
Administrative Expenses Under OASDI

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Costs of administering old-age, survivors, and disability insurance (OASDI) are of interest both to specialists in income maintenance and to the general public. This article presents a summary of these expenses compared with several important bases: Contribution income, benefit payments, and taxable payroll. An index is developed and used to analyze changes in administrative expense levels from 1960 through 1979. Over the long run, the cost to operate OASDI per unit of work has increased more slowly than for service industries in general, a trend that should continue in the old-age and survivors insurance program (OASI). Although implementing the 1980 Disability Amendments will raise disability insurance (DI) unit costs, these higher expenses are necessary to obtain the more selective benefit payments provided in this cost-saving legislation.

Administering the old-age, survivors, and disability insurance (OASDI) system is a massive and complex undertaking. In calendar year (CY) 1979, 4.2 million monthly benefits were awarded, 3.9 million monthly benefits were terminated, and an estimated 114 million workers had earnings covered by the system. Total OASDI disbursements in 1979 were \$107.3 billion. More than 35.1 million persons were receiving monthly benefits at year end.

The OASDI system is administered by the Social Security Administration, which is also involved in the administration of other programs including Medicare, black lung, supplemental security income, aid to families with dependent children, and child support. About 60 percent of the work performed by the 85,000 employees of the Social Security Administration is associated with OASDI operations.

This article presents data on the administrative expenses related to the OASDI system. The largest portion of these expenses is directly charged by the Social Security Administration to the OASDI trust funds and includes salaries, rent for property and equipment, building operating expenses, and costs of supplies purchased. The cost incurred by the Treasury Department in collecting contributions, issuing benefit checks, and managing fund assets is another significant expense to

the trust funds. The OASDI trust funds pay those expenses of the Department of Health and Human Services related to the overall administration and planning for the system. The costs incurred by the States in making disability determinations are also charged to the trust funds.

All costs paid in a year, including the costs of constructing buildings and purchasing such major items as computers and vehicles, are charged to the trust funds as administrative expenses in that year and never handled as capital expenditures to be depreciated over time. This procedure ensures that capital items, which cannot be used to pay benefits, are not included among the trust-fund assets. Although the use of this accounting procedure could lead to the conclusion that administrative expenses in a particular year have been overstated or understated, in most years the costs of capital items are small enough relative to the total administrative expenses that the degree of possible difference is small.

Certain expenses associated with the OASDI system are not charged to the trust funds. These include both the costs to the General Services Administration for some government-owned building space provided rent free and the costs to the general fund of the Treasury for employee fringe benefits in excess of the contributions of employees and their agencies.

Table 1 displays the administrative expenses for the OASDI system and for the old-age and survivors insur-

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Table 1.—OASDI administrative expenses on cash and incurred bases, 1957–79

[In millions]

Calendar year	Cash basis			Incurred basis		
	OASDI	OASI	DI	OASDI	OASI	DI
1957.....	\$165	\$162	\$3	\$165	\$144	\$21
1958.....	207	194	12	207	181	26
1959.....	234	184	50	234	200	34
1960.....	240	203	36	240	191	48
1961.....	303	239	64	303	236	67
1962.....	322	256	66	322	255	67
1963.....	348	281	68	348	275	73
1964.....	375	296	79	375	291	84
1965.....	418	328	90	418	308	88
1966.....	393	256	137	429	337	92
1967.....	517	408	109	501	393	109
1968.....	603	476	127	592	457	135
1969.....	612	474	138	608	467	141
1970.....	635	471	164	630	468	162
1971.....	719	514	205	732	523	208
1972.....	907	674	233	880	674	206
1973.....	837	647	190	869	650	219
1974.....	1,082	865	217	1,064	858	206
1975.....	1,152	896	256	1,175	903	272
1976.....	1,244	959	285	1,262	967	296
1977.....	1,379	981	399	1,331	985	346
1978.....	1,440	1,115	325	1,448	1,089	359
1979 ¹	1,483	1,113	371	1,509	1,132	377

¹ Preliminary data.

ance (OASI) and disability insurance (DI) programs separately on both a cash and incurred basis for CY 1957 through 1979. The cash expenses each year consist of charges actually made in the year plus any retroactive adjustments to reflect final allocation of the expenses of previous years. Since 1967 these adjustments have been relatively small because expenses have been allocated among the funds (including the two Medicare trust funds and the general fund of the Treasury) on an estimated basis throughout each year. Before any meaningful analysis is attempted, however, the cash expenses should be adjusted to an incurred basis.

Administrative expenses, in dollar amount, have been increasing fairly steadily since the inception of the OASDI system because of program growth and inflation. These trends have been partially offset by the increasing efficiency of program operations, evidenced in decreasing unit costs for many procedures. To compare the expenses from one year to another, the expenses are related to three bases: Contribution income, benefit payments, and taxable payroll. In addition, a composite expense index that allows further comparison is presented.

Some analysts believe that the best basis for assessing the propriety of the level of administrative expenses is obtained by relating them to contribution income. The use of this indicator, however, has the disadvantage that contribution income is directly related to the tax rates,

although administrative expenses are not. Therefore, the ratio of administrative expenses to contribution income is subject to discontinuities caused by changes in the tax rates. Changes in the maximum taxable earnings base have similar but less significant effects.

Because a large proportion of the expenses incurred in the OASDI system is related to the payment of benefits, some analysts consider the ratio of administrative expenses to benefit payments a good indicator of the relative level of expenses. Such a ratio permits direct comparison with the expense ratios of other programs in both the public and private sectors for which expenses are often stated as a percentage of benefits. General benefit increases raise benefits immediately, however, while administrative expenses are only slightly affected. Therefore, the ratio of administrative expenses to benefit payments decreases. In addition, during years when the number of new awards is high relative to the number of beneficiaries on the rolls, this ratio is also high because of the greater cost involved in processing new applications relative to the cost of paying benefits and keeping records for current beneficiaries. As the programs mature, the ratio of administrative expenses to benefit payments should stabilize.

Another useful indicator is the ratio of administrative expenses to taxable payroll. Although the taxable payroll is affected by changes in the wage base, increases in the base (either through Congressional action or through the automatic adjustment mechanism in the Social Security Act) have tended to keep pace with increases in total wages. In addition, since contribution income and benefit payments are often expressed as a percentage of taxable payroll and many analysts are familiar with such data, this indicator permits easy comparison of contributions and benefits with administrative expenses. The use of this indicator does present at least one disadvantage, however, because taxable payroll does not change when the OASDI system increases in size or complexity, while administrative expenses may increase substantially. Thus, the ratio of administrative expenses to taxable payroll will increase under those circumstances.

OASI Program

The incurred administrative expenses of the OASI trust fund for CY 1940, the first year of benefit payments, through CY 1979 are displayed in table 2 in dollar amounts and as a percentage of the three bases described above. The OASI administrative expenses have increased nearly every year in dollar amount. Many factors have contributed to this increase, including legislative changes that increased both the numbers of workers eligible for benefits and the complexity of the entitlement procedures, program matura-

Table 2.—OASI administrative expenses, 1940–79

Calendar year	Incurred expenses (in millions)	As a percent of—		
		Contribution income	Benefit payments	Taxable payroll
1940.....	\$26	8.0	74.3	0.08
1941.....	26	3.3	29.5	.06
1942.....	28	2.8	21.4	.05
1943.....	29	2.3	17.5	.05
1944.....	29	2.2	13.9	.05
1945.....	30	2.3	10.9	.05
1946.....	40	3.1	10.6	.06
1947.....	46	3.0	9.9	.06
1948.....	51	3.0	9.2	.06
1949.....	54	3.2	8.1	.07
1950.....	61	2.3	6.3	.07
1951.....	81	2.4	4.3	.07
1952.....	88	2.3	4.0	.07
1953.....	88	2.2	2.9	.06
1954.....	92	1.8	2.5	.07
1955.....	119	2.1	2.4	.08
1956.....	132	2.1	2.3	.08
1957.....	144	2.1	2.0	.08
1958.....	181	2.4	2.2	.10
1959.....	200	2.5	2.0	.10
1960.....	191	1.8	1.8	.10
1961.....	236	2.1	2.0	.12
1962.....	255	2.1	1.9	.12
1963.....	275	1.9	1.9	.13
1964.....	291	1.9	2.0	.13
1965.....	308	1.9	1.8	.13
1966.....	337	1.6	1.8	.11
1967.....	393	1.7	2.0	.12
1968.....	457	1.9	2.0	.12
1969.....	467	1.7	1.9	.12
1970.....	468	1.5	1.6	.12
1971.....	523	1.6	1.6	.13
1972.....	674	1.8	1.8	.14
1973.....	650	1.4	1.4	.12
1974.....	858	1.6	1.7	.14
1975.....	903	1.6	1.5	.14
1976.....	967	1.5	1.5	.13
1977.....	985	1.4	1.3	.12
1978.....	1,089	1.4	1.4	.12
1979 ¹	1,132	1.3	1.3	.11

¹ Preliminary data.

tion that caused growth in the numbers of beneficiaries, pay increases for Federal employees, and inflation in general. Increases in productivity resulting primarily from the widespread use of electronic data processing equipment have reduced the rate of increase in administrative costs, particularly in the late 1970's, but the absolute dollar amount of expenses has continued to rise.

As a percentage of either contribution income or benefit payments, administrative expenses have generally decreased since the start of the OASI program for several reasons. Legislated increases in the tax rate, the maximum taxable earnings base, and the level of benefits have increased the OASI contribution income and benefit outgo at a faster rate than administrative

expenses that are more closely related to numbers of beneficiaries than to the dollar amounts of either income or benefits. The combined effects of productivity increases and the fact that contributions and benefits have increased faster than general inflation since the early years of the program have also contributed to the declining trend in administrative expenses relative to contribution income and benefit payments. The Social Security Amendments of 1977 mandate future increases in both the tax rates and the maximum wage base, which will lead to further increases in both contributions and benefits. At the same time, changes in the law have permitted the simplification of many administrative procedures and the reduction of recordkeeping requirements. Therefore, administrative expenses as a percentage of contributions and benefits should continue to decrease in the future in the absence of other factors.

As a percentage of taxable payroll, administrative expenses under OASI increased steadily from 1942 through 1975. During this period, the legislative changes and other factors mentioned earlier caused the expenses of the program to increase faster than the taxable payroll, even though the maximum wage base was increased many times. In the late 1970's, however, productivity increases led to a decline in administrative costs relative to payroll. The large taxable wage base increases that are included in the 1977 amendments and will become fully effective in 1981 are expected to cause further reductions in the ratio of administrative expenses to taxable payroll.

DI Program

The incurred administrative expenses of the DI program for 1957, the first year of benefit payments, through 1979 are displayed in table 3. The administrative expenses charged to the DI trust fund have increased in dollar amount fairly steadily since the inception of the program in 1957, except for the period 1971–74. Most of the forces that increased OASI administrative expenses also increased DI administrative expenses. The more rapid growth in the DI benefit rolls, however, produced a larger percentage increase in expenses, except for the period 1971–74 when procedures conducive to administrative savings were implemented. During the same period, numbers of applications, awards, and beneficiaries increased quite rapidly. During the period 1975–77, many administrative review procedures and other safeguards were reinstated, causing large increases in administrative expenses. The marked decline in awards since 1977 has been accompanied by very small increases in DI administrative costs.

Following the early years of operation of the DI program, administrative expenses have generally declined as a percentage of contribution income. Large

Table 3.—DI administrative expenses, 1957–79

Calendar year	Incurred expenses (in millions)	As a percent of—		
		Contribution income	Benefit payments	Taxable payroll
1957.....	\$21	3.0	36.5	0.012
1958.....	26	2.7	10.6	.015
1959.....	34	3.8	7.4	.017
1960.....	48	4.8	8.5	.024
1961.....	67	6.4	7.5	.033
1962.....	67	6.4	6.1	.032
1963.....	73	6.6	6.0	.033
1964.....	84	7.3	6.5	.037
1965.....	88	7.4	5.6	.036
1966.....	92	4.6	5.1	.030
1967.....	109	4.7	5.6	.034
1968.....	135	4.1	5.9	.037
1969.....	141	3.9	5.6	.036
1970.....	162	3.6	5.3	.040
1971.....	208	4.5	5.5	.050
1972.....	206	4.0	4.6	.044
1973.....	219	3.7	3.8	.040
1974.....	206	3.0	3.0	.033
1975.....	272	3.7	3.2	.042
1976.....	296	3.6	3.0	.041
1977.....	346	3.8	3.0	.044
1978.....	359	2.7	2.9	.040
1979 ¹	377	2.5	2.7	.036

¹ Preliminary data.

increases in the tax rate and the wage base have caused contribution income to grow faster than expenses. In addition, as the program matured, the ratio of new awards to total beneficiaries declined. These two conditions are expected to continue under present law, so that the ratio of administrative expenses to contributions should continue to decline in the future.

Administrative expenses have also decreased as a percentage of benefit payments. Large benefit increases have contributed to this reduction; however, the decreases in this ratio during the 1971–74 period are too large and abrupt to have resulted from benefit increases alone. During this time, administrative expenses remained almost level while practically every other measure of the size of the DI program was increasing rapidly. Furthermore, a similar decline did not occur during this period in the ratio of administrative expenses to benefit payments for the OASI program to which the same benefit increases applied. The sharp decline in the ratio for the DI program was apparently due to budgetary decisions that kept administrative costs and personnel levels down but resulted in a concomitant “explosion” in the number of benefits awarded during the period.

The ratio of administrative expenses to benefits may not continue to decrease in the near future. A revised benefit formula that became effective in 1979 is expected to cause future benefits to grow more slowly compared with those under previous law. In addition,

the 1980 Disability Amendments decrease the number of dropout years available in the calculation of benefits for young disabled workers, reduce the maximum family benefit, and mandate many administrative changes that will reduce the number of future beneficiaries as well as future DI benefit payments. These legislative changes should cause administrative expenses to increase both in absolute dollar amount and possibly as a percentage of benefit payments.

As a percentage of taxable payroll, the administrative expenses of the DI program have tended to increase slightly; the cost has remained in the range of 0.03 percent and 0.05 percent since 1961. The large taxable wage-base increase in 1979 caused the ratio to decline to 0.036 percent, and further reduction is expected if the annual number of awards remains low. As a percentage of both contribution income and benefit payments, the administrative expenses of the OASDI system have been at about the same level and have followed the same trends as the analogous ratios for the OASI program, which has represented no less than 71 percent of the total OASDI administrative expenses in any year.

The ratio of OASDI administrative expenses to taxable payroll is equal to the sum of the ratios for the OASI and DI programs separately because the same payroll is used to calculate all three ratios. As a percentage of taxable payroll, the OASDI administrative expenses increased from 0.09 percent in 1957 to a peak of 0.19 percent in 1972. Since then the ratio has declined to 0.15 percent in 1979, largely as a result of productivity increases and legislated increases in the taxable wage base.

Administrative Expense Index

To obtain a more definitive analysis of OASDI expenses, an administrative expense index is presented in table 4. The index, intended to reflect most of the changes in the dollar cost per unit of work performed in a year, is founded on two fundamental assumptions. The first is that virtually all expenses can be related to awarding benefits and maintaining benefits in current payment status. The second is that the costs of awarding a benefit relative to the cost of maintaining a benefit in current payment status has remained practically constant over the 1960–79 period in this analysis. Neither of these assumptions is believed to be entirely correct, but in combination they yield an index that should capture most of the effects of changes in workloads.

After investigating the cost of awarding a benefit, a ratio of three to one was chosen for the calculation of the OASI expense index, and a ratio of five to one was chosen for the DI index. Awarding a DI benefit is relatively more expensive because it usually requires a

Table 4.—OASDI administrative expenses, 1957-79

Calendar year	Incurred expenses (in millions)	As a percent of—		
		Contribution income	Benefit payments	Taxable payroll
1957.....	\$165	2.2	2.2	0.09
1958.....	207	2.4	2.4	.12
1959.....	234	2.6	2.3	.12
1960.....	240	2.0	2.1	.12
1961.....	303	2.5	2.4	.15
1962.....	322	2.5	2.2	.15
1963.....	348	2.2	2.3	.16
1964.....	375	2.2	2.3	.16
1965.....	418	2.4	2.3	.17
1966.....	429	1.9	2.1	.14
1967.....	501	2.0	2.3	.16
1968.....	592	2.2	2.4	.16
1969.....	608	1.9	2.3	.16
1970.....	630	1.8	2.0	.16
1971.....	732	1.9	2.0	.18
1972.....	880	2.1	2.1	.19
1973.....	869	1.7	1.7	.16
1974.....	1,064	1.8	1.8	.17
1975.....	1,175	1.8	1.8	.18
1976.....	1,262	1.8	1.7	.18
1977.....	1,331	1.7	1.6	.17
1978.....	1,448	1.6	1.6	.16
1979 ¹	1,509	1.5	1.4	.15

¹ Preliminary data.

determination of disability, which is more expensive than a determination of age or survivorship. In addition, maintaining a DI beneficiary on the rolls is approximately 1.5 times as expensive as maintaining an OASI beneficiary, primarily because of the costs of periodic disability investigations and vocational rehabilitation programs. These ratios were combined with yearly

expense data to construct the administrative expense index. For either program, the index is defined as the incurred expenses divided by the number of work units in a year. Work units are obtained by assuming that each OASI benefit in current payment status generates one unit, each DI benefit in current payment status generates 1.5 units, each OASI benefit awarded generates three units, and each DI benefit awarded generates 7.5 units.

Table 5 presents the OASI administrative expense index for the years 1960 through 1979 as well as the annual compound rates of growth in this index from each year to any subsequent year in the period. For example, the 6.2 percent shown in the 1963 column and 1978 line indicates that during the 15-year period, the OASI administrative expense index increased at an average compounded annual rate of 6.2 percent. Tables 6 and 7 present analogous data for the DI program and for the combined OASDI system, respectively.

The OASI, DI, and OASDI expense indices are intended to assist in evaluating the trends and growth rates of the administrative unit costs for the programs. They are not intended to correctly represent the absolute dollar costs of any particular set of procedures. Furthermore, the indices contain no adjustment for changes in quality. For example, the unit costs of awarding DI benefits were reduced significantly during the early 1970's but this resulted in decreased quality of the determinations and, consequently, increased numbers of awards and increased program costs.

Evaluation of the growth rates of these expense indices requires a comparison with the growth rates of other relevant indices. One immediate choice is the

Table 5.—OASI administrative expense index and compounded annual growth rates, 1960-79

To calendar year	OASI index	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	\$9.74	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	11.47	17.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	10.78	5.2	-6.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	11.46	5.6	-0	6.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	11.96	5.3	1.4	5.3	4.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	11.69	3.7	.5	2.7	1.0	-2.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	10.46	1.2	-1.8	-.8	-3.0	-6.5	-10.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	13.12	4.4	2.3	4.0	3.4	3.1	5.9	25.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	14.93	5.5	3.8	5.6	5.4	5.7	8.5	19.5	13.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	14.89	4.8	3.3	4.7	4.5	4.5	6.2	12.5	6.5	-0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	14.56	4.1	2.7	3.8	3.5	3.3	4.5	8.6	3.5	-1.3	-2.2	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	15.77	4.5	3.2	4.3	4.1	4.0	5.1	8.6	4.7	1.8	2.9	8.3	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	19.58	6.0	5.0	6.2	6.1	6.4	7.7	11.0	8.3	7.0	9.6	16.0	24.2	.....	.....	.....	.....	.....	.....	.....
1973.....	18.40	5.0	4.0	5.0	4.8	4.9	5.8	8.4	5.8	4.3	5.4	8.1	8.0	-6.0	.....	.....	.....	.....	.....	.....
1974.....	24.11	6.7	5.9	6.9	7.0	7.3	8.4	11.0	9.1	8.3	10.1	13.4	15.2	11.0	31.0	.....	.....	.....	.....	.....
1975.....	24.50	6.3	5.6	6.5	6.5	6.7	7.7	9.9	8.1	7.3	8.7	11.0	11.6	7.8	15.4	1.6	.....	.....	.....	.....
1976.....	25.79	6.3	5.6	6.4	6.4	6.6	7.5	9.4	7.8	7.1	8.2	10.0	10.3	7.1	11.9	3.4	5.3	.....	.....	.....
1977.....	25.31	5.8	5.1	5.9	5.8	5.9	6.6	8.4	6.8	6.0	6.9	8.2	8.2	5.3	8.3	1.6	1.6	-1.9	.....	.....
1978.....	28.24	6.1	5.4	6.2	6.2	6.3	7.0	8.6	7.2	6.6	7.4	8.6	8.7	6.3	9.0	4.0	4.9	4.6	11.6	.....
1979.....	28.42	5.8	5.2	5.9	5.8	5.9	6.6	8.0	6.7	6.0	6.7	7.7	7.6	5.5	7.5	3.3	3.8	3.3	6.0	0.6

Table 6.—DI administrative expense index and compounded annual growth rates, 1960–79

To calendar year	DI index	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	\$13.30	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	12.44	-6.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	13.05	-1.9	4.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	14.20	2.2	6.8	8.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	13.63	.6	3.1	2.2	-4.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	12.15	-1.8	-6	-2.4	-7.5	-10.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	11.77	-2.0	-1.1	-2.6	-6.1	-7.1	-3.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	12.94	-4	.7	-2	-2.3	-1.7	3.2	9.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	14.99	1.5	2.7	2.3	1.1	2.4	7.3	12.9	15.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	15.09	1.4	2.4	2.1	1.0	2.1	5.6	8.6	8.0	0.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	15.25	1.4	2.3	2.0	1.0	1.9	4.6	6.7	5.6	.9	1.1	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	17.88	2.7	3.7	3.6	2.9	3.9	6.7	8.7	8.4	6.0	8.8	17.3	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	17.02	2.1	2.9	2.7	2.0	2.8	4.9	6.3	5.6	3.2	4.1	5.6	-4.8	.....	.....	.....	.....	.....	.....	.....
1973.....	17.01	1.9	2.6	2.4	1.8	2.5	4.3	5.4	4.7	2.6	3.0	3.7	-2.5	-0.1	.....	.....	.....	.....	.....	.....
1974.....	14.78	.8	1.3	1.0	.4	.8	2.2	2.9	1.9	-2	-4	-8	-6.2	-6.8	-13.1	.....	.....	.....	.....	.....
1975.....	17.42	1.8	2.4	2.2	1.7	2.3	3.7	4.5	3.8	2.2	2.4	2.7	-7	.8	1.2	17.9	.....	.....	.....	.....
1976.....	18.72	2.2	2.8	2.6	2.2	2.7	4.0	4.8	4.2	2.8	3.1	3.5	.9	2.4	3.2	12.5	7.5	.....	.....	.....
1977.....	21.09	2.8	3.4	3.2	2.9	3.4	4.7	5.4	5.0	3.9	4.3	4.7	2.8	4.4	5.5	12.6	10.0	12.7	.....	.....
1978.....	23.72	3.3	3.9	3.8	3.5	4.0	5.3	6.0	5.7	4.7	5.2	5.7	4.1	5.7	6.9	12.6	10.8	12.6	12.5	.....
1979.....	26.65	3.7	4.3	4.3	4.0	4.6	5.8	6.5	6.2	5.4	5.8	6.4	5.1	6.6	7.8	12.5	11.2	12.5	12.4	12.3

Consumer Price Index (CPI), for which the values and growth rates are displayed in table 8. Over the 19-year period 1960–79, the OASI administrative expenses per work unit grew at an annual rate of 5.8 percent, or about one percentage point above that of the CPI; the comparable DI growth rate was 3.7 percent, or about one percentage point below that of the CPI; for the combined OASDI system, the rate was 5.4 percent or about half a percentage point above the CPI growth rate. The relevance of a comparison with the CPI is questionable, however, since the costs associated with

operating a social insurance program are not closely linked with consumer prices, although the fact that unit costs for each of the programs increased at a rate within one percentage point of the CPI growth rate may be of interest.

Another time series with which the administrative expense indices may be compared is the national average annual wage and salary earnings presented in table 9. From 1960 to 1979, the OASI index increased at about the same 5.8-percent annual rate as average wages. The DI index increased at an annual rate two

Table 7.—OASDI administrative expense index and compounded annual growth rates, 1960–79

To calendar year	OASDI index	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	\$10.29	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	11.66	13.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	11.18	4.2	-4.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	11.94	5.1	1.2	6.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	12.30	4.6	1.8	4.9	3.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	11.79	2.8	.3	1.8	-6	-4.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	10.71	.7	-1.7	-1.1	-3.7	-6.7	-9.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	13.08	3.5	1.9	3.2	2.3	2.1	5.3	22.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	14.94	4.8	3.6	4.9	4.6	5.0	8.2	18.1	14.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	14.94	4.2	3.2	4.2	3.8	4.0	6.1	11.7	6.9	0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	14.73	3.7	2.6	3.5	3.1	3.1	4.6	8.3	4.0	-7	-1.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	16.32	4.3	3.4	4.3	4.0	4.1	5.6	8.8	5.7	3.0	4.5	10.8	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	18.92	5.2	4.5	5.4	5.3	5.5	7.0	9.9	7.7	6.1	8.2	13.3	15.9	.....	.....	.....	.....	.....	.....	.....
1973.....	18.03	4.4	3.7	4.4	4.2	4.3	5.5	7.7	5.5	3.8	4.8	7.0	5.1	-4.7	.....	.....	.....	.....	.....	.....
1974.....	21.48	5.4	4.8	5.6	5.5	5.7	6.9	9.1	7.3	6.2	7.5	9.9	9.6	6.5	19.1	.....	.....	.....	.....	.....
1975.....	22.39	5.3	4.8	5.5	5.4	5.6	6.6	8.5	6.9	5.9	7.0	8.7	8.2	5.8	11.4	4.2	.....	.....	.....	.....
1976.....	23.70	5.4	4.8	5.5	5.4	5.6	6.6	8.3	6.8	5.9	6.8	8.3	7.8	5.8	9.5	5.0	5.9	.....	.....	.....
1977.....	24.06	5.1	4.6	5.2	5.1	5.3	6.1	7.6	6.3	5.4	6.1	7.3	6.7	4.9	7.5	3.9	3.7	1.5	.....	.....
1978.....	26.96	5.5	5.0	5.7	5.6	5.8	6.6	8.0	6.8	6.1	6.8	7.8	7.4	6.1	8.4	5.9	6.4	6.7	12.1	.....
1979.....	27.97	5.4	5.0	5.5	5.5	5.6	6.4	7.7	6.5	5.9	6.5	7.4	7.0	5.7	7.6	5.4	5.7	5.7	7.8	3.6

Table 8.—Consumer price index and compounded annual growth rates, 1960–79

To calendar year	CPI (1967=100)	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	88.65	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	89.60	1.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	90.63	1.1	1.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	91.75	1.2	1.2	1.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	92.95	1.2	1.2	1.3	1.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	94.50	1.3	1.3	1.4	1.5	1.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	97.25	1.6	1.6	1.8	2.0	2.3	2.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	100.00	1.7	1.8	2.0	2.2	2.5	2.9	2.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	104.20	2.0	2.2	2.4	2.6	2.9	3.3	3.5	4.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	109.80	2.4	2.6	2.8	3.0	3.4	3.8	4.1	4.8	5.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	116.30	2.8	2.9	3.2	3.4	3.8	4.2	4.6	5.2	5.6	5.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	121.30	2.9	3.1	3.3	3.6	3.9	4.2	4.5	5.0	5.2	5.1	4.3	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	125.30	2.9	3.1	3.3	3.5	3.8	4.1	4.3	4.6	4.7	4.5	3.8	3.3	.....	.....	.....	.....	.....	.....	.....
1973.....	133.10	3.2	3.4	3.6	3.8	4.1	4.4	4.6	4.9	5.0	4.9	4.6	4.8	6.2	.....	.....	.....	.....	.....	.....
1974.....	147.70	3.7	3.9	4.2	4.4	4.7	5.1	5.4	5.7	6.0	6.1	6.2	6.8	8.6	11.0	.....	.....	.....	.....	.....
1975.....	161.20	4.1	4.3	4.5	4.8	5.1	5.5	5.8	6.2	6.4	6.6	6.8	7.4	8.8	10.0	9.1	.....	.....	.....	.....
1976.....	170.50	4.2	4.4	4.6	4.9	5.2	5.5	5.8	6.1	6.4	6.5	6.6	7.0	8.0	8.6	7.4	5.8	.....	.....	.....
1977.....	181.50	4.3	4.5	4.7	5.0	5.3	5.6	5.8	6.1	6.4	6.5	6.6	7.0	7.7	8.1	7.1	6.1	6.4	.....	.....
1978.....	195.30	4.5	4.7	4.9	5.2	5.4	5.7	6.0	6.3	6.5	6.6	6.7	7.0	7.7	8.0	7.2	6.6	7.0	7.6	.....
1979.....	217.70	4.8	5.1	5.3	5.6	5.8	6.1	6.4	6.7	6.9	7.1	7.2	7.6	8.2	8.6	8.1	7.8	8.5	9.5	11.5

percentage points below that for average wages over the same period, and the OASDI index increased at a rate half a percentage point below the average wage growth. This comparison is somewhat more valuable than the previous one since a large portion of the administrative expenses for the OASDI system involves the salaries of employees, although changes in the proportion of salaries to total expenses could distort the comparison if other expenses grow at a significantly different rate than salaries.

From a public perspective, a comparison between the

cost of services generally and the cost of administering the OASDI system, which is essentially a service in itself, may be a better choice. For the purpose of such a comparison, the values and growth rates for the services component of the Consumer Price Index, excluding rent, are shown in table 10. During the period 1960–79, this portion of the CPI increased at an annual rate slightly higher than the growth rate of the OASDI administrative expense index, more than two percentage points per year above the growth rate of the DI index. Therefore, the services provided to the public by

Table 9.—Average wage and salary earnings and compounded annual growth rates, 1960–79

To calendar year	Average wage	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	\$3,523	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	3,573	1.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	3,741	3.0	4.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	3,849	3.0	3.8	2.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	4,027	3.4	4.1	3.8	4.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	4,128	3.2	3.7	3.3	3.6	2.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	4,363	3.6	4.1	3.9	4.3	4.1	5.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	4,603	3.9	4.3	4.2	4.6	4.6	5.6	5.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	4,896	4.2	4.6	4.6	4.9	5.0	5.8	5.9	6.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	5,226	4.5	4.9	4.9	5.2	5.4	6.1	6.2	6.6	6.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	5,484	4.5	4.9	4.9	5.2	5.3	5.8	5.9	6.0	5.8	4.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	5,754	4.6	4.9	4.9	5.2	5.2	5.7	5.7	5.7	5.5	4.9	4.9	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	6,175	4.8	5.1	5.1	5.4	5.5	5.9	6.0	6.0	6.0	5.7	6.1	7.3	.....	.....	.....	.....	.....	.....	.....
1973.....	6,600	5.0	5.2	5.3	5.5	5.6	6.0	6.1	6.2	6.2	6.0	6.4	7.1	6.9	.....	.....	.....	.....	.....	.....
1974.....	7,097	5.1	5.4	5.5	5.7	5.8	6.2	6.3	6.4	6.4	6.3	6.7	7.2	7.2	7.5	.....	.....	.....	.....	.....
1975.....	7,568	5.2	5.5	5.6	5.8	5.9	6.2	6.3	6.4	6.4	6.4	6.6	7.1	7.0	7.1	6.6	.....	.....	.....	.....
1976.....	8,200	5.4	5.7	5.8	6.0	6.1	6.4	6.5	6.6	6.7	6.6	6.9	7.3	7.4	7.5	7.5	8.9	.....	.....	.....
1977.....	8,780	5.5	5.8	5.8	6.1	6.2	6.5	6.6	6.7	6.7	6.7	7.0	7.3	7.3	7.4	7.4	7.7	7.1	.....	.....
1978.....	9,492	5.7	5.9	6.0	6.2	6.3	6.6	6.7	6.8	6.8	6.9	7.1	7.4	7.4	7.5	7.5	7.8	7.6	8.1	.....
1979.....	10,293	5.8	6.0	6.1	6.3	6.5	6.7	6.8	6.9	7.0	7.0	7.2	7.5	7.6	7.7	7.7	8.0	7.9	8.3	8.4

Table 10.—Consumer price index service component (excluding rent) and compounded annual growth rates, 1960–79

To calendar year	CPI component (1967=100)	Rate of growth (percent) from calendar year—																		
		1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
1960.....	81.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1961.....	83.9	2.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1962.....	85.5	2.2	1.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1963.....	87.3	2.2	2.0	2.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1964.....	89.2	2.2	2.1	2.1	2.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1965.....	91.5	2.2	2.2	2.3	2.4	2.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1966.....	95.3	2.6	2.6	2.8	3.0	3.4	4.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1967.....	100.0	2.9	3.0	3.2	3.4	3.9	4.5	4.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1968.....	105.7	3.2	3.4	3.6	3.9	4.3	4.9	5.3	5.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1969.....	113.8	3.7	3.9	4.2	4.5	5.0	5.6	6.1	6.7	7.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1970.....	123.7	4.2	4.4	4.7	5.1	5.6	6.2	6.7	7.4	8.2	8.7	.....	.....	.....	.....	.....	.....	.....	.....	.....
1971.....	130.8	4.4	4.5	4.8	5.2	5.6	6.1	6.5	6.9	7.4	7.2	5.7	.....	.....	.....	.....	.....	.....	.....	.....
1972.....	135.9	4.3	4.5	4.7	5.0	5.4	5.8	6.1	6.3	6.5	6.1	4.8	3.9	.....	.....	.....	.....	.....	.....	.....
1973.....	141.8	4.3	4.5	4.7	5.0	5.3	5.6	5.8	6.0	6.0	5.6	4.7	4.1	4.3	.....	.....	.....	.....	.....	.....
1974.....	156.0	4.7	4.9	5.1	5.4	5.8	6.1	6.4	6.7	6.6	6.5	6.0	6.0	7.1	10.0	.....	.....	.....	.....	.....
1975.....	171.9	5.1	5.3	5.5	5.8	6.2	6.5	6.8	7.0	7.2	7.1	6.8	7.1	8.2	10.1	10.2	.....	.....	.....	.....
1976.....	186.8	5.3	5.5	5.7	6.0	6.4	6.7	7.0	7.2	7.4	7.3	7.1	7.4	8.3	9.6	9.4	8.6	.....	.....	.....
1977.....	201.6	5.4	5.6	5.9	6.2	6.5	6.8	7.0	7.3	7.4	7.4	7.2	7.5	8.2	9.2	8.9	8.3	7.9	.....	.....
1978.....	219.4	5.6	5.8	6.1	6.3	6.6	7.0	7.2	7.4	7.6	7.6	7.4	7.7	8.3	9.1	8.9	8.5	8.4	8.8	.....
1979.....	244.9	5.9	6.1	6.4	6.7	7.0	7.3	7.5	7.8	7.9	8.0	7.9	8.2	8.8	9.5	9.4	9.2	9.4	10.2	11.6

the OASDI system have been getting cheaper relative to the costs of other services by about half a percentage point per year. During the period 1960–79, the relative cost decreased by about 10 percent.

The 5 years from 1974 to 1979 present a somewhat different picture. During that period, the services component of the CPI, excluding rent, increased at about 9 percent per year; the OASI expense index increased at 3 percent per year; the DI expense index increased 12 percent per year; and the OASDI index increased 5 percent per year. These growth rates indicate lower unit costs for the OASI operations relative to service industries in general, and greater unit costs for DI operations. This difference may be explained by the large fluctuations in disability applications and allowances in recent years, along with continuing efforts to improve the quality of disability determinations. Such efforts tend to be expensive, although the savings in benefit payments may be several times larger than the increase in administrative costs. The OASI program has been much more stable in terms of awards and benefits in current payment status, thus allowing a more stable and more experienced workforce. In addition, OASI benefit adjudication and record maintenance require more objective information than that required for the DI program, and greater computerization is possible. These advantages should result in greater improvements in efficiency for OASI than for DI.

Conclusions

As the OASI and DI programs have grown in size and complexity over the years, the costs in absolute dollars of administering these programs have also grown. These expenses have increased more slowly, however, than either contribution income or benefit payments. As a percentage of taxable payroll, administrative expenses have increased significantly since the early years of both programs, although the trend of the late 1970's has been downward. While the programs continue to mature, and administrative productivity continues to increase, these favorable trends are expected to continue into the future.

Expenses per unit of work, as indicated by the OASI and DI administrative expense indices, are expected to continue increasing as salaries and other administrative costs increase. Over the long run, the cost to operate the OASDI system per unit of work has increased more slowly than for service industries in general, and this trend should continue in the OASI program. In the DI program, administrative expenses have tended to rise with increased efforts to achieve high quality in the disability determination process. The implementation of the 1980 Disability Amendments will require many complex and expensive administrative changes that will raise unit costs. These higher expenses are necessary to obtain the more selective benefit payments provided in this cost-saving legislation.