and they were willing to work towards a reform. During the interview, he emphasized several times on the employers' collaboration and stressed that "without their commitment, the changes would not be balanced".²⁰

The state expert, Petya Malakova evaluated the role of employers and trade unions as equally important. According to her, both organizations were principally agreed with the process towards a policy reform. More precisely, she was asked to comment the employers' disagreement with the abuse with disabled pensions. She explained that according to the experts this abuse was not a problem National Social Security Institute rather to the healthcare department. Nevertheless, Social Minister Kalfin addressed their requests and discontinued the practice of receiving two disability pensions. Malakova also mentioned that the employers were not in favour of the change concerning the increase in the contributions as 60% are paid by them. However, she outlined that "serious compromises" were made to the employers with both stopping the increase in the fund "Unemployment" and decrease of the initial 4%.²¹

The other state expert Simeonov claimed that it is "unthinkable to pass a reform without the support of the employers". He explained that the employers were mainly focused on defending the capital stability of the system. However, he agreed that the process was slowed down by the negotiation regarding the disabled pension, fund schemes and contributions, however, those debates contributed for the trust and support that would have later resulted in a more substantial change.²²

The opinion of the trade unions is also extremely crucial due to the ongoing conflict between them and employer during the whole negotiation process. The representative Yordanka Krysteva accused the employers for supporting only the business's interest rather than the interest

²⁰ Citation of the interview with Respondent 1 – Minister of Labour and Social policy, Ivaylo Kalfin.

²¹ Citation of the interview with Respondent 2 – State expert Petya Malakova

²² Citation of the interview with Respondent 5 - Social expert, Social Assistance Agency, Ministry of the Labour and Social Policy, Lychezar Simeonov

of the overall pension users. He assessed their requirements regarding the disabled pensions as “ridiculous”.²³

The very crucial respondent in line with this variable is the central member of the employers’ Industrial organization (BIA), Grigor Dimitrov. He was asked to give an assessment of the employers’ work and role within the pension reform dynamics. He explained that the employer was a cooperating party as they participated with highly expertise statements and reports. He outlined their main contribution regarding the problems of the system in the “Security Sector” funds due to the fact that they were those who “forced the government to create a sub-fund” concerning those pension categories.²⁴ They aimed to balance the system. Dimitrov commented the employers’ disapproval of the reform in February that their main purpose was to find the right recipes for filling the gaps of the system and to defend the funded schemes. They even offered the government to evenly separate the contribution payments, namely, 50% by them and 50% by the state. However, he emphasized on the neutral position of the Minister and expressed the dissatisfaction of the reached consensus on the contribution rates. Dimitrov evaluated this change as a “bad decision”.²⁵

Table 7. Criteria accessing the employers’ behaviour

Narratives used by the respondents	Frequency in the answers
<i>Crucial actors</i>	2
<i>Most committed</i>	1
<i>The changes would not be balanced without their commitment</i>	1
<i>Contributes with expertise</i>	3
<i>Impossible reform by their participation</i>	4

²³ Citation of the interview with Respondent 4 –trade union organization CITUB member, Yordanka Krysteva

²⁴ The scope of insurance funds from January 1, 2016 added the "Pensions for persons under Art. 69 "(for disability due to sickness, old age and death), which is equivalent to the fund "Pensions" but will only work for people in the sector" Defense and Security". The fund shall be expended only for the payment of retirement pensions and old age pensions for disability due to sickness and updating the amount of these pensions for workers in the sector "Defense and Security. " (Amendment Bill for Social Security Code, 2015).

²⁵ Citation of the interview with Respondent 6 – Employers’ Interest Protection Bulgarian Industrial Association (BIA), Grigor Dimitrov

5.3.3 Theoretical Reference and Main Conclusions

The mentioned statements within the interviews confirm several notions. Firstly, the conception that the employers had an impact on the pension system adopted changes was confirmed. All of the respondents presents evidence in support of that. The minister, experts and political party members believe that without the commitment of the employers' organization the adopted reform could end up in a failure. The only respondent who was more skeptical was the trade unions representative. Despite the current conflict between them, they still recognized the employers as a necessity supporter of the changes. Due to the numerous meetings and several protests the dynamics of the reform process were slowed down. Secondly, the employers are a great contributor the budget and their main goal is to defend the business interest. This influence was indicated by the change in the contribution rates from 4% to 2%. Furthermore, employers contributed by providing their high expertise capacity to the Social Ministry. In a result, there was a modification in the government's proposal, namely, a new sub-fund.

To sum up, it is crucial to be mentioned that the employers' pressure had its influence on the overall pension adoptions. The initial proposals regarding the increase in the contribution rates were 4% total for 12 years for both fund "Pensions" and "Unemployment". However, after the protest threats and ongoing debates, the employers managed to negotiate an increase by 1% in 2017 and 1% in 2018 for fund "Pensions" and to stop any increase of the contributions for fund "Unemployment". According to the Varieties of Capitalism (VoC) approach, despite the political struggle and interests' game, it is really important for an analysis on the pension reform dynamics to include employers, business and industry organization (Immergut et. al., 2007). In that line of reasoning, there is an evidence for a substantial change of the government preferences which means that the government has altered its position and demands guided by the disagreement of the businesses. The financial interest of the business organization is impossible to be overridden as they are on the main contributor for the pension budget. As an evidence to this statements are the remarks made by the leader of one of the major employers' organization of the industrialists Domuschiev who said that employers are participating in the state's GDP and according to that the government should listen to their requests.

The presented situation in the Bulgarian pension case has a reference to Marier's theory which illustrates that the Social Partnership role within the work and the administration of the state (Marier, 2008). This "corporatism" and the "social pacts" (Ferrera & Rhodes, 2000) established by the Bulgarian National Council for Tripartite Cooperation explains the intensive involvement of the social actors in this study case. As it was mentioned in the literature review, cases as Italian also confirmed that Social Actors participation and the government consideration of their demands are crucial factors for the successful implementation of a pension policy process (Ferrera & Jessoula, 2007). The similarity with the Bulgarian reform process confirmed the *hypothesis 3* regarding the role of the social partners' institutionalization and the pension policy outcome.

The participation of the social actors was, undoubtedly, a central factor for the adopted results, however, the analysis aims to take into consideration more potential variables. Thus, the text will continue examining the political struggles, institutional system and the social preferences in order to strengthen the main conclusions.

5.4 Political Actors and the Type of Reforms

On the basis of the veto-player theory and the derived *hypotheses 4 and 5*, the analysis must focus on the preferences and their ideological distances within of the political parties within the ruling coalition in the policy reform. Hence, the thesis aims to examine the link between those preferences and the types of adopted changes, whether they were parametric or programmatic.²⁶

In the previous chapter the content of the coalition was explained, namely, the type of political parties and the number of seats within the Parliament. The analytical framework of this section is based on the veto-players' theory based on one dimension political spectrum of Left-right, same used by Tsebelis (Tsebelis, 1999). The current text tracks the political party representatives' statements indicating their demands strictly related to the pension reforms. Evidence concerning the hypothesis are derived from the interviews as well.

5.4.1 First Stage of the Political Dynamics

The coalition government was formed by 4 political parties – GERB (84 seats), Reformist Bloc (23 seats), Patriotic Front (19 seats) and ABV (11 seats). GERB is a representative of a centre-right political party with main political values as Europeanization and prosperity. The Reformist

²⁶ Programmatic changes are those which modify the overall model of a pension system (changing the pillars).

Bloc is a right-centered coalition party consisted by 5 political parties.²⁷ Those coalition parties recognize themselves as right-wing or centre-right parties aiming to defend the democratic principles and policy programs within the country. The Patriotic Front is also a coalition party consisted of two parties which ideology is based on nationalist values.²⁸ Their programs are based mainly on protectionist and anti-European principles. The last coalition partner ABV still does not label their position on the political spectrum. However, it is crucial to mention that it is a product of a political separation from the largest socialist party BSP. ABV's leader at the time of the pension reform was the former Bulgarian president and leader of BSP. Based on those facts, the study assumed ABV ideological position on the left side of the spectrum.

According to the illustrated coalition political portrayal, the government, at first sight was consisted only of four political parties, not a large coalition. However, two of those political parties were contented by overall 7 additional parties. Even though, they had common adopted manifestos, the analysis must consider as a factor the diversity amongst the internal party members. Hence, the scope of the coalition is assumed to be rather large than small. Moreover, the ideological differences amongst some of the coalition partners are substantial. For instance, there were sharp differences between the programmes of the highly leftist Patriotic Front and the 5-party-democratic bloc.

After the assumption concerning the nature of the type coalition, the next step concerns to track the positions of those political actors within the negotiations of the reform before and after the policy debate within the National Assembly and then link it to the final reform measurements.

The first political conflict was regarding the controversial opportunity for the one-time individuals' choice between the first pillar and the pension funds. Within the debate for adopting the new Social Security budgetary framework 2015, the legislative change was proposed by rightist party GERB (Investor, 2014). The proposed measurement was as a programmatic change

²⁷ DBG - Movement: Bulgaria of the Citizens *Dvizhenie "Bulgaria na grajdanite"*; DSB – Democrats for Strong Bulgaria *"Demokrati za silna Bulgaria"*; SDS – Union of Democratic Forces *"Syuz na Demokratichnite Sili"*; NPSD – Folk's Party Freedom and Dignity *"Narodna partiya svoboda i dostoinstvo"*; and BZNS – Bulgarian Agrarian National Union *"Bulgarski zemedelski syuz"*.

²⁸ NFSB – National Front for the Salvation of Bulgaria *"Nacionalen front za spasenie na Bulgaria"*. The second nationalist party is VMRO – Bulgarian National Movement *"Bulgarsko Nacionalno Dvizhenie"*.

as in that way the current three-pillar pension model was modified. The financial support that private funds contribute to the system was basically ruined. The aim was to enhance the state social budget by transferring individual funds' capital. Hence, the proposition suggested transforming the system into two-pillared as the second pillar will practically be demolished. However, the political party from the same right-wing spectrum, the Reformist Bloc and its leader Radan Kanev opposed the idea and expressed their absolute disagreement. The party was supported up by the other coalition partners which were also against the opportunity for changing the current pension model (National Assembly, 2014).

Within the last debate in the Parliament, on the second voting procedure 19th December, there were several statements that exposed the differences in the political preferences. Radan Kanev criticized the vague arrangement of the proposal text regarding the transferring funds' procedure. He outlined that this could affect the banking system. His argumentation also included motives based on the bad demographic conditions which could not be overcome without a second capital pillar. In addition, he addressed that the majoritarian vote within the Parliament would actually decide the future of the law, even though the coalition partners would not approve it as it was not "passed under the rules of the coalition" (National Assembly, 2014). Therefore, in his statements, it is clearly noticeable the veto-points power of the vote in a proportionate political system. The coalition was not supporting the proposal, however, the majoritarian presented political party GERB could still pass a legislation by the opposition party assistance.

In the end, the Parliament accepted the alteration of the law which enabled individuals born after 1959 to get the opportunity to a single shift their saving from the second pillar to the first pillar. According to the votes in Table 8, the law was adopted due to the majority of the seats of the political party that proposed the change, GERB, supported by the centrist political party of DPS. The opposition leftist party, BSP, was clearly against this alteration. As it was mentioned, the coalition partners the leftist ABV, nationalists Patriotic Front (PF) and the democratic Reformist disagreed with this modification and refused to accept the Parliament vote. Nevertheless, apparently up to that moment the main veto-player GERB managed successfully to direct the whole legislation process.

Table 8. Second Reading Social Security Budget 2015 Art. 3/ 19-12-2014

POLITICAL PARTY	FOR	AGAINST	ABSAINED	VOTED
TOTAL	120	57	35	212
GERB	82	0	0	82
BSP	0	4	30	34
DPS	33	0	0	33
RB	0	23	0	23
PF	0	12	1	13
BU	3	8	0	11
ATAKA	0	0	4	4
ABV	0	9	0	9
INDEPENDENT	2	1	0	3

Source: Registration and Votes by Political Parties, National Assembly

With respect to Tsebelis's theory, the presented sequence of events is not in support of the theory as it said that "the more partners there are in a government, the more difficult it becomes to induce a significant change" (Tsebelis, 1999, pp. 594). However, by using the institutional veto power of the legislative system, the majoritarian party managed to adopt a radical change of the programmatic modification of the pension model only by the support of one political party. Moreover, there is an ideology distance between the parties' position regarding the pension reform. The political party DPS is a centrist party, based mainly on ethnic (Turkish) and religious (Muslim) electorate, opposing any changes concerning an increase in retirement age or length of service. However, they stated that they did not recognize a treat for the pension model in the rightists GERB proposal, therefore they gave their support (National Assembly, 2014). GERB managed to overcome the veto players of the coalition by political persuasion, namely, by using the power of the opposition party's veto points.

Nevertheless, it is crucial to be mentioned that this was in the beginning of the reform process. Hence, the events above only induced a new stage of the reform process where new veto-players entered into the dynamics.

5.4.2 Second Stage

The adoption of the controversial proposal affecting the pension funds unleashed new dynamics. As it was mentioned the President²⁹ was asked to impose his power as veto player, namely, vetoed the legislation. That moment was recognized as critical both for the pension reform and the stability of the coalition. The president refused to stop the legislation regarding the pension fund, however, he put an ultimatum for reaching a consensus on the topic until March 2015 (Dnevnik, 2014). The dynamics so far indicates that a reform process was in a serious crisis. The institutional characteristics of the Bulgarian political system had their influence on the policy process. The proportionate political system and the large coalition government had imposed substantial obstacles in the very first beginning of the reform, particularly, the conflicts between political parties and the Presidential veto, even though it was not used at the moment.

The dialogue regarding the pension reform was reimbursed in the beginning of 2015. PM Boyko Borisov realized that without a future collaboration among the coalition a reform process would be impossible. During the private meeting between the leader of the democrats of the Reformist Bloc and rightist GERB the debate regarding future changes in the pension system was reestablished (Clubz, 2015). Thus, it could be assumed that the resistance of the coalition partners urged the mandate carrier (GERB) to rethink their firm position and step back from their initial preferences concerning the pension funds in the name of a successful reform. The instability of the system so far was a product of the stability of the status quo. The political forces recognized that issue and in the name of the reform success, they looked for alternatives leading to a break point.

5.4.3 Positions During the Pre-vote Debates

Within the discussion of the Labour, Social and Demographic Policy Committee on 3 June 2015 regarding the pension legislative proposal of the Council of Ministers, several ideological party differences could be outlined. This proposal presented a final systematized package of measurement changing the parameters of the current pension system.³⁰ In order to be voted in the National Assembly, the proposal must be first approved by the Committee.

²⁹ The President was asked to intervene in regards with the adopted controversial change on 19.12.2014 (Dnevnik, 2014)

³⁰ It has been already explained in detail (Chapter 4) the proposal's content.

The draft law was approved by the Parliamentary vote by 8 - for votes, 3-against and 3-abstained. However, three political parties expressed their negative position towards the measurements. The leftist coalition partner Patriotic Front criticized the lack of free choice in the measurement regarding the shift of the pension funds. In addition, they criticized the increase of the contributions and the retirement age, the neglect of the issues with the pension of the disabled people (Labour, Social and Demographic Policy Committee, 2015). With this argumentation in mind, the political party refused to support the law. The other two negative votes were received from the opposition party of the leftist BSP and the centrist DPS. The former communist party addressed that the initiated changes could not be referred as a pension reform, but only slight changes in the parameters. As a leftist party, they had quite negative comments on the increase of the retirement age and the length of service. The democrats DPS recognized the measurements highly unpopular and controversial. They categorized them as “unsustainable in the scope of the political dialogue” (Labour, Social and Demographic Policy Committee, 2015).

The coalition partners supported the measurement and showed readiness of the proposal to be voted within the Parliament. Therefore, they worked in favour of the reform process and the measurement. Only the measurement concerning changing the pension model was addressed as problematic by the majority of the parties, even though it was the one-time shift was changed to multiple. The opposition parties continued to impose their vetoed on the proposed measurements.

5.4.4 Vote within the Parliament

According to the Table 9, during the first reading of the draft law all of the coalition partners voted positively on the legislation despite the members of the Patriotic Front. Based on the discussion within the Working Committee their vote was not a surprise. The opposition party BSP addressed the inequalities of the system regarding the increase of the retirement age of the labour category working in the Security Sector, the equalization of the retirement age of men and women. They even made an urgent request to the women within the Parliament to vetoed these measurements. The unexpected positive vote of the centristis DPS party was an important moment. The arguments standing behind their supportive position were related in favour of the conducted open debate with the social actors and reached consensus on expertise level (National Assembly, 2015).

Table 9. First Reading Law Amendment Social Security Code/ 02-07-2015

POLITICAL PARTY	FOR	AGAINST	ABSTAINED	VOTED
Total:	115	35	19	169
GERB	78	0	0	78
BSP	0	28	0	28
DPS	4	0	6	10
RB	13	0	0	13
PF	0	1	13	14
BU	9	0	0	9
ATAKA	0	6	0	6
ABV	10	0	0	10
INDEPENDENT	1	0	0	1

Source: Registration and Votes by Political Parties, National Assembly

During the second reading at the end of July, there was a severe debate regarding Art. 4b which addresses the personal choice between NSSI and private funds. The political parties of BSP, Reformist Bloc, Patriotic Front suggested altering the article by changing it from born after 1.01.1959 to “people born between 1.01.1960 and 31.12.1969” and to alter the deadline of that free choice from the established “5 years” to “1 year”. However, the Parliament voted negatively on the proposal (National Assembly, 2015). Regarding the other measurements, the coalition partners supported the reform proposals. Only opposition parties of communist BSP and the nationalist ATAKA tried to sabotage the legislative procedure by refusing to participate in the voting. Nevertheless, due to the seats of the majoritarian party GERB, its coalition partners and the support of the opposition party of DPS the pension changes were successfully adopted (Registration and Votes by Political Parties, 2015).

5.4.5 Summary

To sum up, the political parties which took part in the political process had a large scale of political preferences. The adopted changes were mainly parametric in their nature - retirement age, contribution rates, the length of service, etc. The only measurement that could be referred as a failure was the programmatic change concerning the second pillar. In result, the suggested measurement was adopted in such way that it could be rarely used by the insured people. The analysis so far presents evidence in favour of the role of the coalition partners and the political parties constituting the Bulgarian Parliament during the reform period. The political cooperation and residence occurred all the time as in particular moments it was even critical, especially in the beginning of the reform period. During the negotiations and the debated in the National Assembly, the differences between the party positions were an indicator for a difficult reform. It was difficult due to the fact that it is hard to find the intersection between a large coalition and great ideology distance as it is proposed by Tsebelis's theory.

5.4.6 Interview data

With respect to the political system variable, the respondents were asked whether the coalition form obstructs the adoption of drastic reform changes and the role of the institutional system. Moreover, they were asked to comment the controversial change for a shift between the first and the second pillar. The respondents gave their opinion regarding the role of political affiliation within the scope of the coalition.

The Social Minister Kalfin gave a vague answer regarding the political reaction after the programmatic proposal. Even though he is a former minister, it could be assumed that his answer was not complete due to his profile as a political figure. He only outlined that they tried not to change the pension model which was established 15 years ago, due to "the effect of the implemented decisions is long-termed" and at the end, the balance was found. He characterized the coalition government as an advantage rather than as an obstacle as the more participants brought "more ideas and better argumentation". The one-party government, according to him, were mostly a failure due to "the lack of support". Kalfin outlined the great participation of all parties and

mainly the coalition partners as a positive characteristic of the system. He addressed that the populism talk was “defeated” by expertise argumentation.³¹

The party member of ABV, Mariana Todorova commented the type of government in a different way. According to her, the reform working group had to convince not only the mandate carrier (GERB) but also the other partners. She emphasized on the notion that “when the power is shared, it is more difficult to reach a consensus”. Todorova concluded that the separation between the right and left was evident. The right was appealing for “fiscal tightening”, while the left (PF and BSP) argued for more social changes. She criticized the leftist for their political conjecture actions. She added that situation was “advantageous” for GERB due to the fact that a representative of another political party would be responsible for the reform, namely, the initiator Minister Kalfin and ABV.³²

The state expert Petya Malakova commented that “the less participant, the easier it is”.³³ The other expert respondent, Lychezar Simeonov, presented the coalition as an obstacle for a drastic change. He also addressed the critical events around the law concerning the private funds.³⁴

The employers’ representative highlighted the critical moment and the start of a “severe confrontation” due to the adoption of the pension funds change. According to Grigor Dimitrov, this resulted in postponement of the reform process. With respect to the role of the coalition, he commented that the dynamics were slowed down and it was harder to reach a consensus. He added the notion that the more ideas and opinions, the “better long-term results”.³⁵ The trade unions’ correspondent Yordanka Krysteva reviewed that the drastic changes shook the political system in such a way that “the adoption of the reform was jeopardized”.³⁶

³¹ Citation of the interview with Respondent 1 – Minister of Labour and Social policy, Ivaylo Kalfin.

³² Citation of the interview with Respondent 3 – Political party representative ABV, Mariana Popova.

³³ Citation of the interview with Respondent 2 – State expert Petya Malakova.

³⁴ Citation of the interview with Respondent 5 - Social expert, Social Assistance Agency, Ministry of the Labour and Social Policy, Lychezar Simeonov

³⁵ Citation of the interview with Respondent 6 – Employers’ Interest Protection Bulgarian Industrial Association (BIA), Grigor Dimitrov

³⁶ Citation of the interview with Respondent 4 –trade union organization CITUB member, Yordanka Krysteva

5.4.7 Interview analysis

According to the interview data, the majority of the respondents recognize a coalition government as an obstacle to the smooth reform pension process. The respondents addressed the problems shared by the theory where a smaller or a one-party government can succeed in a more substantial reform. With respect to the Immergut's research based on veto point and veto-player theory, countries with such characteristics are classified as "single veto player governments; no veto points". Example for such governments and their substantial reforms is the reformed second and third pillars during the Thatcher government in the 1980s (Immergut et al., 2007, pp. 24).

On the contrary, the Social Minister Kalfin referred to the main flaw of the "majoritarian" government, namely, that a reform could be unstable due to the lack of trust and transparency. As one of the experts noted, a long-term results are accomplished better with the coalition is larger. However, they all recognized the difficulties based on the ideological differences, i.e. the threat of the coalition partners (nationalist Patriotic Front and rightist Reformist Bloc) to leave the government collaboration. In addition, some of the respondents highlighted the division and the collision between left and right and its negative influence which ultimately supports the thesis on the power of veto players based on their political preferences (Tsebelis, 1999).

The analysis retrieves one more theory confirmation. In line with the new politics approaches, the "blame-sharing" thesis could also be seen in one of the respondents' answers (Schludi, 2005). The ABV party member emphasized on the fact that the right majoritarian party GERB was collaborative to the initiator as in such way somebody else will be responsible for the undertaken measurements. Hence, the negative effect of retrenchment reforms is taken in consideration with regards to future constituents' reactions (Pierson, 1994). The Minister of Social and Labour policy addressed the unpopularity issue of the pension policy process as well by outlining the period of lack of reforms.

5.5 Conclusion

The evidence derived from the data collection show the critical moments in the reform process induced by the diversity of the political party participants. As it was presented, even though the majoritarian rightist party GERB had the leading veto power within the Parliament it did not manage to pass through a major programmatic reform. The involvement of a large number of coalition partners was seen as a hindrance by the participants. The reform was postponed, blocked

and being nearly to a failure due to the political struggles Nevertheless, the Minister of Social and Labour policy outlined a very important notion that in order to be sustainable through time and new governments, a great trust and transparency was needed: therefore, in that sense, the heterogeneous political environment was an advantage. In the Bulgarian case, the participants outlined the smooth increase scheme of the retirement age and length of services as a solution that would resist in time at least until 2037 (according to the legislative act).

In addition, despite the political and ideological struggle, another variable contributes to the unlikeliness of programmatic change. The political difference would not have mattered at the first place if the main variable (party system) did not have the following characteristics. The debates and the voting in the pre-voting and voting stage were a supporting evidence to the *hypothesis 4* concerning the number of political parties involved and the type of outcome of interest. The proportioned type of political system presented that the main legislator ultimately needed the support of the Parliament members in order to produce a significant law. The adoption of the controversial measurement regarding pension funds in the second pillar was adopted in the beginning due to the support of the opposition party in disregard of the coalition partners' position. Nevertheless, the same power of the proportionate system managed to overcome the same change as the political party mobilization managed to influence the mandate carrier GERB standpoint. Moreover, there is the assumption that GERB was aware of the appropriate timing of the reform due to the "blame-sharing" advantage of the coalition government. Thus, the majoritarian party was aware that in order to reap benefits from the political environment at that moment it should take into consideration the coalitions' voting.

Moreover, the veto player resistance was enhanced by the opportunity for presidents' veto. Even though the veto was not imposed that critical moment shook the political atmosphere. In result, the President 3-month debate ultimatum was practically fulfilled as the programmatic proposal was altered in the end. Hence, adding a one veto player influenced to some extent the reform outcome.

To sum up, the presented evidence of all of the political and institutional veto-players supplemented by the established leading role of the social actors (*Hypotheses 1,2, 3*) portrayed the Bulgarian system as a difficult environment for changing the status quo in reference to social

topics. Namely, the great number of veto players and their veto points power could be considered as obstacles in the way of pension reform adoption (*Hypothesis 5*).

5.6 Main Argumentation Standing behind the Reform

Interesting analytical observation is the fact that when the respondents were asked regarding the causes and the motivation if the initiated reform of the pension system 2014-2015, all of the participants (without any exceptions) covers the same driving factors. Some of them gave more explicit and thorough explanation (experts) while others were more brief and systematic. Nevertheless, they presented a common understanding of the issues in the system despite their elite profile, political affiliation or position.

According to Table 10, all of the respondents recognized the economic and demographic factors as a central issue. The interviewees thoroughly explained the ratio between working mass and pensioners in the Bulgarian solidarity system. Moreover, the accumulation of the huge budget deficit because of the great pension expenditures was regarded as well. In addition, the state expert and the employers' representative addressed "the consequences of the financial crisis" to the whole to economic system which explicitly related to the pension schemes, i.e. "the reduction of the labour market".

Grigor Dimitrov (employer) made an interesting remark. He explained the budgetary deficit due to the fact the pension contributions rates were diminished "from 36% to 18.2%" in 2006. The purpose was to stimulate the business and the growth in employment. However, the occurrence of the crisis failed the experts' expectations; therefore, that resulted in state budgetary burden "49%".³⁷ The importance of this changed was mentioned by the state expert Malakova as well.

The Social Minister and trade unions representatives added to the reasoning the "lack of trust and the inequalities" of the system regarding some labour categories.³⁸ While the ABV member, Mariana Todorova, reasoned the beginning between the combination of "a government

³⁷Citation of the interview with Respondent 6 – Employers' Interest Protection Bulgarian Industrial Association (BIA), Grigor Dimitrov

³⁸ Citation of the interviews with Respondent 1 – Minister of Labour and Social policy, Ivaylo Kalfin

with reformists intentions” and the “technocrat” DPM Kalfin.³⁹ Malakova supported also the thesis that the role of the “minister initiator” was standing behind the initiation of the reform.⁴⁰

Table 10. Pension reform (2014-2015) motivation

The factors standing behind the initiation of the reform.	Frequency in the answers
<i>Economic atmosphere:</i> high budgetary costs, small labour market (lack of sustainable jobs), financial crisis 2007-2008), Small pensions	6
<i>Demographic situation:</i> aging population, increase life expectancy	5
Lack of trust and transparency	4
Injustices in the system.	4
Recommendation of the European Commission	2
Previous pension changes: cutback of the contributions	2
Satisfaction of the reform	6

With respect of historical institutionalism, an evidence of the path-dependency and the historical lock-in effect is seen in the Bulgarian case as well (Mahoney & Schensul, 2006). The central political actors, the DPM Kalfin, outlined that the reform was awaited for the last 15 years. The last major change concerns the establishment the three-pillar model which was triggered by the extraordinary economic crisis 1996-1997 which referenced to the historical institutionalism could be considered as the “critical juncture” moment (Capoccia & Kelemen, 2007). After those historical events, the system was stuck in the same monotonous dynamics. As the respondents highlighted the parametric change of the double cutback of the contribution rates did not expect the consequences of the world crisis 2008. Therefore, the system was locked in the insufficient

³⁹ Citation of the interview with Respondent 3 – Political party representative ABV, Mariana Popova

⁴⁰ Citation of the interview with Respondent 2 – State expert Petya Malakova.

reform measurement for a substantial period of time due to the high cost of a potential political reaction (Haverland, 2001).

It could be assumed, based on the respondents' answers, that the great economic burden ("49% of the state budget") and demographic pressure, supported by the political crisis 2012-2014, triggered a new breaking point in the institutional system. A moment that resulted in the initiation of the reform.

In conclusion, the common understanding of the problems is important as that outlines that the same problematic areas are acknowledged by everyone. Therefore, all of the three actors participating in the reform process set the same goals, i.e., namely dealing with the budgetary expenditures spent for stabilizing the pension system. Undoubtedly, each actor suggested different cures for the system rehabilitation. Nevertheless, at that moment the crucial factor was that none of the participants had doubts regarding the necessity of the reform. Thus, at the very first beginning of the reform, there was a full actors' agreement on the initial conditions standing behind the reasoning of the new pension policy process. Therefore, it could be assumed that commitment of the actors, in the beginning, was one of the factors leading to a more substantial outcome in the end.

A good evidence for the statements mentioned above is the 100% shared positive feedback from the respondents. Even though that they said that more could be done, they all commonly agreed that in that moment with that participants that was "the most suitable" reform.

6. Conclusion

The aim of the thesis was to clarify the dynamics standing behind the Bulgarian pension reform in the period 2014-2015. It was important to focus on this time period as it indicated a moment of a substantial policy change. The study wants to examine which were the factors that contributed to the policy adoption and moreover, what was the link between those factors and the Bulgarian political system. In short, the thesis aims to answer the question: *How have the political actors managed to adopt the pension reform in Bulgaria?*

This thesis presents evidence in favour of all of the five hypotheses concerning the typology of the reform outcome and the veto influence of the political actors involved in the legislative process. The interviews answers combined with the analysis of the secondary data established several main conclusions. The confirmation of the hypotheses related to the role of the social actors was not a surprise as there were strong evidence in the very first beginning of the reform. The complete unanimity among the respondents' answers provides the grounds to conclude that a pension reform in the Bulgarian system is hardly possible without the agreement of the social actors. The incorporation of the social actors in the policy system not only questioned the success of the reform in certain periods but also outlined the dependence of the government within the social dialogue. For instance, the politicians could not neglect the employers' position and reactions due to their role as a central contributor to pension budget and to the economy. Furthermore, trade unions control a great number of members which are seen as potential constituents by the government. Hence, the political reform proposals were limited by the struggle to circumvent the negative position towards some of the prepositions. Precisely, the Social Partnership within the Bulgarian system resulted in parametric reforms.

The central principle reflecting the political system and the participant preferences was also confirmed. The majority of the respondents assessed the coalition size and the political preferences as main obstacle towards a significant pension adoption. The analyzed data showed that the dynamics and the outcome was influenced by those variables. Nevertheless, the thesis takes into consideration that in terms of policy resistance in time there is an observation that more participants could adopt a parametric reform with long-term due to the open-debate and

gained trust. The case example was the arrangement concerning the retirement age and the length of service.

However, the surprising result of the reform is the common approval and satisfaction by actors of all sides of the social dialogue. Moreover, the consensus among trade unions and employers was outlined by the respondents as an extraordinary situation. The thesis explained that notions with the common critical assessment of the economic situation. The results showed that the path-dependency burden of the system was recognized by each actor as unbearable. Therefore, everyone expressed readiness for a change. The text recognized it only as variable explaining the common motives standing in the entry of the reform process. The association with the outcome was that despite their polarized demands, the social actors were eager for a reform thus they were more vulnerable for give-and-take solutions. That could to some extent explain the taken compromises in certain reform prepositions as contribution rates and the retirement age increase scheme.

In reference to the hypothesis considering the characteristics of the Bulgarian political system and its influence to the reform outcome, the main evidence were the cutbacks and compromises taken from the initial government proposal. As the Minister Kalfin said during his speech in the National Assembly “in the beginning the proposals were around 50, but only 20 of them are presented in the Parliament” (National Assembly, 2015). Moreover, within those 20 proposals they were further compromises regarding the parameters. The implementation of the opportunity for change between pillars was practically no working. It could be assumed that the majoritarian right-centrist party GERB tried to push through the radical proposal in order to share the blame with the current large government which could be considered as explicit example of the Pierson blame-sharing thesis regarding social policy processes (Pierson & Weaver, 1993). In the analysis, the stakeholders’ reactions were precisely described. Based on that, the thesis concluded that the strong insiders of the Bulgarian policy process, namely, the social actors supplemented by the political gaming within the scope of the Parliament vote resulted in a slow and unsecure reform process.

6.1 Theoretical Applications

The social politics is as a sensitive policy area. The institutional stickiness of Pierson (1994, 1998) illustrates the difficulties that politicians have to deal with in order to conduct retrenchment of the welfare state. In our case, the ongoing political struggle and actions were in favour of the Pierson theory thesis regarding the dependence of the government's reform decision when it comes to social policy. Their dependence is correlated with the constituents will. In reference to that politicians use "blame-avoidance" instruments as coalition partnerships (Weaver, 1986; Pierson & Weaver, 1993).

Following the Tsebelis (1999) framework the thesis establishes a relation between the large coalition government and the adopted the parametric changes. The used framework outlined the preferences interaction between the political actors within the Bulgarian parliament. Tsebelis hypothesis that the high number of political actors impede the adoption of significant legislative change was applicable in this case.

Referring to the theory explaining the institutionalization of the Social partnership within the state Marier (2008) it was necessary to examine how the social actors' participation change the pension reform outcome. The thesis provided evidence that the Bulgarian National Council for Tripartite Cooperation was a crucial inside actor within the scope of social policies. With respect to that, Ferrera and Rhodes (2000) outline the importance of the "social pacts" and the corporatist political economies.

6.2 Limitations and Future Research

The current study contributes to examine theories within the scope of social policies; nevertheless, there are some limitations when it comes to the study approach of the work. A main cutback is the small number of respondents that took part in the research. The elite profile of the respondents clearly contributes to the main findings of the thesis. However, the participation of political members of other political parties than the leftist ABV is missing. Due to the scope and the time limitation of a master thesis, there were not feasible at that moment. This underlines a central flaw of the in-depth interviews method, namely, the generalization limitation owing to the small sample size (Boyce & Naele, 2006).

The semi-structured interviews were crucial sources for the observation of the research hypotheses. Nevertheless, the researcher assessed that some of the respondents' answers, especially the independent state experts, were limited due to their professional link to the ruling political party. Therefore, their willingness to share information was pressured. Additionally, interviews with the Minister and the Leader of the BIA was limited by the time constraints.

Interesting field of research will be the measurement of lobbying inside the political parties and the Parliament. Additionally, an in-depth qualitative research with representatives of the private pension funds could contribute to finding evidence regarding their role and relation to the political actors responsible for the legislative process.

Moreover, a comparative qualitative research could be elaborated between the Bulgarian pension parametric reform 2015 and the reform programmatic reform conducted in 2000. Based on the current thesis findings regarding the factors standing behind the lack of radical pension reform, it will be interesting to compare them with the potential factors in the reform process in 2000.

As the research has shown, the welfare state policy process is a complex and heterogeneous matter. Because of that political scientists should continue observing the insiders of a decision-making process in order to elaborate explanations on future controversial social policy issues.

Appendix

A. List of Interview Respondents

1. Ivaylo Kalfin - Deputy Prime Minister; Minister of Social Labour and Social Policy; Chairman of the NCTC in the period 2014-2015; Political party member ABV (Alternative for Bulgarian Revival);
2. Petya Malakova - State expert “Labour law, social security and working conditions” at the Ministry of Labour and Social Policy; Manager of working group of the pension reform in the period 2014-2015;
3. Mariana Todorova - Party representative ABV (Alternative for Bulgarian Revival); Member of Labour, Social and Demographic Policy Committee (2014-present);
4. Yordanka Krysteva - CITUB (Confederation of Independent Trade Unions) member, expert trade and economic activities (2014-present);
5. Lychezar Simeonov - social expert at Social Assistance Agency, Ministry of Social and Labour policy;
6. Grigor Dimitrov - Employers’ Interest Protection: Director General Insurance Policy, Bulgarian Industrial Association

B. Questionnaire

1. The pension reform was one of the most debatable policies in the past 2 years. Unlike other reforms, it reached a certain completeness. Could you please explain how the reform started? What were the main motives standing behind the reform? How would you describe the overall dynamics of the negotiation process?
2. The Minister Kalfin has been repeatedly considered not only as the initiator of the reform but also as its main engine of the process. Would you say that you agree with that statement? If yes, could you please specify what exactly was his role in the whole process?
3. Could please elaborate on what was your main goal? What resources and expertise did you employ within the process?
4. How would you describe the work and role of trade unions regarding the reform? Would you qualify them as a cooperating party, or rather not? Why?
5. Could you please tell me whether you have closer collaboration with any of the other stakeholders in the process? If so, would you be more specific with whom and how it affected the overall adoption of the reform?
6. During the negotiation process, it was clear the disapproval outcry of employers. Multiple times were discussed and altered the parameters regarding the level of increase of the social contributions, saving the three-pillar system and e.g. In March 2015, a letter was addressed to you from the employers' organizations (CITUB, CEIB, AICB, BIA). How did you manage to reach an agreement with them? How would you describe their role? Do you consider that the reform would not be possible without their assistance?
7. One of the most discussed changes was the idea of possible choice between NSSI (National Social Security Institute) and private funds. This was considered as a moment that destabilized the coalition government. How would you comment the initial reactions of the political parties? What reflection did it give to the overall process?
8. How would you discussed the negative comments on this particular measurement given by global organizations as "Pensions Europe", the International Monetary Fund, the European Commission, who argued that such a change would threaten the existence of the three-pillar pension system in our country? Have those reflections influenced the internal dynamics of the working groups?

9. Would you agree with the statement that that coalition form of government makes it harder to design and implement drastic reforms? Is this applicable in the development within this reform policy?
10. It was repeatedly referred to the practice of the countries in Central and Western Europe and their reform process regarding the pension system. The participation of multiple actors within these countries have its reflection on the legislative process. Do you think that the institutional system in Bulgaria affects its reform processes? If yes, what influence did it have, particularly, in the case of Bulgarian pension reform?
11. Mr. Kalfin often mentioned that it is very important not to take into account the political conjecture when it comes to pension reform. He has expressed his agreement that the results of the reform today will visible after years. Do you believe that the other remaining coalition partners, at that time, acted with the same motives or the political affiliations have played their role in the negotiation process? Could you please elaborate on.
12. Have the promises made by the previous government to the trade unions, to the employers or to the society played a crucial role? Have they proved an impact on the parametric changes of the reform proposal?
13. Could you please summarize what actually wanted every actor in the reform process? Did they achieve their demands? If not, what do they get in return?
14. My final question is related to your overall assessment of the process. Do you consider yourself as satisfied with the result achieved by the pension reform? Do you think that you could have adopted more substantial changes? If so, could you please indicate what you could have done more and what factors or actors have implemented their preventative effect?

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