
Notes and Brief Reports

Administrative Costs for Social Security Programs in Selected Countries*

Information on the amount of money various social security systems spend on administration in relation to their total benefit expenditures has been collected by the International Labor Office (ILO) in its most recent study of the cost of social security.¹

In view of the budgetary constraints within which most national social security systems have been operating during the past decade, considerable interest has been generated, both here and abroad, in the comparative costs of administering social security programs. The study on which this article is based was undertaken to determine the level of administrative spending in 10 countries (Austria, Belgium, Canada, the Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom) that are at an advanced stage of economic development similar to that of the United States.²

The data provided by the United States and these 10 countries have been brought together in table 1. The table, which lists the selected countries alphabetically, presents administrative costs as a percentage of all benefit costs in 1971 and 1980 for the old-age, invalidity (long-term disability), and survivor insurance system, for the general health insurance system, and for all cash benefit programs in the eight Western European countries, Canada, Japan, and the United States.³

For comparative purposes, these data (for a fiscal-year period that differs somewhat from country to country) appear to be the most representative available, though a number of conceptual difficulties are involved. The mix of programs, for example, may not be the same from one

country to another. Some countries lump together old-age, invalidity, and survivor insurance; others administer the invalidity program with health insurance. The United States, for example, has no family allowance program.

Old-Age, Invalidity, and Survivor Insurance

Administrative costs as a proportion of benefit expenditures for old-age, invalidity, and survivor insurance in 1971 and 1980 are compared here for eight of the countries—those for which such data are available and distinguishable (except that Belgium's figure excludes the invalidity program, which cannot be separated from the health insurance program).

As the table shows, administrative costs as a percentage of benefit expenditures are lowest in the United States and Canada—at 1.3 percent in 1980. In other countries, the costs are about 2–3 percent. From 1971 to 1980, these costs increased slightly in Austria, the Federal Republic of Germany, Italy, and the Netherlands. In Belgium, Canada, Japan, and the United States, administrative costs were a smaller percentage of total benefit expenditures in the same period.

The most marked change occurred in Japan. That country registered a drop from 10.5 percent to 2.7 percent—a decrease that most likely is attributable to the maturation of benefits. The employees' pension in Japan, available in companies with five or more employees, was established in 1954 and required 20 years of contributions for benefit eligibility. Also, increments are related to additional years of service. Thus, the number of pensioners and the size of pensions have experienced considerable increase in Japan. The resultant rise in expenditures has reduced or offset the relative cost of administration.

Health Insurance

The relationship between the administrative costs of the general health insurance system and expenditures for benefits, as shown in table 1, varied widely among the 11 countries. It should be noted that the structure of the systems differs considerably from country to country. Though the figures shown reflect the data provided by each of the countries, detailed in-depth analyses would be needed to determine the effect of the differences in their approach to health care programs. In Canada, where the health care

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¹International Labor Office, *The Cost of Social Security* (Eighth International Inquiry, 1978–1980, Basic Tables), Geneva. For an outline of the structure and provisions of programs in other countries, see *Social Security Programs Throughout the World—1983* (Research Report No. 59), Office of Research, Statistics, and International Policy, Office of Policy, Social Security Administration, 1984.

²This analysis updates an earlier article prepared by the same author. See "Administrative Costs for Social Security Programs in Selected Countries," *Social Security Bulletin*, June 1976, page 31.

³Old-age, invalidity, and survivor insurance, cash sickness payments for temporary disability, cash maternity payments, workers' compensation, unemployment insurance, family allowances, public employee pensions, public assistance, and benefits for war victims.

Table 1.—Administrative costs as a percentage of total benefit expenditures under social security programs in 11 countries, 1971 and 1980

Country	Cash benefits under OASDI ¹		Total cash benefits under public programs ²		Medical care benefits under health insurance ¹	
	1971	1980	1971	1980	1971	1980
Austria	3.1	3.2	3.7	2.8	3.7	2.8
Belgium	² 2.4	³ 1.7	5.3	4.4	7.9	6.8
Canada	2.0	1.3	1.9	2.6	⁴ 2.3	⁴ 1.0
Germany, Federal Republic of	1.3	2.0	3.7	3.1	5.0	3.8
Italy	3.6	4.0	3.7	2.6	6.4	6.8
Japan	10.5	2.7	3.6	2.2	4.0	2.8
Netherlands	2.5	2.3	3.6	3.5	3.4	3.5
Sweden	(⁵)	(⁵)	1.9	2.6	3.8	3.0
Switzerland	(⁵)	(⁵)	3.0	2.7	11.2	9.6
United Kingdom	(⁵)	(⁵)	3.3	2.9	(⁵)	(⁵)
United States	2.2	1.3	3.2	3.1	⁶ 5.3	⁶ 3.2

¹General system for old-age, survivors, and disability insurance.

²Old-age, invalidity, and survivor insurance; cash sickness payments for temporary disability; cash maternity payments; workers' compensation, unemployment insurance, family allowances, public employee pensions, public assistance, and benefits for war victims.

³Excludes invalidity program, which is administered with health insurance.

⁴Much of the administration is not at the national level.

⁵Comparable data not available.

⁶For hospital insurance and supplementary medical insurance covering only persons aged 65 or older.

system is operated primarily at the Provincial level, the cost of administration at the national level is the lowest. Austria and Japan follow with 2.8 percent each. In Belgium and Italy, the cost of administering health care was 6.8 percent of total benefit expenditures. In Switzerland—where some 700 industrial and cooperative health funds operate in place of a unified national health care system—administrative costs are 9.6 percent of benefit expenditures, the highest proportion in the 11 countries.

Cash Benefit Programs

Administrative costs in relation to expenditures for cash benefits under all public programs are shown for 1971 and 1980. The programs include old-age, invalidity, and survi-

vor insurance; cash sickness payments for temporary disability; cash maternity payments; workers' compensation; unemployment insurance; family allowances (cash payments for families with children); public employee pensions; and benefits for war victims. Not all of the countries studied have all of the programs. In most of these countries, the proportion of administrative costs in 1971 was lower than in 1980. This pattern was true in Austria, Belgium, the Federal Republic of Germany, Italy, Japan, the Netherlands, Switzerland, the United Kingdom, and the United States. This decline probably reflects government austerity programs that held down administrative cost levels and a rise in total benefit expenditures that reflects inflation, the impact of inflation, and, in some cases, program expansion.