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INTERNATIONAL SOCIAL SECURITY ASSOCIATION  
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## Good Practices in Social Security

Good practice in operation since: 2009

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### **Support for vigilance to prevent fraudulent practices in contribution compliance**

A case of the National Employment Accident Insurance  
Institute

**National Employment Accident Insurance Institute**  
Italy

## **Summary**

*The enormous amount of data a public agency manages offers a challenge of setting up an active, preventive approach to fraud and irregularities detection. We need to overcome the limit of traditional approach and procedures used for investigation so far. The new intelligence is a possible answer.*

*The recent experience at the National Employment Accident Insurance Institute (Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (INAIL)) is to seek irregularities and frauds related to the same economic entity that closes one business and reopens it with a different shape (company name, attributes, employees, etc.). This frequent behavior of entrepreneurs contributes to fraud and other irregularities.*

*Leaving behind the traditional reactive model of investigation and intelligence, INAIL is now looking ahead by making use of a proactive and preventive model, leveraging the specific relationship resolution analysis technology adopted, which allows INAIL to obtain high added value information for investigations. This more dynamic approach enhanced INAIL's capacity to fight against both, fraud with regard to contribution collection and other irregularities. A preventive outcome is also forecasted, as entrepreneurs are supposed to change this fraudulent behavior once INAIL has achieved good results from its actions, and as a result, hopefully return to regularity.*

## **CRITERIA 1:**

### **What was the issue/problem/challenge addressed by your good practice?**

The ambitious challenge is to streamline compliance and contribution collection using new ICT instruments, in particular relationship resolution. The current administrative procedure for unpaid or irregular contribution collection is "passive". The process starts by checking the unpaid contribution, a communication is then sent to the company, only later a notice is sent and eventually a legal action is started. Often when this process is completed, the enterprise has been closed and the business has been transferred to a new enterprise so that the debt becomes unrecoverable for INAIL.

The challenge is to speed up this process. We must identify at an early stage the enterprises that behave fraudulent, while an action is still possible, before they close their business.

## **CRITERIA 2:**

### **What were the main objectives and the expected outcomes?**

The main objective has been to create a deterrent strategy to fraudulent behavior like unpaid or too low contributions and undeclared employment.

A "social" objective is also of importance: To protect the competitive position on the market of enterprises that comply with rules against the fraudulent enterprises. Public Administration operating efficient is also at stake: this good practice aims to demonstrate better efficiency in persuading entrepreneurs that non-compliance will be punished.

The operating outcome of the practice consists of a list of enterprises "suspect" to commit fraud. This list results from an analysis on the relationship of each present "suspect" company with other enterprise(s) with past fraudulent behavior. An inspection is then planned for the enterprises on this list. When irregularities are found, an action against the enterprise is started, that is a precursory action in comparison with the current vigilance process that is seen as "consequent" or "passive".

These actions give rise to a multiplicative effect due to the deterrent factor of inspections. We have found that in most real cases the fraudulent enterprise acted upon the criminal proposal of a work consultant or on the information passed by word of mouth. So we think that a deterrent factor is consequence of the news of successful inspections that will be disseminated through the information network (work consultants, word of mouth, news in general).

### **CRITERIA 3:**

#### **What is the innovative approach/strategy followed to achieve the objectives?**

The strategy is a change towards a proactive approach to fraud. We need to anticipate the identification of fraudulent behavior before it is too late. The normal process is to react to a negative event (e.g. unpaid contribution) or to investigate on enterprises that have some statistical parameters out of average. The innovative approach consists in analyzing the past behavior of "bad companies" and discover new companies that have a "suspect" relationship with the first ones. These enterprises are meant to be under investigation since there is a legitimate suspicion that the fraudulent behavior will be repeated by the new company. This is done by implementing a technology of relationship resolution that can identify all relationships between enterprises using information like entrepreneurs' data, addresses, phone numbers, e-mail addresses, employees' data, consultants' data and so forth.

### **CRITERIA 4:**

#### **Have the resources and inputs been used in an optimal way to implement the practice?**

Inspectors are the main resources for fraud fighting. This is the main limit of any good practice in this area. This good practice also aims to increment the inspections "win rate" to get closer to the theoretical maximum of 100 per cent.

The IT resources involved are hardware (one server), software (EAS) and implementation services. The pilot project has been completed through the activity of an analyst dedicated to this task for four months. For the next phase five FTE (Full Time Equivalent) are scheduled.

Unpaid contributions are estimated to reach EUR 280 million. The IT resources involved are minimal compared to the possible income: A simple two per cent of the collection of unpaid contributions can provide additional income for more than EUR one million per year. We should also add other advantages like the "deterrent factors" described before which are more difficult to evaluate in terms of money.

## CRITERIA 5:

### What impact/results have been achieved so far?

The results presented here refer to the pilot project run on one province (Prato). This province is particularly significant due to the immigration phenomenon and some specific activities (e.g. textile).

We first defined the initial "black list" of about 1,000 "closed" enterprises. From the analysis resulted that 341 black listed enterprises have "suspect" relationships with 255 "new" enterprises. We include those 255 enterprises which are subject to further investigation and inspection into the so-called "warning list".

The "warning list" criteria are:

- If a relationship is found between the attributes of a black listed enterprise and those of the new one;
- the black listed enterprise has a closure date "compatible" with the opening date of the new one;
- suspect enterprises found in Prato province: 255;
- black listed enterprises with relationships with them: 341.

Source Data	Record
Black List: Enterprises closed with pending debt > 1,000 €	1,009
Employees in the black listed enterprises	2,557
Entrepreneurs/board members of the black listed enterprises (source: INAIL)	1,149
Entrepreneurs/board members of the black listed enterprises (source: CCIAA-public records)	1,989
Active enterprises in Prato examined	58,338
Employees in the examined enterprises	35,662
Entrepreneurs/board members of the examined enterprises (source INAIL)	56,937

Entrepreneurs/board members of the examined enterprises (source: CCIAA- 69,397 public records)

## **CRITERIA 6:**

### **What lessons have been learned from the introduction of this good practice?**

We learned that there is a chance to introduce an innovative factor in a traditional area of contribution collection.

The lesson learned is that we must move our attention from massive procedures to a different approach that allows us to figure out what the highest potential cases are, so that we should focus on these.

Innovation can be achieved by designing a new conceptual model through new technologies, leveraging experiences and competencies of the monitoring and supervision staff.

## **CRITERIA 7:**

### **To what extent would your good practice be appropriate for replication by other social security institutions?**

There is a real possibility to replicate the same approach we defined for contribution collection to other issues in different social security institutions, in Italy and in Europe.

We think that the practice is highly likely to be replicated throughout revenue management and tax collection, and also lead to a shared investigative system (which in Italy could involve, for instance, INAIL, INPS and Health Local Authorities) that would be of great relevance and results.