

Study Tour on Business Process and Capacity Building to Denmark and Netherlands

According to the Annual Work Plan arrangement of Component 2 of EU-China Social Security Reform Cooperation Project, Chinese delegation for social security business process and capacity building conducted a study tour to Denmark and Netherlands from 12th May to 21 May 2009 aiming to learn experience in those fields. Mr. Lv Jianshe, the deputy director general of Social Security Capacity Building Center of MoHRSS, was appointed as the head of Chinese Delegation of 10 members, composed of one division chief from Social Insurance Administration Center of MoHRSS, and directors from pilot areas of Jilin, Shangdong, Hunan and Gansu provinces. In Denmark, Chinese delegation visited Employment Ministry and Finance Ministry, National Social Security Research Center, ATP, and elderly service center and Municipal service center of Lunby Municipality. In Netherlands, the seminars were organized in UWV, SVB, APG and national economical analysis authority. Through meetings and field visit, the members gained a basic

understanding of the social security scheme operations and capacity improvement in implementing business.

I. Main contents of the study tour

1. Denmark

1.1. Unemployment security plays a positive role in labor market in Denmark. Currently, Danish employees, rather than employers who used to do so, make contribution, 550 euro per year, equal to 1-2% of social average wage, to unemployment insurance (UI) aiming to promote flexible labor market for employment and release burden from employers. 75% of work-age population (3,7 million persons between 16 and 66, and total population up to 5.4 million) are covered by UI, on the other hand, 25% left have the options to search for social assistance in municipal governments in case of unemployment. The longest period of unemployment allowance paid reached to 4 years with replacement rate of 75%, thus, the unemployed could benefit from UI generously.

Defined as flexible, dynamic, and active employment security, it works on enhancing labor capacity of the employed and hire ability of employers to support those job seeker back to labor market. On the condition of unemployment, job seekers covered

by UI gain 100 euro per day (2050 euro per month at most) as unemployment allowance once they register at job center. Meanwhile, the job center would actively introduce job opportunities to job seekers, who are responsible to report their job-hunting status on line. If they fail, it is at stake to lose their following benefit. Face to face interviews with job hunters are carried out by job center every 3 months. In the case of unemployment status after 9 months, 6-month skill training courses targeted at needs of job seekers are proposed in discussion of the center and job seekers. The following training coursed would be design if 6-month training courses make no positive effect on job hunting. At present, employment rate stands at 78%, under the circumstance of short of the unemployed and high unemployment benefit. Therefore, Danish workers have no need to be frightened about possibilities of unemployment, holding faith of job offers achieved in due time with assistance of government and intense employment willing.

In charge by Employment Committee of Danish employment ministry, Danish UI is implemented by 29 UI organizations (separated in 98 cities) and 91 job centers, served by 12 thousand staffs (1:10.8). Beginning in this August, the unemployed could

on-line apply for unemployment allowance. Afterwards the information of benefit payment and the unemployed status would be transferred from the job center to UI institutions in succession. According to data publicized in the first season of 2009, 130,000 Danish are registered as the unemployed, including 50,000 involved in employment training plans.

1.2 The influence of cost control on business process of pension. ATP (largest fund management company, ranked as the fourth of Europe), commissioned by Danish government to take care of the supplemental part of basic pension defined as compulsory insurance with contribution rate of 1% of average wage, manages social insurance issues of 4,610,000 insured persons, including 710,00 pensioners and 3,090,000 contributing persons. Annually, 1,000,000,000 euro is injected to ATP total asset of 47,000,000,000 euro, in the course of 1,000,000,000 euro released for benefit payment. As you may concern, ATP devotes most energy and personnel input into fund management. Just 15% of workers, that is 105 workers among 700 in total, work for pension implementation (1:43800) , as stated previously, larger part of staff are dedicated on fund management.

The lecturer of ATP emphasized cost control should be taken into

consideration in the process of pension insurance management. ATP is proud of good cost control in the process of pension insurance Administration. Administration fee is 5 euro for each person annually, considered as the lowest cost of all fund companies.

In the process of product design (making policy) and operation design, they have concluded two principle in order to cut the cost: first, you keep less contact with the customer, you can get more cost reduced. Second, Internet is very helping in cutting down cost. However, the prerequisite is that all business process must be scientific and strict enough. For instance, they have very detailed study on the design of the annual standard letter, including content, pattern, and reading habit, in order to help the insuree know what they should know clearly, and a lot of time may be saved from asking basic questions through other channels, such as telephone consulting and face-to-face consulting. Comparison of different cost has been made: common letter 1.5 EURO/envelop/year, e-letter 0.15EURO/envelop, telephone service center 1.2 EURO/minute, transferring account in bank 0.1 EURO/time, cash payment 4 EURO/time. The cost and time spent on face-to-face communication is hard to identify.

In order to reduce administration cost, it is necessary to make sure

that all information in the process of operation management is accurate; unnecessary steps should also be cut down and every operating step should be designed scientifically. Good effect has been reached in shortening telephone consulting time, common letters amount and case payment percentage. Nowadays one million people choose using Internet and telephone consulting amount has reduced by 50%. At the same time, satisfied degree of the customer increased by 20-25%. The payment for pension all uses transfer account by bank. The total cost in APT makes 1.4% of their whole property. For Netherland this figure is 2.1% and for USA it is 3%.

1.3 Denmark Government(all together 160, 000employee, including civil servant, policeman, military and teacher) also identify the salary benefit and pension level through group negotiation. Salary and pension of nation civil servant is certificated through negotiation every three year. Ministry of Finance and relevant industry trade union will make agreement on a general framework and then make detailed agreement with subordinate trade union, which cover employment, salary, pension, performance evaluation, holiday, leave for illness, benefit after leaving civil servant position, and so on. When people working for the government retire at their 60, they can get

supplementary pension which is defined in the agreement and also national citizen pension. Of course, they have to offer 4-6% contribution when they are on position and their employer(department) needs to pay more. Pension insurance in government organizations offers pension, and also covers allowance for illness and disability(loss 2/3 of labour ability), children subsidy and pension for spouse.

2. Netherlands

2.1 disability and injury insurance encourage development of rest labour ability. In UWV(employee insurance organization, dealing with relevant injury insurance and unemployment insurance) we know that disability insurance and injury insurance is mandatory insurance of the country and only asks for employers' contribution. Once injury happens to the employee, employer has to pay him/her salary (75% of average salary) for two years and then UWV will take this responsibility. As a result, employers all try hard in designing rehabilitation plan for employee to shorten the employers' stress in payment. At the same time, employers also treat work injury prevention, protection and training seriously to decrease work injury. Besides, UWV is also responsible for work injury assessment. UWV has 11 branch

office specialized for this task, with no more charging for this part of service.

In Netherlands, work injury assessment means assessment for rest possible labour ability level, based on which benefit will be identified(max 33,000EURO/year). At the same time, UWV will give allowance for employer and employee's effort in job-seeking process, which means that as long as disability try to work positively, they can get more payment. This is an encouraging methods of decreasing the number of unemployment people.

UWV has 16,000 staff, 2,000 in headquarters and rest locate in 11 branch office all over their country. Most of the staff members are doctors and supervisor, who offer help for 750,000 people. Administration fee is charged at ratio of 3%.

2.2. Establishing national information platform. In SVB(Social Insuance Bank, which is not a real bank but an operating agency. This bank is mainly responsible for bebenefit payment for pension, spouse allowance and children subsidy.), we understand that information collected should be shared within different departments (written in Netherlandish regulation) and offering information can be charged to avoid repeating collection. Generally speaking, government use a sytem called GBA to

collect individual information, such as salary, tax contribution, housing, marriage, education and so on. SVB buys information from UWV. According to the agreement, UWV offer SVB information of those will retired in six months. SVB makes use of all information in GBA system and makes integration for personal information and send these files to branch office to do rechecking. SVB will wait six weeks for branch office to give feedback information and revise the central data base(feedback will also be given to UWV for sharing, so the payment of pension can be supervised universally. 23rd of every month is the paying day for pension. The central finance will give sending order, and pension can be sent to individual account within 2-3 hours.

SVB managers has concluded the three pillars for operation: first, centralized data base, which is base of daily work. Second, comprehensive document files, which is base of assessment and checking. Third, online operating platform, which is base of high efficient managing. We can see that on-line operating platform works like front stage and data base is the back stage. The front stage and back stage deal with questions and consulting telephone calls together and divided into different teams, each team has its own special target. SVB has 3,000 fulltime staff (700 people for half-day position) and six million customers (1:2,000, total

population in Netherlands is 1.6 million. Over 600 staff work for headquarters and they are in charge of planning, policy, legislation, public relation, data center, training, administration and so on. There are nine branch offices dealing with operation business.

2.3 Taking all-round man-machine interaction module would definitely save administrative cost. Deputy Director-General of APG Group (the second largest pension management agent in the world who is in charge of the management and operation of annuities for Dutch civil servants, architecture enterprises or other industries with the total assets of 200 billion euros, 4 million clients, 2,500 staffs and annual amount of 8-billion-euro pension) has delivered us their concept of management, that is: first, operating with minimum costs which indicates that this measurement of man-machine interaction could lead to more communications, as well as information collection. Through front desk, middle court and backend operation, pension project continues without any face-to-face conversations. For instance, if there are one million employees participating in insurance program, 105 APG staff will be involved (30 people are at the front, 30 at middle court and the rest 45 at backend, that is 1 :

10000). Front Desk servers are mainly in charge of keeping in touch with their clients, for example, answering questions proposed by the clients, collecting information, contacting customers, etc; as to middle court staff, they are dealing with specific problems by doing various researches and providing suggestion to their customers after letting professional staff collect the information through phone calls, emails, and internet ; besides, the backend staffs are in charge of data processing and giving every support. Second, paying more emphasizes on IT construction rather than assets management. Among the 2,500 APG staff, 500 are in charge of asset management, 1,000 are IT experts, and the rest 1,000 are administrative staff. In view of the total 2 million job information alteration cases, 300 thousand pieces of personal information registration, 560 thousand telephone counseling, 1.5 million pieces of bank statements, 100 thousand letters and 2 million pension accounts, efficient IT system and excellent internet support as well as achievement evaluation system become necessity so as to reaching the goal of high-quality goods and services, low cost, high capital investment returns and immediate response to market. Therefore, they always hold the idea that precise and integrated data is of great importance to the IT-system

construction; secondly is the procedure which should be customer-centered; thirdly is the establishment of individual websites, because the setting up of the website for each pension participant would become the platform for them to submit their profiles, specific enquiries, and to ask for advices. At present, individual website takes more than 90% of the total tasks; 200-person-contained national telephone centers (according to industrial distribution) take the rest; only few people choose face-to-face conversation when encountering obstacles.

The IT manager of APG has also introduced their five-year data-collection process from the year 1996 to 2001 by manually checking every participant's profile without any shortcuts. Up till now, checking and confirming the information is still in process, everyone could get into this system to check personal information on the internet (by typing the name, social security number, and password; besides, they could also get and release the information through the net, and the agent will deal with the information at backend, meanwhile, the front and back court server will conduct data-exchange to ensure system security.)

2.4 The combination of diverse and flexible methods to withdraw pension could win beneficiaries maximum benefits. APG Group

has designed various schemes for those underwriters to ensure them decent benefits, including: prolonging retirement age (among 60 to 70), “half-work and half-retirement”, “getting higher-rate pensions first, then lower ones”, taking spouse pension, “more payment, more allowance”, choosing pension investment products and so on. Investors could not only find out the basis information provided by the IT system on personal websites, but also immediately foresee the forthcoming benefits after choosing different pension products which are suggested by the online services.

II. The main gains

1. The visit is very rich in contents, and there were many exchange activities. It is a pity that because of the short time, we have not yet had time to a deeper study of some things. At rest, we all talked about the feelings and gains of this study tour. Compared with the domestic situations, in particular from the different in concept and awareness about social security of domestic and abroad, the gains are concluded as follows:

2. The government of Denmark and the Netherlands focus on the initiative ways in the design of system of employment and

insurance. In high-welfare social environment, they take positive and effective means to promote the initiative of people, so to avoid them to become "person who was raised up." Such as providing tireless employment guidance to the people who are receiving unemployment benefits in Denmark, to assess the ability but not just to identify the level of disability after people become disabled in Netherland. These made us aware the deep meaning of social insurance, it is not just to make people insured, but to continually explore the inner driving force of person. If we only take superficial consideration of social insurance in the formulation of relevant policies, the sustainability of the policy will be challenged.

3.Man-machine Dialogue is used as a primary means in the costs reduction management. No matter in the ATP of Denmark or in the SVB and APG of Netherlands, what they introduced us mostly is how to reduce the cost of management, and they told us the widespread use of information technology is the premise and foundation of cost control of management. During the visit to ATP of Denmark and APG of Netherlands, we have not seen crowded business agency windows, but just a few call center operators answered the phone with low voice, so the working

place is very quiet. From the domestic traditional perspective, it seems that there are no business front windows, they only have back work place which is moved forward to see. Perhaps we can go through a number of years to realize the "human-machine dialogue" management style, but shall we think it is the direction of the management of China's social security?

4. Because of the high use of network technology in the agencies, the managers and the insured people could deal with almost everything online. Advanced information technology can greatly improve the management efficiency and reduce management cost, this idea is not only taken by the managers of social security of Denmark and the Netherlands, but also accept by the majority of insured people. Therefore, in order to improve the business management, not only our social security managers should have awareness of information technology management, but also can not ignore the publicity of the knowledge of the informationize to the insured people. Of course, this is related to the economic development and the progress of civilization. Only if managers and insured people raise the awareness and conscious of the use and the knowledge of information technology together, the powerful function of the information technology could be fully

worked.

5. The key of the business management is to ensure the quality of the data. In Denmark and the Netherlands we have got some experience like this: the accuracy of the data can not only guarantee the normal management, and it can also reduce the increased cost in the data revising. At the same time, it can support the estimation work of the investment and operations of pension for the insured people. Especially for the "data processing", the Denmark and the Netherlands put considerable energy into it, and their understanding are similar to ours, that is this work should be rely on the "stupid but hard work". If we make unremitting efforts to do so, we could ensure the data to be prepared well for any time.

6. Information system is not only the work platform of agencies, but also the operating platform of insured people. According to our ideas, the main users of information systems are the handling agencies, only the call center, online inquiring, online reporting such operation is people-oriented. At present, there is small part of business operation could be finished by insured themselves in domestic. But the management models such as "man-machine

dialogue", "personal website" have been full realized in Denmark and the Netherlands, they indeed reached the "self-service." The main users of information systems changed from former unilateral into both sides, so the information systems can provide information services at full aspects, and it increased the insured person's informed rights and the transparency of management. This requires the design of information systems to be more inclined to the insured people, to truly embody the management philosophy of people-oriented.

III. Enlightenments and Recommendations

As a matter of fact, after each activity of study tour, we always consciously or unconsciously compared what we heard and what we saw to those domestic situations. And then we analyzed what ideas we can accept, what measures we can adopt, what we can not be realized temporarily, and what we need to reconsider and pay much attention to. In general, the enlightenments and recommendations are as follows:

1. when China makes some relative policies of social insurance, we must consider much about the cost of operation management.

To some extent, the cost of operation management has impact on the effective of the implementation of policies. If a tiny detail of a policy needs the big cost of operation management to implement, then we need to consider whether it is possible to find another solution and make some appropriate adjustments.

2. if we want to improve the level of Chinese social insurance's operation management service, we still need to be on the basis on taking full advantage of the information network technology and use it as the leading factor. The Vice President of the APG Group in Netherlands told us "IT construction is much more important than the asset management ". Two-fifths employees are IT staff in their company. The relative high percentage of IT staff reflects

that they pay much attention to the construction of information system. There is no doubt that the reasonable ratio of scientific design of workplace and the staff is very important, but the application of information internet technology will multiply the effectiveness of the efforts. And it will be more obvious and powerful later. Therefore, in this respect, China should not only increase the capital investment to construct the information system, but also should attach importance to the training of social insurance IT talents, which is the important guarantee for sustainable development of our career.

3. we must strengthen the data management and make a sustained effort to emphasize the quality of data. The head of SVB in Netherlands regards the integrity and accuracy of data as the most important pillar for the three pillars of the management and

operation. The level of APG's data management has been relatively high, but they still do some basic jobs to ensure the quality of data, let alone us. Then we should establish the idea of data management, do solid work to process data, effectively improve the accuracy and integrity of the data and ensure that our data quality can provide the reliable basis for the operation management and decision-making services.

4. promote the data collaboration and reduce the duplication of data collection.

The unique origin of SVB data is from UWV. It is not allowed to collect data from the insurance participants in second time. There are some legislative regulations for the data collaboration in Netherlands, which were our exceptional gains. Since Chinese social insurance systems are launched at different time, the

management systems are different, the duplication of data collection in different agencies and the phenomena of coexistence of many databases exist in abundance, which not only wastes a lot of energy, but also brings a lot of extra workload for the consistency and integration of information. Whether we can avoid repetitive task, how should we give up some benefits of some department appropriately in order to integrate resources effectively and play the role of the effectiveness of integrate scale are what we cannot be ignored and need to be considered currently. Not only inside the system, but also outside the system should consider how to make full use of the existing resources and public goods (such as the use of banking function, the information of public security, tax section and so on). Like GBA in the Netherlands (Government Information Platform), only if the government sets up and manages the information system, the

information sharing can be realized.

IV. Two Recommendations to the Study Tour of the Eu-China Social Security Reform Co-operation Project

During the study tour, for one thing, we listened to the lectures and made some notes carefully, for another we asked questions in time. We tried to make sense what we want to get to know in order to complete the requirements of the study tour, but the effect was not satisfactory. Certainly, it is not easy for us to figure out all things in such short a time. However, if we do more preparation jobs before the study tour, we can save a lot of time to get to know more things in-depth. And we can add more values to study tour and gain more. Therefore, here are two recommendations for the study tour of the Eu-China Social

Security Reform Co-operation Project in the future:

First, we need to prepare relative materials of the countries we'll visit. And the team members can have a basic knowledge about their framework of social security system, governmental organizational structure and the level of economic and social development before they go abroad, which will help them to get to know what they want to know as soon as possible. In this case, the team members will avoid starting to get to know the social security system from zero until they take part in the seminars.

Second, we should try our best to make the arrangement of agencies and the contents that they prepare to introduce accord with the aims of study tours. Since there are few opportunities to sent people abroad to study, and time is limited, the arrangement of agencies to go abroad to study is very important, which is related to the effectiveness of the study tours. We must express

the aims and requests of our study tours clearly as possible as we can so that the content they introduce will be as close as possible to our expectations, or what the foreigners attach much importance and actively prepare are not we want to get to know most. The ATP Company of Denmark's and the APG in Netherlands's introduction to the operation and management are very fit for us. It was a pity that the time was too short.

All above recommendations are just for references.

EUCSS Component 2

Denmark and Netherlans Study Tour Team

June 2nd, 2009