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New Product Innovation to Widen Access to Supplementary Pensions in Ireland

By Eluska Fernandez (University College Cork)

The Irish government has taken a substantial policy initiative in relation to widening access to second pillar pensions with the introduction of Personal Retirement Savings Accounts (PRSAs). A Personal Retirement Savings Account (PRSA) is a contract between an individual and an authorised provider of PRSAs to form an investment account that is used to save for retirement.

PRSAs were introduced in 2003 in response to concerns about the number of workers without supplementary pension cover. Recent figures suggest that less than half of the workforce (49.3%), have no occupational or personal pension. PRSAs represent a new 'product innovation' in the area of pensions in Ireland. They are designed to be a flexible product, which can allow individuals to make contributions to their PRSA appropriate to their personal circumstances and retirement plans.

The Pensions Board is the statutory body with responsibility for overseeing the introduction of PRSAs in terms of approving the products available and regulating the delivery of the products within the terms of the legislation. The Minister for Social and Family Affairs appointed a Pensions Ombudsman in March 2003. The Ombudsman is independent and has the power to investigate complaints in relation to PRSAs and occupation pension schemes.

All employers must provide a direct payroll facility for contributions to PRSAs, although they are not obliged to make a contribution. Under the Social Welfare (Miscellaneous Provisions) Bill



2004, social welfare inspectors will be given the power to inspect employers to ensure that they are providing the payroll facility for PRSAs or that they have an occupational scheme in place for their employees.

The Department of Social and Family Affairs and the Pensions Board have promoted PRSAs through the National Pension Awareness Campaign (NPAC) 2003. NPAC activities included presentations and promotions, information booklets, general media work and the National Pensions Awareness Week. PRSAs are also supported through tax benefits. At this point in time it is too early to attempt to assess their overall impact on second pillar pension coverage rates. By the end of 2003 more than 19,000 PRSA products had been sold. The University College Cork PUBLIN team intends to examine the emergence of this new product innovation and assess the impact of PRSAs on the pension system in Ireland.

Project “Common Door” in the municipality of Trondheim – A case of innovation in the Norwegian public sector

By Thomas Halvorsen (STEP)

In a whitepaper from 2002 the Norwegian government proposed to integrate the front offices of the National Office for Social Insurance (Trygdeetaten), The Norwegian Employment Service (Aetat) and the Social Service Office (kommunale sosialtjenester) both in respect to location and functionality. The government also proposed to implement a clear separation between the service contracting functionality of the front offices and the service delivery functionality of the back offices.



All though this proposal has not yet been ratified by the parliament there are municipalities in Norway that have started implementing such solutions. The municipality of Trondheim is one of these. The implementation of the new organization began in January 2004, and by the end of December same year the municipality hopes to have carried out most of this reorganization.

By creating a common front office for these services and by dividing between a contracting office in front and service delivery agencies behind Trondheim municipality hopes to achieve the following:

1. Better adaptation of services to individual needs.

Many users of these services use more than one service. With this organizational integration the municipality also hopes to be able to provide more integrated service packages to these users.

2. Better legal security for the users.

This includes clearer decisions in service provision cases and clearer information on the possibility of complaining on service decisions.

For more information, see Publin on the web:

<http://www.step.no/publin/>

3. Fewest possible “doors” to the public services.

It should be easy for the public to locate and make use of public services. With the new organization there will be fewer offices involved when individuals’ service needs are decided upon.

4. A transfer of resources from administrative tasks to service rendering tasks.

It is expected that this integration will lead to increased effectiveness in administrative case handling, thus being able to use more resources on “out in the field” service provision.

A functional separation between contracting units and service delivery units as can be seen in the Common Door-project is one of the core ideas within New Public Management (NPM). The hierarchical contracts of the Weberian ideal bureaucracy is replaced with market contracts as the coordinating instrument. The specialized contracting unit and the service delivery units offer their services in a quasi-market within the public sector.

A market based financing will often be a supplement or substitute to the traditional budget based financing when such a functional separation is carried out. There is however unclear how far Trondheim municipality will go in implementing such a financial model.

Commission of Health Improvement report on Healthcare delivery initiative: NHS Direct – a victim of its own success?

By Lawrence Green (PREST)

Launched in England in November 2000, National Health Service Direct (NHSD) is a pioneering Nurse-led helpline that aims to provide ‘round the clock’, 365 days a year healthcare advice and information to anyone with access to a telephone.

The helpline was instituted as the first step in the UK government’s ‘modernisation’ programme of improving access to (and enhancing delivery of Healthcare) and has been followed by a number of complementary initiatives including the introduction of ‘walk-in’ health centres, the relocation of ambulance services, the launch of online access to NHSD, and the reorganisation of ‘out of hours’ emergency provision.

NHSD was planned and promoted as a national ‘phone line’ and ‘main gateway’ for the NHS and it was envisaged at the time of its launch that a vast majority of patients would come to perceive the helpline as an initial access point in their search for appropriate treatment for non-emergency conditions. It was also envisaged that the helpline would relieve pressure on busy local surgeries and contribute to the reduction of congestion in hospital Accident and Emergency (A&E) departments.

Essentially a triage, evaluation and treatment advice service (nurses assess a patient’s need, suggest appropriate treatment, recommend a GP appointment, or indicate a trip to the hospital) NHSD - operated by a network of 24 call centres across England and Wales – has enjoyed phenomenal success since its introduction. By the close of 2003, NHSD was taking 500,000 telephone calls each month and dealing with a further 500,000 enquiries via its online portal. Indeed, such has been the take-off and popularity of NHSD that it has been hailed almost universally as a shining example of innovative thinking in

relation to the organisation of healthcare delivery. A review of its activities and performance undertaken by the UK’s Commission for Health Improvement (CHI) at the close of 2003¹ concurred broadly with this positive reaction and praised the service for its general quality and its acceptance among a strongly appreciative audience. However, this praise was accompanied by a number of caveats (some of which stem from the extraordinary popularity of the service), and a number of independent commentators have issued some cautionary notes.

As the CHI suggests, NHSD is attracting such volumes of telephone traffic that it is close to missing (or has actually failed to hit) its own time targets for answering calls and offering an initial assessment of symptoms (30 seconds and 20 minutes respectively). Further, the CHI is critical of opacity relating to the relative responsibilities of call centres, local and regional healthcare administration agencies (known as ‘Trusts’), and the Department of Health: its Chief Executive cautions that complexity of management arrangements “can create confusion over the development of policy, practice and performance and a lack of clarity over roles and responsibilities”²

Further criticism has been levelled by the UK Consumers Association: its spokesperson responded to the tenor and detail of the CHI report by citing examples in which NHSD staff had failed to provide appropriate diagnoses, and instances in which such personnel had been unable to identify potential emergencies. The Consumers Association also cautioned against equating ‘public popularity’ with ‘quality of advice’ and warned that few service users were in a position to assess the accuracy of the information provided by NHSD advisers. In its view, customer satisfaction was more likely to relate to the friendliness of NHSD staff, or their ability to reassure, rather than to the veracity of medical advice received via the helpline.

Some General Practitioners and Hospital doctors have added their voice to these criticisms of NHSD and further, have indicated that a service that was designed to reduce pressure on local surgeries and A&E departments has had the opposite effect. As NHSD advisers tend to err on the side of caution, it is inevitable that many patients will be referred to physical treatment access points, and that some callers that would previously have treated their own minor illnesses will be encouraged to visit their GP's surgeries.

In sum, it is clear that reports concerning the 'success' of NHSD must be treated with some caution. Usage statistics indicate that the service is undoubtedly popular with patients, and customer satisfaction surveys report that the vast majority of callers find their encounter with NHSD personnel to be highly positive. However, such positivity at the level of customer engagement tends to mask less favourable evaluations from other healthcare actor groups and independent commentators. Reduction of

pressure on 'face-to-face' services – a key goal for NHSD – has not materialised, the accuracy of diagnoses and healthcare advice is sometimes questionable, the locus of responsibility and obligation re: both provision of treatment and policy development is not always clear, and the popularity of NHSD is leading to delays and pressure within the service's call centres. Whilst NHSD appears likely to face a growth in both popularity and traffic - a development that can only be stimulated by positive reports such as that from CHI – detailed analysis of the service's operations (and resulting system tensions) indicate that the application of a 'success' tag is probably premature.

Footnotes

¹ Commission for Health Improvement 'What the CHI has found in: NHS Direct services', November 2003 (available at: http://www.chi.nhs.uk/eng/cgr/nhs_direct/nhsd_report03.pdf)

² Jocelyn Cornwell quoted in the Guardian newspaper, November 10th 2003

Size and structure of public sectors: an overview in a diverse Europe

By Andrés Maroto (University of Alcalá and Servilab, Madrid)

The understanding of the structure, role and basic economics of the public sector can be very useful for studies of innovation in the public sector. This is particularly important in a Europe where different models, sizes and organisational ways exist.

It can be observed that there are at least three important features of the public sector in democratic and advanced societies: compulsion, accountability and motivation. These functions operate at many levels. In most European countries there are also constitutional limits which separate out the powers of local and federal governments; and, an increasing proportion of power now lies beyond national governments in the organs of the European Union.

One of the main roles of the public sector at present is to develop the activities implied by the Welfare State. Considering three main models of European Keynesian Welfare State (WS) by their way of structuring social protection, their schemes of labour relations and types of social impacts is still valid (Andersen, 1990): the Nordic or socialist, the Continental or Christian Democrat, and the Anglo-Saxon or liberal welfare state models. A fourth one can be added at the moment: the Mediterranean or Latin model.

At present this four-fold typology can be observed in the European Union. Since the inception of the welfare state until this today expenditures on social protection have risen. During the 1990s there were two phases: until 1993 the expenditures on social protection accounted for a growing proportion of the GDP, and in the last phase this trend slowed down with the exception

of Portugal, Greece, Germany, Austria, Belgium and Luxembourg, where the spending increase relative to GDP continued until 1996. Overall spending on social protection in the European Union today amounts to 27.7 percent of total GDP, however it is possible that this trend has changed in recent years.

After the great crisis in the first half of the 1980s, the 1990s have been the decade of state reform in the EU. The state reforms include political reform to increase the legitimacy of governments, fiscal adjustment, privatisation, deregulation to reduce the size of the state, and administrative reform. Nowadays, although structural adjustment remains a major objective in European countries, the emphasis has changed to the reform of the state, and particularly to administrative reform. The basic reasons for the increasing interest in state reform in the 1990s are that structural adjustment was not enough. Public control officials have been pulled in a number of different directions attempting to articulate the ideal level of where policy making, authority, and process should be positioned in the hierarchy. Three primary organisational models have emerged: a centralised model, a mid-range model, and a decentralised one.

The public sector is not easily measured. There are various ways through which the public sector may be measured, but generally the magnitude of the public expenditure, expressed as percentage of the GDP, is used. Measures based on the

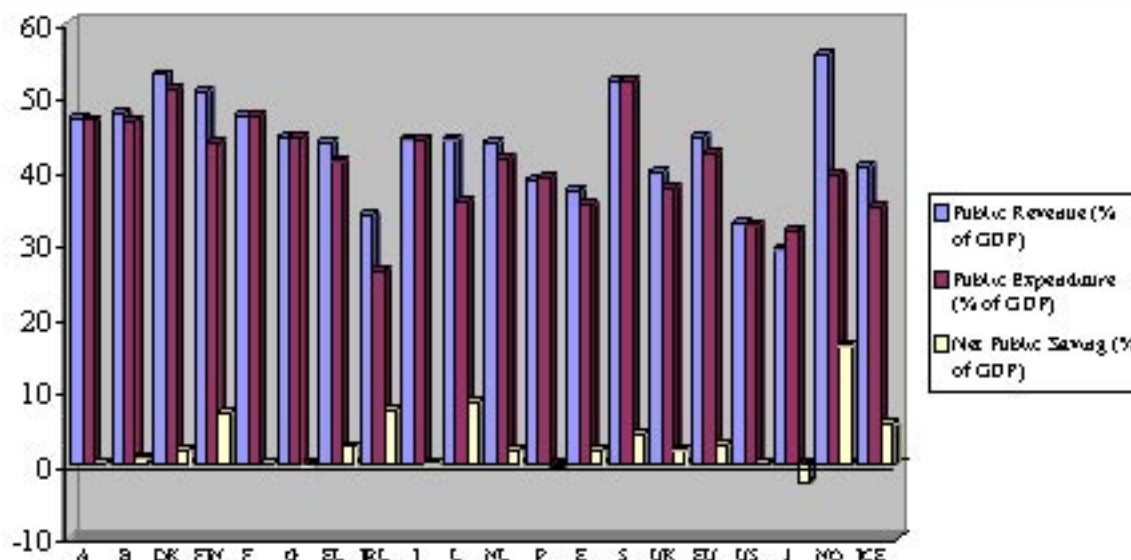
public income by taxes, public transfers to the households, public revenues in relation to GDP are other measures also to be used.

Measured by the level of public expenditures, as can be observed in the figure below, the weight of the public sector in the European Union is at the moment around the 47 percent of the current GDP, more than eight percentage points more than Japan, and twelve percentage points more than the United States. However, in this aspect important differences among the EU countries exist.

As a percentage of GDP the public sector is smaller in most of the southern EU countries (Spain, Portugal and Greece), and also in Ireland and the United Kingdom. On the other hand it is important to emphasise the high importance of the public sector in economies such as France, Belgium and the Nordic countries. Among the Nordic countries the weight of the public expenditure over GDP at the present time reaches highest in Sweden of 58.1 percent.

With some exceptions, such as France, the dominant trend in the EU during the 1990s has been that of slow down. This contrasts the observed trend in other economies, such as Japan, New Zealand, Switzerland and Norway. If instead the fiscal pressure or the current transfers to the households in relation to GDP are used similar results are observed.

Table: Public figures in the European countries (as % of GDP) in 2000



On the Publin research project

Publin is a new research project under the EU Fifth Framework Programme.

Publin is to study policy learning and technical and administrative innovation in the public sector, and to get a better understanding of behavioural changes, learning processes and the implementation of new or improved technologies in public organisations.

The study will cover innovation in policy-making organisations, regulatory agencies and public enterprises, and will take into consideration the influence cultural traits, politics, management, networks and co-operation, entrepreneurship and evaluations has on innovation.

Special attention will be given to the policy learning as a policy phenomenon and how it affects innovation, including the effect policy decisions have on innovation in public services.

Main objectives

The main objective of PUBLIN is to develop a consistent and general basis of understanding of the main processes of public sector innovation and policy learning.

As part of this PUBLIN will

- contribute to the development of the theoretical foundation for studies of innovation in the public sector
- pinpoint innovation strengths and weaknesses in contemporary public service organisations and policy making institutions
- examine the influence politics, management, evaluations, cultural traits and entrepreneurship has on innovation in public organisations
- analyse networks, knowledge flows and sources and drivers of learning and innovation in public organisations
- give new insight into the learning processes underlying development in public sector bureaucracies
- consider the effects of public innovation in the broader societal context of socio-



economic development models (i.e. go beyond traditional objectives as “increased efficiency” and include factors like social cohesion, the environment, welfare needs, the quality of life and more)

On the basis of this PUBLIN is to give concrete advice on how public authorities may organize learning and innovation processes in the public sector, while taking national characteristics and differences between the various policy and innovation systems into consideration.

The PUBLIN researchers will in a critical manner look at benefits as well as problems engendered by changes in organisational and administrative practices in the public sector.

The project aims at stimulating debate and interest in innovation in the public sector, and serve as a foundation for the development of new forms of learning, organisation and co-operation aimed at improving the innovative capabilities of public organisations on the European, national and regional level.

Moreover, it is PUBLIN’s goal to serve as a foundation for further research on innovation in the public sector, as well as enriching research in fields like public administration, new public management, sociology, political science and innovation theory.