

# European Commission Directorate-General for Structural Reform Support

*Tender REFORM/SC2021/121*

Support for the Modernization and Restructuring of the Social  
Insurance System

Final Report

December 2022



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## 1. Scope and Objectives

This project aimed to identify the areas that need to be improved, amended, or redesigned for the SIS to be able to effectively meet the demands of both today and tomorrow. Moreover, throughout this project we developed practical recommendations and action plans that will guide the SIS and its key stakeholders through the implementation of these changes. The modernization and restructuring of the social insurance system in Cyprus will significantly improve the experience of the system's primary users, i.e. citizens and employers, SIS staff and management. EY understood the needs of the various user groups and offered robust and pragmatic solutions.

Overall, the project aimed at contributing towards the following actions:

- ▶ Streamline procedures, processes and working methods thus efficiently utilizing human resources, reducing operational costs, red tape and delivering faster service to the insured.
- ▶ Utilize human resources efficiently, reduce operational costs and red tape.
- ▶ Contribute to the digitalization of the public sector and reduce administrative burden for both citizens and the SIS.
- ▶ Improve the computerized system of the SIS, develop additional control mechanisms at various stages of the SIS work and provide the possibility of interconnection with other computerized systems in the government sector.
- ▶ Provide accurate and accessible information to insured persons and employers regarding their rights and obligations stemming from the legislations that the SIS applies.
- ▶ Enable the insured to access information that concerns them, such as e.g. the progress of their claims, their payment history, their insurance account, the preliminary calculation of their pension.

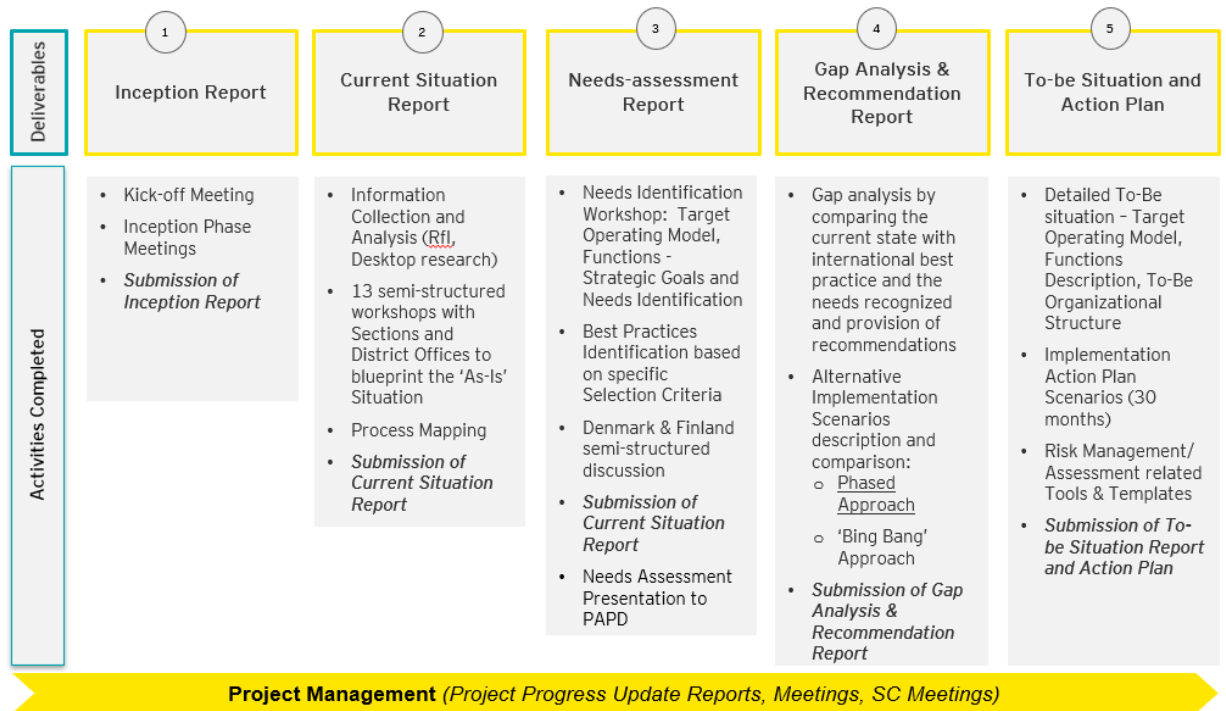
## 2. Methodological approach for the implementation of the project

The approach followed for the implementation of the project included a series of phases with clearly defined tasks and the delivery of work products at the completion of each task, in line with the requirements of the project's Terms of Reference. This approach resulted in the implementation of a straightforward and easily monitored project.

This methodology was proposed during the proposal stage and was agreed between the DG Reform, the SIS and EY stakeholders during the project Initiation Phase in the kick-off meeting.

The project approach followed is summarized in the diagram below and analyzed in the following paragraphs:

Figure 1 - Project Approach

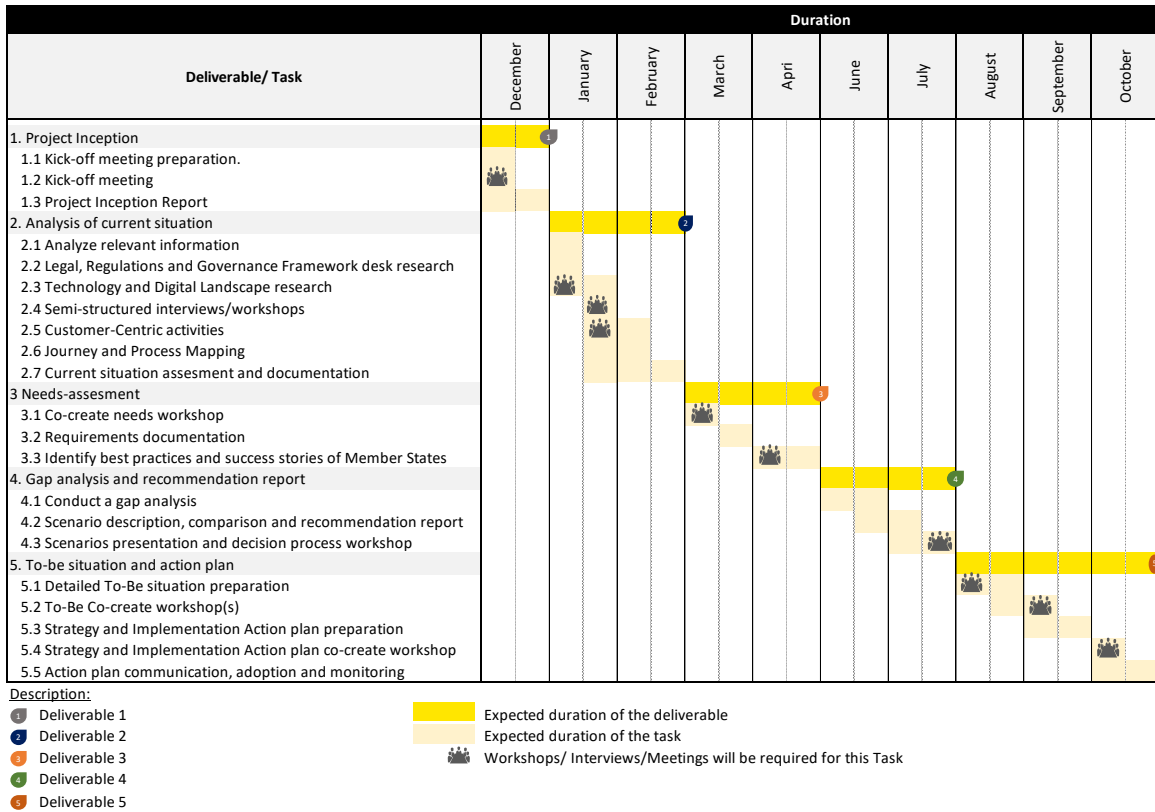


## 2.1 Phase 1 - Inception Report

The EY team organised the kick-off meeting, during which the Steering Committee was set up, team members from each team, the frequency that the progress update meetings will be held, and the project implementation plan (presented in Figure 2 below) were agreed. Moreover, a request for information document was sent to the SIS and the Inception report was submitted. Moreover, during this phase, the EY team performed a project risk assessment and developed a preliminary list with the risks identified and the suggested mitigation measures. Finally, the indicators have been agreed for monitoring the implementation of the project against plan, which formed part of the Progress Update Reports submitted and included the following:

- A. Overall Status (Red-Amber-Green approach)
- B. Tasks completed since last project updated meeting
- C. Risks
- D. Decisions that need to be taken
- E. Follow up/ Next steps
- F. Open items since last meeting

Figure 2 - Project Implementation Plan



## 2.2 Phase 2: Current Situation of the SIS,

The EY team analysed and documented the current status of the SIS, across the following pillars:

- ▶ **Legal, Regulations and Governance Framework:** relevant European Union (EU) and National policy/ies, laws, regulations, governance structures, control systems and mechanisms in place.
- ▶ **Organizational Structure and Functional Capabilities:** organizational structure, including reporting lines, roles and responsibilities, job descriptions, skills and functional capabilities to deliver services.
- ▶ **Operational Framework (Processes, Operations and Service Delivery):** processes to execute key citizen journeys including touchpoints, channels, stakeholders, information flow and information exchange as well as the way services are delivered.
- ▶ **Technology and Digital Landscape:** the system of records, digital channels, and any supporting applications to offer the required services as well as interoperability with other departments' systems.

For the completion of Phase / Deliverable 2 the following activities were performed:

- ▶ Analysis of the information gathered in Deliverable 1 to understand and map out the current situation.

- ▶ 13 Workshops with key personnel of the Ministry of Labour, Welfare and Social Insurance (i.e. Permanent Secretary and his team) and the Department of SIS (Sections, Supportive Functions and District Offices).
- ▶ Legal, Regulations and Governance Framework desk research and analysis to understand what the law currently foresees regarding processes and procedures.
- ▶ Assessment of the current Technology and Digital Landscape through Interviews/workshops with key personnel.
- ▶ Mapping of key Citizens' Journey and Processes for the purpose of delving deeper into the root causes of the shortfalls in the SIS service quality.

Our Deliverable, the 'Current Situation Report' provided a detailed blueprint of the current state across all the pillars examined, as well as of the main challenges faced that, at present, impede the provision of a direct and effective citizen service. We hereby provide a summary of the main findings from Deliverable 2:

- ▶ **Legal, Regulations and Governance Framework:** Current outdated provisions of applicable legislation in relation to self-employed persons, which does not provide for the provision of identical benefits / rights to self-employed persons to the same extent and manner as are currently provided to employed persons, lack of specialized in-house legal advisors and public prosecutors for representing SIS before Courts, combined with the outdated / complex procedure for the submission of appeal by citizens.
- ▶ **Organizational Structure and Functional Capabilities:** The uneven distribution of the number of jobs between the technical and scientific personnel structures which may impact the capacity for the effective digitization of important services of the Department. Also, the lack of specific skills necessary for the Services to carry out their mission in the changing environment in which it operates has been recorded as a challenge.
- ▶ **Operational Framework (Processes, Operations and Service Delivery):** The non-presentation of the necessary supporting documents and / or data by citizens for the applications they submit to the Department, which creates delays in the examination of these applications. In addition, the non-automated registration of data in the Social Insurance System, creates an additional workload and the lack of information to citizens (through digital channels) about the stage of the examination process of their application.
- ▶ **Technology and Digital Landscape:** The use of different systems by citizens to carry out their transactions with the Department, the non-digitization of basic services such as the payment of arrears, the need to modernize the relevant infrastructure that supports the existing IT systems and the heavy dependence on the provider of the Social Insurance System in terms of changes and/or improvements that need to be made.

### 2.3 Phase 3: Needs-Assessment of the SIS

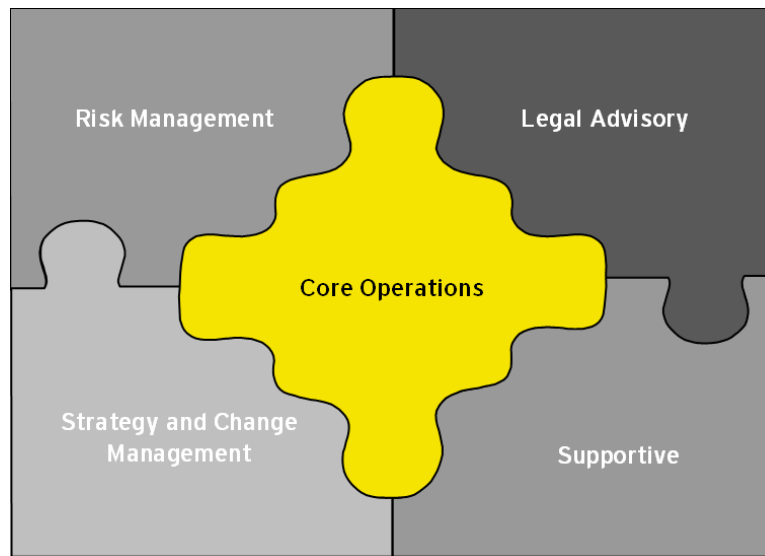
The EY team identified, listed and categorized the requirements needed to enable the streamline of their framework of operation. For the completion of Phase / Deliverable 3 the following activities were performed:

- ▶ Several brainstorming sessions during which the EY Team actively contributed to the exchange of information and ideas with the SIS Project Team and other key stakeholders regarding the needs of the department based on the key challenges identified in Phase / Deliverable 2.
- ▶ Good Practice models were studied for gaining a deeper knowledge and understanding of how these models operate and how the SIS can benefit from these practices. The selection of these good practice models was carried out using specific criteria to ensure their relevance to the broader characteristics of the existing Social Security Model of Cyprus and its plans for a transformation/reform. Denmark and Finland were selected for studying good practices and interviews were held via MS Teams with the relevant parties of each country, via the use of a questionnaire/framework of discussion document which was created and used to guide the discussion.
- ▶ Utilizing the findings of the previous phase, EY planned, organized and facilitated a workshop with SIS and other stakeholders during which, EY guided the participants, through a systematic and structured process, to identify and determine what needs to be accomplished to improve and modernize the operating model of the SIS and enhance service quality provided to citizens.

The Deliverable submitted analyses the proposed target operating model (presented in Figure 3 below) and its key functions, which include the following:

1. **Core Operations:** Responsible for the enablement of the provision of digital services and for the effective support that should be provided to citizens regarding their enquires about their social security rights and obligations.
2. **Risk Management:** Responsible for systematically identifying, monitoring, evaluating and mitigating internal and external risks.
3. **Legal Advisory:** Responsible for providing legal support mainly through the preparation of draft bills based on Government Policies and EU Directives and the examination of the implications of courts' decisions in relation to Social Security matters.
4. **Strategy and Change Management:** Responsible for the strategic planning of the SIS and for monitoring and implementing projects and/or change initiatives of the Department.
5. **Supportive:** Responsible for effectively supporting the target operating model of the SIS.

Figure 3 - Proposed Target Operating Model



## 2.4 Phase 4: Gap analysis and Recommendations

The EY team conducted a gap analysis based on the findings of the current situation report (Deliverable 2) and the needs-assessment report of the SIS (Deliverable 3) and identified the alternative implementation scenarios that best address the identified gaps. Resulting from the analysis conducted, the key gaps and the recommendations to address them were identified, which mainly relate to the functions of the target operating model. This resulted in the analysis of the two recommended scenarios for implementation of the recommended changes, which are further analysed below:

- ▶ **Phased Approach**, according to which the implementation to be done in three phases:
  - **Phase 1:** This phase concerns the implementation of recommendations that could be considered as “quick wins” for the SIS and that could be implemented immediately.
  - **Phase 2:** This phase includes the implementation of recommendations related to the upskilling of employees with the acquisition of new skills and competencies for implementing the new methodologies, processes and templates.
  - **Phase 3:** The last phase concerns the fundamental changes in skills and competencies, methodologies, process and templates, IT Systems/tools and infrastructure.
  
- ▶ **“Big Bang” Approach**, according to which the SIS would implement the recommendations simultaneously, following their categorisation in different projects. Under this scenario, the SIS would need to establish a project management framework for monitoring and tracking the implementation of the different projects.

EY’s proposed scenario for implementation was the *phased approach* most importantly because, the SIS currently lacked key project management skills and expertise. Therefore, this approach would ensure the sustainable implementation of the proposed



recommendations since the risks from any failure in implementation would be significantly reduced.

## **2.5 Phase 5: To-be situation and Action Plan**

With the deliverable of Phase 5, EY provided a precise description of the to-be situation and set out a detailed action plan for the implementation of the reform.

This to-be situation was reflected to a great extent the analysis that had been performed in Deliverable 3 - Needs Assessment. Due to the fact that the SIS was already in the process of implementing significant changes in relation to their operational processes (i.e., digitalization of sickness benefit), it was important to develop the target operating model (to-be situation) earlier than expected in order to capture the on-going developments. In addition, defining a detailed target operating model at the early stages of the project, helped the SIS management and the Permanent Secretary to provide evidence for the need to enhance skills and competencies of SIS personnel in order to be in a position to implement the to-be situation.

The SIS should be restructured in such a way that it serves the needs of the proposed Target Operating Model. As already agreed with the SIS management and the Permanent Secretary, the organisational structure will consist of the five Functions listed and described in section 2.3 above and each function will be comprised of different Units. Figure 4 below presents the proposed organizational structure of the SIS.

After the design of the To-be situation, an action plan has been developed based on the implementation strategy described in Phase 4 - Gap Analysis and Recommendations, the duration of which has been estimated to 30 months. Its implementation was expected to start in October 2022 and to be completed in March 2025. According to the proposed Action Plan, the implementation of the recommendations would focus on four Phases, as follows:

### **Phase 1:**

- ▶ Set up of a Processing Unit
- ▶ Development of Citizen Centers

### **Phase 2:**

- ▶ Set up of a Strategy and Change Management Unit

### **Phase 3:**

- ▶ Set up of a Legal Support Function

### **Phase 4:**

- ▶ Define the risk management framework
- ▶ Redefine the Internal Control unit role and responsibilities
- ▶ Redefine the Compliance unit role and responsibilities

### 3. Concluding Messages / Lessons Learned

Following the conclusion of the project and the completion of the tasks, we believe that to build value from the transformation and modernization of SIS, the Department should focus on the following areas / pillars:

- ▶ **Shift to a more Citizen - centric approach:** The overall mission of the Department of Social Insurances, as well as their approach towards the completion of tasks, will need to shift from 'processing applications' to become more Citizen-centric and towards the provision of an enhanced Citizen experience. The end-to-end processing, examination and approval/rejection of citizens applications should be conducted from the dedicated Processing Unit which will be created, so that the District Offices transform into Citizen Support Centres, with comprehensive and expert knowledge of the whole social security system in Cyprus.
- ▶ **Introduction of new Functions:** The proposed establishment of the Strategy & Change Management Function to drive and manage the transformation and modernization of SIS and the introduction of key control and other support functions and practices is essential in order to mitigate risks of fraud and error, minimize errors, as well as administrative and operational costs and enhance revenues from timely payment of contributions.
- ▶ **Put humans (employees and citizens) at the center of transformation:** To support the transformation of the SIS, employees should be properly trained and upskilled in relation to the new capabilities, knowledge, skills and competencies required, citizens should be educated (i.e., on digitization, new processes, temporary hybrid model). Finally, a proper and structured change management framework should be developed and implemented, according to which the transformation should be actively planned, communicated internally (SIS employees) and externally (citizens, general public, other governmental authorities etc.) to generate buy-in and execute.