



SOCIAL SECURITY GOVERNANCE : IN-FOCUS AREAS

Governance is in a sense about knowing **why** you do **what** you are doing the **way** you do it. The above blunt statement refers to goals (why), results (what), methods (how) – or to effectiveness, efficiency, accuracy.

Fraud and errors hamper progress in each of the three areas – they run counter effectiveness, are detrimental to efficiency and of course represent a typical example of non accuracy.

Presentation on social security governance

- Measuring for Governance – social security indicators
- Tools for improved Governance – modern ICT in social security
- Combatting fraud, preventing errors - ethics, and beyond ...

Measuring for governance: Social security indicators

Governance is both qualitative and quantitative – but even the qualitative side has to be quantified, to follow progress made (or not made).

Governance relies on indicators – to measure, to analyse, to adjust

Social security indicators should of course not be considered in the face of only their absolute value. What matters most are both the relative value of certain indicators – e.g. the amount of collected contributions in percentage of the total payroll in a given sector – and the forward or backward evolution to which they testify. Baseline data need to be carefully established and the set of indicators adopted by any social security administration needs to be compatible with its statistical capabilities. In that sense, it has to be accepted that not all social security organizations may be capable of maintaining the same set of data, and that cross provincial or national comparisons may therefore intervene only in a limited number of core areas.

Social security performance indicators

Experience of the International Labour Organisation, social security performance is measured against four criteria, namely the scope of personal coverage, the level of benefits, financial considerations and managerial aspects.

Personal coverage indicators relate to numbers insured, contributing, in receipt of benefits that have to be put in relation with more global data concerning respectively the total population, the active population and the population of potential beneficiaries.

Benefits indicators distinguish between long term cash benefits (mostly pensions), short term cash benefits (e.g. unemployment compensation payments) and medical care.

Financial indicators cover revenue, expenditure, balance and investment interventions of the scheme(s) being considered.

Management indicators relate to the variety of operations conducted within social security organizations, viz. actual registration records – of workers, of employers and of self-employed persons; contributions collection; benefits processing; enforcement; complaints; public relations: and, staff performance and level.

Value of technical indicators may be good, but image still not satisfactory. Social security schemes have developed therefore a new measuring tool, more subjective, i.e. customers' satisfaction.



List of typical social security indicators

Indicators		Definition
Personal coverage Indicators		Number of persons insured Number of the insured as contributors Number of benefit recipients Number of persons as targeted population for coverage Number of working-age persons as targeted for coverage Number of persons as targeted potential beneficiaries
Benefits Indicators	Long-term Cash Benefits	Relation average benefit and pre-benefit low and high-income groups. Average benefit as a percentage of poverty line.
	Short-term Cash Benefits	Relation average benefit and pre-benefit low and high-income groups. Average benefit as a percentage of minimum wage or poverty line. Average days in which the beneficiary has received benefit payments Proportion of UI beneficiaries having exhausted their entitlement
	Health Care	Real reimbursement rates' comparison (income groups) Real reimbursement rates' comparison (spending groups) Co-payment rates' comparison (income group) Co-payment rates' comparison (spending group) Utilization rates' comparison (income group) Average days of inpatient treatment Average cost of inpatient treatment
Financial Indicators	Revenue	Total revenues Contributions as a percentage of the total Subsidies as a percentage of the total Investment incomes as a percentage of the total
	Expenditure	Total expenditure Total expenditure as a percentage of the total revenue Benefit payments as a percentage of the total expenditure Administration costs as a percentage of the total expenditure Marketing costs as a percentage of the administration expenditure
	Balance	Total annual balance Total accumulated reserve Accumulated reserve as a percentage of the current year expenditure
	Investment	Total investment Total investment as a percentage of GDP Total investment as a percentage of domestic capital market Portfolio of investment Average return rate Average return rate as a percentage of the market rate
Management Indicators	Registration	Registration rate (employers) Registration rate (workers) Registration rate (self-employed workers)
	Income Collection	Contribution collection rate
	Benefit processing	Ratio of the total claims submitted to that processed Average days from claim submission to the first benefit payment issued
	Enforcement	Detected / registered ratio (employers, workers, independent workers; in number) Detected / registered ration (employers, workers and independent workers; in %) Detected under-declared contributable earnings Detected / recovered contribution Detected / recovered contributions as a percentage of the total contribution Detected / recovered benefit deceit Detected / recovered benefit deceit as a percentage of the total benefit expenditure
	Complains / Appeals	Total complaints / appeals raised Total complaints / appeals settled Average days from submission to settlement
	Public Relation	Consultation ratio
	Staff Capacity	Average clients per staff member Average claims processed per staff member Share of the staff having university or higher degree Share of the staff trained so far Average remuneration as a percentage of that of the public sector



Indicators for Clients' satisfaction

Social security is by nature a service-oriented institution. Measuring the degree of societal satisfaction with social security was customarily done through statistical data such as average benefits income replacement ratio or the level of guaranteed livelihood. Clients' satisfaction implies assessing the efficiency and the legitimacy of social security administrations not only against their economic results impacting on the standards of living of beneficiaries, but also with reference to the quality of services accessible to its clients – namely, workers, employers and those in receipt of benefits.

Indicators have therefore been developed by social security institutions, specific to the various categories of clients (insured persons, beneficiaries and enterprises) and to the situations under which they resort to social security services (preliminary contacts; registration, benefits or contributions processing; after payment follow-up).

Typical information to be collected, either through direct sampling of workflows or via questionnaires distributed to “clients” would for example address the following preoccupations:

- How simple is it to be recognized as a “client” when approaching social security?
- How quickly does the social security institution respond to clients' requests?
- How long does it take for a client to complete a submission and gather all required documents?
- How cumbersome are the processes imposed upon enterprises because of compulsory registration?
- How transparent is the record keeping process, and how satisfactory is the information made available to clients?
- How accurate is the process for computing benefits?
- How expeditiously are benefits being paid?
- How complex are after payment requirements?
- How reliable are periodic checks on entitlements?, etc.

Four key parameters for clients' satisfaction: **accessibility, equal treatment, professional approach and learning processes.**

- **Accessibility** notably refers to the density of implantation for social security offices, their vicinity to insured persons and beneficiaries, hours when services are open to the public, facilities for distance access including via actually operating phone contacts, etc.

- **Equal treatment for all** mainly expresses the fact that quality should not depend upon the type of service or the type of client, which indeed points to preference to be given to one desk facilities but also relates to respecting the specificities of some of the insured persons or beneficiaries, e.g. those little literate, those not in a position to visit social security offices during core opening hours, those with limited mobility, etc.

- **Professional approach** insists upon the fact that staff interacting with clients are indeed conversant with both technical subject matters they address, and with clients' main overall characteristics. Professional approach therefore directly relates to the quality of human resources in social security and to the reliability of procedures that should minimize the risk of mistakes and benefit deceit.

- **Learning processes** specifically relate to the fact that social security institutions are expected to duly treat complaints received from clients and to act to redress the situations having led to such complaints. As a learning organization, social security should equally collect, process and monitor the required data for measuring clients' satisfaction, and may also wish to build and maintain a related aggregate index.

Selected Indicators - Clients' Satisfaction

AREA	INDICATOR	CORRELATE WITH
Accessibility	Nb. of social security offices	Distance from clients, public transports access, opening hours
	Nb. of front desk staff	Nb. of clients to serve, nb. of social risks (branches) to be addressed
	Nb. of clients received	Nb. of clients to serve, per category of client
	Nb. of communications received	Nb. of files treated, per type of communication
Equal Treatment	Nb. of claims received	Nb. of clients, nb. of staff handling claims
	Nb. of claims treated	Nb. of claims received, nb. of insured persons for related risk
	Nb. of claims rejected	Nb. of claims received – <i>to be positive, this indicator should show a negative trend</i>
	Nb. of post benefits requests handled	Nb. of benefits awarded or in award, nb. of beneficiaries
Professional Approach	Nb. of staff trained	Total nb. of staff – per job, per level. <i>Refers to prospective methods for human resources forecast</i>
	Nb. of staff in contact with clients	Nb. of clients, per type. Nb. of claims received or treated. Nb. of requests handled. Nb. of communications received
	Nb. of outside inspections	Nb. of outlets to visit per type (<i>hospitals, social care, vocational training, banks, tax authorities, enterprises ...</i>)
	Nb. of desk audits	Nb. of departments, sections, offices ... to be audited, nb. of complaints received
Learning processes	Nb. of quality reviews conducted	Nb. of social security offices, nb. of outside contact points for clients, nb. of enterprises
	Nb. of complaints received	Nb. of clients, nb. of benefit claims handled, nb. of communications received – <i>to be positive, this indicator should show a negative trend</i>
	Nb. of survey questionnaires received	Nb. of clients, nb. of benefit claims, nb. of questionnaires issued
	Nb. of public relations campaign launched	Nb. of outlets for contacting clients, nb. of enterprises registered, nb. of administrative units covered
	Nb. of statistical indicators monitored	Types of clients, types of beneficiaries, types of risks covered



Tools for Improved Governance : Modern internet and communication technology

Areas where modern ICT was most commonly used in Europe to improve Governance in social security are: Registration and changes (employers and employees); Contributions collection and recording; Compliance and enforcement; Award and payment of benefits. Further, there are several cases of inter-agency integration which allow for broad data sharing and subsequent increased efficiency in individual Agency operations.

Source : ISSA, 2007 General Assembly, Moscow, Internet and Communication Technologies –ICT– and social security transformation

Registration and changes – Direct internet access by clients to their accounts is considered a key to improve Governance. Social security numbers are at the core of the architecture. They are required to identify both employees and employers – and for the latter establish system allowing for link between HQ and outlets. Further, the numbers have to be the same in all administrations part to the integration process, or a special software has to be designed and operated to ensure compatibility among the various numbering systems. Security considerations make delivery of pin in addition to social security number a key for reliability. The pin may be delivered under sealed envelope either at the desk counter, or sent via post office. This practice is used by a number of foreign administrations – integration also requires paper ...

Country examples:

Bulgaria, where Employers and insured persons can manage their social security status via Internet. The system uses PIC – personal identification code – to authenticate users.

Belgium, where when a worker leaves an employer, the latter can communicate information via phone, internet, electronic file transfer and even GSM/SMS.

Contributions collection and recording – Front and back office integration in contributions collection and recording has to take into account cases where one employee may have several employers. Automatic processing may help detecting cases where an employer decides to register an employee for certain risks only (adverse selection). It facilitates electronic transmission of data by employers, who are still too often required to physically come to social security front office, sometimes quite far away from their enterprise location. Integration may also help labour inspectors prepare their controls, and allows for employees to check data entered under their name by employer.

Country examples:

France, where employers have access to the following services via the internet: declare recruitment, declare and pay contributions, access enterprise account. A special certificate is issued also via internet to registered employers allowing for secure performance of operations.

Belgium, where multifunction declarations by employers provide data to different social security branches from one single input. The private sector was slow to adapt, which required an extensive complete business process reengineering – BPR.

Compliance and enforcement - Data integration allows for cross-checking of data among the various schemes, and in particular to raising questions as to why a given worker is registered under old-age and not accident injury, medical care or unemployment insurance – or to identify cases where aged pensioners registered under medical insurance do not make use for a long time of medical facilities, which may point to a demise not declared by family members. Cross checking of data is even more powerful tool when several administrations are part to the information pooling. Establishing direct automatic links with banks, tax authorities, postal offices, civil affairs administration, etc. is also a kind of front- and back- office integration, in the sense that it minimizes the need for paper exchange, hence the risk of errors or omissions in transaction with these Agencies. Respect for rules governing privacy of data concerning workers and citizens have to be fully taken into account when proceeding to such automatic exchanges.

Country examples:

Italy - Multi channel virtual front office common to various schemes have been established, integrating front and back office functions. Shared contact centres have been developed.



The Netherlands - “Labour and Income Centres” have been created to decrease social security managerial costs through grouping in one place the 3 pillars of social protection – employment, social security, social welfare. This grouping facilitates cross checking via use of one single computer network and shared data.

Award and payment of benefits – Direct access to records by insured persons, employers, beneficiaries allows for a proper checking of accuracy and completeness in records. It has to be expected that access to records by clients will raise numerous questions at least at the inception of the scheme, hence the need for strengthening the pool of desk officers in charge of investigating the cases and taking remedial action. Clients may also use direct access for making changes in their personal contact points (address, bank account) or enquire in advance about the amount of long term benefits they would be entitled to under certain circumstances (automatic calculation).

Country examples:

Czech Republic – The social security institution has passed from the storage of image documents to electronic submission of forms. A portal for mass transfer of data between organizations with systematic use of electronic signature key – PKI (public key infrastructure) system and chip cards has been established.

Spain - The Services for Pensioners website allows for online application for benefits – including those involving other organizations, e.g. for migrant workers. Website also includes an auto-calculator of benefits, as well as a virtual office accessible after issuance of a digital certificate.

Interagency collaboration is a very powerful means of achieving economies of scale, through mutual feeding of data. Avoids cumbersome repeated formalities to clients. Also, minimize risk of errors, and permits seéi-automatic fraud detection.

Examples of multi agencies collaboration:

Portugal – Lojas do cidadão, Citizen’s shops have been established in all cities, and group under one roof or even with one desk services initiated by a number of public agencies, such as water, electricity, gas, telephone, driving licenses, justice, social insurance, health, retirement schemes, , taxes, employment, vocational training, notaries, migration office, etc.

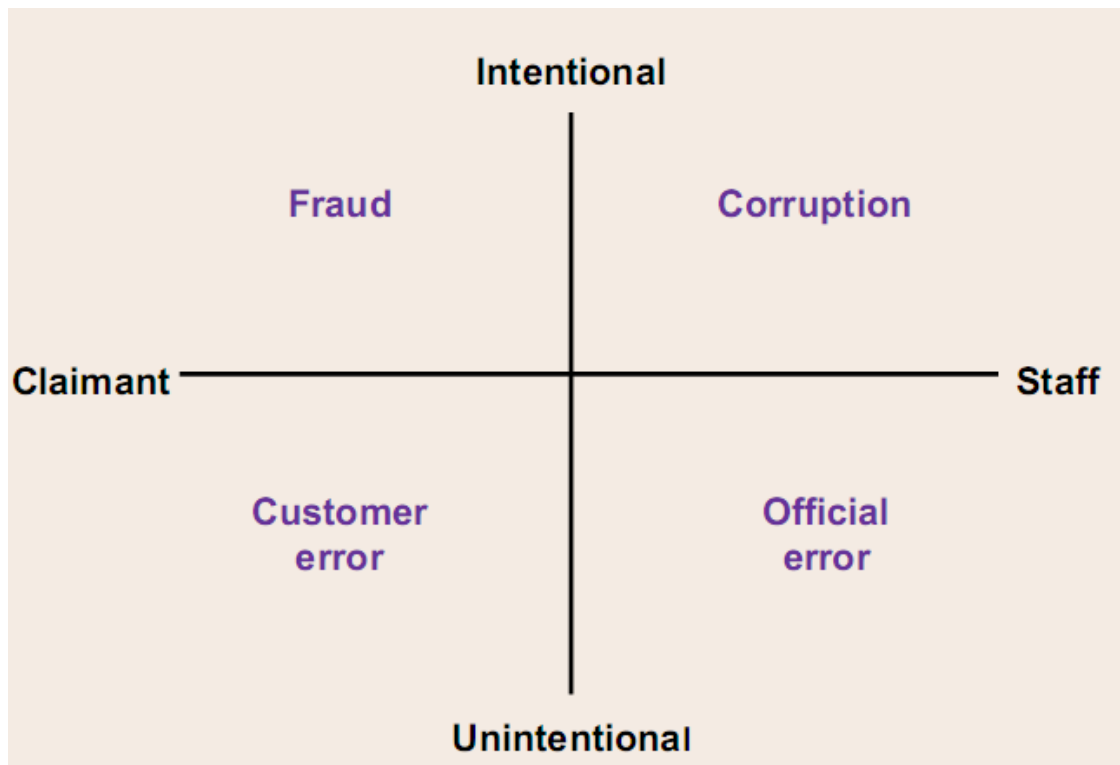
Belgium – The CBSS, Crossroads bank for social security, implements a network for mutual electronic service delivery. All actors connected to the network can mutually consult their databases and exchange different types of electronic messages in a secure way. A social security portal is available containing integrated services (information and transactions), organized along life events of citizens (birth, employment, occurrence of a social risk ...) or business episodes of companies (starting a company, recruiting personnel ...).

Combating fraud, preventing errors: Ethics, and beyond

The magnitude of fraud (or errors) and its influence over social security finances (including use of staff time to address consequences) are not to be underestimated. According to a study submitted to the World Bank in 2007 (International Benchmark of Fraud and Error in Social Security Systems, RAND Europe) when data available, rates of fraud and error often range between 2 and 5% of benefit amounts which corresponds to amounts superior to typical management fees.

Although fraud and errors are usually counted jointly for statistical purposes, not all cases are the same – fraud or error may be or not intentional, it may be attributable to client, or to staff.

Taxonomy of fraud and error



Combating fraud takes place either as preventative action, as detecting action, or as deterrent action.

Prevention

The most efficient preventative actions against fraud include the following, according to international experience:

- Launching Information campaigns
- Prepayment investigations
- Insisting on rights and obligations

Detection

Detecting fraud attempts is most efficiently conducted through:

- Gathering information from the public (tip-offs)
- Data-matching which includes crossing references within a scheme or across schemes
- Regular payment checks (controls)
- Risk-based assessments to organise reviews
- Random and time-based reviews
- Inter-agency compliance activities

Deterrence

Deterring tempted individuals – insured persons, beneficiaries, family members, enterprises, staff members – from attempting fraud may be obtained through:

- Making punishment more severe, considering fraud or attempted fraud as criminal offense, expanding sanctions from those facilitating fraud to those using it or benefiting from it on equal footing – e.g. imposing same level of sanctions to sellers of fake social security documents and buyers of such documents
- Publicizing potential sanctions, and actual sentences.



Tackling errors may be achieved either through upgrading skills levels and staff motivation, or through systemic upgrading.

Actions targeting staff

A powerful tool for limiting the number of errors committed by staff is to reward these staff in case of absence of errors (Results-based management approach)

Proper staff training and training oriented towards early identification and avoidance of errors and mistakes remains however the prominent means of achieving improvements in error limitation. This training or skills upgrading has to be coupled with a managerial organization ensuring that control, coaching and monitoring by higher level of the hierarchy is conducted as a daily operation in the vicinity of front line staff members, while managers themselves are being held responsible for non precociously detected errors or mistakes committed by staff under their supervision.

Systemic upgrading

Proper use of information technology is at the core of all efforts for limiting the occurrence or impact of errors

To be efficient in avoiding errors and mistakes, IT systems should reconcile at least four core characteristics, namely:

- reliability,
- comprehensiveness,
- uniqueness,
- self-detection.

Safeguarding against the risk of corruption

Corruption does not appear usually as a major cause for social security fraud in Europe.

Reasons for this low incidence include:

- ✓ Very precise **eligibility criteria**;
- ✓ **Separation** between assessment and payment;
- ✓ **Protection of systems** processing payments;
- ✓ High level of **staff training**, and high consideration to **management**;
- ✓ Investigators and reviewers not assigned cases where **familiarity** is suspected;
- ✓ Very active **internal and external audits**.

The Human - Machine Twinning

Combating fraud cannot be a matter of computers only. The use of computer technology in conjunction with human investigation greatly strengthens the latter, and makes it reach unprecedented levels of efficiency in fighting fraud and tackling errors.

The physical inspection notably of enterprises remains extremely efficient, even more efficient with computer support – a visit of an HR Department by someone accustomed to work in that area would usually allow for an immediate, instinctive detection of possible mishaps or misconducts, and this detection might be dramatically improved thanks to efficient customers' support.

Collaborative efforts

To efficiently combat fraud or detect errors, social security agencies should not work in isolation.

Partnership among social security agencies – Here, the intention is to share data concerning registration, the basis for contributions, information on benefit awards ... among various social security institutions operating in the same realm, to ascertain that insured persons known to one scheme be known also to others

Partnership with other official bodies – A variety of other Government and official bodies have interest in collaborating with social security Agencies to also find support in their own combat against fraud (tax authorities, social welfare schemes, private insurance agencies, institutions keeping vital records, public security, etc.)

Partnership with enterprises – Automatic exchange of data and information is less costly to enterprises than manual processing, and entails less paper work for the social security institution. Automatic transmission of data also minimizes the risk of involuntary errors, permits to install safeguards in terms of automatic controls and warning



signals in case of unlikely evolution over time, and allows for more sophisticated and systematic controls easily performed as desk operation by trained social security staff.

Partnership with other regions – The production of employment certificates from another region to support quick access to benefits, or the receipt and undue accumulation of benefits from various locations, or the declaration of unemployment in one city and that of work in another are all typical circumstances leading to fraud against the social security system as a whole. Exchange of data between Provinces or other pooling levels to better monitor migrant workers claims and records can prove to be a very efficient means of action to combat fraud and ensure early detection of fraudulent attempts.

The European institutional approach

At the European level, an agreement was reached on a format for safe and secure electronic transmission of data with the objective *“to ensure that all the information exchanges currently taking place through the use of nearly one hundred paper E (European) forms (nearly 2000 E forms in total when taking account of the various language versions) will be undertaken by electronic means in 2009.”*

In 1999, a Code of conduct had been adopted for improved cooperation between social security authorities of the Member States concerning the “combating of transnational social security benefit and contribution fraud” and “undeclared work”, as well as the “transnational hiring-out of workers”.

Member States were to encourage cooperation between their competent bodies in respect of data transmission and requests for information, while protecting the right to privacy in the processing of personal data.

Recent national measures

A number of national measures were taken over the recent years, all aiming at giving force to the provisions embodied in the Code of conduct, and to help fulfilling its objective to combat social security fraud, notably through combating clandestine work.

Country Example 1 – Belgium

A data warehouse – joint data system – created within the framework of anti-fraud project between inspection services of various social security institutions and employment service.

Goal is to facilitate carrying inspection on the basis of indicators of potential fraud.

Joint control brigades established on local basis corresponding to one legal district

Targeting 4 sectors: Agriculture; Bars and Restaurants; Shops; Construction

Sources: <http://www.epractice.eu/en/cases/oasis>

Country Example 2 - United Kingdom

Four structures cooperate to fight against social security fraud: Benefit Fraud Inspectorate (central); Local Authority Investigation Officers Group; National Antifraud Network (exchange of data); Department for Work and Pensions Fraud Investigation team (undeclared work)

Have online fraud reporting form and 24-hour fraud hotline number

Sources: <http://www.gateshead.gov.uk/Benefits%20and%20Council%20Tax/Benefits/Fraud.aspx>

Country Example 3 – Bulgaria

Under a MATRA Project (accession countries, financed by Government of the Netherlands) promotion of fraud prevention approach through a triangle Labour, Benefits and Inspection (data sharing; focus on undeclared work) Also includes a component to promote collaboration between social security agencies, the inspectorate, the police and the judiciary.

Sources: http://www.devco.government.bg/LANGen/public/portal/prj_view.php?id=2095

Country Example 4 - France

A national Committee and a National Delegation for Fraud Fighting (joint public body) were established grouping tax authorities, employment services, social security bodies.



Social security bodies may have direct access to third party information. Working on automatic data crossing within each institution, across institutions. between institutions and other bodies

Tougher penalties, with statutory minimum have been adopted under control of the National Committee on Computerization and Freedom.

Sources: <http://www.securite-sociale.fr/institutions/fraudes/fraude.htm>

Country Example 5 – Austria

Austrian Employers Federation and Workers' Union agreed that employers should be obliged to register workers with social security before commencement of work (special target: construction industry).

Organized tax and social fraud is considered as criminal offence (imprisonment up to 5 years against employers)

Sources: <http://www.eurofound.europa.eu/eiro/2007/05/articles/AT0705019I.htm>

Country Example 6 - Germany

Fraud fighting more focused on non declared work. Allegedly, 20% of those in receipt of unemployment benefits work undeclared.

Tools used are: Unemployed have hours were compulsorily at home to make control easier; More frequent home controls; Crossing tax and social security data; Establishing a special inspection body (6.000 inspectors for 3.000.000 unemployed); Controlling bank situation of beneficiaries.

Sources: http://www.cnas-icsw.org/sources/seminaires/synth_se_s_minaire_26.03.09.pdf

Country Example 7 - The Netherlands

Fight against undeclared employment. Private Banks have to supply the tax authorities with information on all savings accounts. Measures taken to legalize cash-at-hand part time work such as domestic workers.

Trade Unions act as partners of the Government in controlling that employers comply with legislation, especially not hiring undeclared workers

Sources:

http://bancadati.italialavoro.it/BDD_WEB/bdd/publishcontents/bin/C_21_Benchmarking_408_documenti_itemName_0_documento.pdf

Whichever its importance, **fraud should however not lead to paranoia.**

Systematic fighting against fraud should not run counter the fundamental objective of social security, which is to serve clients promptly, efficiently and accurately.

Furthermore, beyond fraud, clerical mistakes are also responsible for losses – and many clients make mistakes, without attempting to defraud the institution.

In that respect, computerization is useful to not only detect fraud, but also help staff apply the rules – and allow for workers as well as employers to better understand and respect those same rules.

Combatting fraud is more than an ethical concern – it saves money, restores public confidence in social institution.

Further, when conducted including through upgrading of IT systems, combatting fraud or preventing errors represents a powerful vehicle for achieving overall improvement in governance records.

Fraud affects all social security clients - All have therefore to be associated in anti-fraud programmes and strategies, which is per se positive for overall governance.

JVG, Oct.2009