



# Social Policy Highlight

03



## Performance management: Adding value to social security

The ISSA is duty-bound to provide its members with more value. This is only normal. And it mirrors the duties of ISSA member organizations toward their own stakeholders. For organizations, cutting-edge performance management techniques are one set of tools for providing this added value.

It is heartening to see many social security administrations leading the way among public-sector agencies in putting these techniques into practice. These developments are indispensable. Alongside concerted efforts to extend access and ensure social security's sustainability, improving performance represents one further step to better realizing "social security for all".

*Hans-Horst Konkolewsky, Secretary General*

Rightly or wrongly, during the 1990s the perceived weaknesses of public administrations were often held to account when contrasted with the taken-for-granted trim professionalism of the private sector. As a result, public-sector administration was frequently used as a synonym for inefficiency.

To varying degrees, public social security administrations also faced this criticism. While not the only factor, one outcome of such criticism contributed to the political push in some countries to privatise social security administrations.

Of course, the pressures being exerted on social security administrations the world over are not only political. Higher client expectations regarding the quality and range of services also bear heavily. And that these expectations arise in a generalized context of financial constraint does not help matters either.

### This issue:

- Defines elements of performance management practice
- Highlights the added-value of public social security administrations
- Identifies obstacles to achieving improved performance
- Provides policy lessons for improving performance

Regardless of the criticism's validity, the message for publicly-managed social security has been clear: administrations must deliver added value.

## Helping pioneer performance management

As agents serving their communities, the work of social security administrations should add up to more than just delivering existing benefits. Sure, this task remains fundamental, but it must be married to realising wider improvements in financial efficiency and management practices as well.

Today, it is no surprise that improving performance is a major issue for social security. Positively, collaborative research<sup>1,2</sup> undertaken by the ISSA and the consultancy group Accenture underlines the extent to which social security administrations are now using management techniques to improve performance.

Of a worldwide sample of 66 ISSA member organizations, 92 per cent confirmed using one or more performance management techniques.

Remarkably, this would suggest that social security administrations are helping to pioneer the use of performance management techniques among public administrations generally.

## Performance management

Performance management means taking action to ensure that improved services, products, and outcomes are delivered more efficiently and effectively. To this end, different tools are used.

Activity-based costing is a tool that seeks to better allocate resources by identifying the true cost of a specific product or service. Alternatively, balanced scorecards use selected indicators that measure performance in staff development, work processes, meeting customer needs, and financial management to facilitate improved strategic planning. As another tool, benchmarking measures the comparative ability of administrations to achieve the "best" standard of performance while also guiding improvements to help raise performance to this desired level.

Before choosing between these tools and others, a first necessary step is to set goals. By far the most commonly sought goal is to realise improvements in service quality. As such, Belgium's National Office for Employees' Family Allowances provides a noteworthy example. Between 1985 and 2003, the service quality of on-time benefit payments rose from a meagre 16 per cent to 97 per cent.

As this example emphasises, a further necessary step is to quantify how much progress is actually being made.

Rather than being haphazard, the wider pursuit of improvement should be value-driven. In this manner, administrations can coherently target specified improvements in staff and budget inputs, administrative processes and products, or policy outcomes.

## Value-driven improvements

Current theory advances a set of value-driven strategies. These strategies should be applied as part of a step-by-step process (see Steps 1-3) wherein, with each successive step, the desired goal becomes harder to achieve. Nevertheless, with the lessons and skills learnt from one step carried to the next, the expectation is for ever-greater, quantifiable improvements in performance.

The first step focuses on the inescapable challenge of better managing current inputs, such as staff and budgets. The subsequent steps move beyond inputs towards strategies that are result oriented. Result-oriented strategies are important because they point the way toward how social security administrations can deliver more value to their stakeholders. They also point the way forward with regard to how administrations can strengthen support for the roles they play within their own communities.

### Performance management

#### Step 1.

##### Managing staff and budgets

- **The goals** – handle incoming work in line with budget allocations and in compliance with legal rules and obligations.
- Quantifying improvement – for example, completing a recurrent task with a progressively lower budget.

#### Step 2.

##### Managing activities and service processes

- **The goals** – perform the expected tasks with the resources allocated and deliver the expected services through effective and efficient organizational workflows.
- **Quantifying improvement** – in the first instance, track statistics about the number of client calls answered or benefit applications processed. Thereafter, instead of tracking the number of benefit applications processed, track the number of hours required to complete the benefit application process.

#### Step 3.

##### Impacting clients and communities

- **The goals** – deliver the right intervention at the right time to cost-effectively enable each citizen to be a more active member of society. Ultimately, focuses on developing high performance and flexible organizations capable of contributing toward integrated and coherent multi-agency efforts to stimulate community growth and development.
- **Quantifying improvement** – this proactive/prevention oriented approach involves, for instance, intervening to address issues of benefits' dependence among clients. At a more advanced level, improvements in performance may be measured in relation to the number of individuals whose wellbeing is deemed to have benefited from wider, non-cash-benefit, social outcomes.

## Social security's added value

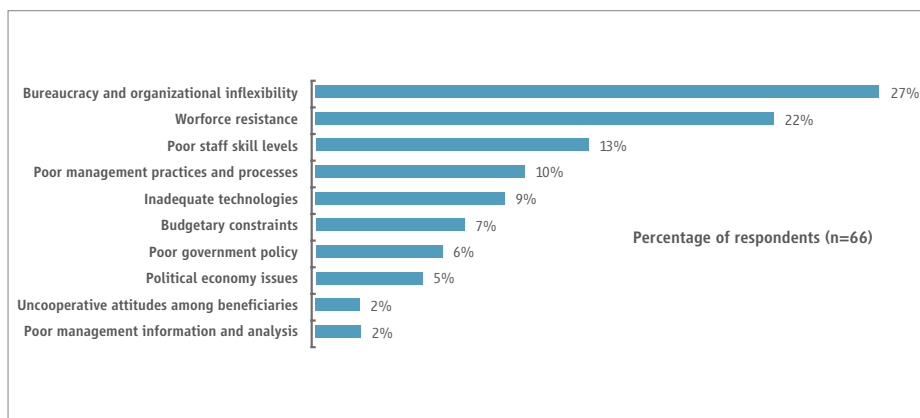
The added value provided by commercial organizations to their shareholders is normally gauged in monetary terms. Obviously, this is different from the added value provided to stakeholders by public organizations such as social security administrations. As the goal of impacting communities underscores, the added value of social security includes its ability to contribute to the development of desired human capital outcomes.

The fuller realisation of this vision of added value may first require raising social security policy-making out of short-term politics and up to the level of national social dialogue. While in practice this vision remains the exception rather than the rule, it nonetheless supports the ideas of redrawing boundaries and dismantling organizational silos that are also integral to realizing improvements in performance.

## Leadership and the management of change

Difficulties always lie ahead of realizing consistent improvements in performance (see Chart). For some administrations, these difficulties could be legal bottlenecks. For others, it may be an absence of budgetary autonomy or inflexible staff attitudes. The absence of state-of-the-art technologies can also be an obstacle. In surmounting all obstacles, the role of leadership will be determinant. This leadership role must necessarily also extend to the common practical task of fine-tuning performance management tools.

## Obstacles to improvement



Source: ISSA/Accenture (2004b)

## Good practice examples

**Managing staff and budgets** – the replacement in 2000 of Zambia's National Provident Fund by the National Pension Scheme Authority has been accompanied by strenuous efforts to improve all aspects of administration, including a progressively tighter cap (as a declining percentage of contributions) on permissible administrative expenses.

**Managing activities and service processes** – to enhance client services, in 2001-2002 Tunisia's National Social Security Fund realised a 120 per cent improvement in the percentage of claims processed within the statutory limit of 80 days, from 15 per cent to 33 per cent of claims.

**Impacting clients and communities** – preliminary evidence on the impact of the rehabilitation-before-benefit approach introduced to reduce the number of new disability benefit claimants in the Netherlands suggests fewer new benefit awards and a rising proportion of these paid as partial benefits alongside earnings.

Source: ISSA/Accenture (2004b); *Social Policy Highlight 2/06*

## A virtuous circle of improved performance

A culture of improving performance can also be positive for staff. Lower staff absenteeism, for instance, has been reported by Australia's Centrelink in its higher performing offices. Clearly, maintaining this positive dynamic will require the further emergence of innovative strategies that build on current practices. Otherwise, will the US Social Security Administration, as one example, be capable of maintaining – let alone bettering – the reported 1993-2003 productivity improvement of 37 per cent in the coming years?

In the meantime for social security administrations there is agreement. Performance management must remain high among strategic priorities, not least to contribute positively to further:

- Improving social security's accessibility
- Improving social security's sustainability
- Strengthening social security's added value, and
- Strengthening the ability of communities to with stand socio-economic shocks

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## Sources

- <sup>1</sup> ISSA; Accenture. 2004a.  
*The high-performance challenge: Improving social security through performance management.* Cambridge MA. Accenture.
- <sup>2</sup> ISSA; Accenture. 2004b.  
*Creating value through performance management in social security administrations.* Cambridge MA. Accenture.

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The **International Social Security Association (ISSA)** is the world's leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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