

# Governance audit of unemployment insurance

## Federal Department of Economic Affairs, Education and Research

### Key facts

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A suspected case of corruption at the State Secretariat for Economic Affairs (SECO) made the headlines in 2014. An administrative investigation was immediately initiated. In addition, SECO immediately filed criminal charges against the persons responsible. The Finance Delegation of the Federal Assembly (FinDel) suggested fundamentally adapting the organisation of the Unemployment Insurance Compensation Office: it should either be integrated in SECO or fully outsourced from the Federal Administration. Various possible new organisation models for the Compensation Office were examined. The Federal Department of Economic Affairs, Education and Research (EAER) did not follow FinDel's recommendation and in 2015 only adapted the organisation as much as necessary. The Swiss Federal Audit Office (SFAO) can understand this decision but sees scope for improvements.

An external analysis of the unemployment insurance funds' control system shows possible savings of up to CHF 50 million per year, provided all funds are as efficient as the best one. The analysis recommends refining the existing system on a selective basis. Non-quantified efficiency improvements are also planned for with the key ICT project, ASALfutur. A reduction in the number of players could also lead to savings.

#### **Systems for unemployment benefit payments and number of players should be reviewed**

The current unemployment insurance system is historical in nature and very demanding. Numerous players at the federal, cantonal and social partner levels assume diverse administrative tasks. The Supervisory Commission for the Unemployment Insurance Fund plays a central role. The applicable law gives it special powers, in particular in terms of budgeting and accounting.

The 2015 reorganisation remedied the major governance deficiencies without fundamentally simplifying the structures. In doing so, the EAER did not implement two suggestions from the administrative investigation. Firstly, the Head of the Labour Directorate still heads the Supervisory Commission. Secondly, the choice of Commission members is still largely based on the criteria of sex and linguistic region.

The SFAO can understand the arguments for maintaining the dual role. In contrast, it supports the call for financial and IT powers for Commission members. In addition, when it comes to electing members, the conflicts of interest which exist should be eliminated.

The SFAO recommends that the EAER assesses the system for unemployment benefit payments and the number of players. Any necessary legislative amendments should be initiated soon.

**Five points are of particular importance to the SFAO in the unemployment insurance funds' new service level agreement**

Since 2000, the EAER has concluded service level agreements (SLAs) with the unemployment insurance fund providers for a period of five years in each case. In 2013 they were extended without any amendments. The agreements now have to be renegotiated by the end of 2018. The SFAO recommends that the EAER takes account of five important points in the new SLA, in addition or as an enhancement to the recommendations in the above analysis. These predominately concern restrictive thresholds and ranges.

**Original text in German**