AUDIT

Audit of the digitalisation in the 1st pillar

Federal Social Insurance Office

KEY FACTS

The Swiss Federal Audit Office (SFAO) has audited the extent to which the Federal Social Insurance Office (FSIO) is managing the digital transformation of the 1st pillar strategically, and implementing it operationally. Digitalisation of the 1st pillar is politically desirable[4], but implementation is being delayed due to structural deficits and a lack of coordination between the stakeholders. It can only be successfully implemented if all the stakeholders, in particular the FSIO and the implementing bodies, work together and in a coordinated manner. With its digital transformation and innovation strategy, the FSIO has laid a foundation based on standardisation, data management and governance, which encompasses legal adjustments as well as the introduction of new digital processes and services. Despite this, progress is being hampered by complex implementing structures, institutional demarcation and a lack of trust between the FSIO and the implementing bodies – this is a major obstacle for digitalisation. Instead of rigorous and coordinated implementation, the situation is being dominated by individual interests, protracted decision-making processes and insufficiently used management tools. A lack of economic incentives and incomplete benefit analyses are further hindering efficient digitalisation. Without clear steerage and consistent collaboration between the stakeholders, potential will remain untapped.

Fragmented structures and institutional hurdles

The decentralised implementation structures of the 1st pillar have developed over the years and created a fragmented IT landscape, which has led to inefficient interfaces, redundant systems and a lack of interoperability between the various stakeholders. Driving digital transformation forward within existing structures poses considerable difficulties for the FSIO. The challenges lie in particular in the collaboration between the FSIO and the implementing bodies, i.e. the organisations which are responsible for the practical implementation of the 1st pillar. While the FSIO wants to introduce digital management tools, the implementing bodies see this as a threat to their autonomy and are worried about excessive centralisation which could lead to them losing power, and their decision-making authority being undermined. To date, the implementing bodies have only been involved in implementing key digitalisation projects on an ad hoc basis, which has led to considerable delays. Instead of applying a cooperative approach, institutional demarcation and individual interests have been dominant, causing the focus on improved and more cost-efficient services to be pushed to the background. Protracted decision-making processes and indirect communication with the implementing bodies via conferences which are only held a few times a year, lead to further delays. The conferences are organised on a membership basis and do not allow for standardised central management. Information is partially filtered or weighted before being passed on, which also compromises transparency and effective decision-making. These structural hurdles also make the exchange of best practices between the institutions more difficult and prevent digitalisation being implemented in a uniform manner.

[4] See appendix 1

Misplaced incentives slow progress

Misguided economic incentives are also slowing the pace of digitalisation. Administrative costs are paid by social security, irrespective of efficiency gains, or by the insured persons or those paying the contributions (such as employers, the self-employed, the unemployed, etc.), which means there is little economic pressure on implementing bodies to optimise. Transparent cost-benefit analyses are also not available: digital projects could deliver greater savings, but the potential savings are not fully realised due to institutional demarcation. Although the implementing bodies lacked trust in the estimates of potential efficiency gains from the FSIO work processes, they also did not submit any assessments of their own, which made it difficult to produce an objective evaluation of the actual savings potential. One example is the MOSAR project to introduce an online service which would allow insured people to access their individual account faster and independently. The FSIO anticipated savings of CHF 2 million, but had not taken into account the implementing bodies' process optimisations of around CHF 4 million. A more comprehensive analysis that also takes these efficiency gains into account could therefore reveal significantly higher savings potential. Digitalisation projects frequently do not take into account all the possible potential savings, thereby neglecting important aspects of their economic viability.

Challenges in the strategic management at the FSIO

Those responsible for the project at the FSIO demonstrate high levels of commitment to drive digitalisation forward and to implement innovative solutions. However, within the FSIO shared understanding and a broadly coordinated approach to digital strategy are lacking. This is caused by differing priorities in IT management and coordination in the different specialist areas, in particular due to differing principles and approval authorities at the respective approval authority. The different departments do not present a united image to the outside world and do not support the strategy consistently through their actions, which makes coherent implementation more difficult. Because of the differing views at the FSIO, newly created supervisory tools designed to create transparency, standardisation and interoperability of IT structures to steer digitalisation, are also not used uniformly and consistently enough by the implementing bodies.

As long as these structural and communication deficiencies with the FSIO and between the FSIO and the implementing bodies and their conferences exist, digitalisation cannot be carried out efficiently and purposefully. This leads to development which is uncoordinated, costly and heterogeneous, often accompanied by poor investments and a lack of compliance with standards. Without clear progress towards rectifying these deficiencies, inefficient administrative processes, higher costs for employers and delays for urgently required digital services continue to be a threat, which affect the quality and economic efficiency of the entire system.

In order to drive digitalisation forward, the SFAO recommends that the FSIO creates binding governance structures for the collaboration with the implementing bodies.

Compulsory economic assessments that are based on standardised methods are also required, in order to create an objective and comparable basis for decision-making for all digitalisation projects. This must take into account savings at the FSIO as well as process efficiency gains for the implementing bodies. New supervisory tools, which have been adapted to the challenges posed by digitalisation, need to be developed. The existing supervisory tools need to be used consistently and cooperatively, as they have been applied inconsistently to date. Ultimately, stronger coordination between the stakeholders is required because this is the only way for them to build trust, enable operative implementation and avoid friction. The success of the digital transformation of the 1st pillar depends crucially on all the stakeholders pulling together and performing their role actively and constructively.