



Social Security Fraud

An International Literature Review

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Abstract

Background

Social security fraud is an attempt to illegally obtain payments or benefits from the social security system. These frauds are estimated to cost millions and even billions of dollars (depending on the country). With the increasing expenditures on social security in welfare states, and in light of numerous documented cases of fraud, many countries are forced to manage the distribution of benefits to eligible recipients with increased caution. The Research and Planning Administration of Israel's National Insurance Institute (NII), together with the NII's Investigations and Intelligence Division, approached the Quality Assurance Team at the Myers-JDC-Brookdale Institute and requested a study of the working methods of similar divisions of social insurance institutions in selected countries around the world. Based on this, the aim is to examine the Division's work methods in order to improve the detection and handling of fraud in Israel.

Objective

The purpose of this review is to identify best practices in the efforts of social security organizations around the world to address fraud. The review also synthesizes trend data on fraud rates and the characteristics of fraud perpetrators and findings about the effects of social security fraud.

Method

The review is based on a variety of sources of information collected from selected countries: the United States, Australia, the United Kingdom, Denmark, South Korea, Finland, and Sweden. These countries were selected because they had readily available and high-quality information on governmental efforts to address fraud. The sources of information include: academic articles from the Israeli and international professional literature, research reports, official documents of government ministries and statutory authorities, media investigations, laws and regulations. In addition, three in-depth semi-structured online interviews were conducted with experts in the field of social security fraud from Australia, Belgium and Israel.

Main Findings and Conclusions

Social security fraud constitutes a relatively small share of the overall social security budget, but the cumulative economic damage it causes is large and may reach millions and even billions of dollars. For this reason, many countries have formulated a comprehensive and multi-stage strategy to deal with the phenomenon, which includes prevention, detection, investigation, and punishment. In the area of prevention, steps are being taken to reduce fraud, such as improving the processes of exercising rights, integrating biometric identification technologies, and publishing information to the public in order to deter people from committing fraud and raise public awareness of the danger of identity theft. In the field of detection, a variety of tools are employed – hotlines, random audits, staff training, data cross-checking, and (in recent years) AI-based systems. The review highlights the importance of using these technologies cautiously and wisely, while maintaining principles of fairness and incorporating human judgment. In the investigation stage, a distinction is made between a preventive approach, in which claims are examined in advance, and a reactive approach based on suspicion of fraud. The means of punishment include repayment of monies received fraudulently, fines, revocation of benefits, and in some cases criminal prosecution, depending on the severity of the case and local policy. The purpose of punishment is both enforcement and deterrence.

Dealing with social security fraud poses complex ethical dilemmas that require balancing the protection of benefits for those who are entitled to them with the safeguarding of individuals' dignity and rights – especially among vulnerable populations. Strict procedures or flawed fraud detection methods may increase suspicion and harm public trust. Alongside effective supervision, it is essential to address the underlying causes of fraud by improving access to information, simplifying the processes of exercising rights, and strengthening support networks. A comprehensive systemic approach that combines effective monitoring with efforts to reduce social disparities and improve transparency and accessibility can not only reduce fraud but also create a more just and efficient system—thereby reinforcing public trust.