

Abuse and Fraud of the Social Security System

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The abuse and fraudulent use of the social security benefit system is a serious matter. The issue is important for governments responsible for the maintenance of the system and its financing as well as for the population as a whole that relies on the system at critical points of the life cycle. Recent attention to the issue is disturbing, as it could have a damaging influence on the vital role that social security plays in our society.

Abuse of the social security system means obtaining national insurance (social security) benefit payments by fraudulent means. This definition applies mainly to the abuse of the system by individual claimants who wish to gain benefit payments to which they are not entitled. A broader definition includes abuse by sectors that are related to the system or have obligations toward it, such as avoidance of payments of social insurance contributions or other forms of fraud by organized crime.

The problem is that what is perceived as abuse or fraud by individual claimants is, in many instances, committed without the intention to actually defraud the system. The complexity of the system makes it very difficult for an ordinary person to understand the system's rules and regulations. Unintentional misuse is thus inevitable. Abuse is also related to the excessive use of means testing, an insensitive or harsh style of administration, and the extent of bureaucratic errors made in adjudicating claims. All these contribute to the spreading of the problem and increase the risk of criminalizing the population of benefit recipients.

It is important to bear in mind that the abuse of the social security system, to the extent that it occurs, is not its major problem. Focusing public attention on the abuse issue may divert public discourse away from the real challenges with which social security has to deal. Moreover, the current trend of addressing the abuse

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issue by taking harsher legislative or control measures against potential abuse does not seem to offer an appropriate solution.

It would appear that prevention of abuse and fraud lies primarily in improving program administration. Fraudulent use cannot be entirely prevented, but the use of effective controls and efficient handling of claims so that benefits are awarded to those entitled to them is apparently the most important element in dealing with the abuse issue.