Performance monitoring instruments - performance indicators

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Social Security Team

ILO SRO Bangkok

Structure of the presentation

1. Why indicators?
2. Desired characteristic of indicators
3. Bench-marking of indicator
4. Scheme-based indicators
5. Concluding remarks

1. Why indicators

1. Indicators as a diagnostic tool

    (1)   **Design issues**

            e.g.   -   **Extent of (legal / potential) coverage**

                   -     **Adequacy of benefit (level)**

                   -     **Financial sustainability**

    (2)   **Operational (or administrative) issues**

            e.g.   -   **compliance (of coverage)**

                   -     **speed and accuracy of services (e.g. contribution collection, benefit delivery)**

                   -     **cost efficiency (admin cost)**

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1. Why indicators (Contd.)

2. Clients / users

    (1)   **Policy-making / design level**

            e.g.   -   **Politicians**

                   -     **Employers / employees (as contributors / potential beneficiaries)**

                   -     **Supervisory board**

                   -     **Planning sections of the Government**

    (2)   **Operational (or administrative) level**

            e.g.   -   **Managers of the scheme**

2. Desired characteristics of indicators

1. Comprehensiveness

- **Standardized, applicable to any country or any scheme**
- **Covering all essential dimensions (e.g. coverage, benefit / contribution level, administrative efficiency, financial status)**

2. Consistency

- **Time (historical) consistency (for comparison)**
- **Internal consistency among indicators**
  (e.g. PAYG ratio = Demo ratio * Rep. ratio)

2. Desired characteristics of indicators (Contd.)

3. Relevance

- **Relevant and meaningful to allow interpretations (different from raw statistics / numbers)**
  (e.g. not the number of contributors, but the coverage rate to measure coverage)
  (e.g. not the number of old-age pensioners but the demographic ratio for measuring the aging of the scheme)

4. Quantifiability

- **Expressed in numbers**

3. Benchmarking of indicators

1. **Intelligent benchmarking**
   - **No straight-forward interpretations**
   - **(e.g. demographic ratio, the replacement ratio)**
   - **=>   Needs 'Intelligent benchmarking'**

2. **Forms of benchmarking**
   - **Objective-based benchmarking**
   - **(e.g. Replacement ratio 40% after 30 years career, cf. ILO Convention No. 102)**
   - **Time-based benchmarking**
   - **(e.g. Administration cost ratio in history)**

3. Benchmarking of indicators (Contd.)

2. **Forms of benchmarking (Contd.)**
   - **Comparative national benchmarking**
   - **=>   Comparison among schemes (e.g. speed of claim handling)**
   - **Comparative international benchmarking**
   - **(e.g. coverage rate)**
   - **=>   Needs careful handing / consideration**

4. Scheme-based indicators

1. Grouping of indicators

   (1) Legal indicators (Design indicator group)
   - (Potential legal) coverage rate
   - Benefit adequacy, in terms of:
     - Catchment of wages
     - Average replacement ratio
     - Adjustment of benefits

   (2) Governance indicators (Operational indicator group)
   - Compliance
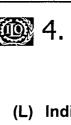   - Timeliness
   - Precision
   - Customer satisfaction

4. Scheme-based indicators (Contd.)

1. Grouping of indicators (Contd.)

   (2) Governance indicators (Operational indicator group)
   - Admin cost efficiency

   (3) Financial indicators (Design + operational indicator group)
   - Financial sustainability (e.g. PAYG cost rate)
   - Investment indicators (efficiency, safety, liquidity, social utility?)

4. Scheme-based indicators (Contd.)

(L) Indicators on design and legislation

(L-1-1)	**Legislative coverage rate for insured persons**
(L-1-2)	**Legislative coverage rate for employers**
(L-2-1)	**Relative level of limits on contributory earnings; indicator No.1**
(L-2-2)	**Relative level of limits on contributory earnings; indicator No.2**
(L-2-3)	**Catchment of wages**
(L-3)	**Age structure of insured persons**

4. Scheme-based indicators (Contd.)

(L) Indicators on design and legislation (Contd.)

(L-4-1)	**Relative average replacement ratio of benefits in payment**
(L-4-2)	**Relative average replacement ratio of benefits for newly awarded benefits**
(L-4-3)	**Average contribution period**
(L-5)	**Effective rate of adjustment of benefits in payment**
(L-6)	**Age structure of beneficiaries**
(L-7)	**Target efficiency of unemployment benefits**

4. Scheme-based indicators (Contd.)

(G) Indicators on governance and administration

(G-1-1)	Registration ratio among insurable persons
(G-1-2)	Registration ratio among liable employers
(G-2-1)	Effective contributory ratio among insurable persons
(G-2-2)	Effective contributory ratio among liable employers
(G-3-1)	Percentage of employers inspected
(G-3-2)	Percentage of successful inspections

4. Scheme-based indicators (Contd.)

(G) Indicators on governance and administration (Contd.)

(G-4-1-1)	Percentage of contributions in arrears during the year
(G-4-1-2)	Relative level of accumulated contributions in arrears
(G-4-2-1)	Speed of collection of contributions during the year
(G-4-2-2)	Speed of collection of contributions in arrears
(G-5)	Record keeping ratio on contribution collection
(G-6)	Percentage of outstanding benefits

4. Scheme-based indicators (Contd.)

(G) Indicators on governance and administration (Contd.)

(G-7) Average claim-handling time for newly awarded benefits

(G-8) Error rate on benefit payments

(G-9) Rate of public enquiries and complaints

(G-10) Relative level of administrative cost

(G-11) Ratio of personnel cost to administrative cost

(G-12) Staffing level relative to insured persons and beneficiaries

(G-13) Relative staff salary level

4. Scheme-based indicators (Contd.)

(F) Indicators on finance

(F-1) GDP ratio of expenditure and income

(F-2) Liquidity ratio

(F-3) Pay-as-you-go contribution rate (with and without government subsidies)

(F-4) Relative level of contribution rate

(F-5) Funding ratio

(F-6) Dependency ratio

(F-7) Average annual rate of return on investment

(F-8) Liquidity of assets

(F-9) Percentage of government assets

6. Concluding remarks

1. Simplicity vs. comprehensiveness
   => **Hierarchy for different clients / users (e.g. core indicators, design vs. operational indicators)**

2. Careful interpretations required
   => **No simple interpretation**

   (e.g. Not necessarily 'the higher, the better' or 'the lower, the better', think of demographic ratio)

6. Concluding remarks (Contd.)

3. Holistic as well as analytic view required
   => **Sometimes contradicting messages / internal trade-offs to be interpreted and judged wisely**

   (e.g. Higher benefit level better for beneficiaries, but not for contributors or financial sustainability, efficiency and safety of investment)

   => **benchmarking**

4. Data mostly lacking for production / comparison of indicators

6. Concluding remarks (Contd.)

5. Hints for scheme improvements

=> **However, detailed follow-up study necessary for making judgments**