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Interpretative Guide of SOCX

OECD 2007



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THE SOCIAL EXPENDITURE DATABASE: AN INTERPRETATIVE GUIDE

1. Introduction

1. The *OECD Social Expenditure database* was developed in the 1990s to facilitate social policy analysis (OECD, 1996).¹ In principle the System of National Accounts (SNA) provides a comprehensive accounting framework for social expenditure and its financing (SNA, 1993). In practice, however, the aggregate nature of data included in ‘social transfers’ (cash and in kind) in the SNA proved inadequate for analysis of public social policy programmes and trends²: in the context of its work-programme on public spending the Secretariat tried unsuccessfully to establish on a comprehensive basis what spending items were included in the (sub-)aggregate spending amounts recorded as government outlays by function in the National Accounts (Varley, 1986, and Oxley *et al*, 1990). As a result, when the *OECD Social Expenditure database* (SOCX) was set up in the early 1990s, it was designed to be transparent through the recording of spending items at a detailed level: the ‘social expenditure programme’. For example, SOCX includes information for 50 separate social programmes for Canada, 65 for both the Netherlands and the US and 300 for France.

2. The detailed information on social expenditure items included in SOCX permits a variety of types of analysis of the effects of social policy to be undertaken. The detail in SOCX allows for in-depth study of national and cross-national social protection policy, as for example in the *OECD Economic Surveys* of individual member countries, and also allows for a grouping of expenditures to match the analytical needs of users, as for example: using different definitions of active social policy; an assessment of spending on all incapacity-related support programmes; an evaluation of expenditures targeted primarily at different age groups, etc. Both OECD analysts and external researchers make extensive use of information on trends and changes in the composition of social spending as in SOCX, for example, Adema and Ladaïque (2006), Castles (2004), Hennessey and Warin (2004), Pearson and Martin (2005), Siegel (2005), and Whiteford and Adema (2007).

3. The detailed nature of expenditure data in SOCX also constitutes an important form of quality control as the high level of transparency associated with detailed recording limits the scope for inappropriate recording (including double counting) of spending items in SOCX.

4. For the years 1980-2003, this issue of SOCX presents spending information by social expenditure programme for all 30 countries, as expressed in national currency. SOCX also presents the aggregated public and private social expenditure grouped along 9 social policy areas, and to facilitate international

1. Prior to this release of SOCX the OECD has produced 4 updated volumes of the data base since the initial release; OECD (1999; 2000a; and, 2001) via CD-ROM, while the Social Expenditure database 1980—2001 was released in September 2004 through the internet.

2. For the regular data collection for the National Accounts, countries only report two items that are directly related to public social expenditure 1), social transfers in cash (D62) and 2) social transfers in kind (D63). Data recorded for the Classification of Function of Government (COFOG) typically record 4 public social expenditure items (spending by General government, central government, local government and social security funds, see OECD 2006a), although national sources may provide more detail. For example, Statistics Canada reports about 20 items on public social transfers in Canada (www.statcan.ca).

comparisons this information is related to gross domestic product, gross national income, total government expenditure, and in purchasing power parities per head.

1.1. Changes to SOCX for this issue

5. All OECD Databases have been or are being assessed using a framework developed by the OECD Statistics Directorate in order to improve their quality. This quality assessment suggested there were two areas where further work was urgently required to improve data quality – in the recording of long-term care and child care, where in the past there was inconsistency of treatment across countries and in some cases double counting of expenditures or missing data. For this issue of SOCX data have been improved which required changes to be co-ordinated across a number of different data bases: the *OECD Health Data*, the *OECD database on Labour Market Programmes* and the *OECD Education database* (see sources in section 3.3 and Annex 1).

6. In order to remain consistent with the SNA93, SOCX now records pensions paid to former civil servants through autonomous funds as a private spending items (section 2.1.3).

7. The OECD has developed different and more comprehensive measures of the resources devoted to social policies in OECD countries; indicators on net (after tax) total (public and private) social expenditure. This work started in the mid-1990s with initial estimates for on net public social expenditure for 6 countries (Adema *et al*, 1996), but over the years the methodological framework and available data have been extended to cover 24 OECD countries: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Norway, Portugal, the Slovak Republic, Sweden, Spain, the United Kingdom and the United States. This work is undertaken in close collaboration with the OECD Centre for Tax Policy and Administration, and from now on these indicators are treated as an integral part of SOCX (Section 5), and will be updated as the rest of the database, i.e. every two years.

1.2. Next steps

8. Work is under way to develop a data base on benefit recipients; this would allow for a mapping of expenditures to benefit recipients, so permitting analysis of trends in beneficiaries and average spending per beneficiary. An initial overview of data will be presented in a working paper (www.oecd.org/els/workingpapers) to be released in 2007. Including information on benefit-recipients in SOCX will be considered for the next issue of SOCX in 2008/9.

9. A number of other areas are identified where further work is desirable, include: further development of metadata; better recording of expenditures by sub-national units, and NGOs (charities); and more comprehensive recording of information on private pensions (the current treatment is accurate, but says little on the maturing of pension funds). Special features in future editions of SOCX may cover some of these and other topics as, for example, social protection in selected non-member countries.

1.3. Outline of interpretative guide

10. This interpretative guide first defines the social protection domain (section 2), then outlines categorisation and recording practices (section 3), before discussing the main gross (before tax) spending trends in section 4. Section 5 discusses the net social spending indicators. Annex 1 presents detailed information on sources used; Annex 2 and 3 give additional information on net social expenditure; and Annex 4 shows how to access SOCX electronically.

2. Defining the social domain

11. To facilitate cross-country comparisons of social expenditure, the first step is to demarcate what spending is 'social' and what is not. The OECD defines social expenditures as:

“The provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer.”

Since only benefits provided by institutions are included in the social expenditure definition, transfers between households - albeit of a social nature, are not in the social domain.³

12. Social benefits include cash benefits (e.g. pensions, income support during maternity leave, and social assistance payments), social services (e.g. childcare, care for the elderly and disabled) and tax breaks with a social purpose (e.g. tax expenditures towards families with children, or favourable tax treatment of contributions to private health plans).

13. The *OECD Social Expenditure database* (SOCX) has been designed to be compatible with the System of National Accounts and *inter alia* the System of Health Accounts (OECD, 2000b, and SNA, 1993). It is also broadly compatible with Eurostat's European System of Social Protection Statistics – ESSPROS, and the ILO Social Security Inquiry – SSI (Box 1; Eurostat, 1996, and ILO, 2005). Information on social expenditure and reciprocity of social support that is collected by the Asian Development Bank as part of its Social Protection Index initiative is also broadly compatible with the other data bases (ADB, 2006).

Box 1: The relationship between OECD, Eurostat and ILO social accounting systems

Compared to SOCX, the scope of Eurostat's European System of Social Protection Statistics – ESSPROS and the ILO's Social Security Inquiry – SSI, is wider as these systems also include information on financing of social expenditure. From a statistical perspective it may be desirable that the *OECD Social Expenditure database* is extended to include information on the financing of social programmes that is consistent with the *OECD Revenue Statistics* (OECD, 2006a), but the resources that would be required for such an exercise are likely to far exceed the gains that could be made in terms of strengthening policy analysis.

In terms of social domain, the OECD has arguably the largest scope as it has developed a methodology, which facilitates the comprehensive accounting of fiscal measures that affect social protection (see below and, for example, Adema, and Ladaique, 2005). In terms of gross spending items, the SSI has a relatively large scope as it includes spending supporting on basic education, as for example spending on school-books (SOCX reports public spending on education as a memorandum item, see Annex 1.4). The scope of ESSPROS is narrower than that of SOCX and the SSI as it focuses on support that can be 'allocated' to individuals and, consequently, it does not include *all* spending on public health expenditures or labour market programmes. The ILO and the OECD both record spending on Active Labour Market Policies, with the OECD-definitions being the least restrictive as they include government subsidies towards the cost of employment of previously unemployed persons.

Functional categorisations in ESSPROS (Eurostat, 1996) and the Social Security Inquiry (ILO, 2005) are slightly different, also from each other. ESSPROS groups items in 7 functions, the SSI identifies 11 functions, while SOCX has 9 social policy areas at present.

The SSI aims to record data on persons by and recipients of social benefits. The OECD is currently developing SOCX to also include information on benefit–reciprocity and intends to publish preliminary information on 21 OECD countries in 2007. Eurostat collects data on pension beneficiaries.

3. Social spending does not include remuneration for work, as it does not cover market transactions, i.e. payments in return for the simultaneous provision of services of equivalent value. Employer costs such as allowances towards transport, holiday pay, etc. are part of remuneration in this sense.

2.1. What is social and what is not?

14. There are two main criteria which have to be simultaneously satisfied for an expenditure item to be classified as social. First, the benefits have to be intended to address one or more social purposes. Second, programmes regulating the provision of benefits have to involve either a) inter-personal redistribution, or b) compulsory participation.

2.1.1. Towards a social purpose

15. The *OECD Social Expenditure Database* groups benefits with a social purpose in 9 *policy areas*: (see also section 3.1 for more detail)

- *Old-age* – pensions, early retirement pensions, home-help and residential services for the elderly;
- *Survivors* – pensions and funeral payments;
- *Incapacity-related benefits* – care services, disability benefits, benefits accruing from occupational injury and accident legislation, employee sickness payments;
- *Health* – spending on in- and out-patient care, medical goods, prevention;
- *Family* – child allowances and credits, childcare support, income support during leave, sole parent payments;
- *Active labour market policies* – Employment services, training youth measures subsidised employment, employment measures for the disabled;
- *Unemployment* – unemployment compensation, severance pay, early retirement for labour market reasons;
- *Housing* – housing allowances and rent subsidies; and,
- *Other social policy areas* – non-categorical cash benefits to low-income households, other social services; i.e. support programmes such as, food subsidies, which are prevalent in some non-OECD countries.

16. The borderline of the social domain is not always immediately clear because policy objectives differ across countries. Tackling child poverty is an important policy objective in all OECD countries, and support for children (either through cash transfers, services or through the tax system) is considered as social. However, favourable fiscal treatment of marital status is not considered as social support in the *OECD Social Expenditure database*, as there is no OECD-wide agreement on whether such support reflects the pursuit of social policy objectives (across countries there are also different views on the basic economic unit, which is the appropriate basis for taxation).

17. In practice, data issues also play a role in determining whether certain items are considered social or not. For example, when saving programmes are earmarked towards income support in retirement (or towards contingencies covered by other social policy areas), they are considered to be ‘social’. However, general savings programmes are considered to be outside the social domain even though part of these savings are likely to be used in, for example, retirement. Life insurance programmes which are often tax-advantaged can also perform a social function, including provision of survivors’ benefits and accident insurance among the contingencies covered. However, such policies are often taken up to cover mortgage policies, and there is no data available on a cross-country basis that allows for a comprehensive demarcation. Therefore, life insurance saving is not included in the social domain.

18. Rent subsidies are considered social, as is residential support for the elderly, disabled and other population groups (as recorded under Old-age, Incapacity-related benefits, etc). Mortgage relief for low-

income households has some similarities with such programmes. However, it is unclear up to what level of income, or what level of property value, such support should be considered social. Relevant thresholds differ across countries, while, in any case, a comprehensive cross-national dataset is not available. For these reasons, mortgage relief is not considered here as a tax break with a social purpose.

2.1.2. Inter-personal redistribution or compulsion

19. Expenditure programmes are considered ‘social’ if participation is compulsory, and if entitlements involve inter-personal redistribution of resources among programme participants; in other words, if entitlements are not the result of direct market transactions by individuals given their individual risk profiles. The provision of social services (by public authorities and/or non-government organisations) and social insurance and social assistance programmes practically always involves redistribution across households. Such programmes are either financed through general taxation or social security contributions, which lead to the redistribution of resources across the population or within population groups (*e.g.* all members of an unemployment insurance fund).

20. Inter-personal redistribution in private programmes is often introduced by government regulation or fiscal intervention. Governments may force individuals and/or employers to take up protection provisions regardless of their risk-profiles or the prevailing market prices. For example, through risk-sharing (*e.g.* through forcing insurance companies to have one price for both sick and healthy people) public policy can subsidise sick people, and thus ensure redistribution between households. Public fiscal intervention to stimulate private take-up on a collective or individual basis also means that the take-up decision is not fully determined by the individual risk-profile or prevalent market prices (the same holds for social benefits derived from collective agreements or taken out by employers on a collective basis). There is a high degree of similarity between legally-stipulated private arrangements and tax-advantaged plans.

21. Social benefits are also defined to include some (public and private) pension programmes that in theory do not necessarily involve redistribution of resources across households as, for example, the compulsory government managed individual savings scheme in Singapore (Ramesh, 2005). This is because just as with the provision of tax relief, compulsion reflects a policy judgement that coverage of these plans is desirable, and hence, these programmes are considered social.

2.1.3. Public, private social and exclusively private expenditure

22. The distinction between public and private social protection is made on the basis of whoever controls the relevant financial flows; public institutions or private bodies. Public social expenditure: social spending with financial flows controlled by General Government (different levels of government and social security funds), as social insurance and social assistance payments. For example, sickness benefits financed by compulsory employer and employee contributions (receipts) to social insurance funds are by convention considered public. In line with SNA93⁴, SOCX records pensions paid to former civil servants

4. SNA (1993), para 8.63 states: “... Social insurance schemes organized by government units for their own employees, as opposed to the working population at large, are classified as private funded schemes or unfunded schemes as appropriate and are not classified as social security schemes. ...” In practical terms, for pension payments to former civil servants to be classified as private, these payments have to go through autonomous private funds (*e.g.* separate pension and/or insurance companies), for which the government does not make up the deficit on a regular basis (*e.g.* in practice benefit schemes which are defined contributions plans). Non-autonomous pension schemes (including pension benefits paid directly from the government budget) remain institutionally in the government sector.

through autonomous funds as a private spending item (Australia (partially⁵), Canada, Denmark, Finland, the Netherlands, Sweden and the UK). All social benefits not provided by general government are considered ‘private’.

23. Within the group of private social benefits, a further two broad categories can be distinguished:

- **Mandatory private social expenditure:** social support stipulated by legislation but operated through the private sector, e.g. direct sickness payments by employers to their absent employees as legislated by public authorities, or benefits accruing from mandatory contributions to private insurance funds.
- **Voluntary private social expenditure:** benefits accruing from privately operated programmes that involve the redistribution of resources across households and include benefits provided by NGOs, and benefit accruing from tax advantaged individual plans and collective (often employment-related) support arrangements, such as for example, pensions, childcare support, and, in the US, employment-related health plans.⁶

SOCX includes data on the magnitude of private social spending across the OECD, but this data is nevertheless deemed of lesser quality than information on budgetary allocations for social support.

24. Take-up of individual insurance, even with a social purpose, is a matter for the persons concerned, and premiums are based on the individual preferences and the individual risk profile. For example, if someone takes out private pension insurance which is actuarially fair, then there is no *ex ante* redistribution across households. The insurance company sets the price so that the individual can expect to receive back in compensation payments exactly what it costs him or her. Such spending is not considered social, but ‘exclusively private’. Table 2.1 summarizes which expenditures are social and which are not, while Box 2 provides further detail on issues with the categorisation of benefits with a social purpose.

Table 2.1: Categorisation of benefits with a social purpose^{1, 2}

	Public		Private	
	Mandatory	Voluntary	Mandatory	Voluntary
Redistribution	Means-tested benefits, social insurance benefits	Voluntary participation in public insurance programmes. Self-employed ‘opting in’ to obtain insurance coverage.	Employer-provided sickness benefits, benefits accruing from mandatory contributions, to, for example, pension or disability insurance.	Tax-advantaged benefits, e.g. individual retirement accounts, occupational pensions, employer-provided health plans
No redistribution	Benefits from government managed individual saving schemes		Non tax-advantaged actuarially fair pension benefits	<i>Exclusively private:</i> Benefits accruing from insurance plans bought at market prices given individual preferences.

(1) By definition transfers between individuals, even when of a social nature, are not considered to be within the social domain.

(2) The shaded cells reflect benefits that are NOT classified as social.

5. The Australian pension arrangements for former civil servants constitute a hybrid of public and private components. The relevant pension payment is a defined benefit scheme which is guaranteed by the government and thus classified as public. In contrast, the lump-sum payment which many civil servants take on retirement is based on their compulsory contributions and interest rates; relevant spending has been grouped under mandatory private social expenditure for Australia.

6. It might be argued that only the value of the fiscal intervention towards the private pension benefit should be considered social. However, relevant fiscal measures redistribute resources up to the level where tax-advantages no longer apply, and thus all benefits accruing from such contributions should be included.

Box 2: Identifying and categorising benefits with a social purpose.

The *OECD Social Expenditure database* groups social benefits by the nature of provision into public, mandatory private and voluntary private social expenditure across 9 different social policy areas (issues related to the classification of items across policy areas are discussed in section 3.1). All other (insurance) arrangements with a social purpose, which are based on individual risk-profiles and obtained at prevailing market prices are outside the social domain. Examples of such arrangements that do not involve redistribution or compulsory participation are individual pension plans and individual health insurance packages.

In theory, information on the purpose of social expenditure programmes, their redistributive nature, their legal basis and control of financial flows, provides clear benchmarks for identifying public, mandatory private, voluntary private and exclusively private programmes. Sometimes classification is straightforward. For example, income support during parental leave paid by a public insurance fund is 'public'; legally required continued wage payments by employers to fathers on paternity leave are 'mandatory private', while, parental leave payments made by employers on their own initiative (or because they signed up to a collective labour agreement), are voluntary private. More difficult is it, when payments involve a mixture of these forms, and in the absence of good data classification decisions have to be made.

In particular, regarding private pension funds it can be very difficult to make an unambiguous categorisation between mandatory private benefits, voluntary private benefits, and, benefits that are not considered part of the social domain. Classification problems are exacerbated by the fact that contributions that underlie pension payments are made over various years and the nature of the contributions can shift over time.

Consider the case where benefit payment in year t , $B(t)$, is related to contributions in previous years, $C(t - n)$, and the rate of return on investment income, $I(t-n)$:

$$B(t) = F [\sum (C(t-n), I(t-n))]$$

The total amount of contributions (C) paid to a particular arrangement over the years can be sum of different types of contributions: mandatory contributions (C_m); (C_v); and, exclusively private contributions (C_e). In any particular year:

$$C = C_m + C_v + C_e.$$

Thus, benefit payments in a given year can be related to four types of contributions made over previous years and the relative importance of the different types of contributions can shift from year to year.

Often, data on benefit payments only record aggregate payments (B_x) and do not separately identify payments due to different types of contributions (C_m , C_v , C_e). For example, data on pensions paid by Superannuation plans in Australia or private pension plans in Switzerland do not separately identify payments derived from mandatory private, voluntary private or exclusively private pension contributions. All superannuation pension payments (not the lump-sum payments) to former private sector workers are grouped under voluntary private social benefits, as the pension payments that derive from mandatory contributions are currently relatively small. However, with recently increased mandatory contributions rates, pension payments deriving from mandatory contributions in Australia are expected to increase with the maturing of Superannuation plans.

Individual pension plans, for example, individual retirement accounts in the US, are only in the (voluntary private) social domain in as much the underlying contributions were tax advantaged (in New Zealand, where favourable tax treatment concerns payments and not contributions, only the pension payments subject to tax-advantages would be included). Ideally, we would not include those private benefits that derive non-fiscally advantaged contributions, but data, which allow for such a distinction is not always available. The decision on whether or not to include individual pension programmes is made on a case-by-case basis. For example, available tax data for the US facilitates the identification of pensions and individual retirement disbursements, which are part of social domain as defined above, and are therefore included in the private pension expenditure data in SOCX (see section 4.3).

25. Life insurance savings plans are considered outside the social domain as comprehensive information on that part of life insurance payments which is earmarked for social purposes is not available; in fact, there is no comprehensive information on life insurance benefits. Although the practice of reinsurance makes it difficult to get a precise view on the importance of life-insurance arrangements, available information on life insurance premiums suggests that life insurance arrangements play an important role (OECD, 2006b). To a considerable extent life insurance policies are taken up to cover mortgage arrangements, which is not considered to serve a social purpose, but private life-insurance benefits with a social element, such payments towards death, disability, medical interventions and retirement, can be important and are included where these are separately identifiable (see below).

26. There are significant differences across countries in the extent to which social policy goals are pursued through the tax system or in the role of private provision within nation social protection systems (see below). These differences point to substantial variance in the re-distributional nature of social systems. Some private social programmes may generate a more limited re-distribution of resources than public ones, and tax advantages towards private pension and health plans are more likely than not to benefit the relatively well-to-do. Private employment-related social benefits mostly re-allocate income between the (formerly) employed population, and the same holds largely true for fiscally-advantaged individual or group retirement plans. Cross-national differences in redistribution are not just related to individual programme design, but also to the overall level of social spending. Income re-distribution in a high public spending country such as Denmark tends to be larger than in, for example, the US, where private social spending plays a much more substantial role (Förster and Mira d’Ercole, 2005, and Whiteford and Adema, 2007).

3. Social expenditure programme data in the database

3.1. Categorisation of programmes across policy areas

27. The *OECD Social Expenditure Database* groups benefits with a social purpose in 9 *policy areas* - Old-age, Survivors, Incapacity-related benefits, Health, Family, Active labour market policies, Unemployment, Housing, and Other social policy areas. Table 3.1a shows the structure of SOCX database for public and mandatory private programmes, Table 3.1b shows the simplified structure of SOCX database for voluntary private expenditure as the quality of information is not as high as on budgetary allocations, and spending detail by programme is not available on a comprehensive basis.

Table 3.1a Structure of SOCX database for public and mandatory private programmes
by branch (1-9), type of expenditure (cash / in kind) and type of programme

<p>1. OLD AGE</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Pension Early retirement pension Other cash benefits Benefits in kind <ul style="list-style-type: none"> Residential care / Home-help services Other benefits in kind 	<p>5. FAMILY</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Family allowances Maternity and parental leave Other cash benefits Benefits in kind <ul style="list-style-type: none"> Day care / Home-help services Other benefits in kind
<p>2. SURVIVORS</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Pension Other cash benefits Benefits in kind <ul style="list-style-type: none"> Funeral expenses Other benefits in kind 	<p>6. ACTIVE LABOUR MARKET PROGRAMMES</p> <ul style="list-style-type: none"> Employment service and administration Labour market training Youth measures Subsidised employment Employment measures for disabled
<p>3. INCAPACITY-RELATED BENEFITS</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Disability pensions Pensions (occupational injury and disease) Paid sick leave (occupational injury and disease) Paid sick leave (other sickness daily allowances) Other cash benefits Benefits in kind <ul style="list-style-type: none"> Residential care / Home-help services Rehabilitation services Other benefits in kind 	<p>7. UNEMPLOYMENT</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Unemployment compensation / severance pay Early retirement for labour market reasons Benefits in kind
<p>4. HEALTH</p> <ul style="list-style-type: none"> Benefits in kind 	<p>8. HOUSING</p> <ul style="list-style-type: none"> Benefits in kind <ul style="list-style-type: none"> Housing assistance Other benefits in kind
	<p>9. OTHER SOCIAL POLICY AREAS</p> <ul style="list-style-type: none"> Cash benefits <ul style="list-style-type: none"> Income maintenance Other cash benefits Benefits in kind <ul style="list-style-type: none"> Social assistance Other benefits in kind

Table 3.1b Structure of SOCX database for voluntary private expenditure

<p>1. OLD AGE</p> <ul style="list-style-type: none"> Pensions to former private sector workers Pensions to former civil servants
<p>3. INCAPACITY-RELATED BENEFITS</p>
<p>4. HEALTH</p>
<p>9. OTHER SOCIAL POLICY AREAS</p>

28. The nine policy areas are defined as follows, including examples of programmes (see Annex 4 for details on codes of programmes):

- 1. Old-age - comprises all cash expenditures (including lump-sum payments) on old-age pensions. Old-age cash benefits provide an income for persons retired from the labour market or guarantee incomes when a person has reached a 'standard' pensionable age or fulfilled the necessary contributory requirements. This category also includes early retirement pensions: pensions paid before the beneficiary has reached the 'standard' pensionable age relevant to the programme. Excluded are programmes concerning early retirement for labour market reasons which are classified under unemployment. Old-age includes supplements for dependants paid to old-age pensioners with dependants under old-age cash benefits. Old age also includes social expenditure on services for the elderly people, services such as day care and rehabilitation services, home-help services and other benefits in kind. It also includes expenditure on the provision of residential care in an institution (for example, the cost of operating homes for the elderly). Examples of programmes include:
 - “250.10.1.1.1 Basic scheme: CNAV” is the French public basic pension scheme from “Régime général”
 - “208.10.1.2.1.2 Assistance in carrying daily tasks for the elderly” is the Danish programme from municipalities that offers services to the elderly
 - “392.20.1.1.1.1 Employees' pension funds” is the Japanese mandatory private occupational pension scheme
 - “826.30.1.0.0.2 Pensions to former civil servants” is the UK programme recording pension benefits to former civil servants;
- 2. Survivors - many countries have social expenditure programmes in the public sphere which provide the spouse or dependent of a deceased person with a benefit (either in cash or in kind). Expenditure in this policy area has been grouped under survivors. Allowances and supplements for dependent children of the recipient of a survivors' benefit are also recorded here. Examples of programmes include:
 - “124.10.2.1.1.2 CPP and QPP: surviving spouse's pension” is the Canadian Pension Plan and Quebec Pension Plan programs paying benefits to surviving spouses
 - “348.10.2.2.1.1 Funeral expenses (means-tested)” is the Hungarian means-tested program giving public support for funerals.
- 3. Incapacity-related benefits - disability cash benefits comprise of cash payments on account of complete or partial inability to participate gainfully in the labour market due to disability. The disability may be congenital, or the result of an accident or illness during the victim's lifetime. Spending on Occupational injury and disease records all cash payments such as paid sick leave, special allowances and disability related payments such as pensions, if they are related to prescribed occupational injuries and diseases. Sickness cash benefits related to loss of earning because of the temporary inability to work due to illness are also recorded. This excludes paid leave related to sickness or injury of a dependent child which is recorded under family cash benefits. All expenditure regarding the public provision of health care is recorded under health. Social expenditure on services for the disabled people encompasses services such as day care and rehabilitation services, home-help services and other benefits in kind. Examples of programmes include:

- “756.10.3.1.1.1 Disability pension: invalidity insurance (non means-tested)” is the Swiss public non-means tested disability insurance pension
 - “442.10.3.1.4.4 Paid sick leave” is the public programme in Luxembourg reimbursing 100% of wage (up to a ceiling) for sick blue collar employees from 1st day of sickness up to 3 months and sick white collar employees from 3rd month up to 12th month of sickness
 - “578.20.3.1.4.1 Sickness and waiting period benefit” is an estimation of mandatory benefits paid by employers in Norway during the first two weeks of sickness
 - “752.30.3.0.0.0 Incapacity-related benefits” include Swedish voluntary private contractual disability pensions.
- 4. Health - social expenditure data in the health policy area is taken from the OECD *Health Data* (OECD, 2006c). All public expenditure on health is included (not total health expenditure): current expenditure on health (personal and collective services and investment). Expenditure in this category encompasses, among other things, expenditure on in-patient care, ambulatory medical services and pharmaceutical goods. Individual health expenditure, insofar as it is not reimbursed by a public institution, is not included. As already noted, cash benefits related to sickness are recorded under sickness benefits. Voluntary private social health expenditure are estimates on the benefits to recipients that derive from private health plans which contain an element of redistribution (such private health insurance plan are often employment-based and/or tax-advantaged). For more information (including the long-term care double counting issue), see Annex 1.2.
 - 5. Family – includes expenditure which supports families (i.e. excluding one-person households). This expenditure is often related to the costs associated with raising children or with the support of other dependants. Expenditure related to maternity and parental leave is grouped under the family cash benefits sub-category. Examples of programmes include:
 - “56.10.5.1.1.1 Family allowance: National office for employees' family allowances” is the Belgian public programme giving child benefits to families
 - “246.10.5.1.2.2 Maternity and parent's allowance” is the social security programme of income maintenance in the event of childbirth in Finland
 - “203.10.5.2.1.6 Child care (pre-primary education)” is the public spending in the Czech Republic to care for child under mandatory school age
 - 6. Active labour market programmes - contains all social expenditure (other than education) which is aimed at the improvement of the beneficiaries’ prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. For more detailed information regarding the categorization of expenditure on ALMP, see Annex A.1.3. Examples of programmes include:
 - “484.10.6.0.1.1 National employment service (STPS)” in Mexico
 - “40.10.6.0.2.1 Institutional training” in Austria
 - “620.10.6.0.3.4 Support of apprenticeship” in Portugal
 - “300.10.6.0.4.3 Support of unemployed workers in enterprises in difficulty” in Greece

- “554.10.6.0.5.1 Vocational rehabilitation for disable people” in New Zealand
- 7. Unemployment - includes all cash expenditure to people compensating for unemployment. This includes redundancy payments out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy. Examples of programmes include:
 - “36.10.7.1.1.2 Newstart allowance” for Australian unemployed entitled of an out-of-work unemployment benefit
 - “380.10.7.1.2.1 Early retirement for labour market reasons” from National Social Security Institute in Italy.
- 8. Housing - spending items recorded under this heading include rent subsidies and other benefits to the individual to help with housing costs. This includes direct public subsidies to tenants (in some countries, e.g. Norway, homeowners living in their house) ‘earmarked’ for support with the cost of housing. Because the benefits included here concern earmarked cash payments, by convention they are classified as in-kind benefits (SNA, 1993 – see D.6331). SOCX also reports direct in-kind housing provision to the elderly and disabled and shelter for those in immediate need in other sections (1.2.1, 3.2.1, 9.2.2 respectively).

Other forms of housing support such as mortgage relief, capital subsidies towards construction and implicit subsidies towards accommodation costs housing can be of a social nature, particularly when such accommodation directly benefits low-income households. However, there is no cross-national agreement on a methodology on coverage and measurement of such support, so that at present, such housing support is not included in SOCX. Nevertheless, such support can be considerable.

For example, in the Netherlands, the budgetary costs of favourable tax treatment of interest payments and other mortgage costs amounted to 11.75 billion Euro. Accounting for reduced taxation of private equity in housing (another 7.5 billion Euro), income and acquisition tax (5 billion Euro) as well as municipal rates (2.25 billion Euro), the net budgetary subsidy to private home ownership in the Netherlands was estimated to be around 12 billion Euro in 2006, or 2.3% of GDP in 2006 (Koning et al, 2006). SOCX also do not include (capital-)subsidies towards the construction of housing support, for example in the United States, in 2003 credit for low-income investment is worth USD 6.2 billion or 0.06% of GDP (OMB, 2004). SOCX also does not include the value of implicit subsidies towards the cost of housing. For example, in France, almost 5 million households in public social housing pay a lower rent than households in accommodation with similar characteristics in the private rental sector (Ministère de l'Écologie, du Développement et de l'Aménagement durables de la France, 2007). The value of implicit subsidies per household (i.e. the difference between the low rent effectively paid and the rent paid on the market for a dwelling with similar characteristics) is likely to be considerable. However, estimates on the total value of implicit housing subsidies are not available.

- 9. Other social policy areas - includes social expenditure (both in cash and in kind) for those people who for various reasons fall outside the scope of the relevant programme covering a particular contingency, or if this other benefit is insufficient to meet their needs. Social expenditure related to immigrants/refugees and indigenous people are separately recorded in this category. Finally, any social expenditure which is not attributable to other categories is included in the sub-category other.
 - “276.10.9.1.1.1 Income support (Social assistance)” in Germany

- “840.10.9.1.1.1 Earned income tax credit: refundable part (EITC)” in the US (see also section 5.3.2).

3.2. *Accounting conventions and practices*

3.2.1. *Reference, fiscal and tax years*

29. The recording period with respect to the social expenditure data is not the same for each country. Most countries report data by calendar year (1 January to 31 December), except for Australia, Canada, Japan, New Zealand, the United Kingdom and the United States where the data reported pertain to a financial year which differs from the calendar year. Adopting the same convention as for national accounts, year “n” is taken to mean the year in which a financial year begins, whether it starts on 1 January, 1 April, 1 July or 1 October. In cases where the financial year for social expenditure does not coincide with the calendar year, the relevant periods have been taken on a prorata temporis basis when using GDP (available for calendar years) and the GDP deflator, see below. For all other countries, GDP data refer to the calendar year.

- In Canada, Japan and the United Kingdom, the financial year (n) runs from 1 April (n) to 31 March (n+1) for social expenditure, requiring an adjustment for GDP (“n”)=0.75* GDP(n) + 0.25*GDP(n+1).
- In the United States, the financial year (n) runs from 1 October (n-1) to 30 September (n) for social expenditure, requiring an adjustment for GDP (“n”)=0.25*GDP(n-1) + 0.75GDP(n).
- In Australia and New Zealand, the reference years for social expenditure, although defined as July to June and not by calendar year, correspond to the calculation period for GDP. Consequently no special adjustments are required. All the data refer to fiscal years beginning on the 1st July of the year indicated.

3.2.2. *SOCX does not include administrative costs*

30. SOCX generally excludes administration costs, i.e. the costs incurred with the provision of benefits, as these expenditures do not go directly to the beneficiary. Administration costs cover expenditure on the general overheads of a social expenditure programme: registration of beneficiaries, administration of benefits, collection of contributions, controls, inspection, evaluation and reinsurance.

31. However, regarding the provision of services such as under Active Labour Market Programmes (ALMP) and public expenditure on health, the administration costs are included in the totals. It should be noted that these are data from the OECD ALMP database and OECD *Health Data*, which have their own concepts and definitions. The inclusion of these costs in the expenditures is justified as they are part of the service being provided to beneficiaries, such as job-seeker reception and counselling, or patient reception and hospital services.

3.2.3. *SOCX includes capital transfers, and SOCX records transactions on an accrual basis*

32. In line with SNA93⁷, capital investment (i.e. construction costs) are included on an accrual basis, that is if construction costs for a long term-care institution (or hospital) cost 1 million \$ (interests

7 See the 1993 System of National Accounts methodology via <http://unstats.un.org/unsd/sna1993/tocLev8.asp?L1=10&L2=3>, with specifics details for construction on point 10.69 and after.

included), built over 4 years, annual reimbursements of 250 000 \$ would be included each year as investment spending.

3.2.4. *SOCX generally exclude loans*

33. "The conventional definition of social protection stipulates that the intervention does not involve a simultaneous reciprocal arrangement. This should be conceived as excluding from the scope of social protection any intervention where the recipient is obliged to provide simultaneously something of equivalent value in exchange. For instance, interest-bearing loans granted to households are not social protection because the borrower commits himself to paying interest and to refund the capital sum. Still, if the loan is interest-free or granted at an interest rate well below the current market rate for social protection reasons, the amount of interest waived qualifies as a social benefit." (Eurostat 1996).

3.3. *Data sources*

34. The nature of SOCX data-processing is not straightforward as data do not derive from one all-encompassing questionnaire, but are taken from different sources in different formats:

- For *all OECD* countries data on public expenditure on health and public expenditure on active labour market policies (ALMPs) are taken from the *OECD Health Data* and the *OECD database on Labour Market Programmes*, respectively (OECD, 2006c, and 2006d, Statistical Annex). Data on unemployment compensation (cash transfers) are taken from the LMP database for OECD countries that do not belong to the EU and from ESSPROS for EU countries.
- For 8 Non-European OECD countries, data delivered by through the services of the delegates to the Working party on Social Policy of the Employment Labour and Social Affairs committee responding to the SOCX Questionnaire.
- For 22 European countries (EU-19, Iceland, Norway and Switzerland), data on social expenditure is provided by EUROSTAT as based on the information in their ESSPROS database (EUROSTAT, 2006).

35. This is not an ideal way to collect data, not least because it limits interaction with data producers in European OECD countries. However, there has been little choice in the matter. From the start, OECD member states that also belong to the EU have insisted on providing data to the OECD via EUROSTAT in order to avoid having to deal with multiple social spending questionnaires. This is understandable, but does mean that a) information is only received from EUROSTAT once it has 'validated' the data for individual countries and b) data received in ESSPROS format has to be made compatible with information for non-European OECD countries. Furthermore, as ESSPROS data do not include all public spending on health and/or spending on active labour market policies, all individual country files are inevitably built from different sources (see Box 1).⁸

36. To achieve comparability of spending data for all OECD countries involves going through the EUROSTAT data submission to identify and siphon-out voluntary private social expenditure items to ensure compatibility with the public (and mandatory private) spending data for all OECD countries, and

8. The 'core system of ESSPROS' focuses on support that can be 'allocated' to individuals and, consequently, it does not include *all* spending on public health expenditures or active labour market programmes. For example, ESSPROS does not include spending on investment in medical facilities, preventive health initiatives as anti-smoking campaigns, and health education and training more generally.

more generally ensure consistency of the spending data that are taken from different sources. Annex 1 includes more detail on data sources.

37. Other reference series used in SOCX are from OECD (2006e), National Accounts:

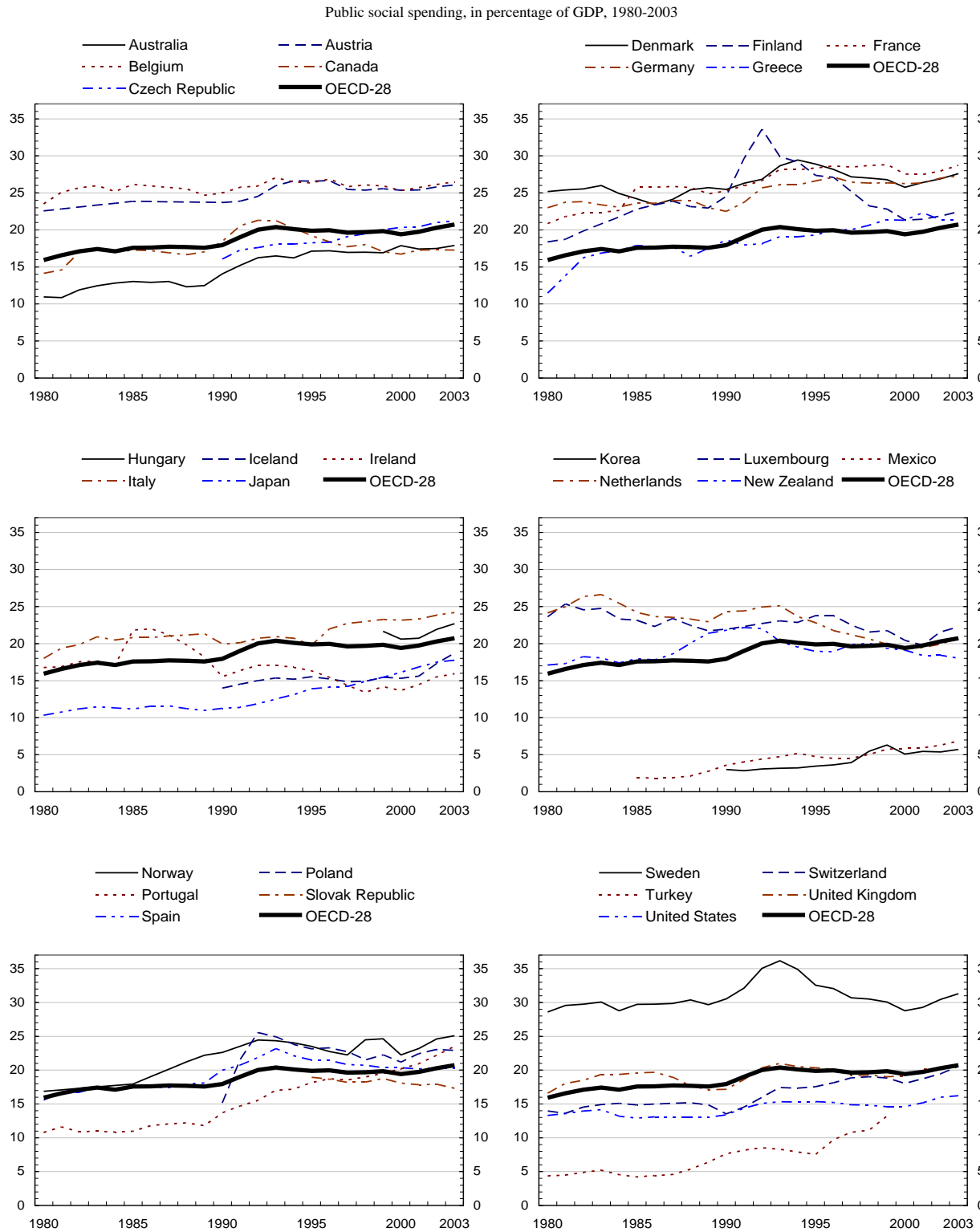
- Gross Domestic Product (GDP),
- Deflator for GDP,
- Gross Domestic Product at 2000 prices (GDPV),
- Purchase Power Parities (PPP),
- Exchange rate (EXC),
- Population (POP),
- Growth National Income (GNI),
- Total general government expenditure (GOV).

4. Social spending on cash benefits and social services

4.1. Public expenditure trends

38. Since 1980, gross public social expenditure has increased from about 16% to 21% of GDP in 2003 on average across 28 OECD countries (Chart 4.1). Experiences differ across OECD countries, but on average public social spending-to-GDP ratios increased most significantly in the early 1980s, early 1990s and, again in the beginning of this millennium, when the average public spending-to-GDP increased by 1% of GDP from 2000 to 2003. In between these decennial turning points spending-to-GDP ratios changed little; during the 1980s the average OECD public social spending to GDP ratio oscillated just below 20% of GDP while during the 1990s it trended downwards after the economic downturn in the early 1990s, but nevertheless remained above 20% of GDP. In most OECD countries, spending-to-GDP ratios in 2003 were well above 1980s levels, except for the Benelux countries, and the Netherlands in particular, where during the 1990s persistent economic growth, tightening of generosity of, and inflow into, disability benefits, and the privatisation of sick-pay led to a decline in the public social spending-to-GDP ratio by 4% GDP (Chart 4.1).

Chart 4.1: The public social spending-to-GDP ratio has been rising again since 2000



Note: Information for 1980 to 2003 is available for 23 countries, while information for the Czech Republic, Iceland, Korea, Mexico, and Poland is available for 1990 onwards. OECD-28 refers to an unweighted average of OECD countries, not including Hungary (data from 1999 onwards), Slovak Republic (data from 1995 onwards); data for Turkey is assumed constant from 1999. EU-15 refers to the 15 countries which constituted the European Union prior to its enlargement in 2004.

39. The two key drivers of increases in social spending over the last 25 years have been increased support for the (growing) retired population and health expenditure; and population projections suggest further spending increases in these two areas in future. On average across 28 countries, public spending on old age increased from 5.0% of GDP in 1980 to 6.9% in 2003. Similarly, public expenditure on health increased from 4.7 per cent of GDP in 1980 to 5.9% in 2003. The other area where there seems to be some structural spending growth is family benefits. On average across the OECD (and the same holds for EU-15), spending on family benefits has increased by half a percentage point of GDP since 1990 (there was no significant change in the 1980s).

40. Spending on unemployment compensation fluctuates with the economic cycle – it peaked at 1.9% of GDP in 1993, but at 1.2% of GDP spending was as high in 2003 as it was in the early 1980s. On average across the OECD, spending on incapacity-related support does not appear to be very sensitive to economic patterns: it has been at around 2.5% of GDP since 1980. The stability of the OECD average masks widely different country experiences. For example, in the Netherlands, public spending on disability has fallen from 6.3% of GDP in 1980 to 3.9% in 2003; over the same period such spending increased from 1.3% in New Zealand to 2.9%.

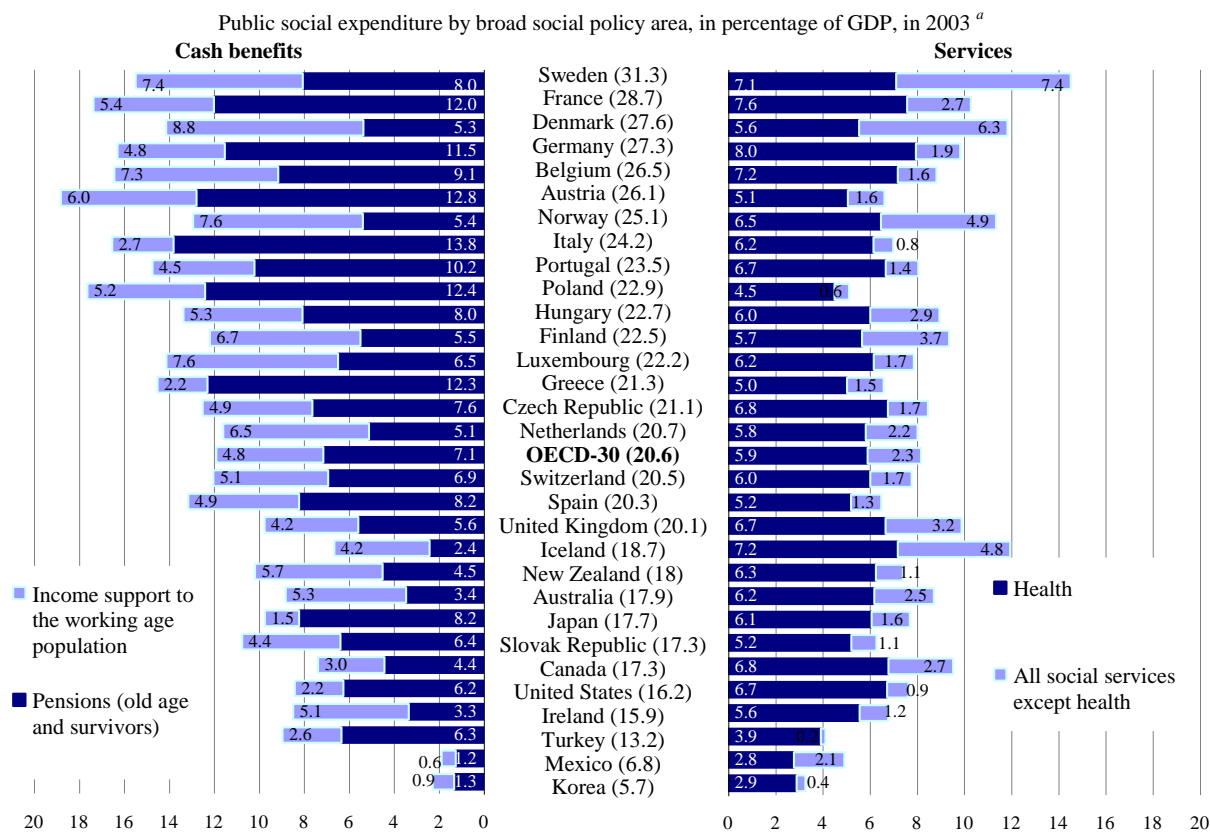
4.2. *The composition of public social spending in 2003*

41. In 2003, gross public social expenditure was 20.6% of GDP on average across OECD countries, with spending on cash benefits twice as large as on services (Chart 4.2). Cross-country differences in public social spending are wide, ranging from 6% of GDP in Mexico and Korea to more than 31% in Sweden. In terms of magnitude, the largest category of public social spending concerns old-age and survivor pensions; on average across the OECD, amounting to almost 7% of GDP, even without including pension payments through autonomous programmes to former civil servants. However, public spending on old-age and survivor pensions account for more than 12% of GDP in Austria, France, Greece, Italy and Poland, but less than 4% in Australia, Iceland, Ireland, Korea, Mexico and Turkey. On average across the OECD, income transfers to the working-age population amounted to almost 5% of GDP, and within the latter category, public spending targeted to families with children and to persons on unemployment benefits each represented nearly 1.3% of GDP.

42. On average public expenditure on health services amounted to 6% of GDP in 2003 while spending on other social services was about 2% of GDP. The latter exceeds 5% of GDP only in the Nordic countries, where the public role in providing services to the elderly, the disabled and families is extensive, whereas it fluctuates around 1 per cent of GDP in southern European countries and the US, where there is a greater reliance on private and informal care.

43. Since the previous version of SOCX, considerable efforts have been made to improve reporting in SOCX of childcare and early education services. Spending figures are now more consistent across countries. All available data on public financial support for families with children participating in both formal day-care services (i.e. crèches, day-care centres and family day-care for children under 3) and pre-school institutions (including kindergartens and day-care centres for children aged from 3 to 6) are included. The improved information in SOCX on publicly supported childcare and early education services show that on average public spending in this regard is just below 1% of GDP, with considerable cross-country variation: from about 0.2% of GDP in Korea to over 2% of GDP in Denmark.⁹

Chart 4.2: On average OECD countries spend 7% of GDP on pensions and 6% on health services



Note: Countries are ranked by decreasing order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programs (ALMPs) cannot be split by cash/services breakdown; they are however included in the total public spending (shown in brackets).
a) 1999 instead of 2003 for Turkey where more recent data is not available.

9. A side-effect of making SOCX more consistent is that some spending is included both in SOCX and in OECD Statistics on education spending. If for some reasons it is desirable to sum the two data series; an adjustment is now required, see Annex 1.4.

44. Most OECD countries pay income support to households which do not have sufficient other resources to support themselves, but the extent to which countries use income-tested programmes varies across the OECD area. By selecting appropriate programs from country data files, SOCX allow identifying income-tested spending items. Table 4.1 shows such spending for 2003, by including spending on “other social policy areas”, income-tested spending on the unemployed (e.g. unemployment assistance payments for Germany), income-tested support payments to elderly and disabled (e.g. Belgium, and the UK), and other income tested payments (family cash transfers). Income-tested spending in Table 4.1 does not include specific housing subsidies, spending on Active Labour Market Policies, or income-tested medical support.

45. In 2003, spending on income-tested social programmes accounted on average for 1.5% of GDP, which corresponds to 8% of public social spending or 16% of public social spending in cash. In countries that have developed an insurance-based support system (Nordic countries, Belgium, France and Germany), the role for income-tested programmes is relatively limited to persons who have exhausted their unemployment insurance entitlements are eligible for unemployment assistance or social assistance; spending is less than 5% of all public social spending. But in countries as Australia, Canada, the Czech Republic and the UK, the role of income-tested programmes is considerably larger.

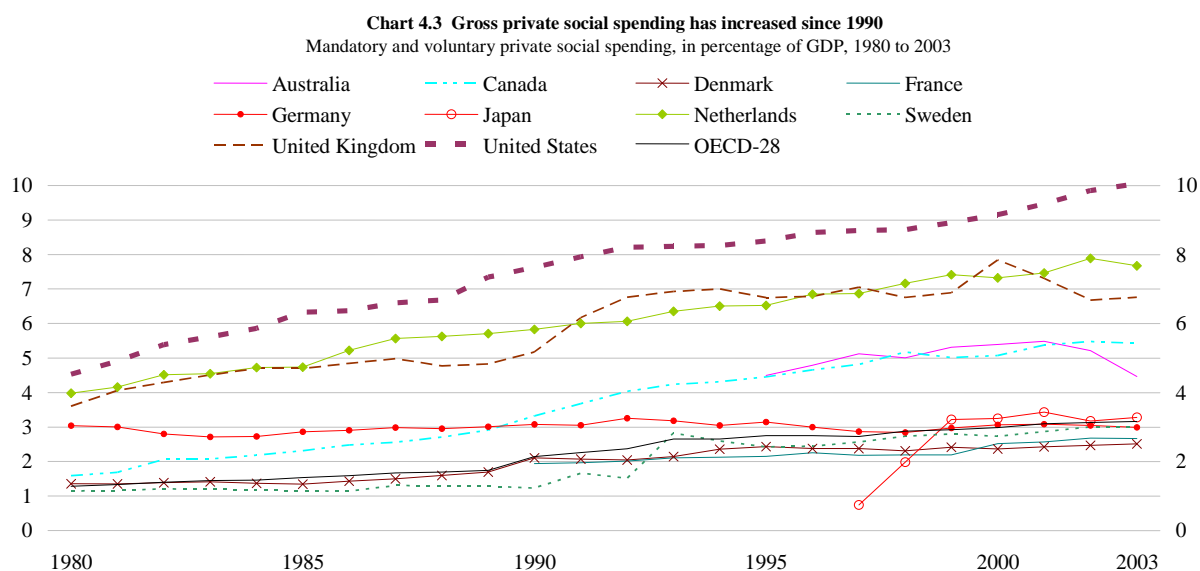
Table 4.1: Spending income-tested programmes, in 2003

	Millions, national currency	%GDP	% SOCX public	% SOCX public in cash
Australia	61 011	7.3	40.7	82.8
Austria	2 652.0	1.2	4.5	6.2
Belgium	2 586	0.9	3.6	5.7
Canada	41 989.5	3.5	20.0	46.9
Czech Republic	46 584.1	1.8	8.6	14.6
Denmark	14 299.8	1.0	3.7	7.2
Finland	4 186.5	2.9	13.0	23.9
France	22 358.0	1.4	4.9	8.1
Germany	22 984.9	1.1	3.9	6.5
Greece	2 135.1	1.4	6.5	9.6
Hungary	107 713.5	0.6	2.5	4.3
Iceland	10 048.6	1.2	6.6	18.7
Ireland	3 564.0	2.6	16.1	30.3
Italy	9 274.0	0.7	2.9	4.2
Japan	1 856 767.2	0.4	2.1	3.8
Korea	3 255 840.2	0.4	7.9	20.0
Luxembourg	213.5	0.9	4.0	6.3
Mexico	35 968.0	0.5	7.6	28.0
Netherlands	5 437.0	1.1	5.5	9.9
New Zealand	4 710	3.4	18.8	36.0
Norway	17 996.0	1.1	4.6	8.8
Poland	7 022.0	0.9	3.8	4.9
Portugal	0.0	0.0	0.0	0.0
Slovak Republic	15 245.2	1.3	7.3	11.8
Spain	11 400.7	1.5	7.2	11.1
Sweden	17 761.0	0.7	2.3	4.7
Switzerland	7 530.1	1.7	8.4	14.4
Turkey (1999)	354.7	0.5	3.5	5.1
United Kingdom	25 122.7	2.2	10.9	21.9
United States	138 596.0	1.3	7.9	15.3
OECD average	-	1.5	8.0	15.7

4.3. Private social expenditure: trends and composition

46. There are considerable differences across countries in the extent to which social protection systems rely on private provision. In 2003, gross private social spending was at 10% of GDP in the United States, while it is negligible in Denmark, most Eastern European countries, Mexico, Spain and Turkey. In some OECD countries at least, the role of private social benefits has increased in recent years, especially in the United States and the Netherlands (Chart 4.3).

47. Different factors underlie this trend. The maturing of private pension programmes largely account for the upward trend in private social expenditure, especially in Canada. Reductions in the generosity of public employment-related social benefits (sickness and incapacity related income support) since the 1980s have also encouraged the growth of private benefits to top-up public programmes. In Denmark, the Netherlands and Sweden, governments have legislated increased employer's responsibility for the provision of sickness benefits during the first part of the 1990s. In the United States, higher health care costs since the 1980s contributed to trend increase in private social spending, while a decline in the proportion of employers providing health care coverage (and lower benefit rates) partly offset this increase during the first part of the 1990s.



48. On average, around 2/3 of all private social expenditure takes the form of voluntary spending, with the remainder being mandated by law (Table 4.2). Private social benefits are common in the case of occupational accidents and diseases (e.g. Australia), sickness benefits (e.g. Germany) and old-age pensions, in the form of either mandatory participation in employer based programmes (e.g. the United Kingdom), or tax-supported individual pension plans (e.g. the United States), or pensions paid to former civil servants through autonomous funds (e.g. Australia (partially), Canada, Denmark, Finland, the Netherlands, Sweden and the UK).

Table 4.2 Composition of private social expenditure
Total, mandatory and voluntary private social spending, percentage of GDP, 2003

	Mandatory private					Voluntary private					Total private	Share of private in total (public+private) social spending
	Total	Old age	Incapacity	Health	Other	Total	Old age	Incapacity	Health	Other		
Australia	1.2	0.5	0.8	-	0.0	3.2	2.5	-	0.7	0.0	4.5	20.0
Austria	0.9	-	0.9	-	-	1.2	0.6	-	0.6	0.0	2.1	7.4
Belgium	0.0	0.0	0.0	-	0.0	3.9	2.3	0.5	0.3	0.7	3.9	12.9
Canada	-	-	-	-	-	5.4	4.2	-	1.2	0.0	5.4	23.9
Czech Republic	0.2	0.2	0.0	-	0.0	0.1	0.0	0.1	0.0	0.0	0.4	1.7
Denmark	0.2	-	0.2	-	-	2.3	2.2	-	0.1	0.0	2.5	8.3
Finland	3.5	2.7	0.4	-	0.4	1.2	0.2	0.7	0.2	0.1	4.6	17.2
France	0.4	0.1	0.2	-	0.1	2.3	0.1	0.3	1.3	0.7	2.7	8.5
Germany	1.2	-	1.1	-	0.1	1.8	0.8	0.1	1.0	0.0	3.0	9.8
Greece	-	-	-	-	-	2.4	0.5	0.7	0.2	0.9	2.4	10.0
Hungary	-	-	-	-	-	0.0	-	-	0.0	-	0.0	0.2
Iceland	5.1	2.4	2.2	-	0.6	-	-	-	0.0	-	5.1	21.6
Ireland	-	-	-	-	-	0.5	-	-	0.5	-	0.5	2.8
Italy	1.8	1.2	0.5	-	0.1	0.5	0.2	0.0	0.1	0.2	2.3	8.5
Japan	0.7	0.6	0.1	-	0.0	2.6	2.6	-	0.0	0.0	3.3	15.6
Korea	2.2	2.0	0.1	-	0.0	0.2	0.0	0.0	0.2	0.1	2.4	29.6
Luxembourg	2.6	1.6	0.4	-	0.6	0.1	-	0.0	0.1	0.0	2.7	10.7
Mexico	-	-	-	-	-	0.2	-	-	0.2	-	0.2	2.7
Netherlands	0.7	0.0	0.7	-	0.0	7.0	3.8	0.5	1.6	1.1	7.7	27.1
New Zealand	-	-	-	-	-	0.5	-	-	0.5	-	0.5	2.5
Norway	1.6	-	1.6	-	-	1.0	0.7	0.3	-	-	2.6	9.4
Poland	-	-	-	-	-	0.0	-	-	0.0	-	0.0	0.2
Portugal	0.4	-	0.4	-	-	1.0	0.5	0.1	-	0.5	1.5	6.0
Slovak Republic	0.2	0.1	0.0	-	0.0	1.1	0.3	0.1	-	0.6	1.3	6.9
Spain	-	-	-	-	-	0.3	-	-	0.3	-	0.3	1.5
Sweden	0.6	-	0.6	-	-	2.4	2.0	0.3	-	0.1	3.0	8.7
Switzerland	7.2	4.5	1.5	-	1.2	1.1	0.0	0.0	1.0	0.0	8.3	28.8
Turkey	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom	0.8	0.5	0.0	-	0.3	6.0	4.2	0.5	0.6	0.6	6.8	25.1
United States	0.4	-	0.2	0.2	0.0	9.7	3.8	0.3	5.6	0.0	10.0	38.3
OECD	1.1	0.5	0.4	0.0	0.1	1.9	1.1	0.2	0.5	0.2	3.0	12.2

- Zero.

49. In the absence of a public health insurance system with universal coverage for workers, private health spending is most important in the US: employer-provided health benefits to their workers, dependents and retirees were estimated to be around USD 600 billion in 2003 or 5.6% of GDP (these expenditures do not include payments by individuals for health services). In 2003, total health expenditure was highest in the US at 15.2% of GDP and Switzerland (11.5%) and Germany (10.8%), compared to 8.8% of GDP on average across the OECD (OECD, 2006c). Relatively high health expenditure in the US leads to total social spending in the US being close to the OECD average (Table 4.2).

50. Non-health private social cash transfers to the working age population include mandatory employer-provided incapacity-related cash transfers – sickness, disability and occupational injury benefits – as, recorded for Australia, Austria, Denmark, Finland, Germany, Iceland, Korea, the Netherlands, Norway, Slovak Republic, Sweden, the UK and the US (in some states). Other examples of private social benefits include: supplementary unemployment compensation in the US, employer-provided childcare support in the Netherlands and employer payments during parental leave periods in many countries.

5. Net (after tax) social expenditure

51. The detailed social expenditure programme data discussed above is indispensable for in-depth monitoring of welfare policy trends and changes therein, but they do not account for how tax systems affect public and private spending on social protection. And as the overall effect can be considerable and vary across countries, it affects cross-national comparisons of social expenditure.

52. General tax revenue is used to finance public social spending, and sometimes revenue streams (i.e. social security contributions) are earmarked for that purpose (OECD, 2006a). However, tax systems also affect levels of social expenditure, and broadly speaking it does so in three ways¹⁰:

1. **Direct taxation of benefit income** (section 5.1): Governments levy income tax and social security contributions on cash transfers to beneficiaries, in which case redistribution of resources is lower than suggested by gross spending indicators.
2. **Indirect taxation of consumption by benefit recipients** (section 5.2): Benefit income is provided to finance consumption of goods and services. Indirect taxes reduce the consumption which can be financed out of a given level of benefit income.
3. **Tax breaks for social purposes** (section 5.3): Governments also make use of the tax system to directly pursue social policy goals. Fiscal measures with social effects are those which can be seen as replacing cash benefits (e.g. child tax allowances) or stimulating the provision of private benefits (e.g. tax relief towards the provision of private health plans). Tax breaks for social purposes (TBSPs) can be directly awarded to households, but also includes tax relief for employers and private funds that ultimately benefit households (e.g. favourable tax treatment of employer-benefits provided to households, favourable tax treatment of private funds).

The adjustments for direct and indirect taxation of benefits do not affect service spending, even though such services, e.g. pharmaceutical products, can be subject to indirect taxation. Data on spending on social services that are subject to indirect taxation and at what rate is not available on a comprehensive basis.

53. The effect of indirect taxation on social expenditure totals is calculated using economic aggregates as in the *OECD National Accounts* and information in the *OECD Revenue Statistics* (see below). To measure the magnitude of direct taxes and TBSPs, delegates to the Committee on Fiscal Affairs' Working Party No. 2 on Tax Policy Analysis and Tax Statistics, completed a questionnaire on the value of direct taxation (including social security contributions) paid by benefit recipients and tax breaks with a social purpose (Adema and Ladaique, 2005). Because of the differences in tax and information systems there will always remain cross-country differences in estimating the amount of direct taxation levied over cash benefits. Annex 2 contains the key features of the responses for the following 24 countries: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Norway, Portugal, the Slovak Republic, Sweden, Spain, the United Kingdom and the United States.

5.1. *Direct taxation of cash benefits*

54. In some OECD countries benefits are taxed in the same way as earnings, while in other countries most benefits are taxed at a reduced rate. Yet in other countries, almost all benefits are paid net of direct taxation. Treatment of unemployment insurance benefits varies considerably across countries (Table 5.1). For example, in Austria the recipient of an unemployment benefit who previously had earnings equivalent to average earnings and who lives in a couple-family with two young children received the equivalent of EUR 11 491 in 2003, on which he or she did not pay tax. By contrast, a similar person in Sweden received annual income support of EUR 20 906 but paid EUR 6 147 in income taxes and social-security contributions so that net benefit income was EUR 14 759 (OECD, 2006f, 2007a). Thus, net income for

10. These fiscal adjustments measure 'first round effects' concerning the net value of benefits. Hence, direct taxation of the earnings of those who provide services (e.g. staff in hospitals or childcare centres) is not included in the calculations.

such a family in Sweden is still higher than in Austria, but differences in net transfers are much smaller than gross payments. In aggregate spending terms, this means that countries that tax transfer incomes rather heavily divert a significant part of transferred income to flow back into the coffers of the Treasury. As a result, net (*after tax*) public spending on unemployment benefits is about 70% of the level suggested by gross indicators in Sweden (Annex 2).

55. Moreover there are considerable differences between how different types of benefits are being taxed (Table 5.1). In general, unemployment assistance, social assistance and housing benefits and family benefits are generally not taxed. In contrast, public and private retirement and disability pension payments are generally taxed, but frequently at reduced rates (OECD, 2005), while continued wage payments in case of absence due to sickness are taxed as earnings (OECD, 2006f).

Table 5.1. **Tax treatment of benefits differs across countries**
Tax and social security treatment of benefits in 2003

	Pension transfers (old-age, disability)	Child benefits	Unemployment	Housing	Social assistance
Australia	T(reduced)	N	T(n)S(n)	N	--
Austria	TS(reduced)	N	*	N	N
Belgium	T(n)	N	T(n)	--	N
Canada	T(reduced)	N	T	--	N
Czech Republic	T(reduced)	N	N	N	N
Denmark	T	N	TS(reduced)	N	TS(reduced)
Finland	TS(reduced)	N	TS(reduced)	N	N
France	TS(reduced)	S(reduced)	TS(reduced)	S(reduced)	N
Germany	TS(reduced)	tc	*	N	N
Iceland	T	N	TS	N	TS
Ireland	TS(reduced)	N	T(n)	N	N
Italy	T(reduced)	N	TS(reduced)	--	N
Japan	TS(reduced)	N	N	N	N
Korea	T(reduced)	--	N	--	N
Mexico	T(n)	N	--	--	--
Netherlands	T(reduced)S(reduced)	N	TS	N	*
New Zealand	T	N	--	N	--
Norway	T(reduced)S(reduced)	N	TS	N	N
Slovak Republic	T(n)	N	N	--	N
Spain	T	N	TS(reduced)	--	T(n)
Sweden	T	N	TS	N	N
United Kingdom	T(reduced)	N	T(n)S(n)	N	N
United States	T(reduced)	N	T	N	N

Notes:

T	Taxes are payable.	T(n) or S(n)	(Long-term) recipients will not pay the taxes or SSC as the credits, allowances or zero rate bands exceed the benefit level.
S	Social security contributions (SSC) are payable.		
N	Neither taxes nor SSC are levied.		
--	No specific scheme or no information available.	(reduced)	A reduced rate is payable for beneficiaries.
*	Benefit is a proportion of after tax income (and thus not taxable).	tc	Non-wastable tax credit

Sources: OECD (2007, forthcoming), *Benefits and Wages*; OECD (2005), *Pensions at a Glance*.

5.1.1. Methods and sources; administrative records, microsimulation and microdata.

56. Broadly speaking, there are two ways to adjust gross spending items (e.g. spending on unemployment compensation or old age cash benefits) for the impact of direct taxation. Sometimes, national sources provide concrete information on the value of tax paid on a particular (set of) benefit(s). Such information is the most reliable source, and is based on data from tax offices and/or social insurance funds for social security contributions. However, such information is rare, and is restricted to information on payments of social security contributions by benefit recipients in Germany and Spain. In some other countries (Austria, Czech Republic, France, Italy, Ireland and Portugal), the adjustment for direct taxation on cash benefits has been calculated on basis of estimates of tax paid by benefit recipients (over some items) based on administrative sources, including tax statistics (see Annex 2). For Belgium the amounts of tax and social security contributions paid on benefit income are based on the national tax statistics and national accounts, respectively.

57. For other countries the magnitude of direct tax paid by benefit recipients was determined while using estimates supplied by national sources on ‘average itemised tax rates’ (AITR): e.g. the average tax rate (including social security contributions) on particular a spending item, e.g. public pension benefit, unemployment compensation or parental leave payments. These AITRs were estimated on the basis of a variety of national sources including: administrative data on the basis of tax records (France, Iceland, Japan and the US). Otherwise ‘microsimulation-models’ and micro data sets were used to generate itemised tax rates. Such information underlies the estimates of direct taxation of benefits in Australia, Canada, Denmark, Finland, Korea, the Netherlands, New Zealand, Norway, Sweden and the UK. Subsequently, these AITRs were applied to gross social spending items as recorded in the database.

58. Countries where almost all benefit income is taxable and that use microsimulation models and microdata sets to estimate AITRs generally report such information at the greatest level of detail, have the greatest detail report the greatest number of AITRs for different transfer items, e.g. Denmark reports AITRs for 21 different transfer items and Sweden for 10. Countries that have only a few taxable benefits, and (therefore) base their estimated AITR on administrative information (as related to the level of detail on the filed income tax form) report only a few different tax rates.

5.1.1.1. Estimating Average Itemised Tax Rates through ‘Microsimulation’

59. The concept of AITRs has been developed to facilitate identification of different tax levies on different social benefits. The AITR can be defined as the total taxes paid by those receiving a given benefit, divided by the total income (from all sources) of those receiving that benefit. Formally, the relevant calculations are:

$$AITR_i = \frac{\sum_{tu=1, n} TI_i}{\sum_{tu=1, n} I_i}$$

where: I is the amount of taxable income-type “ i ”, and TI is the amount of tax paid on that particular amount of income, “ i ” is the type or category of income, “ tu ” is a tax unit with income-type “ i ”, and “ n ” is the number of tax units in the sample with income of type “ i ”. The broad income categories “ i ” include old-age cash benefits, unemployment compensation, wage income, etc (see table Q3).

60. Microsimulation-models and micro-data sets contain detailed information on both the incomes received by households and their taxation. Microsimulation techniques generate reliable estimates, but estimation procedures require assumptions on the way income is allocated. Here it is assumed that if a benefit is non-taxable, as are many child payments, then the relevant AITR is a priori considered to be equal to zero. If transfer income is the only income received, the average tax rate (including social security contributions) on this income can be used to calculate net transfer income. However, the calculation of direct taxation of benefit income is more complicated when different types of income are involved; people who receive either different benefits during a year, or whose annual income is a combination of earnings

with, say, unemployment benefit, or a combination of transfers from different pension plans. In this situation it is necessary to allocate taxes paid to the various income-components, and it is assumed that the tax due is divided over the different income components according to the weight of each type of income. Hence, if benefits provide 75% of annual income and earnings 25%, 75% of total income tax is assumed to be paid on benefit income.¹¹

61. Furthermore, benefit income can be subject to a progressive tax schedule (possibly applied to the total of several income sources). In order to avoid an ordering of different parts of income and arbitrary decisions on what part of household income should be taxed at the higher or the lower rate, the average itemised tax rate should be calculated on basis of the tax rates that households face over a particular income (or group of incomes). Allocating income tax paid according to the relative weight of the different income components (see above) and grossing up for the households in the sample, AITRs can be calculated (Box 3).

Box 3: An example of calculating Average Itemised Tax rates

It is straightforward to calculate average itemised tax rates (AITRs) on benefit income if households have only one source of income. For example, if a retiree receives a public pension payment worth 100 units per annum at a 'standard' tax rate of 10%, net annual transfer income is 90 units. If, in addition, all households in receipt of public retirement income had no income from other sources, the AITR on public pension income would be 10%. If among the retirees some were to receive non-taxable child supplements, this income would be disregarded for the calculation of the tax rate on his/her household income, while the AITR on child supplements would be nil.

Often pensioners receive income from different sources. Consider the case of a retiree who receives a public pension worth 50 units and a private pension worth 100 units. In the absence of progressivity in the tax system, the household tax rate would remain 10%, and net transfer income would be 135 units. However, a substantial increase of income may well lead to parts of incomes being taxed at a higher rate (see household 4 in Table Box 1), so that the 'average' tax rate increases. In this case 100 units of transfer income are taxed at 10% and 50 units are taxed at a rate of 15%. Total income tax is worth 17.5 units, which is allocated over public and private pension income components according to their relative weight in total household income (see Table Box 3). Thus, the methodology does not imply an ordering of different parts of income, whereby different income sources are taxed differently according to an arbitrary decision on which of income should be taxed at higher or lower tax rates. Differences in AITRs are associated with income groupings wherein benefit recipients typically find themselves.

Table Box 3: Calculating AITRs on two types of income

Household	Public pension	Private pension	Total household income	Income tax rate	Tax paid	Allocation of tax over pension income components	
						Public	Private
1	50	25	75	10%	7.5	5.0	2.5
2	75	50	125	15%	13.8	8.3	5.5
3	100	0	100	10%	10.0	10.0	0.0
4	50	100	150	15%	17.5	5.8	11.7
5	50	250	300	15%	40.0	6.7	33.3
Total	325	425	750		88.8	35.8	53
AITR public pension income = tax paid over public pension/total public pension income						11.1%	
AITR private pension income = tax paid over private pension/total private pension income						12.5%	

Assumed: standard tax rate is 10% when income is less than 100 Units, and 15% of income over and above the 100 unit threshold.

11. For some aspects of taxation (e.g. deductible expenses related to work), there is a direct link between the income component and taxation. In these cases it is preferable to allocate such deductions only to the relevant income component.

62. As already noted, if benefit income of a particular type is non-taxable, then the relevant AITR is a priori equal to zero. However, it is possible that income derived from non-taxable benefits affects direct taxation of taxable benefit income in an indirect manner, as it is considered in the income-test of other benefit programmes, so receipt of non-taxable benefits may reduce the amount of other income transfers households may receive. In Canada, three social programmes (guaranteed income supplement, (provincial) social assistance, and workers compensation) affect the calculation of taxation of benefits in this manner. These three benefit payments are non-taxable, but relevant income is considered in the income-test for other benefits, and thus reduces payments under other benefit programmes to these recipients. In order to take this indirect effect into account, the Canadian authorities removed these three programmes as sources of income from their simulations to calculate an average (marginal) tax rate. This rate was applied to each of these three social transfers to determine the implicit tax paid, which was then divided by the amount of transfer spending for the three items to find the AITRs (see Annex 2).

5.1.2. The value of direct taxation of transfer income

63. There are large differences in the level of direct taxes and social security contributions paid by recipients of social benefits across countries. Chart 5.1, Panel A shows that in 2003, direct tax and social security contributions paid by benefit-recipients amounted to 29% and 27% of gross public spending on cash transfers in Denmark and Sweden, respectively. On average, almost 9% of public transfer income is clawed back through the tax system in OECD countries. Direct taxation of benefit income is below average in the US, France, Germany, Canada (without fully accounting for direct taxes across Provinces), while direct taxation of transfer income is below 5% in Portugal, Ireland, Japan, the UK, Australia, Korea, the Czech republic, Mexico and the Slovak Republic. Private benefit income is generally taxed at a higher rate than public transfer income (on average about at around 11%): private benefit income is on average taxed at a rate in excess of 30% in Denmark.

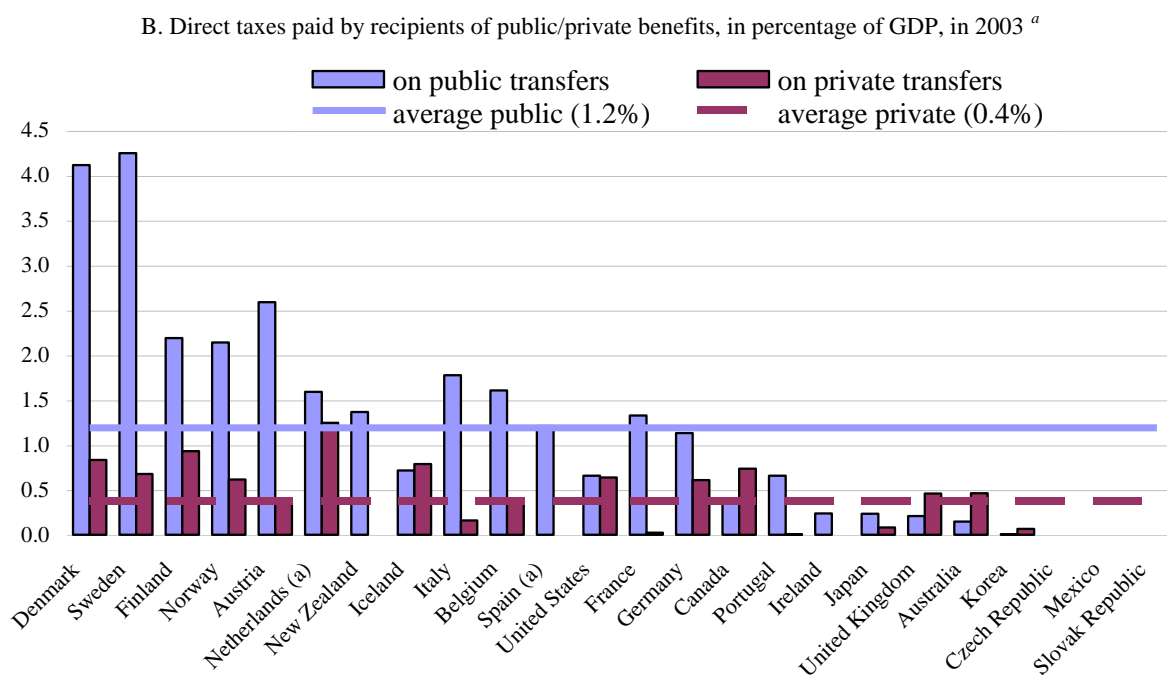
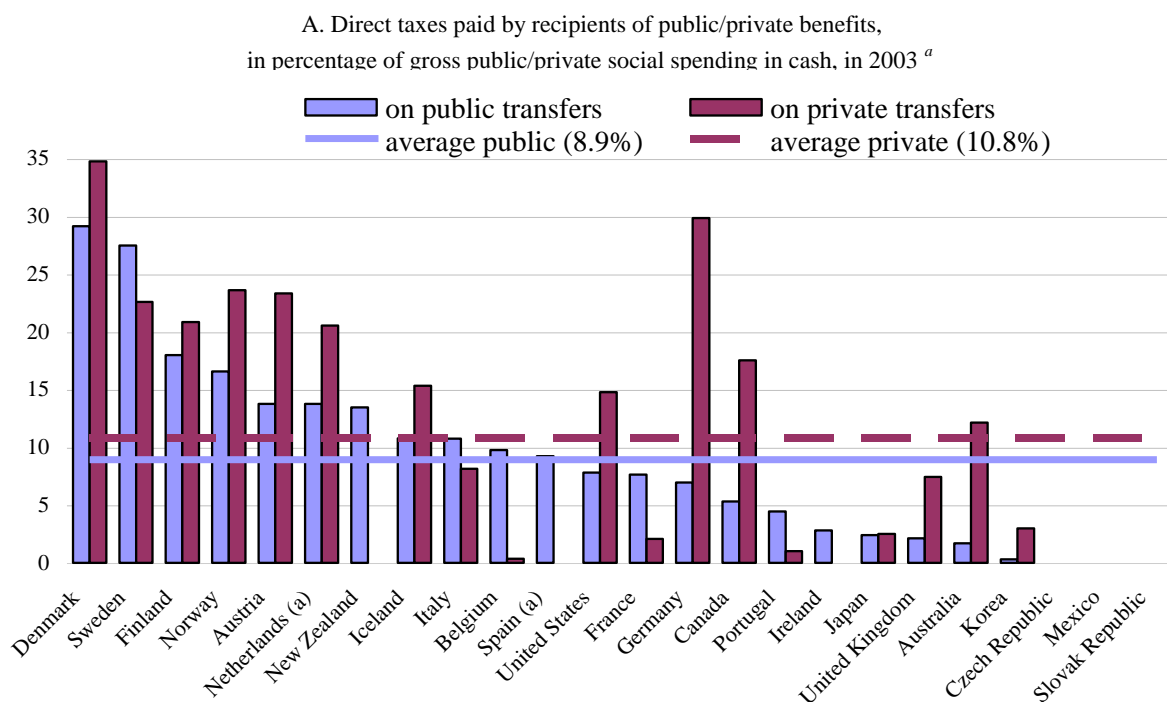
64. Chart 5.1, Panel B shows that direct tax paid by benefit recipients in Denmark and Sweden amounted to over 4.0% of GDP in 2003. Direct tax paid by public benefit recipients exceeds 2.0% of GDP in Austria, Finland and Norway. It is around OECD average at 1.2% GDP in New Zealand, France Spain and Germany, while this is less than 0.6% of GDP in Australia, Canada, Iceland, Ireland, Japan, the UK and the US. Tax paid by public benefit recipients is negligible in Korea and in the Czech Republic, whereas benefits are tax-free in Mexico and in the Slovak Republic. As private transfer spending is considerably smaller than public transfers spending, the amount of tax paid over private benefit income is relatively small, being at its highest in the Netherlands at 1.2% of GDP.

5.2. Indirect taxation of consumption out of benefit income

65. Social benefits are given in order to finance consumption of goods and services such as housing, food, clothing and so on. Governments tax the consumption of different goods and the amounts involved are substantial. For example, in Finland value added tax receipts were worth EUR 12.4 billion in 2003; in the same year in France, duties on the consumption of electricity and heating (gas) amounted to about EUR 2.3 billion, while those on water consumption were EUR 1.6 billion (OECD, 2006a).

66. In some countries, policy explicitly recognises the impact of indirect taxation on the financial position of low-income households (many of whom receive transfer income). For example, when the Goods and Services Tax was introduced in Australia in July 2000 at a rate of 10% (with food being exempt), a compensation package for social protection benefit recipients was introduced at the same time. Similarly, Canada has a Goods and Services Tax rebate to support low-income households.

Chart 5.1 A large tax burden on benefit income in Denmark and Sweden



a) 2001 tax rates for the Netherlands, and 2002 income tax amounts for Spain.

Source : See Annex 2.

67. Consumption taxes reduce the real value of consumption which can be financed out of a given level of benefits, and (as with direct taxation of benefit income) establish another flow back in tax receipts to the government.¹² Similarly to differences in direct taxation of benefit income, cross-country differences in indirect taxation affect comparisons of welfare state spending. In countries where indirect taxation is relatively limited (i.e. in non-European OECD countries), gross spending levels can also be relatively low to generate the same net income level for benefit recipients in countries with high indirect tax rates. For example, in order to provide benefit recipients with a net income of 100 units, a country like the US with an average indirect tax rate of close to 5% needs to pay a gross benefit of about 106 units. In Denmark, where the average indirect tax rate is about 25% a gross payment would have to be around 133 units to have an equivalent net value. To some extent the relatively low social spending to GDP ratios in the US and in other non-European OECD countries are related to the low indirect tax levels that prevail in these countries, and accounting for this feature improves the quality of cross-country comparisons of social spending.

5.2.1. Methods and sources: national accounts and revenue statistics

68. Detailed information on consumption by benefit recipients is not available. Alternatively, household expenditure surveys allow for the analysis of different spending patterns across different income groups, but such information is not readily available for all countries on a comprehensive basis. Moreover, the results of such survey suggest that indirect tax payments are underreported as estimates of aggregate tax receipts on the basis of such surveys is well below actual tax receipts, see for example, Gho *et al*, (2005). Therefore, the approach followed here is to calculate an average implicit indirect tax rate based on aggregate data available for all countries as in the *OECD Revenue Statistics* and the *OECD National Accounts* (OECD, 2006a, and 2006e). This approach, while approximate, is clear and transparent.

69. Table 5.2 contains three possible measures of indirect taxes. The first, as presented in line 3, captures the amount of indirect tax receipts through general consumption taxes and excise duties charged on particular goods. Line 4 in Table 5.2 includes these taxes as well as profits from fiscal monopolies, customs duties, taxes on services, and some other minor taxes. Line 5 adds additional taxes on the use of goods, such as licenses for motor vehicles and for the sale of alcohol. A case could be made for using any of these measures of indirect taxation, but the indirect tax concepts reflected in lines 4 and 5 of Table 5.2 include more items of indirect taxation that are not paid by the household sector than reflected in line 3 (and even this relatively limited measure includes some taxes not paid by the household sector). The indirect tax measure in line 3 of Table 5.2 includes the smallest margin of error, and is thus the most appropriate to use for calculating indirect taxes paid on consumption out of benefit income.

70. Private consumption as in the National Accounts is given in line 1 of Table 5.2. However, the *OECD Revenue Statistics* includes tax revenue collected by government from itself. For example, if one part of government purchases some goods and services, it may be charged indirect tax (which constitutes a tax flow within the government sector). To reflect this, government consumption expenditure is added to private consumption expenditure while subtracting that part of government consumption which consists of compensation of employees (line 2, Table 5.2). In this manner, a consistent approximation of the tax base of indirect taxes is found.

12. The chosen methodology might be criticised for implicitly assuming that benefit recipients do not save but consume all their benefit income. Savings are, presumably, consumed at some point, and in any case the marginal propensity to consume out of benefit income is likely close to 1, limiting the scope for error.

Table 5.2 Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of national currency, in 2003

	AUS	AUT	BEL	CAN	CZE	DNK	FIN	FRA	DEU	ISL	IRL	ITA	JPN	KOR	MEX	NLD	NZL	NOR	PRT	SVK	ESP	SWE	GBR	USA	OECD-24	
(1) Private final consumption expenditure	434 552	122 932	140 300	605 966	1 192 323	631 687	69 003	838 227	1 258 570	417 064	54 130	737 680	285 965 500	343 416 700	4 044 878	224 244	72 435	651 339	75 252	592 057	401 210	#####	660 429	7 055 000	-	
(2) Private consumption plus Government consumption minus Government wages	566 853	140 912	166 276	690 503	1 532 382	742 086	79 517	980 235	1 492 580	484 575	61 532	842 890	339 698 500	382 980 500	4 187 737	282 809	83 597	766 276	82 349	711 446	448 672	#####	749 961	7 554 200	-	
(3) General consumption taxes plus excise duties (5110+5121) ^a	57 029	23 988	25 243	85 489	251 915	204 374	18 657	158 765	206 353	112 423	14 483	112 185	21 793 000	51 929 000	376 888	49 440	15 122	188 123	16 623	119 707	66 247	306 858	115 711	355 001	-	
5110 General taxes	35 122	17 944	19 076	62 604	164 376	135 092	12 455	115 705	137 568	87 938	9 814	79 486	12 107 000	33 447 000	254 433	34 754	12 775	135 667	11 072	81 876	46 767	226 370	77 630	234 292	-	
5121 Excises ^b	21 907	6 044	6 168	22 885	87 539	69 282	6 202	43 060	68 785	24 485	4 669	32 699	9 686 000	18 482 000	122 455	14 686	2 347	52 456	5 551	37 831	19 480	80 488	38 081	120 709	-	
(4) Taxes on production sale transfer (5100)	69 921	25 698	28 079	102 262	262 443	209 847	20 011	171 594	218 371	120 368	14 668	129 538	22 732 000	66 354 000	675 640	50 844	16 137	198 048	17 629	128 153	71 373	315 641	123 117	433 266	-	
(5) Taxes on Goods and Services (5000)	76 330	27 468	30 147	108 132	285 546	222 024	20 509	175 805	225 951	130 083	15 362	143 950	25 793 000	68 197 000	689 054	55 918	17 247	211 595	17 770	134 928	76 666	323 968	128 088	509 054	-	
Implicit average indirect tax rate on consumption out of benefit income																										
(6) Using general consumption taxes plus excise duties (3)/(2)	10.1%	17.0%	15.2%	12.4%	16.4%	27.5%	23.5%	16.2%	13.8%	23.2%	23.5%	13.3%	6.4%	13.6%	9.0%	17.5%	18.1%	24.6%	20.2%	16.8%	14.8%	22.3%	15.4%	4.7%	16.5%	
(7) using a broad concept of the indirect tax base (5)/(2)	13.5%	19.5%	18.1%	15.7%	18.6%	29.9%	25.8%	17.9%	15.1%	26.8%	25.0%	17.1%	7.6%	17.8%	16.454%	19.8%	20.6%	27.6%	21.6%	19.0%	17.1%	23.6%	17.1%	6.7%	19.1%	
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	17.6%	22.3%	21.5%	17.8%	23.9%	35.1%	29.7%	21.0%	18.0%	31.2%	28.4%	19.5%	9.0%	19.9%	17.035%	24.9%	23.8%	32.5%	23.6%	22.8%	19.1%	28.8%	19.4%	7.2%	22.3%	
Indirect taxes paid out of consumption of total cash transfers, in percentage of GDP	1.2%	3.0%	2.9%	1.3%	2.1%	3.6%	3.3%	2.9%	2.4%	2.4%	2.1%	2.3%	0.8%	0.6%	0.2%	2.7%	1.6%	3.3%	3.1%	2.0%	1.8%	3.3%	2.4%	0.5%	2.2%	

a) The 4-digit codes in the second column refer to the categorisation used in the OECD Revenue Statistics.

b) Excises for Norway (5121) do not include excises on oil and gas products, while Excises for Korea do not include the special excise tax (e.g. on jewellery).

Sources: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume 1, 1993-2004 (2nd version), OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

5.2.2. *The value of indirect taxation of consumption out of benefit income*

71. The average implicit indirect tax rate is then the ratio of revenue from general consumption taxes plus excise duties to a broad consumption tax base, *i.e.* private consumption and government consumption minus government wages -- line 6, in Table 5.2. The implicit average indirect tax rates are lowest in the US (4.7%), Japan (6.4%) and Mexico (9.0%) and are around 10-12% in Australia and Canada. Indirect tax rates range from 13 to 21% in most European countries, and are highest in Norway (24.6%) and Denmark (27.5%). Indirect taxation levied on consumption of benefit income is about 2% of GDP on average across the OECD, and is highest in Denmark at about 3.6% of GDP, compared to 0.5% in the US, and only 0.2% of GDP in Mexico. This implies that net transfers from government to households, particularly in European countries are rather less than gross expenditure figures suggest. Since low indirect tax rates generally prevail in low social spending countries, this also leads to a reduction of variation in net spending levels across countries (see below).

5.3. *Tax breaks for social purposes*

72. Expenditures made through the tax system, or tax expenditures can take different forms: exemptions (income excluded from the tax base); allowances (amounts deducted from gross income); credits (amounts deducted from tax liability); rate reliefs (tax rate reduction for specific groups, e.g. senior citizens); and, tax deferrals. However, definitions of 'tax expenditures' vary across countries (OECD, 1996). In particular, there is no international agreement on what constitutes a 'benchmark' tax system – which can be used to identify tax expenditures. National benchmarks (the 'normal' structure of the tax system) against which tax expenditures are being measured vary considerably, which hampers the measurement of tax expenditures on a comparable basis across countries. However, that does not rule out a comparison of a sub-group of 'tax expenditures' – such as those related to social protection systems. This is because the approach followed here measures the amount clawed back in taxation over cash transfers and the value of direct support to benefit recipients provided through the tax system, for which reference to a 'benchmark' tax system is not required.

73. Many governments of OECD countries pursue social policy objectives through the tax system. Broadly speaking there are two groups of such measures. One is reduced taxation on particular sources of income or types of household. For example, some cash transfers could be taxed at a zero or reduced rate. This sort of tax relief is equivalent to a variation in direct taxation of benefit income and has already been accounted for in the section on direct taxation (see above). Thus, exemptions of benefits from taxation or reduced rates on benefit income are reflected in the calculations of direct taxation levied on benefit income (e.g. a zero tax rate is applied to spending on child benefits) and are not recorded here again as a Tax Break with a Social Purpose (TBSP) in order to avoid double counting. A tax allowance for dependent children (which is different from non-taxation of child benefits) are recorded as TBSPs (see below).

74. The second group of tax measures with social effects concern Tax Breaks for Social Purposes (TBSPs) and are defined as:

“those reductions, exemptions, deductions or postponements of taxes, which: *a*) perform the same policy function as transfer payments which, if they existed, would be classified as social expenditures; or *b*) are aimed at stimulating private provision of benefits”.

75. TBSPs which can be seen as replacing cash benefits often involve tax credits towards dependent children. TBSPs that aim to stimulate the provision of private expenditures include tax relief for non-commercial non-government organisations, tax advantages towards private health insurance contributions, and favourable tax treatment of private pensions.

5.3.1. Methods and sources; the valuation of tax revenue forgone

76. Information on the value of tax breaks with a social purpose can often be found in so-called 'tax expenditure reports' as published by national authorities, for example, Australian Government (2005), Department of Finance Canada (2004), Government of Ireland (2004), and the US OMB (2004). Such reports generally present estimates on the revenue forgone through tax measures: i.e. the amount by which tax revenue is reduced because of the presence of fiscal measures. Such reports generally cover favourable tax treatment by central/federal governments, but do not account (and neither does this report) for tax assistance by sub-national levels of government, as in for example, Canada, Japan and the United States. Comprehensive information across countries is not (yet) available, but the value of sub-national TBSPs in Canada could be close to 0.6% of GDP.¹³

77. Tax expenditure reports in many countries do aggregate different measures to give an overall picture of the importance of tax expenditures. Strictly speaking this causes methodological problems, since tax expenditures (and TBSPs) are interdependent. For example, consider the combined existence of a tax allowance for sole parents and another separate tax relief towards the cost of childcare. The value of these two fiscal measures would normally be calculated (and presented) separately. However, if one of the two TBSPs were to be eliminated, then some taxpayers may end up in a higher marginal tax rate category, thereby increasing the value of the other TBSP (unless the claimant already received the maximum amount of relief). The value of both schemes considered jointly would be greater than the sum of the separate measures, since each is calculated assuming the other remains in force. Whereas individual revenue forgone estimates overstate the cost of TBSPs (they take no account of behavioural effects which can be expected to reduce (future) tax payments) the aggregate of such estimates understate the overall costs.

78. There are different ways of calculating the value of TBSPs (OECD, 1996). The already mentioned 'revenue forgone' method is an ex post measure of the amount by which tax revenue is reduced because of a particular measure.¹⁴ Another approach is the 'outlay equivalent' method which measures the cost of providing the same monetary benefit as the TBSP through direct spending. However, because of the relative ease of computation most countries use the revenue forgone method and the results in this study are based on that method.

79. Table 5.3 shows that depending on the measurement technique the estimated value of the tax break can vary significantly. The outlay equivalent method generally leads to larger estimates of the value of TBSPs than the revenue forgone method. As Table 5.3 shows, calculating the present value of favourable treatment of pension plans does not necessarily lead to estimates that are larger than the revenue forgone and outlay equivalent methods that do not account for deferred pension earnings on current contributions or tax paid over benefits in future. While the present value of favourable tax treatment of individual retirement accounts is well below results generated by the other two methods, the opposite holds for the exclusion of pension contributions and earnings-employer plans and for Keogh Plans. This suggests that participants of individual retirement plans do have very favourable tax treatment on their contributions relative to their future tax payments on relevant income transfers. In fact, participants in individual

13. In Canada a crude estimate of direct taxation of benefit income of both federal and provincial taxes assumes that provincial taxes are about 50% of federal taxes. Using the latter as a rule-of-thumb the real value of TBSPs may well be around 1.8% of GDP in 2003 rather than 1.2% of GDP -- the value of Federal TBSPs. A small part of provincial tax reductions are recorded here, for social objectives (family size, presence of children, dependants etc).

14. Another measurement technique is the revenue gain method: an ex ante measure of the expected increase in revenues were particular tax concessions to be abolished. However, this method is rarely used as it requires making assumptions about the behavioural changes in face of tax reform.

retirement accounts can choose as to whether they wish to pay tax on current contributions or future payments: it appears that many choose the latter option.

Table 5.3 Value of selected tax breaks for pensions, the United States, 2003

	Calculation Method		
	Revenue Forgone	Outlay Equivalent Value (in million US dollars)	Present value
Exclusion of Pension contributions and earnings-employer plans	53 080	65 130	97 290
Exclusion of contributions and earnings for Individual Retirement Accounts	18 660	25 280	6 090
Exclusion of contributions and earnings for Keogh Plans	6 670	8 620	9 780

Source: US OMB (2004), Analytical Perspectives, Budget of the United States Government, Fiscal year 2004.

80. Social expenditure and TBSPs can both be calculated on a cash or on an accruals basis. The former approach estimates the effect on government cash flows, the latter on the tax liabilities accruing to government in a particular period. Except for TBSPs for pensions, there is likely to be little difference between estimates calculated on these two bases.¹⁵ Favourable tax treatment of funded pension payments also has to account for the effect that tax treatment of current pension contributions may have on future tax payments. For example, a pension contribution in 2003 would cause a deferral of tax-payments on wages in 2003 and on pension earnings on this contribution (*e.g.* interest, capital gains) in later years. However, in some future year the 2003 pension contribution and accrued earnings will be paid out and taxes will be due: these receipts are included in the present value estimate.

81. Tax breaks for pensions include tax exemptions for contributions to private pensions, and tax relief for investment income of capitalised pension funds. Because of the complexities of calculating the value of these tax reliefs that are given at various stages of what is a form of contractual savings, there is no comparable data set available on the value of tax breaks for pensions across countries (Annex 2). Therefore, a comprehensive analysis of Tax Breaks for Pensions is not yet possible, and estimates that are only available for a few countries are not included in the overview calculations in this report, but only presented as a *memorandum item* (see below).

5.3.2. The value of TBSPs in 2003

5.3.2.1. Tax breaks which mirror the effect of cash benefits

82. Tax breaks that are similar to cash benefits can be substantial and often concern support for families. For example, in the Slovak republic the value of tax allowances for families with children and handicapped dependants approximated SVK 6 billion or about 0.5% of GDP. Sometimes, fiscal support and cash transfers (*i.e.* non-wastable tax credits¹⁶) for families are an integral part of the same social

15. As most countries currently publish information on tax expenditures on a cash basis, that convention has been followed here. However, in line with recent changes to reporting to the *Revenue Statistics* it is expected that estimates on the value of TBSPs on an accrual basis will become available on a cross-national basis.

16. In case of a 'wastable' (or 'non-refundable') tax credit, entitlements only accrue to the extent that they are off-set against tax liabilities, while 'non-wastable' or 'refundable' tax credits involve cash transfers to people (*e.g.* low income workers) whose tax liabilities are not large enough to make (full) use from a particular entitlement (tax credit). Non-wastable tax credits thus reinforce the re-distributive nature of a tax/benefit system.

programme, with cash payments recorded in the *OECD Social Expenditure Database*¹⁷ and fiscal support in the *OECD Revenue Statistics*. For example, in Germany in 2003 tax relief for children amounted to EUR 36.1 billion (Annex 2), of which EUR 22.0 billion was off-set against tax liabilities (and thus recorded as a TBSP) and EUR 14.1 billion paid out in transfer income, and thus recorded as a cash transfer. Similarly, for the UK GBP 4.0 billion spent under the WTC/CTC programme was recorded as a TBSP in 2003, while GBP 9.5 billion is recorded as gross transfer spending. In 2003, the cost of the Earned Income Tax Credit in the US amounted to USD 37.1 billion, of which USD 5.1 billion in the form of tax credits that mirror a cash benefit, while USD 32.0 billion concerned tax credits exceeding tax liabilities of recipients.

83. In many OECD countries (e.g. Germany and France) support for families with children is embedded in the tax unit. Although these measures may not be establish a deviation from the national standard tax system (and thus do not establish a tax expenditure in the strict sense), such support clearly establishes financial and social support and should thus be included in the reported TBSPs. However, support for married couples is not considered as social in all OECD countries, and fiscal measures in this regard are not considered as a TBSP. The appropriate analogy is that the presence of dependent children leads to eligibility to cash benefits in social protection systems, whereas a marriage contract does not. Hence, tax advantages for married people, as exist in for example, Belgium, France, Germany and Japan are not considered to serve a 'social purpose', and are therefore not included in the calculations (regardless of whether or not such measures are part of the basic tax structure). For example, value of support to children in France through the 'quotient familial' was reported to be around EUR 9.9 billion in 2003 (Annex 2).¹⁸

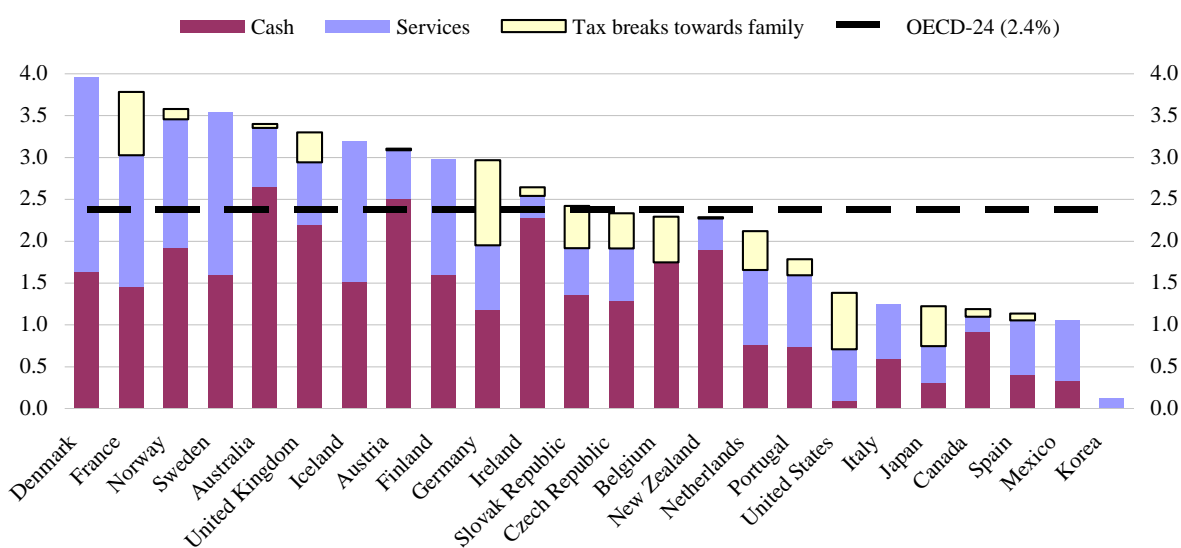
84. Governments thus make ample use of tax systems to support families with children, and accounting for relevant fiscal support thus allows to consider public support on family benefits in a comprehensive manner, i.e. accounting for cash transfers, spending on services (e.g. childcare) and fiscal support. Chart 5.2 shows that accounting for fiscal support to families give a more comprehensive view of cross-country spending on family benefits. In particular exclusion of fiscal family support leads to a very incomplete picture of public family support in France, Germany and the US, while the effect is also significant for Belgium, Canada, the Czech Republic, Ireland, Japan, the Slovak Republic, and the Netherlands. In all, public spending on family benefits was just over 2% of GDP on average in 2003, with Denmark, France, Norway and Sweden spending well over 3% of GDP.

17. Despite its name the Canada Child Tax Benefit is delivered and recorded as a cash payment in SOCX as are child payments by the fiscal authorities in Austria are recorded as a cash transfer, not as fiscal support.

18. The French system of income taxation considers the household as the tax unit: favourable tax treatment of families is thus an integral part of the tax system. In this system a 'quotient familial' is applied to taxable household income, which allows incomes to be taxed at a lower rate on a progressive marginal rate schedule. The 'quotient familial' is obtained by dividing total taxable household income 'R' by a factor 'N' which is determined by household composition. This factor N is the sum of the different 'household parts': spouses count as one part each, while the first two children count as half a 'household part', from the third child onwards each child counts as one 'household part' (slightly different rules benefit sole parent families and families with handicapped dependants). For example, for a couple family with two children is 3, and for a couple-family with 3 children it is 4. Obviously, at a given income level the larger the family, the lower is the quotient familial (R/N).

Chart 5.2. Fiscal support for families is largest in France, Germany and in the Unites States

Family spending in cash, services and tax measures, in percentage of GDP, in 2003



Note: Public support accounted here only concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support). Spending recorded in other social policy areas as health and housing support also assists families, but not exclusively, and is not included here.

Source: See Annex 2.

5.3.2.2. TBSPs aimed at stimulating take-up of private social benefits:

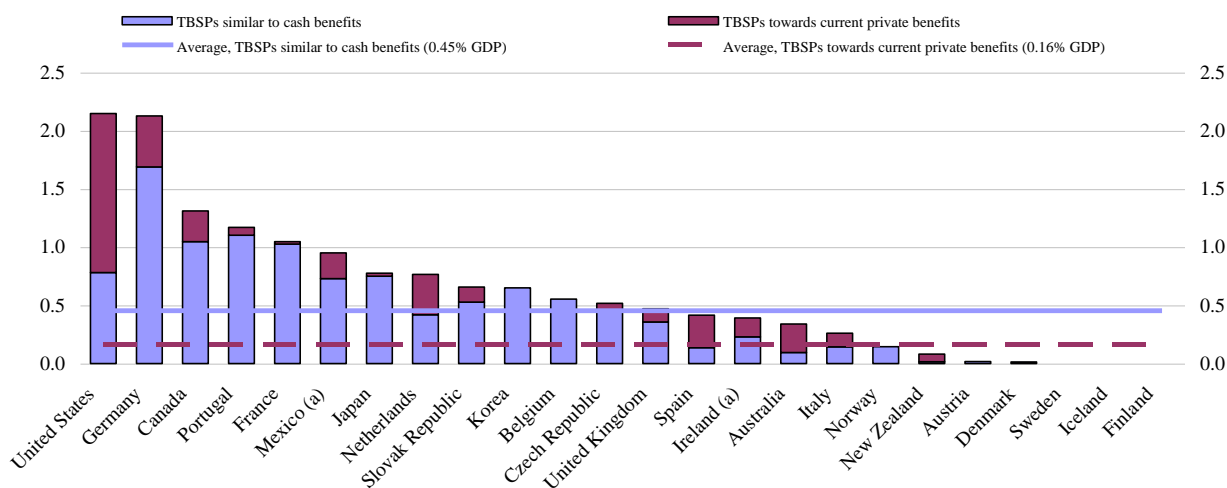
85. Governments sometimes also use the tax system to stimulate the take-up of private social insurance coverage by individuals and/or employment-related plans. These tax breaks can be categorised in two broad groups. First, there are ‘Tax breaks towards *current* private social benefits’, i.e. favourable tax treatment aimed at stimulating the provision of private social benefits in the current year such as voluntary private unemployment coverage or private health insurance. This type of tax break is important in Germany (where about 18% of the population is covered by private health insurance) and, particularly in the US where the exclusion of employer contributions for medical insurance premiums and medical care amounted to USD 101.9 billion in 2003, equivalent to 0.9% of GDP (Chart 5.3). Tax breaks towards *current* private social benefits also include favourable treatment of contributions to and income of NGOs. Again this form of fiscal support is most prevalent in the US where deductibility of contributions to charities amounted to USD 30.0 billion in 2003, or 0.3% of GDP (Annex 2).

86. The second group of tax breaks towards private benefits is arguably the most important. However, as discussed above, there is no comparable data set available on the value of tax breaks for pensions. However, available information for 2001 and 2003 (Annex 2) shows that the value of favourable tax treatment of private pension arrangements was in excess of 1% of GDP in Australia, Canada, Ireland, the UK and the US (estimates for previous years suggests this type of support is also important in the Netherlands). These are also the countries where private pension benefits are most important.¹⁹ Therefore,

19. It is difficult to be precise on the extent to which tax advantages are instrumental in stimulating private coverage. Tax breaks certainly affect individual behaviour and provide governments with a tool to influence take-up of particular plans, but may not lead to much additional saving on a national basis. For example, in the late 1980s individual retirement accounts were introduced in the US. Favourable tax treatment certainly increased the coverage of this programme, but as in 1990 82% of all programme

these estimates are not included in the overview calculations in the following section, but are presented as a memorandum item.

Chart 5.3 A high value of TBSPs in the United States, while they are virtually non-existent in Scandinavian countries
Tax breaks with a social purpose, in percentage of GDP, in 2003^a



a) 2002 for Ireland and Italy.

Source: See Annex 2.

5.4. Net social spending across countries

5.4.1. The framework: a concise overview

87. A cross-country comparison of social expenditure indicators requires that information on gross spending and the role of the tax system in the pursuit of social policy is integrated in a framework that derives net social expenditure indicators. Table 6.1 presents a schematic overview of this framework (below, the numbers/letters in between brackets refers to the appropriate line in this Table).

88. First of all, direct taxes clawed-back by the Exchequer and the imputed value of indirect taxation on goods consumed out of public benefits are subtracted from gross public social expenditure (1) to obtain Net direct public social expenditure (2). Subsequently, as the value of tax breaks for social purposes (excluding pensions) that are similar to cash benefits (T1) is used for consumption, the imputed value of the indirect taxation on these items is subtracted to obtain Net TBSPs similar to cash benefits (4). The value of TBSPs towards current private benefits (T2) is added to obtain net current public social expenditure (6). From the government perspective, net public social spending gives a better impression of budgetary efforts in the social field and the proportion of net social output reallocated to benefit recipients.

89. In order to measure the social support that is provided under government control, mandatory private benefits should also be included, and account taken of the fact that these benefits are also subject to direct and indirect taxation. Net government-controlled social expenditure is captured under the heading of net publicly mandated social expenditure (9). Finally, the gross voluntary private benefits are also adjusted for direct and indirect taxation: net direct voluntary private social expenditure (11).

90. Adding together these net public, mandatory private and voluntary benefits gives an indicator on net total social expenditure (13), which quantifies the proportion of an economy's domestic production at

contributions were 'rollover contributions' from other employment-based pension plans, the effect on overall pension savings was limited (Adema and Einerhand, 1998).

the disposal of recipients of social benefits. However, as noted above, the tax breaks towards current private social benefits (T3), are tantamount to financing private social benefits. Thus, while these TBSPs are clearly a public expenditure item, they finance private benefits and simply adding net public social expenditure to net private social expenditure would overestimate the amount of support received by households. Therefore, net total social expenditure (13) is the sum of net current public social expenditure (6) and net direct private social expenditure (12) minus TBSPs towards current private social benefits (T2).²⁰ Net total social expenditure identifies that proportion of an economy's domestic production to which recipients of social benefits lay claim.

91. Finally, the net social spending indicators are related to GDP at factor cost rather than GDP at market prices – the most frequently used indicator on the size of an economy. The reason for this is that, since adjustment has been made to benefits for the value of indirect taxation, the denominator (GDP) has to be adjusted similarly. As GDP at factor cost does not include the value of indirect taxation and government subsidies to private enterprises and public corporations, it seems the most appropriate indicator for international comparisons. Nevertheless, to facilitate comparisons with gross spending to GDP quota, Annex 3 includes the net spending indicators to GDP at market prices. This annex also relates net spending indicators to national (rather than domestic) income.

Table 5.4. From gross to net social expenditure: a concise overview

+/-	Line #	Item
	1.	Gross direct public social expenditure
-		Direct taxes and social contributions paid out of public cash benefits
	2.	Net cash direct public social expenditure
-		Indirect taxes on private consumption financed by net cash transfers
	3.	Net direct public social expenditure
+	T1	Tax breaks for social purposes that mirror cash benefits
-		Indirect taxes on private consumption financed by tax breaks similar to cash
	4	Net TBSPs similar to cash benefits
+	T2	Tax breaks for social purposes towards current private social benefits
	5	Net TBSPs (not including pensions)
	6.	Net current public social expenditure [3+5]
	7.	Gross mandatory private social expenditure
-		Direct taxes and social contributions paid out of mandatory private cash benefits
-		Indirect taxes on consumption purchased out of net mandatory private cash benefits
	8.	Net direct mandatory private social expenditure
	9.	Net publicly mandated social expenditure [6+8]
	10.	Gross voluntary private social expenditure
-		Direct taxes and social contributions paid out of voluntary private cash benefits
-		Indirect taxes on consumption purchased out of net voluntary private cash benefits
	11.	Net direct voluntary private social expenditure
	12.	Net direct private social expenditure [8+11]
	13.¹	Net total social expenditure [6+12-T2]

Tax adjustments in the shaded areas.

1. In order to avoid double counting, net total social expenditure is obtained by adding up net public and net private social expenditure while subtracting tax breaks towards current private benefits.

20. Ideally, the value of tax breaks aimed at stimulating private benefit provision would be netted out against the direct and indirect taxes levied on the private benefits it generated. However, as noted above, it is not possible to determine to what extent these TBSPs actually affect take-up of private benefits, and therefore this calculation was not attempted.

5.4.2. The overall impact of the tax system on social spending

92. Table 5.5 pulls together information on the importance of different tax items in each country:

- **Direct taxes and social security contributions.** The size of direct taxation of public benefit income in the Czech Republic, Korea, Mexico and the Slovak Republic is negligible, and the value of direct taxation of public benefit income is also below 1% of GDP at factor cost in Australia, Canada, Iceland, Ireland, Japan, Portugal, the United Kingdom and the United States. Taxes and social security contributions on public cash transfers also do not exceed 2% of GDP at factor cost in Belgium, France, Germany, Netherlands, New Zealand and Spain, and the value of direct taxation of public benefit income is around 2 to 3% of GDP in Austria, Finland, Italy, and Norway. Public benefit income is taxed most heavily in Sweden and Denmark, amounting to 4.8 and 5.0% of GDP respectively. The value of direct taxation of private incapacity-related benefits (often taxed as wages) is significant in Austria, Finland, Iceland and the Netherlands, and was highest Denmark, Germany, Norway and Sweden. Compared to practice in the other countries, the value of direct tax levied over private social benefits is highest in Denmark, Finland and the Netherlands at just over 1% of GDP.
- **Indirect taxes.** The value of benefit income clawed back through taxes on consumption is much larger in European countries and in Denmark in particular, than in Australia, Canada, and in particular, Japan, Korea, Mexico and the United States, where indirect tax rates on consumption out of benefit income is significantly lower.
- **Tax breaks for social purposes** (excluding pensions). These are generally least important in countries with relatively high direct tax levies: Denmark, Finland, Iceland and Sweden, and its value is also minimal in Austria (where support for families though the tax system is paid out in cash), New Zealand, Norway and Spain. Tax breaks similar to cash benefits is worth almost 1.0% of GDP in Japan, Mexico and the United States, and is worth over 1% of GDP in Canada, France, Germany and Portugal. Tax breaks to current private spending arrangements (health insurance) are largest in Germany and the United States.

5.4.3. Public social spending

93. Gross public social expenditure indicators (Table 5.5, line 1) lead us to believe that public social expenditure in Nordic countries (30% of GDP at factor costs) and Europe in general (28%) is much higher than in non-European OECD countries (18%).

Table 5.5 From gross public to total net social spending, 2003
Social expenditure, in percentage of GDP at factor cost, 2003 ^a

	Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Mexico	Netherlands	New Zealand	Norway	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-24
1 Gross public social expenditure	20.3	29.3	30.0	19.6	23.1	32.2	25.7	33.1	30.5	21.7	17.8	27.7	19.1	6.5	7.6	23.2	20.6	28.2	25.8	19.0	22.6	37.1	23.7	17.4	23.4
- Direct taxes and social contributions	0.2	2.9	1.8	0.4	0.0	4.8	2.5	1.5	1.3	0.8	0.3	2.0	0.3	0.0	0.0	1.8	1.6	2.4	0.7	0.0	1.3	5.0	0.2	0.7	1.4
2 Net cash direct public social expenditure	20.1	26.4	28.2	19.1	23.1	27.4	23.1	31.5	29.2	20.9	17.6	25.7	18.9	6.5	7.6	21.4	19.0	25.8	25.0	19.0	21.2	32.0	23.4	16.7	
- Indirect taxes (on cash benefits)	1.0	3.2	2.7	1.0	2.3	3.7	2.9	3.1	2.5	1.6	2.3	2.4	0.7	0.4	0.2	2.1	1.9	3.2	3.2	2.0	2.1	3.2	1.8	0.4	2.1
3 Net direct public social expenditure	19.1	23.2	25.4	18.1	20.8	23.7	20.3	28.4	26.7	19.3	15.3	23.4	18.2	6.1	7.4	19.3	17.2	22.6	21.8	17.0	19.2	28.8	21.6	16.3	
+ T1 TBSPs similar to cash benefits	0.1	0.0	0.6	1.2	0.5	0.0	0.0	1.2	1.9	0.0	0.3	0.2	0.8	0.7	0.8	0.5	0.0	0.2	1.2	0.6	0.2	0.0	0.4	0.8	
- Indirect taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.2	0.1	0.0	0.0	0.1	0.0	
4 Net TBSPs similar to cash benefits	0.1	0.0	0.5	1.0	0.4	0.0	0.0	1.0	1.6	0.0	0.2	0.1	0.8	0.6	0.7	0.4	0.0	0.1	1.0	0.5	0.1	0.0	0.3	0.8	
+ T2 TBSPs towards current private benefits	0.3	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.5	0.0	0.2	0.1	0.0	0.0	0.2	0.4	0.1	0.0	0.1	0.1	0.3	0.0	0.1	1.5	
5 Net TBSPs (not including pensions)	0.4	0.0	0.5	1.3	0.5	0.0	0.0	1.0	2.1	0.0	0.4	0.3	0.8	0.6	1.0	0.8	0.1	0.1	1.0	0.6	0.4	0.0	0.5	2.3	0.6
6 Net current public social expenditure	19.5	23.2	26.0	19.5	21.3	23.7	20.3	29.4	28.8	19.3	15.6	23.6	19.0	6.8	8.4	20.1	17.2	22.8	22.9	17.6	19.6	28.8	22.1	18.6	20.6
7 Gross mandatory private soc. Exp.	1.4	1.0	0.0	0.0	0.3	0.3	3.9	0.4	1.3	6.0	0.0	2.0	0.7	2.5	0.0	0.8	0.0	1.8	0.5	0.2	0.0	0.7	0.9	0.4	1.1
- Direct taxes and social contributions	0.2	0.3	0.0	0.0	0.0	0.1	0.8	0.0	0.5	0.9	0.0	0.2	0.0	0.1	0.0	0.2	0.0	0.5	0.0	0.0	0.0	0.2	0.0	0.0	
- Indirect taxes	0.1	0.1	0.0	0.0	0.0	0.0	0.7	0.1	0.1	1.2	0.0	0.3	0.0	0.3	0.0	0.1	0.0	0.3	0.1	0.0	0.0	0.1	0.1	0.0	
8 Net current mand. private soc. exp.	1.1	0.6	0.0	0.0	0.2	0.1	2.4	0.4	0.7	3.9	0.0	1.6	0.7	2.1	0.0	0.5	0.0	1.0	0.4	0.2	0.0	0.4	0.7	0.4	0.7
9 Net publicly mandated soc. exp. [6+8] ^b	20.6	23.9	26.0	19.5	21.5	23.8	22.7	29.8	29.5	23.2	15.6	25.3	19.7	8.9	8.4	20.6	17.2	23.8	23.2	17.8	19.6	29.2	22.8	18.9	21.3
10 Gross voluntary private soc. exp.	3.7	1.3	4.4	6.1	0.1	2.7	1.4	2.7	2.1	0.0	0.5	0.6	2.8	0.2	0.2	7.8	0.5	1.1	1.2	1.2	0.3	2.9	6.8	10.4	2.5
- Direct taxes and social contributions	0.3	0.1	0.4	0.8	0.0	0.9	0.3	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.0	1.2	0.0	0.2	0.0	0.0	0.0	0.6	0.5	0.6	
- Indirect taxes	0.3	0.1	0.6	0.5	0.0	0.5	0.2	0.1	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.8	0.0	0.2	0.0	0.2	0.0	0.5	0.9	0.2	
11 Net current voluntary private soc. exp.	3.1	1.1	3.5	4.8	0.1	1.3	0.9	2.5	1.8	0.0	0.5	0.5	2.6	0.2	0.2	5.8	0.5	0.6	1.1	1.0	0.3	1.8	5.5	9.5	2.1
12 Net current private soc. exp. [8+11]	4.2	1.7	3.5	4.8	0.3	1.5	3.3	2.9	2.4	3.9	0.5	2.1	3.2	2.3	0.2	6.3	0.5	1.7	1.5	1.2	0.3	2.1	6.2	9.9	
13 Net total social expenditure [6+12-T2] ^c	23.4	25.0	29.5	24.0	21.6	25.2	23.6	32.2	30.8	23.2	16.0	25.6	22.2	9.1	8.3	26.0	17.7	24.4	24.3	18.7	19.7	30.9	28.2	27.0	23.2
Memorandum item																									
TBSPs towards pensions ^d	2.0	0.1	0.2	1.9	0.1	..	0.2	0.0	0.9	1.2	2.2	0.0	0.7	..	0.1	..	..	0.8	0.1	0.0	0.3	0.0	1.1	1.3	
Average indirect tax rate	10.1	17.0	15.2	12.4	16.4	27.5	23.5	16.2	13.8	23.2	23.5	13.3	6.4	13.6	9.0	17.5	18.1	24.6	20.2	16.8	14.8	22.3	15.4	4.7	16.5

a) 2002 tax amounts in Spain, 2002 TBSPs in Ireland and Italy, and 2001 tax rates in the Netherlands.

b) Numbers in square brackets refer to line numbers in the second column; “..” cell with no information.

c) In order to avoid double counting, the value of TBSPs towards “current” private social benefits has been ignored for the calculation of net total social expenditure.

d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

94. In general, however, governments claw back more money through direct and indirect taxation of public transfer income than the value of the tax advantages awarded for social purposes. Thus, *net public social expenditure* is usually less than gross spending indicators suggest: average gross public spending amounts to 23.4% of GDP at factor cost for the countries for which data is available, and net public social spending averages 20.6%. In Austria, Belgium, Finland, France, Italy, the Netherlands, and Norway net spending is around 4% of more below gross spending levels, the adjustments for taxation imply that net public social spending as a proportion of GDP at factor costs in Denmark and Sweden is, 8.5 percentage points of GDP below gross spending levels. In Canada and Japan gross and public net spending levels are virtually the same while in Korea, Mexico and the United States gross public spending actually *underestimates* public social effort by more than 1 percentage point of GDP (Table 5.5, lines 1 and 6).

95. Table 5.5 also reveals that low gross public spending countries (around 20% of GDP or less) impose limited direct taxation on benefit income (Australia, Canada, Ireland, Japan, Korea, Mexico, Slovak Republic and the US), but that the opposite does not always hold true. Countries that significantly claw back less than 2% of GDP in direct taxation (the average) include the Netherlands, the UK, and particularly France and Germany (countries with gross spending above the average). Indeed, because France and Germany are high gross public spending countries with a relatively limited tax burden on benefit income compared to most other European countries, they have the highest level of net government social effort.

96. Accounting for the impact of the tax system on social benefits also increases the importance of social services (including health care) vis-à-vis cash transfers. The ‘service to cash spending ratio’ increases from on average 90% (gross public social expenditure) to just over 110% when net public social expenditure is considered. When fiscal measures are accounted for, the value of social services (including health) exceeds the value of transfers in Australia, Canada, Denmark, Iceland, Korea, Mexico, Norway, Sweden and the UK.

5.4.4. Social spending from the perspective of households

97. To get a picture of the amount of resources devoted to meeting social needs in a country, both *net public* and *net private* social benefits should be considered, although it should be borne in mind that the quality of data on the impact of tax systems and private social spending is not as high as the quality of information on budgetary allocations. Considering all social benefits and differences in relevant average tax rates facilitates the identification of that proportion of an economy’s domestic production to which recipients of social benefits lay claim: *net total social expenditure* (Table 5.5, line 13). The highest proportion (32% of GDP at factor cost) is recorded for France, followed closely by Germany and Sweden at around 31% of GDP at factor cost, and Belgium at close to 30% of GDP at factor cost. Net total expenditure is lowest in Mexico and Korea at 8% and 9% of GDP at factor costs respectively, and is below 22% in the Czech Republic, Ireland, New Zealand, the Slovak Republic and Spain. Recipients of social benefits in Australia, Austria, Canada, Denmark, Finland, Iceland, Italy, Japan, the Netherlands, Norway, Portugal, the United Kingdom and the United States all claim about one quarter of the economy’s domestic production (with a margin of variation of 3 percentage points of GDP either way). The similarity of net spending levels is driven by two factors: *a*) the inclusion of private social spending, which are particularly important in the United States; and *b*) the impact of the tax system. Considering all 24 countries for which information is available, the coefficient of variation in 2003 was 31% for gross public social expenditure but 26% when considering net total social expenditure (not shown in table 5.5).

98. Overall, the results lead to the following general conclusions to be drawn:

- Accounting for private social benefits and the impact of the tax system on social expenditure has an equalising effect on levels of social expenditure to GDP ratios across the countries considered.

- Except for Canada, Japan, Korea, Mexico and the United States, public social effort is significantly below the levels suggested by gross expenditure data. This is because most countries have significant taxes on social benefits.
- Accounting for both the tax system and the role of private social benefits reveals that the proportion of an economy's domestic production to which recipients of social benefits lay claim is similar in countries often thought to have very different gross public expenditure levels. For example, total net social spending in Australia, Austria, Canada, Denmark, Finland, Italy, the Netherlands, Norway and Portugal are within a few percentage points of one another.

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ANNEX 1. DETAILED INFORMATION ON SOURCES

A.1.1. From ESSPROS to SOCX

For 22 European countries (EU-19, Iceland, Norway and Switzerland), data on social expenditure is provided by EUROSTAT as based on the information in their ESSPROS database (EUROSTAT, 2006). Although the definition of social expenditure is quite similar between SOCX and ESSPROS, the coverage of SOCX is different. Table 1.A.1a below shows a brief overview.

Table A.1.1a From ESSPROS to SOCX: a brief overview

ESSPROS	SOCX
1. Sickness/Health care cash	3. Incapacity
services	4. Health (OECD Health data)
2. Disability	(! LTC overlap for NOR DNK ISL JPN SIW GER no LTC overlap for AUS FIN FRA HUN NLD & ESP)
Economic integration of the handicapped	
3. Old age	1. Old age
4. Survivors	2. Survivors
5. Family/children	5. Family
	Child care (pre-primary education from OECD Education database)
6. Unemployment cash	7. Unemployment
Vocational training allowance	
services	
7. Housing	8. Housing
8. Social exclusion	9. Other social policy areas
	6. ALMPs (OECD LMP database)

Note: ESSPROS can also be downloaded from EUROSTAT website via <http://epp.eurostat.ec.europa.eu>
Then click: > Data >>Living conditions and welfare >>>Social protection

All ESSPROS social protection benefits are included in SOCX, except those in:


- Sickness /Health care services, which are taken from OECD Health data
- Programmes for the economic integration of the handicapped, and Vocational training allowance for the unemployed and Unemployment services, which are taken from OECD Labour Market Programmes database

To regroup ESSPROS items into SOCX, the following calculations are computed from the ESSPROS total:

- (1) ESSPROS Social protection benefits
 - (2) ESSPROS Economic integration of the disabled
 - (3) ESSPROS Sickness benefits in kind
 - (4) ESSPROS Vocational training allowance and unemployment benefits in kind
 - + (5) Health services (OECD Health data)
 - + (6) Child-care - pre-primary school (OECD Education database, for some countries)
 - + (7) Active labour market programmes (OECD ALMP database)
- =
- (11) SOCX Public social expenditure
 - + (8) SOCX Mandatory private social expenditure including mandatory private ESSPROS schemes
 - + (9) SOCX Voluntary private social expenditure including:
 - voluntary private ESSPROS schemes, and
 - (10) Health private insurance (OECD Health data)

Example for Sweden for 2003:

Table A.1.1b
Passage from Esspros to SOCX (public / mandatory-voluntary private)
SWEDEN, in millions of Swedish Kronas

		ESSPROSS/SOCX	Code	2003
	(1)	ESSPROS Social protection benefits	1100000	788 710
-	(2)	- ESSPROS Disability Economic integration of the handicapped	1121114	2 168
-	(3)	- ESSPROS Sickness Benefits in kind	1111200	147 385
-	(4)	- ESSPROS Unemployment		
		Cash - Vocational training allowance	1161114	8 586
		Benefits in kind	1161200	6 604
+	(5)	SOCX / Health HEALTH Public benefits in kind	752.10.4.0.0.0	175 367
+	(6)	SOCX / EDU-EAG FAMILY Services Child care (pre-primary education)	752.10.5.2.1.2	12 344
+	(7)	SOCX/ ALMP ACTIVE LABOUR MARKET PROGRAMMES	752.10.6.0.0.0	31 350
-	(8)	= SOCX MANDATORY PRIVATE SOCIAL EXPENDITURE	752.20.90.0.0.0	14 200
		ESSPROS SICKNESS Paid sick leave: 13. Arbetsgivarens sjuklön (Employers' sick pay)	1111111.00	14 200
-	(9)	= SOCX VOLUNTARY PRIVATE SOCIAL EXPENDITURE	752.30.90.0.0.0	59 531
		ESSPROS (several functions) 14.Avtalspensioner (Contractual pensions)		59 531
+	(10)	SOCX / Health HEALTH Voluntary private insurance, benefits in kind	752.30.4.2.0.0	a
=	(11)	SOCX PUBLIC SOCIAL EXPENDITURE	752.10.90.0.0.0	769 297
Notes:				
(1)	"ESSPROS / Social protection benefits" are Total ESSPROS expenditures (1000000) less Administration costs (1200000) and other expenditure (1400000, property income and other).			
(2)	The ESSPROS data within "Disability / Economic integration of the handicapped" are not included in SOCX database to avoid double counting with SOCX "Active Labour Market Programmes / Measures for the disabled".			
(3)	The ESSPROS data within "Sickness / Benefits in kind" are not included in SOCX database to avoid double counting with SOCX "Health / Benefits in kind".			
(4)	The ESSPROS data within "Unemployment / Cash Vocational training allowance" "Unemployment / Benefits in kind" are not included in SOCX database to avoid any double counting with SOCX "Active Labour Market Programmes".			
(5)	SOCX Health benefits in kind are from "OECD Health Data (www.oecd.org/health/healthdata)".			
(6)	SOCX includes public spending on pre-primary education from OECD education database, unless such data are already included in "5.2.1. Day care".			
(7)	SOCX Active Labour Market Programmes are from "OECD database on labour market programmes".			
(8)	Spending on some programmes recorded under the schemes below are categorised as Mandatory private in SOCX.			
(9)	Spending on some programmes recorded under the schemes below are categorised as Voluntary private in SOCX. (9) Includes (10).			
(10)	SOCX Private insurance Health benefits in kind are from "OECD Health Data (www.oecd.org/health/healthdata)".			
(11)	= (1) - (2) - (3) - (4) + (5) + (6) + (7) - (8) - (9) + (10)			

See country notes (attached to data) for other countries and years.

A.1.2. OECD Health data

Data in SOCX on public expenditure on health are not taken from the SOCX-questionnaire (nor from ESSPROS for EU-countries), but for reasons of comprehensiveness are taken from OECD Health Data 2005. However, including these data in SOCX raises the possibility of introducing inconsistencies vis-à-vis health-related spending items recorded elsewhere in SOCX. For some countries there is an issue with items recorded as spending on services for elderly and/or the disabled provided by institutions other than hospitals also being included under public expenditure on health.

From the 12 countries for which information is currently available, estimates suggest that for 6 countries there exist overlap of spending data recorded as services for elderly and/or the disabled and public expenditure on health. For Denmark, Iceland and Norway relevant spending exceeds 1 percentage point of GDP in value.

Table A.1.2.a shows the overlap figures, and Table A.1.2.b shows total public spending on health (including long-term-care overlap).

Table A.1.2.a Estimation of overlap between OECD Public Health spending and SOCX
In national currency, millions

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Denmark	9 079	10 345	11 928	12 728	13 128	14 283	14 907	15 710	16 576	17 197	18 731	19 126
Germany	..	..	..	..	..	..	..	..	..	..	..	..
Iceland	..	..	..	..	..	..	..	..	..	..	3 456	3 831
Japan	..	..	..	..	..	..	..	..	..	..	..	..
Norway	3 276	..	..	..	..	6 373	..	..	18 631	19 928	14 867	16 550
Sweden	..	..	..	..	..	..	..	..	..	..	..	..
Switzerland	..	..	..	..	..	..	..	..	..	..	1 247	1 383
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Denmark	19 433	19 620	20 672	21 822	23 181	24 138	21 395	21 641	22 274	23 357	24 784	25 787
Germany	..	..	..	1 268	4 999	8 828	9 585	10 192	10 635	10 943	11 341	11 541
Iceland	3 946	4 189	4 227	4 661	5 155	5 521	6 258	7 227	8 218	9 172	11 482	12 608
Japan	..	..	..	22 599	25 044	27 708	30 383	32 854	1 669 923	1 746 995	1 989 048	2 061 295
Norway	18 335	19 030	20 464	21 659	22 610	23 644	25 785	27 680	29 649	32 203	30 787	32 389
Sweden	..	10 525	10 768	11 866	12 871	13 248	14 105	14 835	15 702	16 819	18 148	19 170
Switzerland	1 670	1 808	1 908	1 996	2 076	2 181	2 278	2 334	2 424	2 627	2 777	2 993

Table A.1.2.b Total public spending on Health
At current prices in national currency, millions

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Australia	6 396	7 254	7 934	9 510	11 686	13 103	14 644	16 008	17 540	19 262	20 696	21 812
Austria	3 921	m	m	m	m	5 061	m	m	m	m	6 978	7 515
Belgium	4 737	5 183	6 118	6 358	6 769	7 148	7 442	8 230	9 441	10 132	10 808	11 812
Canada	16 693	19 766	23 249	25 851	27 695	29 799	32 178	34 721	37 778	41 467	44 942	48 868
Czech Republic	m	m	m	m	m	m	m	m	m	m	30 452	38 242
Denmark	30 861	34 543	39 377	41 651	43 438	47 112	48 220	52 459	55 617	57 257	58 030	60 031
Finland	1 654	1 937	2 231	2 504	2 789	3 198	3 512	3 878	4 264	4 831	5 592	6 099
France	25 034	29 378	33 722	38 067	42 411	46 755	51 099	55 443	59 788	64 132	66 173	70 333
Germany	52 266	56 535	57 731	59 390	62 950	66 854	69 822	72 427	77 592	76 089	82 521	105 892
Greece	224	365	486	607	727	848	969	994	980	1 323	1 554	1 864
Hungary	m	m	m	m	m	m	m	m	m	m	m	160 600
Iceland	m	m	m	m	m	m	m	m	m	m	25 105	27 970
Ireland	881	1 026	1 157	1 255	1 319	1 409	1 460	1 455	1 458	1 533	1 599	1 801
Italy	11 214	12 841	15 387	18 200	20 121	22 836	24 639	29 142	33 741	36 649	42 856	48 072
Japan	11 162 700	12 082 600	12 996 950	14 075 300	14 531 300	15 295 300	16 273 550	17 237 860	18 067 320	19 043 900	20 261 900	21 839 400
Korea	m	m	m	m	m	m	m	m	m	m	3 127 000	3 233 530
Luxembourg	209	232	253	262	284	308	331	393	419	466	523	554
Mexico	m	m	m	m	m	485	761	1 885	4 575	7 604	14 424	21 645
Netherlands	8 394	9 037	9 742	9 994	10 127	10 393	10 466	10 807	11 058	12 224	13 094	14 501
New Zealand	1 216	1 580	1 695	1 852	1 953	2 072	2 519	3 169	3 681	3 997	4 183	4 436
Norway	18 628	m	m	m	m	31 092	m	m	42 920	44 223	46 564	52 392
Poland	m	m	m	m	m	m	m	m	m	m	2 710	4 019
Portugal	267	340	364	398	483	690	922	1 026	1 325	1 421	2 059	2 483
Slovak Republic	m	m	m	m	m	m	m	m	m	m	m	m
Spain	4 126	4 688	5 570	6 900	7 249	7 803	8 720	9 872	12 121	13 818	16 413	18 258
Sweden	46 068	50 762	56 094	62 136	68 140	70 458	74 629	80 901	86 848	96 821	107 189	110 492
Switzerland	6 553	7 225	7 851	8 540	8 855	9 538	10 203	10 869	11 719	13 102	14 201	16 179
Turkey	0	0	0	0	0	0	1	1	2	4	9	15
United Kingdom	11 633	13 374	14 081	15 928	16 781	17 889	19 164	21 190	23 202	25 424	28 039	31 511
United States	99 671	115 844	128 655	141 435	153 646	166 843	182 200	199 498	216 381	240 891	270 758	307 786

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Australia	23 002	24 009	25 427	27 622	29 507	32 284	34 045	37 718	41 566	44 318	48 291	52 008
Austria	8 402	9 230	9 751	10 350	10 683	9 282	9 868	10 319	10 784	10 715	11 179	11 526
Belgium	12 692	13 267	13 612	13 397	14 075	13 974	14 523	15 386	16 317	17 123	17 870	19 763
Canada	51 085	51 394	52 023	52 238	52 325	54 204	58 201	61 223	66 612	71 785	76 403	82 702
Czech Republic	43 597	69 289	81 126	93 310	102 399	108 934	119 651	123 453	129 626	145 096	157 554	173 236
Denmark	62 461	65 193	67 757	68 364	72 378	75 489	79 410	84 508	88 147	94 546	99 744	104 143
Finland	5 940	5 258	5 124	5 403	5 715	5 932	6 127	6 254	6 538	7 136	7 722	8 169
France	75 216	79 563	81 433	85 843	87 739	89 260	92 123	95 605	100 319	105 810	112 493	120 386
Germany	129 263	131 902	141 720	153 214	160 573	158 385	160 975	165 356	169 248	175 348	181 150	184 067
Greece	2 408	3 027	3 458	4 003	4 457	4 855	5 159	5 807	6 353	7 237	7 121	7 782
Hungary	200 500	241 000	317 400	352 300	405 000	482 500	551 704	606 479	664 488	754 414	912 575	1 124 729
Iceland	27 783	28 513	29 687	31 269	33 138	34 972	40 511	47 875	50 721	57 411	65 033	70 997
Ireland	2 018	2 209	2 339	2 560	2 734	3 222	3 677	4 085	4 794	6 015	7 065	7 767
Italy	49 434	49 171	48 799	48 542	52 218	56 641	58 987	61 700	69 306	76 154	79 967	82 382
Japan	23 304 900	24 836 300	25 957 100	28 190 468	29 414 100	29 354 152	29 718 844	30 439 404	31 435 615	32 314 548	31 896 184	32 544 538
Korea	3 906 360	4 396 890	5 060 890	6 427 990	8 044 110	9 331 060	10 565 500	11 572 399	13 615 632	17 873 980	19 165 832	21 095 461
Luxembourg	614	687	710	777	829	849	912	1 040	1 149	1 263	1 472	1 482
Mexico	27 077	31 431	37 065	43 697	53 634	74 742	94 912	122 868	142 155	156 497	169 392	192 961
Netherlands	16 313	17 223	17 611	18 059	17 376	18 450	18 744	19 589	20 981	23 333	25 773	27 815
New Zealand	4 475	4 488	4 870	5 160	5 342	5 750	6 183	6 490	6 984	7 455	8 319	8 739
Norway	54 697	56 318	58 381	62 602	68 055	76 436	86 715	95 530	102 896	113 025	125 239	134 664
Poland	5 821	7 308	9 787	13 460	18 218	20 787	23 204	27 153	28 781	32 840	36 460	36 797
Portugal	2 734	3 180	3 477	4 137	4 741	5 169	5 700	6 362	7 364	8 095	8 466	8 736
Slovak Republic	m	m	m	33 240	35 601	38 129	40 837	43 678	46 166	50 166	55 594	62 873
Spain	20 620	22 069	22 774	24 031	25 589	26 781	28 509	30 561	32 550	35 079	37 695	40 702
Sweden	111 169	115 860	117 286	124 884	132 154	133 149	140 992	150 279	157 306	169 509	184 585	194 537
Switzerland	17 603	18 331	18 915	19 444	20 729	21 330	22 107	23 013	24 118	26 351	27 782	29 235
Turkey	28	49	96	184	399	870	1 815	3 047	m	m	m	m
United Kingdom	35 730	37 955	40 054	42 003	44 377	44 568	47 552	52 192	55 996	62 090	67 201	74 872
United States	344 658	376 147	412 633	441 122	466 791	486 105	501 247	528 709	566 646	624 377	684 062	728 040

Source: OECD Health data (www.oecd.org/health/healthdata).

Finally, indicators on voluntary private social health expenditure are estimates on the benefits to recipients that derive from private health plans which contain an element of redistribution (such private health insurance plan are often employment-based and/or tax-advantaged). The estimates are based on OECD *Health Data* (see Private insurance, within Health expenditure by sources of funds). Available data on individual payments does not distinguish between individual co-payments and other out-of-pocket health expenditure. But the OECD Health Data are being refined to cover this distinction in future. By not including data on individual payments, it is thus implicitly assumed that none of the individual payments (including co-payments) are in any way subject to redistribution. This is a very strong assumption, which is unlikely to fully reflect reality, but it was judged more realistic than the alternative -- to include all individual payments. The estimates on private social health benefits may thus somewhat underestimate the "true" social extent of health-care provisions.

A.1.3. OECD Labour Market Programmes database

Data on public spending on ALMPs (social policy area (or branch) “6” in SOCX) are taken from the OECD Active Labour Market Programmes database. This database has recently been restructured to identify 7 “active” categories (PES and administration, training, employment incentives, integration of the disabled, direct job creation, and start-up incentives). To ensure consistency with the historical series as in SOCX, data from 2002 have been regrouped in the “old” classification system with 5 categories of active measures, as follows:

6.1. Public employment services and administration:

The following services are included: placement, counselling and vocational guidance; job-search courses and related forms of intensified counselling for persons with difficulties in finding employment; support of geographic mobility and similar costs in connection with job search and placement. In addition, all administration costs of labour market agencies (at central and decentralised levels), including unemployment benefit agencies (even if these are separate institutions) as well as administrative costs of other labour market programmes are included.

6.2. Labour market training

Training measures undertaken for reasons of labour market policy, other than special programmes for youth and the disabled. Expenditures include both course costs and subsistence allowances to trainees, when such are paid. Subsidies to employers for enterprise training are also included, but not employers' own expenses.

- Training for unemployed adults and those at risk: Programmes aimed mainly, though not always exclusively, at the unemployed and those at risk of losing their jobs, or other disadvantaged groups such as the poor (especially in the United States). Mostly in training centres, but often also in enterprises.
- Training for employed adults: training supported for reasons of labour market policy other than the need to help the unemployed and those at risk. Most frequently, grants to enterprises for staff training in general.

6.3. Youth measures

They only include special programmes for youth in transition from school to work. Thus they do not cover young people's participation in programmes that are open to adults as well.

- Measures for unemployed and disadvantaged youth: Remedial education, training or work practice for disadvantaged youth to facilitate transition from school to work. The principal target group usually consists of those who do not follow regular upper-secondary or vocational education and are unsuccessful in finding jobs.
- Support of apprenticeship and related forms of general youth training: it covers many forms of training and work practice in enterprises for young people. Access is not restricted to persons with employment problems.

6.4. Subsidised employment

Targeted measures to promote or provide employment for unemployed persons and other groups specified as labour market policy priorities (other than youth or the disabled).

- Subsidies to regular employment in the private sector: wage subsidies for the recruitment of targeted workers or, in some cases, for continued employment of persons whose jobs are at risk. Grants aiming primarily to cover enterprises' capital costs are not included, nor are general employment subsidies or subsidies paid for all workers in certain regions.
- Support of unemployed persons starting enterprises: the support can consist of unemployment benefits or special grants.
- Direct job creation (public or non-profit): temporary work and, in some cases, regular jobs in the public sector or in non-profit organisations, offered to unemployed persons.

6.5. Measures for the disabled

Only special programmes for the disabled are included. The category does not cover the total policy effort in support of the disabled.

- Vocational rehabilitation: ability testing, work adjustment measures and training other than ordinary labour market training.
- Work for the disabled: sheltered work and subsidies to regular employment.

For more information: see Statistical annex of OECD(2006d) Employment Outlook via www.oecd.org/els/employmentoutlook/statsupplement .

A.1.4. OECD Education database

For reasons of comprehensiveness, SOCX collects for some countries spending figures from OECD Education database on Childcare and early education services (ISCED0) - see shaded background in Table A1.4. All available data on public financial support for families with children participating in both formal day-care services (i.e. crèches, day-care centres and family day-care for children under 3) and pre-school institutions (including kindergartens and day-care centres for children aged from 3 to 6) are included, from 1998 only in general, from which ISCED97 started . Other levels of public spending on education are also shown here as a memorandum item.

Table A.1.4 Public spending on education, by level of education

Millions national currency

	Total Public spending on Education (pre-primary + primary + secondary + tertiary)						=	Public spending on Education (primary + secondary + tertiary)						+	Public spending on Pre-primary education (ISCED 0)					
	1998	1999	2000	2001	2002	2003		1998	1999	2000	2001	2002	2003		1998	1999	2000	2001	2002	2003
Australia	25 721	28 224	29 641	31 320	32 630	34 608	25 518	27 861	29 286	30 819	32 093	34 036	204	362	356	500	537	572		
Austria	11 365	11 806	11 334	11 453	11 574	11 896	10 476	10 901	10 380	10 536	10 606	10 963	889	905	954	917	968	933		
Belgium	10 992	12 202	12 358	14 678	15 378	15 727	9 975	11 105	11 212	13 259	13 866	14 129	1 017	1 097	1 146	1 419	1 512	1 597		
Canada	47 676	48 774	50 906	51 660	..	..	45 690	46 671	48 775	49 518	..	53 076	1 986	2 102	2 130	2 141	2 152.3	2 163.3
Czech Republic	71 026	76 580	80 277	87 825	98 362	107 638	62 864	67 653	71 122	78 584	88 075	97 100	8 162	8 927	9 155	9 241	10 287	10 538		
Denmark	76 816	75 321	79 860	88 541	90 739	91 174	66 843	67 587	71 704	79 713	81 841	81 867	9 973	7 734	8 156	8 828	8 898	9 307		
Finland	6 667	6 876	7 171	7 762	8 237	8 652	6 207	6 468	6 721	7 307	7 757	8 153	460	408	451	455	480	499		
France	74 799	76 858	79 229	80 890	83 349	91 196	66 346	68 132	70 214	71 639	73 761	80 624	8 453	8 726	9 016	9 251	9 588	10 571		
Germany	79 616	80 851	84 844	87 088	91 217	91 851	72 656	73 885	77 701	79 804	82 848	84 228	6 961	6 966	7 143	7 284	8 369	7 623		
Greece	3 541	3 800	4 363	4 655	5 218	5 811	3 541	3 800	4 363	4 655	5 218	5 811	..	..	..	..	..	..
Hungary	438 391	503 609	561 325	654 347	804 134	998 834	368 823	423 179	475 625	554 975	682 734	850 803	69 568	80 430	85 700	99 372	121 400	148 031		
Iceland	36 337	..	35 970	43 474	50 395	56 972	34 574	..	35 970	43 474	50 395	52 095	1 763	..	..	..	..	4 877
Ireland	3 240	3 590	4 145	4 634	5 131	5 686	3 238	3 588	4 142	4 631	5 128	5 682	2	2	2	3	3	4		
Italy	48 302	47 636	51 094	59 296	57 792	60 998	43 826	42 962	45 772	53 549	52 862	55 257	4 475	4 674	5 322	5 747	4 930	5 741		
Japan	16 637 244	16 774 754	16 619 341	16 445 514	16 367 398	16 443 273	16 198 982	16 330 615	16 139 442	15 974 493	15 896 867	15 969 663	438 262	444 139	479 899	471 022	470 532	473 610		
Korea	16 118 834	18 294 231	20 958 402	22 174 611	24 887 406	30 421 046	15 927 193	18 126 325	20 752 412	21 797 957	24 535 214	30 020 334	191 641	167 905	205 990	376 654	352 192	400 713		
Luxembourg	..	..	..	729	891	950	..	..	..	729	891	950	..	..	..	..	..	..
Mexico	157 758	201 186	253 924	291 051	312 078	371 898	145 389	181 145	228 039	263 848	279 375	326 052	12 369	20 042	25 886	27 203	32 703	45 846		
Netherlands	15 805	16 012	17 263	19 340	20 643	21 685	14 515	14 714	15 896	17 849	19 007	19 981	1 289	1 298	1 367	1 490	1 636	1 704		
New Zealand	5 813	6 089	6 366	6 616	7 127	7 743	5 609	5 890	6 166	6 414	6 862	7 495	204	199	200	202	265	248		
Norway	70 885	74 636	81 711	89 074	98 611	98 857	64 419	65 039	71 059	89 074	85 822	94 277	6 466	9 597	10 652	0	12 789	4 580		
Poland	28 529	30 257	34 483	41 874	43 638	47 154	25 663	27 290	30 901	38 523	40 178	43 107	2 866	2 967	3 582	3 351	3 461	4 048		
Portugal	5 401	5 880	6 237	6 860	7 092	7 339	5 166	5 564	5 888	6 454	6 646	6 786	235	316	350	406	446	553		
Slovak Republic	..	34 818	34 993	38 323	42 828	49 064	..	30 607	31 091	33 888	37 735	43 220	0	4 210	3 902	4 435	5 092	5 844		
Spain	23 373	24 945	26 464	28 286	30 349	32 726	21 571	23 092	24 154	25 629	27 292	29 147	1 802	1 853	2 311	2 657	3 057	3 579		
Sweden	124 740	128 516	137 305	140 714	156 100	161 050	113 585	116 982	126 663	129 936	143 827	148 706	11 155	11 534	10 642	10 778	12 273	12 344		
Switzerland	20 198	20 661	21 289	22 644	24 248	25 420	19 425	19 873	20 410	21 764	23 332	24 500	774	788	879	880	916	920		
Turkey	1 379	2 988	4 182	6 180	9 390	12 810	1 376	2 988	4 182	6 180	9 390	12 810	3	..	..	..	..	..
United Kingdom	37 966	38 622	41 362	44 857	50 258	54 416	34 620	35 143	37 584	40 609	45 721	50 705	3 346	3 479	3 777	4 249	4 538	3 711		
United States	426 383	444 944	457 914	506 109	551 821	582 353	395 999	413 060	423 933	469 434	512 810	548 229	30 385	31 884	33 980	36 675	39 011	34 124		

Table A.1.4 Public spending on education, by level of education (cont^a)

Millions national currency

	Public spending on primary Education (ISCED 1)						Public spending on secondary education (ISCED 2-3-4)						Public spending on tertiary education (ISCED 5-6)					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
Australia	8 714.5	10 586.1	11 252.6	11 737.3	12 225.2	12 928.9	10 358.2	12 160.8	12 795.2	13 516.1	14 005.1	14 980.3	6 444.8	5 114.2	5 237.8	5 565.8	5 862.4	6 126.4
Austria	2 312.8	2 386.3	2 323.3	2 396.3	2 457.4	2 435.5	5 348.0	5 605.7	5 447.1	5 602.4	5 758.6	6 087.6	2 814.7	2 908.8	2 609.3	2 537.1	2 390.3	2 439.9
Belgium	2 632.7	2 718.1	2 868.1	3 541.1	3 663.9	3 992.2	5 290.9	5 414.8	5 538.2	6 712.5	7 038.1	6 935.5	2 051.5	2 972.2	2 806.2	3 005.1	3 164.0	3 201.7
Canada	..	..	..	..	..	..	1 367.0	0.0	0.0	0.0	0.0	0.0	13 298.8	14 162.1	15 760.7	16 155.4	0.0	15 610.0
Czech Republic	13 104.6	14 565.7	15 554.8	15 889.7	16 887.0	18 025.2	36 190.7	38 499.4	40 497.7	45 554.1	51 385.7	56 436.7	13 568.2	14 588.3	15 069.7	17 140.4	19 802.2	22 638.3
Denmark	20 707.0	20 360.0	22 173.0	24 899.0	25 876.0	26 767.0	28 774.0	28 733.0	29 855.0	31 190.0	30 524.0	31 377.0	17 362.0	18 494.0	19 676.0	23 624.0	25 441.0	23 723.0
Finland	1 831.0	1 583.2	1 667.2	1 826.5	1 929.7	2 021.7	2 426.3	2 774.4	2 851.9	3 203.9	3 441.5	3 654.9	1 949.7	2 110.5	2 201.7	2 276.9	2 386.2	2 476.3
France	15 168.5	15 733.7	16 285.7	16 609.9	17 141.5	17 378.9	38 122.2	39 194.8	40 310.2	41 142.3	42 291.4	45 327.4	13 055.6	13 203.5	13 617.7	13 886.7	14 328.6	17 918.0
Germany	13 720.5	13 715.8	14 086.0	14 327.2	14 369.7	14 361.0	40 360.3	41 147.0	44 509.4	45 884.7	47 801.2	48 535.7	18 575.0	19 022.7	19 105.3	19 592.4	20 677.5	21 331.8
Greece	1 146.4	1 090.7	1 393.5	1 366.6	1 539.7	1 748.5	1 298.8	1 557.3	1 923.7	1 825.1	1 963.3	2 278.7	1 096.1	1 152.5	1 045.8	1 463.6	1 715.3	1 783.4
Hungary	90 340.0	100 067.0	110 237.0	130 709.0	152 768.0	176 213.0	197 621.0	230 027.0	252 578.0	291 182.0	366 770.0	479 126.0	80 862.0	93 085.0	112 810.0	133 084.0	163 196.0	195 464.0
Iceland	10 578.6	0.0	15 273.7	18 232.8	21 596.9	22 630.6	13 945.3	0.0	15 164.5	18 913.1	20 708.3	20 671.5	10 050.2	0.0	5 532.0	6 328.2	8 089.8	8 792.9
Ireland	1 120.0	1 204.2	1 373.6	1 583.8	1 804.1	2 081.2	1 325.3	1 447.6	1 579.7	1 792.0	1 971.2	2 223.2	793.1	936.5	1 189.1	1 255.7	1 352.7	1 377.9
Italy	12 497.0	11 477.4	12 478.8	14 474.7	15 255.6	15 918.9	24 094.6	23 564.6	24 807.0	29 935.8	27 789.1	30 165.3	7 234.5	7 920.1	8 486.1	9 138.5	9 817.5	9 172.7
Japan	6 485 401.3	6 478 642.2	6 400 421.3	6 410 770.7	6 448 386.3	6 429 645.0	7 555 029.7	7 471 743.0	7 277 566.8	7 217 786.8	7 189 566.8	7 054 044.2	2 158 551.0	2 380 230.2	2 461 454.1	2 345 935.2	2 258 913.7	2 485 973.4
Korea	7 163 023.0	8 235 793.7	9 078 947.0	8 867 226.9	9 775 159.6	11 791 315.6	6 828 027.0	7 365 568.5	8 216 362.0	10 499 889.7	12 486 261.4	13 747 095.3	1 936 143.0	2 524 963.2	3 457 103.0	2 430 840.4	2 273 793.3	4 481 922.6
Luxembourg	..	..	..	363.4	473.0	488.4	0.0	0.0	0.0	365.2	418.1	461.9	..	..	..	..	..	..
Mexico	56 255.9	81 402.5	105 002.0	118 588.9	125 625.3	152 433.5	59 023.8	61 944.6	76 909.9	103 118.0	91 387.1	109 584.5	30 109.5	37 797.6	46 126.7	42 140.8	62 362.2	64 034.4
Netherlands	4 340.5	4 597.5	5 002.2	5 722.3	6 396.7	6 742.7	6 130.6	6 312.3	6 952.8	7 686.4	8 115.2	8 450.1	4 044.2	3 803.7	3 941.0	4 440.8	4 495.5	4 788.5
New Zealand	1 975.8	2 080.7	2 181.2	2 177.6	2 219.5	2 375.1	2 583.2	2 818.2	2 942.8	3 105.1	3 435.3	3 822.5	1 049.9	990.8	1 041.7	1 131.0	1 207.2	1 297.8
Norway	32 765.0	32 980.0	36 443.0	51 038.0	29 569.1	32 002.9	15 861.0	14 984.0	16 937.0	18 493.0	34 816.9	39 140.1	15 793.0	17 075.0	17 679.0	19 543.0	21 436.0	23 134.0
Poland	12 644.7	15 167.6	17 086.3	20 983.0	14 730.2	15 035.8	6 624.2	7 183.8	8 576.7	9 468.2	16 968.2	19 469.5	6 393.9	4 938.6	5 238.1	8 071.9	8 479.3	8 601.2
Portugal	1 629.5	1 769.2	1 969.8	2 180.2	2 306.5	2 315.2	2 308.6	2 572.0	2 795.4	3 023.5	3 111.0	3 109.9	962.2	1 059.1	1 122.4	1 250.3	1 228.4	1 361.3
Slovak Republic	0.0	5 053.4	5 765.7	6 068.8	6 554.9	7 864.4	0.0	19 494.8	18 808.4	20 332.7	23 239.9	25 896.9	0.0	6 059.0	6 517.4	7 486.8	7 940.5	9 458.4
Spain	6 147.6	6 716.4	6 906.6	7 445.0	7 914.9	8 507.5	10 996.3	11 549.5	11 682.3	11 922.0	12 677.3	13 293.9	4 427.3	4 825.6	5 564.7	6 262.2	6 699.9	7 345.3
Sweden	40 033.0	41 126.0	45 276.0	45 279.0	50 358.0	50 585.0	45 921.0	46 745.0	50 292.0	52 204.0	57 447.0	60 196.0	27 631.0	29 111.0	31 095.0	32 453.0	36 022.0	37 925.0
Switzerland	6 762.0	6 745.0	6 864.3	7 309.9	7 696.5	7 818.8	8 445.4	8 416.3	8 689.2	9 104.9	9 632.1	9 664.1	4 217.3	4 711.6	4 856.7	5 349.2	6 003.4	7 016.8
Turkey	581.4	1 624.5	2 102.1	3 141.6	4 475.7	6 187.4	371.4	602.4	851.0	1 236.5	2 000.3	2 832.5	423.6	761.5	1 229.2	1 801.8	2 914.4	3 790.6
United Kingdom	9 473.1	9 729.4	10 355.0	11 272.7	12 485.9	14 569.3	18 330.0	18 547.4	20 392.9	21 779.0	24 865.1	27 554.5	6 817.0	6 866.1	6 836.6	7 556.8	8 369.9	8 581.6
United States	134 563.3	147 075.7	156 860.7	183 581.5	188 045.4	193 367.8	157 796.0	166 669.3	178 643.4	193 455.0	202 565.4	223 117.1	103 639.5	99 315.4	88 429.4	92 397.4	122 199.5	131 744.4

Note: ISCED = International Standard Classification of Education (www.oecd.org/education).

Source: OECD Education database.

ANNEX 2. ADDITIONAL INFORMATION ON NET SOCIAL EXPENDITURE: COUNTRY RESPONSES: 2001 AND 2003

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003

AUSTRALIA

A. Average Itemised Tax Rates (AITR %)

		2 001	2 003
1	Old-age cash benefits		
1a	- public pensions		
	Age Pension	0.38	0.03
	Wife's Pension	0.38	1.25
	Widow's B Pension	0.26	0.77
1b	- early retirement benefits		
1c	- private pensions		
	Superannuation pension	16.83	15.07
	Superannuation Lump Sums	2.66	10.45
2	Survivors' benefits		
2a	- public pensions		
	Veteran's Service Pensions	0.68	0.00
3	Incapacity-related benefits		
3c	- Sickness payments	0.45	0.09
4	Family cash benefits		
4a	- Family benefits		
	Parenting Allowance	1.03	1.49
	Partner Allowance	0.17	1.02
4c	- Sole parent benefits		
	Sole Parent	0.64	0.92
6	Unemployment		
6b	- unemployment assistance benefit		
	Unemployment Benefits	1.10	0.81

The AITRs for wage income, superannuation pensions and superannuation lump sums were calculated using a sample file of Australian tax returns in 2001. All other AITRs were calculated using the STINMOD model, a static microsimulation model developed by the National Center for Social and Economic Modelling (NATSEM). The AITRs were obtained by calculating the amount of tax paid in aggregate with and without the income streams. The difference between the taxes paid was then divided by the value of the income stream to reveal the value of the AITR.

Sources: STINMOD distributional model. Revenue Group of The Treasury, Australian Government.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of Australian dollars

		2001	2003
(1)	Private final consumption expenditure	428 260	434 552
(2)	Private consumption plus Government consumption minus Government wages	488 771	566 853
(3)	General consumption taxes plus excise duties (5110+5121)	48 445	57 029
	5110 General taxes	28 180	35 122
	5121 Excises	20 265	21 907
(4)	Taxes on production sale transfer (5100)	60 237	69 921
(5)	Taxes on Goods and Services (5000)	65 552	76 330
	Implicit average indirect tax rate on consumption out of benefit income:		
(6)	using general consumption taxes plus excise duties (3)/(2)	9.9%	10.1%
(7)	using a broad concept of the indirect tax base (5)/(2)	13.4%	13.5%
(8)	using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	15.3%	17.6%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Australian dollars)

		2001	2003
Tax breaks similar to cash benefits		849	798
	Tax offsets for taxpayers with dependants	16	15
	Tax offset for housekeeper who cares for a prescribed dependant	360	370
	Tax offset for low income earners	460	400
	Exemption of rent subsidy payments under the Commonwealth/State mortgage and rent relief schemes	13	13
Tax breaks to stimulate private social protection (not including pensions)		1 620	2 050
	Partial rebate for certain non-profit, non-government bodies	40	30
	Deduction for gifts to approved donees	300	560
	Capped exemption for public benevolent institutions (excluding public hospitals)	240	210
	Various health-related items, see see Tax Expenditures Statement, 2004		
	medical expenses tax offset	150	220
	exemption from the Medicare levy for residents with a taxable income below a threshold	340	370
	exemption for Medicare levy for non-residents	55	65
	Income tested tax offset for private health insurance	590	740
	30% tax offset for expenditure on private health insurance	590	740
	Medicare levy surcharge	-95	-145
	(negative tax expenditure for those above income threshold, but without insufficient private coverage)		
Memorandum Items			
Tax breaks for pensions		11 045	14 735
	Concessional taxation of funded superannuation	9 215	13 580
	Concessional taxation of unfunded superannuation lump sums	470	420
	Concessional treatment of non-superannuation termination benefits	990	340
	Capped taxation rates for lump sum payments for unused recreation and long service leave	210	190
	Taxation of five per cent of unused longservice leave accumulated by 15 August 1978	135	85
	Capital gains tax exemption on the sale of a small business at retirement	25	120

Source: Tax Expenditure Statement (2003, 2005), Australian Government

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

AUSTRIA

A. Average Itemised Tax Rates (AITR %)

	2 001	2 003
Old-age cash benefits (1 +3)	17.7%	
- public pensions		17.0%
- private pensions		13.0%
Incapacity-related benefits		
- Disability pensions	17.7%	17.0%
- Occupational Injury benefits	17.7%	17.0%
- Sickness payments	30.0%	30.0%

Source: Ministry of Finance (Bundesministerium für Finanzen), Wage Tax Statistics (2001 and 2003).

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	121 602	122 932
(2) Private consumption plus Government consumption minus Government wages	140 693	140 912
(3) General consumption taxes plus excise duties (5110+5121)	22 854	23 988
5110 General taxes	17 301	17 944
5121 Excises	5 552	6 044
(4) Taxes on production sale transfer (5100)	24 449	25 698
(5) Taxes on Goods and Services (5000)	26 073	27 468
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	16.2%	17.0%
(7) using a broad concept of the indirect tax base (5)/(2)	18.5%	19.5%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	21.4%	22.3%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	42.0	40.0
Appliances for the disabled (Befreiung für Versehrten- und Invalidenfahrzeuge) § 2 Abs.1 Z 5, 12	2.0	
Special tax relief (Außergewöhnliche Belastungen) § 34, 35	40.0	
Tax credits for one-parent families		40.0
Tax breaks to stimulate private social protection (not including pensions)	20.0	0.0
Contributions to health, accident and pension insurance (Versicherungsbeiträge) § 18 Abs. 1 Z 2	20.0	

Source: Budget Accounts, Forderungsbericht (2001 and 2003), Ministry of Finance, Austria.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

BELGIUM

A. Amount of direct tax paid on benefit income (in millions of euros)

	2 001	2 003
A. Taxes paid on transfer income (A1 minus A2, then adding local tax rate *)	4 093.5	4 370.1
Pensions: PIT	5 060.1	5 457.8
Sickness: PIT	449.0	495.7
Early retirement: PIT	2.1	0.8
Unemployment benefits: PIT	525.2	581.1
Total PIT (A1)	6 036.4	6 535.4
- Pensions: tax credit	1 722.1	1 923.9
- Sickness: tax credit	177.2	213.3
- Early retirement: tax credit	1.2	0.3
- Unemployment benefits: tax credit	214.5	301.5
- Others	98.4	26.4
Total tax credits (A2)	2 213.4	2 465.4
Local tax rate	7.1%	7.4%
B. Social security contributions	885.1	999.3
Total (A + B)	4 978.6	5 369.4

* Local tax rate is applied to income tax, which overestimates local tax amount as local taxes are only paid when the amount of the credit does not exhaust income tax.

Source: Ministry of Finance, Belgium.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	138 564	140 300
(2) Private consumption plus Government consumption minus Government wages	164 106	166 276
(3) General consumption taxes plus excise duties (5110+5121)	23 693	25 243
5110 General taxes	18 060	19 076
5121 Excises	5 632	6 168
(4) Taxes on production sale transfer (5100)	26 478	28 079
(5) Taxes on Goods and Services (5000)	28 451	30 147
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	14.4%	15.2%
(7) using a broad concept of the indirect tax base (5)/(2)	17.3%	18.1%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	20.5%	21.5%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in million of Euros)

	2001	2003
Tax breaks similar to cash benefits	1 355.8	1 521.0
Tax credit for children	1 275.6	1 443.8
Compl. Sickness contr.	0.0	0.0
Allowance "ALE"	16.9	17.3
Allowance Childcare expenses	63.3	59.9
Tax breaks to stimulate private social protection (not including pensions)	0.0	0.0
Memorandum Items		
Tax breaks for pensions	363.3	382.1
Pension savings (3rd pillar)	262.8	287.7
Pension savings (2d pillar)	100.5	94.4

Source: Ministry of Finance, Belgium, from IPP (Impôt des Personnes Physiques).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

CANADA

A. Average Itemised Tax Rates (AITR %)

	2001	2003
1 Old-age Cash Benefits	15.02%	14.28%
1a - Public Pensions (OAS)	6.06%	5.76%
1b - Private Pensions	18.49%	17.54%
2 Canadian Pension Plan (Retirement)	9.46%	8.70%
3 Canadian Pension Plan (Disability)	2.57%	1.86%
4 Employment Insurance	9.05%	8.35%
4a - Regular Employment Insurance	9.68%	8.90%
4b - Parental Leave Payments	6.27%	5.71%
5 Worker's Compensation	2.41%	2.48%
6 Guaranteed Income Supplement	0.52%	0.54%
7 Social Assistance	0.02%	0.12%
8 Wage Income	22.20%	22.13%

The sample used for the microdataset simulation was a stratified sample of approximately 450 000 records, weighted to represent all taxfilers in Canada. The sample is provided by the Canada Revenue Agency.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Canadian dollars

	2001	2003
(1) Private final consumption expenditure	608 549	605 966
(2) Private consumption plus Government consumption minus Government wages	693 669	690 503
(3) General consumption taxes plus excise duties (5110+5121)	77 609	85 489
5110 General taxes	58 093	62 604
5121 Excises	19 516	22 885
(4) Taxes on production sale transfer (5100)	92 940	102 262
(5) Taxes on Goods and Services (5000)	98 466	108 132
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	11.2%	12.4%
(7) using a broad concept of the indirect tax base (5)/(2)	14.2%	15.7%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	16.2%	17.8%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Canadian dollars)

Tax breaks similar to cash benefits (total without 5 and 8 below)	11 189	12 741
1 Disability Tax Credit	464	512
2 Provincial Tax Reduction	339	409
3 Infirm dependant credit		
Caregiver credit	85	107
4 Attendant Care expense	0.3	0.8
5 Canadian Child Tax Benefit/National Child Benefit (amount not included in total TBSP, as already accounted in SOCX 124.10.5.1.1.2)	7 640	8 185
6 Medical expense supplement for earners	55	68
7 Deductibility of charitable donations from corporate income tax	260	290
8 Age amount (amount not included in total TBSP, as already taken into account when calculating AITRs)	1 916	2 036
9 Medical expense tax credit	920	1 116
10 Child care expense deduction	1 112	1 002
11 Amount for an eligible dependant	824	873
12 Non-taxation of employer paid premiums	4 444	5 474
13 Portion of refundable tax credits that offsets tax liability	2 686	2 890
Tax breaks to stimulate private social protection (not including pensions)	7 646	9 309
Non-Taxation of employer-paid CPP premiums	4 445	5 474
Non-taxation of employer paid health and dental benefits	1 710	2 010
Charitable donations credit	1 491	1 825
Memorandum item		
Tax breaks for pensions (1+2+3)	5 610.5	20 458.1
Revenue foregone method:		
1 Pension Income Deduction	625.5	653.1
2 Registered retirement savings plans (RRSPs)		
Deduction for contributions	6 225.0	6 000.0
Non-taxation of investment income	1 280.0	6 300.0
Taxation of withdrawals	-3 465.0	-3 670.0
Net tax expenditure	4 040.0	8 630.0
3 Registered pension plans (RPPs)		
Deduction for contributions	4 575.0	6 615.0
Non-taxation of investment income	2 785.0	11 465.0
Taxation of withdrawals	-6 415.0	-6 905.0
Net tax expenditure	945.0	11 175.0

Supplementary information:

Present value of tax assistance for retirement savings plans *

7 265.0

* The present-value estimates reflect the lifetime cost of a given year's contributions. This definition is different from that used for the cash-flow estimates, and thus the two sets of estimates are not directly comparable.

Data supplied by Finance Canada, from Department of Finance Canada (2004, 2002), Tax Expenditures and Evaluations, Ottawa.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

CZECH REPUBLIC

A. Amount of direct tax paid on benefit income (in millions of Czech koruny)

	2 001	2 003
Total tax paid on transfer income old-age pensions	1.0	3.0

Source: Ministry of Finance, Tax Policy Unit; Czech Social Security Administration.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Czech koruny

	2001	2003
(1) Private final consumption expenditure	1 155 631	1 192 323
(2) Private consumption plus Government consumption minus Government wages	1 417 253	1 532 382
(3) General consumption taxes plus excise duties (5110+5121)	226 064	251 915
5110 General taxes	149 271	164 376
5121 Excises	76 793	87 539
(4) Taxes on production sale transfer (5100)	236 231	262 443
(5) Taxes on Goods and Services (5000)	254 395	285 546
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	16.0%	16.4%
(7) using a broad concept of the indirect tax base (5)/(2)	17.9%	18.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	22.0%	23.9%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Czech koruny)

	2001	2003
Tax breaks similar to cash benefits	11 084	11 731
1. Tax breaks similar to cash benefits		
1.1 Tax exemptions (Personal Income Tax):		
* non-monetary benefits covered from the fund for cultural and social needs or profit after tax provided by an employer to his employee in form of recreation	528	648
1.2 Allowances from the tax base (Personal Income Tax; social insurance contributions are deductible from the tax base):		
* per each dependent child living with the taxpayer in one household	10 000	10 500
* per each handicapped dependent child requiring an escort	188	197
* per handicapped spouse requiring an escort living with taxpayer in one household unless the spouse's own income exceeds low income limit	8	8
* per handicapped taxpayer requiring an escort	60	63
* gifts donated to municipalities or to legal entities for financing science, education, culture, schools, police, youth welfare, animal protection, environment, humanitarian projects etc.	300	315
Tax breaks to stimulate private social protection (not including pensions)	4 073	1 485
2.1 Corporate Income Tax		
* tax credits for disabled employees	3 973	1 352
2.2 Personal Income Tax		
* tax credits for disabled employee	100	133
Memorandum item		
Tax breaks for pensions	1 105	1 679
1. Deduction of contributions to private pensions - income tax exemptions and allowances from the tax base		
* exemption of contributions of employers on behalf of their employees on pension insurance with state contribution from personal income tax up to a ceiling	380	540
* deduction of contributions of employers on behalf of their employees on pension insurance with state contribution from employer's tax base up to a ceiling	465	759
* contributions of employees on their pension insurance with state contribution	260	380
2. Non-taxation of investment of private pension funds		
* there is income tax of 15 % from the returns of private pension funds - standard tax rate is 28 %	-	-
* reduced 15 % withholding tax on benefits/returns paid by the pension funds to the contributors	..	..
* reduced 15 % withholding tax on benefits/returns paid by the life insurance to the contributors	..	..

Sources: Tax Statistics, Czech Ministry of Finance; and the Association of Pension Funds of the Czech Republic.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

DENMARK

A. Average Itemised Tax Rates (AITR %)

	2001	2003
1 Social pension		
- state old age pension	27.68	27.20
- disability pension	26.92	26.22
- anticipated old age pension	23.78	23.69
2 Supplementary pensions (ATP)	30.68	29.79
3 Civil servants pension	34.77	34.00
4 Early retirement pensions (Delpension)	32.30	31.48
5 Sickness benefit	36.36	36.49
6 Parental leave	28.85	28.56
7 Unemployment benefits	32.78	32.66
8 Early retirement benefits	29.38	28.16
9 Occupational accidents	36.07	32.05
10 Survivors	10.00	10.00
11 Childbirth benefit (barsel)	39.71	37.21
12 Items under active labour market policy		
- Measures by regional labour market councils	26.89	26.42
- Employment measures for disabled	31.30	30.72
13 Other, war victims	35.30	33.95
14 Other, wage earn. Guar. Fond.	44.10	39.31

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions Danish kroner

	2001	2003
(1) Private final consumption expenditure	626 519	631 687
(2) Private consumption plus Government consumption minus Government wages	741 024	742 086
(3) General consumption taxes plus excise duties (5110+5121)	196 103	204 374
5110 General taxes	128 550	135 092
5121 Excises	67 553	69 282
(4) Taxes on production sale transfer (5100)	200 718	209 847
(5) Taxes on Goods and Services (5000)	212 236	222 024
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	26.5%	27.5%
(7) using a broad concept of the indirect tax base (5)/(2)	28.6%	29.9%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	33.9%	35.1%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Danish kroner)

	2001	2003
Tax breaks similar to cash benefits	182	201
Supplement for older people "Engangsbetob" (67+)	135	147
Capital tax reduction for older people (67+)	0	0
Housing for older people "Plejehjem"	47	54
Tax breaks to stimulate private social protection (not including pensions)	0	0
<i>Memorandum item</i>		
Tax breaks for pensions	0	0

Source: Ministry of Finance, Denmark.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

FINLAND

A. Average Itemised Tax Rates (%)

	2 001	2 003
1 Old-age cash benefits		
1a - public pensions	19.7	19.4
1c - private pensions	28.6	28.9
2 Survivors' benefits		
2a - public pensions	19.1	19.8
3 Incapacity-related benefits		
3a - Disability pensions	17.5	17.6
3b - Occupational Injury benefits	26.2	23.5
3c - Sickness payments	26.8	24.4
4 Family cash benefits		
4a - Family benefits	16.7	17.0
4b - Maternity and parental leave payments	21.7	21.5
5 Active labour market policies		
5a - benefits while on training	19.4	19.9
6 Unemployment		
6a - unemployment insurance benefit	20.5	20.5
6b - unemployment assistance benefit	18.6	18.1

The micro-simulation model used in the Ministry of Finance is based on a representative sample of some 25 000 individual taxpayers. The model is used for the planning of national tax policies and for estimating the effect of tax policy alterations on tax revenues and on the income tax liabilities of taxpayers at different income levels. The information is in principle collected for the Income Distribution
Source : Ministry of Finance.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	67 978	69 003
(2) Private consumption plus Government consumption minus Government wages	78 424	79 517
(3) General consumption taxes plus excise duties (5110+5121)	16 789	18 657
5110 General taxes	11 118	12 455
5121 Excises	5 671	6 202
(4) Taxes on production sale transfer (5100)	18 004	20 011
(5) Taxes on Goods and Services (5000)	18 462	20 509
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	21.4%	23.5%
(7) using a broad concept of the indirect tax base (5)/(2)	23.5%	25.8%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	27.2%	29.7%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	0	0
Tax breaks to stimulate private social protection (not including pensions)	0	0
<i>Memorandum Items</i>		
Tax breaks for pension	170	205
- Deduction of contributions to private pensions	170	205

Source: Ministry of Finance, Finland.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

FRANCE

A. Amount of direct tax paid on benefit income (in millions of euros)

	2 001	2 003
Total (income tax + social security contributions)	20 350	21 384
1-2-3a Old-age, survivors' benefits, disability pensions	15 160	16 292
3b Occupational Injury benefits	110	130
3c Sickness payments	910	919
4a-4c Family and sole parent cash benefits	280	290
4b Maternity and parental leave payments	220	283
5 Active labour market policies	1 570	1 417
6 Unemployment	2 040	1 987
7 Housing	60	66

Sources: See Table C below.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	807 494	838 227
(2) Private consumption plus Government consumption minus Government wages	951 135	980 235
(3) General consumption taxes plus excise duties (5110+5121)	150 963	158 765
5110 General taxes	110 727	115 705
5121 Excises	40 236	43 060
(4) Taxes on production sale transfer (5100)	163 101	171 594
(5) Taxes on Goods and Services (5000)	167 409	175 805
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	15.9%	16.2%
(7) using a broad concept of the indirect tax base (5)/(2)	17.6%	17.9%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	20.7%	21.0%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks Similar to cash benefits	14 750	16 280
Vieillesse		
Foncier bâti : Dégrèvement partiel	50	138
Vieillesse - invalidité		
Foncier bâti : exonération totale	290	300
Vieillesse - invalidité-survie		
Taxe d'habitation : exonération totale	1 220	1 250
Famille-invalidité		
Impôt sur le revenu : quotient familial	9 700	9 866
Taxe d'habitation : abattement pour charge de famille	1 070	1 130
Taxe d'habitation : effet du quotient familial sur les dégrèvements partiels	100	100
Famille		
Impôt sur le revenu : déduction des pensions pour enfants majeurs étudiants	280	290
Impôt sur le revenu : réduction d'impôt pour enfants scolarisés	400	399
Impôt sur le revenu : réduction d'impôt pour frais de garde d'enfants de moins de 7 ans	190	200
Autres domaines de politique sociale		
Prime pour l'Emploi	1 250	2 322
Taxe d'habitation : dégrèvement total pour les titulaires du RMI	200	285
Tax breaks to stimulate private social protection (not including pensions)	340	320
Logement		
Impôt sur le revenu : déductions pour la location à des ménages modestes	-	-
Impôt sur les bénéficiaires : exonération des offices HLM et OPAC	260	270
Autres domaines de politique sociale		
Impôt sur le revenu : réduction pour dons aux personnes en difficulté	40	50

Sources: Amounts supplied by DREES/INSEE, based on estimates from various institutes:
Social security contributions: URSSAF (Union de Recouvrement des cotisations de Sécurité Sociale et d'Allocations Familiales), DSS (Direction de la Sécurité Sociale), ACOSS (Agence Centrale des Organismes de Sécurité Sociale), et CNAF (Caisse Nationale des Allocations Familiales).
Income tax and tax breaks for social purposes: Direction Générale des Impôts, INES model (Insee-Drees).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

GERMANY

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003
Direct taxes and social contributions paid on public cash benefits	24 051.9	24 487.9
Social contributions paid by recipients of benefits (unemployment, disability, etc.)	16 308.0	17 141.0
Income tax on pensions	5 134.0	4 748.8
Social security contributions	1 009.9	928.1
Soc. Sec. Cont. on pensions for farmers	255.7	227.2
Soc Sec Cont on "versorgungswerke"	146.7	155.9
Supplementary Pensions in Civil Service	607.4	545.0
Progressionsvorbehalt	1 600.0	1 670.0
Direct taxes and social contributions paid on mandatory private cash benefits	10 598.7	9 988.4
Continued wage payments in case of sickness (Entgeltfortzahlung)	10 007.0	9 988.4
Continued Wage Payments: Maternity and parental leave	591.7	
Direct taxes and social contributions paid on voluntary private cash benefits	2 562.7	3 192.7
Tax over BAV (company pension)	1 189.5	1 305.5
Soc. Sec. cont over BAV (company pension)	1 092.8	1 492.0
Tax and soc.sec. cont over other payments	280.4	395.2

Source: Bundesministerium für Arbeit und Sozialordnung; Calculated while using the nettolohnquote as in the national accounts.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	1 232 660	1 258 570
(2) Private consumption plus Government consumption minus Government wages	1 461 230	1 492 580
(3) General consumption taxes plus excise duties (5110+5121)	200 521	206 353
5110 General taxes	138 935	137 568
5121 Excises	61 586	68 785
(4) Taxes on production sale transfer (5100)	210 991	218 371
(5) Taxes on Goods and Services (5000)	219 602	225 951
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	13.7%	13.8%
(7) using a broad concept of the indirect tax base (5)/(2)	15.0%	15.1%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	17.8%	18.0%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	33 560.8	36 544.0
Special expenses for owner-occupied homes	1 733.0	430.0
Child component in conjunction with sec.10 e EStG (sec. 34 f EStG)	460.0	65.0
Owner-occupied Homes Premium Law, total	8 050.0	10 536.0
Employee savings premiums for productive investment (sec. 19 a EStG)	41.0	41.0
Deduction of occupational training expenses	79.0	85.0
Motor vehicle tax exemption for physically disabled persons	135.0	130.0
Household allowance	869.0	1 000.0
Deduction for extraordinary financial burdens	465.0	475.0
Deduction for extraordinary financial burdens in special instances	1 334.0	900.0
Lump sum allowances for the physically disabled and others	798.0	810.0
Lump sum care allowance	72.0	72.0
Family benefits (child tax credit)	19 524.8	22 000.0
For information: Family benefits (Familienlastenausgleich: tax credit + cash benefits)	(32 020.7)	(36 080)
Tax breaks to stimulate private social protection (not including pensions)	9 480.0	9 485.0
Exclusion of contributions to health and accident insurance	8 400.0	8 400.0
Donations to (approved) NGOs and political parties	1 080.0	1 085.0
Memorandum Item		
Tax breaks to pensions	17 520.0	18 280.0
- Deduction of contributions to public pensions	14 300.0	15 100.0
- Deduction of private life insurances	2 300.0	2 200.0
- Lump sum taxation of contributions to occupational pension plans	920.0	980.0

a) Donation to political parties are not in the social domain. However, the value of these donations cannot be separately identified, but is considered smaller than the donations to NGOs, and therefore this item is included in the list here.

Source : Bundesministerium für Arbeit und Sozialordnung, Bundesministerium für Finanzen, Germany.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

ICELAND

A. Amount of direct tax paid on benefit income (in millions of Icelandic krónur)

	2 001	2 003
Total tax paid (including soc. sec. cont.) on public transfer income	4 240	5 800
of which:		
- Income tax	4 240	5 800
Total tax paid (including soc. sec. cont.) on private transfer income	3 700	6 400
of which:		
- Income tax	3 700	6 400

Source: Ministry of Finance, Economic Department.

B. Average implicit indirect tax rates of consumption out of benefit income
 Indirect taxes paid out of consumption of cash transfers, in millions of Icelandic krónur

	2001	2003
(1) Private final consumption expenditure	408 413	417 064
(2) Private consumption plus Government consumption minus Government wages	475 924	484 575
(3) General consumption taxes plus excise duties (5110+5121)	98 737	112 423
5110 General taxes	77 232	87 938
5121 Excises	21 505	24 485
(4) Taxes on production sale transfer (5100)	106 318	120 368
(5) Taxes on Goods and Services (5000)	114 876	130 083
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	20.7%	23.2%
(7) using a broad concept of the indirect tax base (5)/(2)	24.1%	26.8%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	28.1%	31.2%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Icelandic krónur)

	2001	2003
Tax breaks similar to cash benefits	0	0
Tax breaks to stimulate private social protection (not including pensions)	0	0
<i>Memorandum item</i>		
Tax breaks for pension	6 700	8 400

Source: Ministry of Finance of Iceland, Economic Department.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

IRELAND

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003
Total tax paid (including soc. sec. cont.) on transfer income	299.4	331.6
- item Social Security Pension	267.6	291.4
- item Social Security Disability Benefit	20.6	23.2
- item Social security Unemployment Benefit	11.2	17.0

Source: Ireland Revenue, Income Tax Returns for 2003 (SAS).

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros)

	2001	2003
(1) Private final consumption expenditure	53 582	54 130
(2) Private consumption plus Government consumption minus Government wages	60 950	61 532
(3) General consumption taxes plus excise duties (5110+5121)	12 128	14 483
5110 General taxes	7 999	9 814
5121 Excises	4 129	4 669
(4) Taxes on production sale transfer (5100)	12 343	14 668
(5) Taxes on Goods and Services (5000)	12 902	15 362
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	19.9%	23.5%
(7) using a broad concept of the indirect tax base (5)/(2)	21.2%	25.0%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	24.1%	28.4%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003 *
Tax breaks similar to cash benefits	196.6	319.3
Exemption of statutory redundancy payments	8.7	25.1
Widowed person's allowance (data do not cover non-tax payers)	82.6	122.3
Additional allowance to widowed person in year of bereavement	4.2	6.1
Additional bereavement allowance to widowed parent	3.9	5.6
Additional personal allowance for one parent family	91.5	137.8
Additional allowance for incapacitated child	2.7	4.4
Dependent relative allowance	0.8	1.1
Person taking care of incapacitated taxpayer	0.4	0.6
Donations to approved bodies	1.8	16.3
Tax breaks to stimulate private social protection (not including pensions)	205.5	226.6
Relief in respect of medical insurance premiums	168	161.7
Health expenses relief	36	63.2
Contributions under permanent health benefit schemes after deduction of tax on benefits received	1.5	1.7
Memorandum item		
Tax breaks to pensions	2 009.5	2 708.9
Employee's Contributions to Approved Superannuation Schemes:	388.7	563.3
Employer's Contributions to Approved Superannuation Schemes:	497.7	623.1
Exemption of Net Income of Approved Superannuation Funds	938.4	1 271.6
Retirement Annuity Premiums (Individual private pensions)	184.7	250.9

* TBSPs are for 2002 as 2003 figures are not yet available.

Source: Office of the Revenue Commissioners, Statistical Reports.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

ITALY

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003
1 Old-age cash benefits		
1a - public pensions (mandatory)	16 711.5	18 697.0
1b - early retirement benefits		
1c - private pensions (non mandatory)	471.7	505.0
2 Survivors' benefits		
2a - public pensions (mandatory)	4 082.3	4 371.0
2b - private pensions (non mandatory)	133.6	142.7
3 Incapacity-related benefits		
3b-1 - Occupational Injury benefits (mandatory)	2 206.6	2 142.1
3b-2 - Occupational Injury benefits (non mandatory)	15.7	14.6
Total	23 621.4	25 872.4

Source: Official administrative information from National Institute for Social Security (INPS).

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	732 679	737 680
(2) Private consumption plus Government consumption minus Government wages	831 372	842 890
(3) General consumption taxes plus excise duties (5110+5121)	109 049	112 185
5110 General taxes	77 796	79 486
5121 Excises	31 253	32 699
(4) Taxes on production sale transfer (5100)	125 532	129 538
(5) Taxes on Goods and Services (5000)	139 788	143 950
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	13.1%	13.3%
(7) using a broad concept of the indirect tax base (5)/(2)	16.8%	17.1%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	19.1%	19.5%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003 *
Tax breaks similar to cash benefits	1 729.9	1 902.4
Tax credits:		
Healthcare expenses	1 493.3	1 624.4
Healthcare expenses for disabled	7.1	8.0
Other expenses for disabled (vehicles, dogs, ...)	17.8	36.9
Education expenses	188.5	206.1
Tax deductions:		
Medical expenses for disabled (1)	23.3	26.9
Tax breaks to stimulate private social protection (not including pensions)	1 691.8	1 583.2
Tax credits:		
Donations to ONLUS	24.9	31.2
Contributions to mutual assistance associations	4.8	5.2
Contributions to health and accident insurance	1 662.2	1 546.8
Memorandum item		
Tax breaks to pensions		
- Deduction of contributions to private pensions	102.9	132.2
- Non-taxation of investment of private pension funds (2)	3.7	8.9

* TBSPs are for 2002 as 2003 figures are not yet available.

1) The estimate is based on the amount of the relevant deductions as recorded in all individual tax returns, distributed in 30 income class. The revenue foregone is calculated applying to the deductions in each income class the corresponding P.I.T. average implicit tax rate.

2) The tax break in years 2001 and 2002 are the reduction of tax rate by 1.5%. The estimate is based on administrative data for the tax revenue from income of pension funds. The tax revenue without the tax break is estimated by applying the ordinary tax rate of 12.5% to the 2001 taxable income. The revenue foregone is then calculated as the difference between this estimated tax revenue and the actual tax revenue.

Source: Official administrative information from National Institute for Social Security (INPS).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

JAPAN

A. Amount of direct tax paid on benefit income (in millions of yen)

	2001	2003
Income tax rate of 1.12% + Health insurance contribution of 2.33%		
- public old pensions	1 097 156.9	1 167 918
- mandatory private old age pensions	83 106.0	77 246
- voluntary private old age pensions	326 416.2	329 382

Source: Ministry of Finance of Japan.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of yen

	2001	2003
(1) Private final consumption expenditure	286 240	285 965 500
(2) Private consumption plus Government consumption minus Government wages	339 798	339 698 500
(3) General consumption taxes plus excise duties (5110+5121)	21 985	21 793 000
5110 General taxes	12 241	12 107 000
5121 Excises	9 744	9 686 000
(4) Taxes on production sale transfer (5100)	22 991	22 732 000
(5) Taxes on Goods and Services (5000)	26 052	25 793 000
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	6.5%	6.4%
(7) using a broad concept of the indirect tax base (5)/(2)	7.7%	7.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	9.1%	9.0%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of yen)

	2001	2003
TBSPs similar to cash benefits	5 104 700	3 750 000
Deduction for dependent family other than spouses (General taxation)	2 100 000	2 370 000
Deduction for handicapped, survivors and working students (General taxation)	700 000	140 000
Deduction for the elderly		210 000
Deduction for medical expenses	564 700	1 030 000
Deduction for retirement income	1 740 000	..
Tax breaks to stimulate private social protection (not including pensions)	105 000	130 000
(4) Exclusion of income from social insurance medical services	105 000	130 000
Memorandum item		
Tax breaks to pensions	3 620 000	3 040 000
- Deduction of contributions to private pensions (e.g occupational pension plans, individual retirement accounts, RRSPs, Superannuation, etc)	-	2 580 000
- Non-taxation of investment of private pension funds	-	460 000

Source: Information supplied by the Ministry of Finance of Japan.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

KOREA

A. Amount of direct tax paid on benefit income (in millions of won)

	2001	2003
Gross public social expenditure		
Social contributions	34 842	51 109
Gross mandatory private social expenditure	324 073	461 607
Direct taxes	265 511	395 635
Social contributions	58 562	65 972

Source: See table C below.

B. Average implicit indirect tax rates of consumption out of benefit income
 Indirect taxes paid out of consumption of cash transfers, in millions of won

	2001	2003
(1) Private final consumption expenditure	326 209 873	343 416 700
(2) Private consumption plus Government consumption minus Government wages	342 752 889	382 980 500
(3) General consumption taxes plus excise duties (5110+5121)	44 123 000	51 929 000
5110 General taxes	25 835 000	33 447 000
5121 Excises	18 288 000	18 482 000
(4) Taxes on production sale transfer (5100)	57 430 000	66 354 000
(5) Taxes on Goods and Services (5000)	59 377 000	68 197 000
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	12.9%	13.6%
(7) using a broad concept of the indirect tax base (5)/(2)	17.3%	17.8%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	18.2%	19.9%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of won)

	2001	2003
Tax breaks similar to cash benefits	2 024 445	4 709 134
Tax abatement for non-profit corporation	20 793	30 480
for social welfare support institution	186 937	202 616
for imported goods for the disabled	7 744	26 292
for the cars used by the disabled	178 192	65 743
Income deduction (tax credit)	1 630 780	4 384 003
Tax breaks to stimulate private social protection (not including pensions)	0	0

Gho, K.H, Chang Y.S (2005), Estimation of Net Social Expenditure in Korea on the Basis of the OECD Guidelines: 1995 - 2003 (in Korean only), Korean Institute for Health and Social Affairs (KIHASA), Korea.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

MEXICO

A. Amount of direct tax paid on benefit income (in millions of pesos)

Cash benefits paid by general government in Mexico are not subject to income tax.

B. Average implicit indirect tax rates of consumption out of benefit income
 Indirect taxes paid out of consumption of cash transfers, in millions of pesos)

	2001	2003
(1) Private final consumption expenditure	4 056 830	4 044 878
(2) Private consumption plus Government consumption minus Government wages	4 202 260	4 187 737
(3) General consumption taxes plus excise duties (5110+5121)	323 706	376 888
5110 General taxes	208 408	254 433
5121 Excises	115 298	122 455
(4) Taxes on production sale transfer (5100)	550 184	675 640
(5) Taxes on Goods and Services (5000)	561 704	689 054
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	7.7%	9.0%
(7) using a broad concept of the indirect tax base (5)/(2)	13.4%	16.5%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	13.8%	17.0%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of pesos)

	2001 *	2003
Tax breaks Similar to cash benefits	66 590.0	50 320.0
- Fiscal subsidy (Art. 80-A, ITL 2001)	52 910.0	34 108.0
- Social prevision services (section VI, Art. 77, ITL 2001)	13 680.0	16 212.0
Tax breaks to stimulate private social protection (not including pensions)	12 167.0	15 250.0
- Income from saving funds (section VIII, Art. 77, ITL 2001)	12 010.0	14 989.0
- Reimbursement of medical, dental and funeral expenses (section IV, Art. 77, ITL 2001)	157.0	261.0

* TBSPs are for 2002 as 2001 figures are not available.

Source: Fiscal Expenditure Budget 2002 and 2003 (Presupuesto de Gastos Fiscales 2002 y 2003)

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

NETHERLANDS

A. Average Itemised Tax Rates (AITR %)

	2 001	2003 *
1 Old-age cash benefits	14.6	14.6
1a - public pensions	7.1	7.1
1b - early retirement benefits	27.9	27.9
1c - private pensions	16.8	16.8
2 Survivors' benefits	25.3	25.3
2a - public pensions	23.5	23.5
2b - private pensions	29.5	29.5
3 Incapacity-related benefits		
3a - Disability pensions	20.4	20.4
6 Unemployment	20.8	20.8
6a - unemployment insurance benefit	21.6	21.6
6b - unemployment assistance benefit	14.6	14.6
8 Other contingencies	14.0	14.0
8a - Low Income benefits	14.0	14.0

* AITRs are for 2001 as 2003 rates are not available.

The micro-simulation model used is based on annual tax data from a representative sample of taxpayers (220 000 individuals, of whom 150 000 have income, or 1.5% of the taxpaying population). These tax data mainly comprise information from income and wage tax returns and assessments. It normally takes three years before sufficient tax data are available and the simulation model is adjusted, and before reliable up-to-date estimates can be made for current and future years.

Source: Ministry of Finance, The Netherlands.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	213 121	224 244
(2) Private consumption plus Government consumption minus Government wages	269 984	282 809
(3) General consumption taxes plus excise duties (5110+5121)	46 952	49 440
5110 General taxes	32 509	34 754
5121 Excises	14 443	14 686
(4) Taxes on production sale transfer (5100)	48 060	50 844
(5) Taxes on Goods and Services (5000)	52 754	55 918
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	17.4%	17.5%
(7) using a broad concept of the indirect tax base (5)/(2)	19.5%	19.8%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	24.8%	24.9%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	1 482.5	2 001.2
Child credits	163.9	163.9
Combination credit (combination of work and care for children)	225.5	225.5
Single parent credits	472.8	472.8
Deduction for medical, disability, chronically ill or handicapped expenses, child adoption	461.9	880.0
Deduction for support expenses for children	95.0	162.0
Deduction for child care contributions	45.4	97.0
Exemption for certain sign-on premiums	18.0	0.0
Tax breaks to stimulate private social protection (not including pensions)	1 920.0	1 648.0
Reduced wage tax for low wage employees	890.0	620.0
Reduced wage tax for long-term unemployed	207.0	130.0
Reduced wage tax for child care	92.0	162.0
Reduced wage tax for paid parental leave	18.0	42.0
Deduction of charitable and other donations	214.0	231.0
Reduced succession duty for donations to institutions with a public interest	117.0	150.0
Temporary additional tax credit for home help	52.0	41.0
Tax deduction towards employment/training of workforce	330.0	272.0
Reduced wage tax for schooling (non profit)	59.0	72.0
Deduction for schooling (employer)	271.0	200.0

Source: Ministry of Finance, The Netherlands.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

NEW ZEALAND

A. Average Itemised Tax Rates (AITR %)

	2 001	2 003
Transitional Retirement Benefit	15.9	16.0
War Veterans' allowances	16.8	17.0
Widows Benefit	16.3	16.0
Invalids Benefit	16.3	16.3
Sickness benefit	16.3	15.3
Earners account (ACC)	7.4	7.4
Motor vehicle account (ACC)	7.4	7.4
Non earners account (ACC)	7.4	7.3
Medical misadventure account (ACC)	7.4	7.4
Occupational injury: residual claims account (ACC) (formerly Employers account)	7.4	7.3
Occupational injury: self-employed account (ACC)	7.4	7.4
Occupational injury: employers account (ACC)	7.4	7.4
Domestic Purposes Benefit for lone parents	17.3	17.0
Training Benefit	15.8	-
Unemployment Benefit and Emergency Unemployment Benefit	16.5	15.9
Independent Youth Benefit	15.5	15.3

Source: New Zealand Treasury.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of New Zealand dollars

	2001	2003
(1) Private final consumption expenditure	71 744	72 435
(2) Private consumption plus Government consumption minus Government wages	83 246	83 597
(3) General consumption taxes plus excise duties (5110+5121)	12 979	15 122
5110 General taxes	10 742	12 775
5121 Excises	2 237	2 347
(4) Taxes on production sale transfer (5100)	13 876	16 137
(5) Taxes on Goods and Services (5000)	14 838	17 247
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	15.6%	18.1%
(7) using a broad concept of the indirect tax base (5)/(2)	17.8%	20.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	20.7%	23.8%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of New Zealand dollars)

	2001	2003
Tax breaks similar to cash benefits	16.9	22.2
Child rebate		8.5
Child Care	16.9	13.7
Tax breaks to stimulate private social protection (not including pensions)	77.4	89.9
Charitable Donations	77.4	89.9

Source: New Zealand Treasury.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

NORWAY

A. Average Itemised Tax Rates (AITR %)

	2 001	2 003
1 Old-age cash benefits	18.3	17.8
1a - public pensions	16.5	16.0
1b - early retirement benefits	22.4	22.5
1c - private pensions	22.1	21.3
2 Survivors' benefits	19.4	18.9
2a - public pensions	19.4	18.9
3 Incapacity-related benefits	16.3	15.7
3a - Disability pensions	15.8	15.3
3c - Sickness payments	25.4	25.0
4 Family cash benefits	0.2	0.2
4c - Sole parent benefits	1.6	0.9
5 Active labour market policies	17.2	19.8
5a - benefits while on training	17.2	19.8
6 Unemployment	20.4	20.8
6a - unemployment insurance benefit	20.4	20.8

Source: Ministry of Finance.

B. Average implicit indirect tax rates of consumption out of benefit income
 Indirect taxes paid out of consumption of cash transfers, in millions Norwegian kroner

	2001	2003
(1) Private final consumption expenditure	656 990	651 339
(2) Private consumption plus Government consumption minus Government wages	766 423	766 276
(3) General consumption taxes plus excise duties (5110+5121)	176 435	188 123
5110 General taxes	127 221	135 667
5121 Excises	49 214	52 456
(4) Taxes on production sale transfer (5100)	200 929	198 048
(5) Taxes on Goods and Services (5000)	209 706	211 595
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	23.0%	24.6%
(7) using a broad concept of the indirect tax base (5)/(2)	27.4%	27.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	31.9%	32.5%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Norwegian kroner)

	2001	2003
Tax breaks similar to cash benefits	0	2 290
Childcare expense deduction	-	1 410
Healthcare expense deduction	-	330
Additional personal allowance for one-parent families	-	550
Tax breaks to stimulate private social protection (not including pensions)	0	0
<i>Memorandum item</i>		
Tax breaks for pensions	11 500	11 795
Occupational pension schemes	11 500	11 500
Individual pension schemes	-	295

Source: Ministry of Finance, Norway.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

PORTUGAL

A. Amount of direct tax paid on benefit income (in millions of euros)

	2 001	2 003
Total income tax paid on public and private transfer income	..	866.1

Source: estimate by the Ministry of Finance based on Personal Income Tax Returns data.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	74 968	75 252
(2) Private consumption plus Government consumption minus Government wages	81 822	82 349
(3) General consumption taxes plus excise duties (5110+5121)	14 994	16 623
5110 General taxes	10 034	11 072
5121 Excises	4 960	5 551
(4) Taxes on production sale transfer (5100)	16 065	17 629
(5) Taxes on Goods and Services (5000)	16 301	17 770
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	18.3%	20.2%
(7) using a broad concept of the indirect tax base (5)/(2)	19.9%	21.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	21.7%	23.6%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	..	1 438.2
- Health care tax credits		434.9
- Housing tax credits		395.6
- Tax credits for education expenses and for payments to homes for the elderly on behalf of taxpayers, their relatives in the ascending line and other close relatives whose incomes do not exceed the minimum wage;		224.6
- Child tax credits		253.2
- Tax credit for supporting relatives in the ascending line whose income does not exceed the minimum pension		2.6
- Tax benefits for disabled people		127.3
Tax breaks to stimulate private social protection (not including pensions)	..	88.0
- Tax credits for contributions to personal accident and life insurance		55.1
- Tax credits for contributions to health insurance		18.5
- Donations to (approved) NGOs, churches, museums, libraries, schools, research institutes and associations, and other bodies (including government bodies)		14.4
Memorandum item		
Tax breaks for pensions	..	158.0
- Tax credits for individual retirement accounts (PPR)		158.0
- Non-taxation of investment of private pension funds		..

.. 2001 figures are not available.

Source: Portuguese Ministry of Finance, 2006 State Budget Report ; and Portuguese Ministry of Finance, Personal Income Tax Returns data.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

SLOVAK REPUBLIC

A. Average Itemised Tax Rates / Amount of direct tax paid on benefit income (in millions of Slovak koruny)

Cash benefits paid by general government in the Slovak Republic are not subject to income tax.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Slovak koruny

	2001	2003
(1) Private final consumption expenditure	560 237	592 057
(2) Private consumption plus Government consumption minus Government wages	667 892	711 446
(3) General consumption taxes plus excise duties (5110+5121)	101 989	119 707
5110 General taxes	73 587	81 876
5121 Excises	28 402	37 831
(4) Taxes on production sale transfer (5100)	105 918	128 153
(5) Taxes on Goods and Services (5000)	105 918	134 928
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	15.3%	16.8%
(7) using a broad concept of the indirect tax base (5)/(2)	15.9%	19.0%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	18.9%	22.8%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Slovak koruny)

	2001	2003
Tax breaks similar to cash benefits	3 304.3	6 349.3
Child tax allowance*	3 038.6	6 039.8
Tax allowance for partially disabled people*	72.3	124.0
Tax allowance for disabled people*	193.4	185.5
* Child tax allowance and tax allowances for disabled people were deductible from tax base.		
Tax breaks to stimulate private social protection (not including pensions)	681.6	1 543.0
Donations to municipalities and legal entities for selected purposes**:		
- donations given by individuals	302.7	329.0
- donations given by legal entities - social and health purposes	258.2	1 132.0
** tax deductibility limits for donations: taxpayer - individual - minimum 500 SKK and the value of donation can not exceed 10% of tax base, taxpayer - legal entity - minimum 2000 SKK and the value of donation can not exceed 2 % of tax base		
Reduction of tax for employers hiring disabled people***:		
- taxpayers who filed tax return for personal income tax purposes	13.1	..
- taxpayers who filed tax return for corporate income tax purposes	107.6	82.0
*** Reduction of tax (tax relief) for employers hiring disabled people: 10 000 SKK/employee or 24 000 SKK/employee per year according to the level of disability.		
Memorandum item		
Tax breaks for pensions		
- Deduction of contributions to private pensions (e.g occupational pension plans, individual retirement accc	939.1	404.7

Source: Data provided by Ministry of Labour, Social Affairs and Family of the Slovak Republic - aggregate data from filed tax returns (personal income tax and corporate income tax) in 2001, 2003.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

SPAIN

A. Amount of direct tax paid on benefit income (in millions of euros)

	2 001	2003 *
Total tax paid (including social security contribution) on public transfer income	7 127	7 805
of which:		
- Income tax *	6 424	7 433
- Social security contributions **	703	372
Total tax paid (including social security contribution) on private transfer income	1 321	1 646
of which:		
- Income tax *	1 321	1 646
Total tax paid (including social security contribution) on transfer income	8 448	9 451

* Estimates based on 2001 and 2002 (2003 not available) PIT statistics. Data are based on income class data based on data-set of individual taxpayers. The estimation method is based on calculations made on personal income tax payments multiplied by fractions of net taxable income sources (as percentage of the total tax base) at the level of income classes/tax brackets.

** SSC paid by unemployed workers perceiving unemployment benefits.

Sources: Tax Expenditures Budget, Ministry of Finance, Spain.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003
(1) Private final consumption expenditure	381 583	401 210
(2) Private consumption plus Government consumption minus Government wages	428 594	448 672
(3) General consumption taxes plus excise duties (5110+5121)	55 830	66 247
5110 General taxes	38 969	46 767
5121 Excises	16 861	19 480
(4) Taxes on production sale transfer (5100)	60 377	71 373
(5) Taxes on Goods and Services (5000)	65 824	76 666
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	13.0%	14.8%
(7) using a broad concept of the indirect tax base (5)/(2)	15.4%	17.1%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	17.3%	19.1%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003
Tax breaks similar to cash benefits	238	1 064
PIT exemption of Invalidation, Terrorism and HIV Pensions *	238	289
Child Care Benefit exemption (*)		61
Child Tax Credit (*)		583
Unemployment Lump-Sum Payment & Cease Job Compensation (*)		132
Tax breaks to stimulate private social protection (not including pensions)	0	2 185
Reduction of SSC for employers hiring disadvantaged groups (long-term unemployed, disabled (**))	-	2 185
Memorandum item		
Tax breaks for pensions	1 208	1 862

Sources: Tax Expenditures Budget, Ministry of Finance, Spain.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

SWEDEN

A. Average Itemised Tax Rates (AITR %)

	2 001	2 003
1. Old-age cash benefits		
a - public pensions	25.0	28.6
b - early retirement pensions	29.0	28.6
c - private pensions	32.1	28.6
2. Survivors benefits		
a - public pensions	22.3	28.3
b - private pensions		
3. Incapacity-related benefits		
a - disability pensions	24.8	27.7
b - occupational injury benefits	32.4	30.8
c - sickness payments	34.1	30.8
4. Family cash benefits		
a - family benefits		
b - maternity and parental leave payments	33.8	30.8
c - sole parent benefits		
5. Active labor market policies		
a - benefits while in training	29.6	29.6
6. Unemployment		
a - unemployment insurance benefit	29.8	28.7

Source : Data supplied by Statistics Sweden.

B. Average implicit indirect tax rates of consumption out of benefit income
 Indirect taxes paid out of consumption of cash transfers, in millions of Swedish kronor

	2001	2003
(1) Private final consumption expenditure	1 102 627	1 124 240
(2) Private consumption plus Government consumption minus Government wages	1 357 282	1 375 513
(3) General consumption taxes plus excise duties (5110+5121)	280 447	306 858
5110 General taxes	206 916	226 370
5121 Excises	73 531	80 488
(4) Taxes on production sale transfer (5100)	289 098	315 641
(5) Taxes on Goods and Services (5000)	296 762	323 968
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	20.7%	22.3%
(7) using a broad concept of the indirect tax base (5)/(2)	21.9%	23.6%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	26.9%	28.8%

Sources : Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Swedish kronor)

Information on TBPS that were not accounted in the direct tax calculations is not available.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

UNITED KINGDOM

A. Average Itemised Tax Rates (AITR %)

	2001	2003
1 Old-age cash benefits		
1a - public pensions	3.0	3.26
1c - private pensions	7.0	6.97
2 Survivors' benefits		
2a - public pensions	8.0	9.69
- Widows Pension	9.0	9.69
- War Widows Pension	0.0	0.00
3 Incapacity-related benefits		
3a - Disability pensions	0.0	0.00
3b - Occupational Injury benefits	0.0	0.00
3c - Sickness payments	4.0	10.00
- Statutory sick pay	14.0	15.25
- Incapacity Benefit: Short-term	0.0	0.00
- Incapacity Benefit: Long-term	2.0	2.82
3d - Disability Allowances	0.0	0.00
4 Family cash benefits		
4a - Family benefits	0.0	0.00
4b - Maternity and parental leave payments	11.0	14.54
- Maternity Allowance	0.0	0.00
- Statutory Maternity Allowance	12.0	14.54
4c - Sole parent benefits	0.0	0.00
4d - Child Benefit	0.0	0.00
5 Active labour market policies		
5a - benefits while on training	0.0	0.00
6 Unemployment		
6b - unemployment assistance benefit	1.0	0.82
7 Housing		
7a - rent subsidies	0.0	0.00

Sources: IGOTM Tax Benefit Model (2001-02 and 2003-04) based on the Family Resource Surveys.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of pounds sterling

	2001	2003
(1) Private final consumption expenditure	658 125	660 429
(2) Private consumption plus Government consumption minus Government wages	776 508	749 961
(3) General consumption taxes plus excise duties (5110+5121)	104 679	115 711
5110 General taxes	68 082	77 630
5121 Excises	36 597	38 081
(4) Taxes on production sale transfer (5100)	111 848	123 117
(5) Taxes on Goods and Services (5000)	116 503	128 088
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	13.5%	15.4%
(7) using a broad concept of the indirect tax base (5)/(2)	15.0%	17.1%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	17.7%	19.4%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of pounds sterling)

	2001	2003
Tax breaks similar to cash benefits	793.0	4 010.0
Family		
Working families Tax Credit (negative tax)	758.0	..
tax	758.0	..
cash	4 742.0	..
total	5 500.0	..
Working Tax Credit (negative tax)		1 200.0
tax		1 200.0
cash		3 500.0
total		4 700.0
Child Tax Credit (negative tax)		2 800.0
tax		2 800.0
cash		6 000.0
total		8 800.0
Other Income Maintenance		
Charitable donations under the payroll giving scheme	25.0	..
Outplacement counselling for redundant employees	10.0	10.0
Tax breaks to stimulate private social protection (not including pensions)	1 200.0	1 260.0
Health		
Insurance premiums and medical care (abolished in 1999)	0.0	0.0
Other		
Income of charities	860.0	920.0
Exemption to charities on death	340.0	340.0
Memorandum item		
Tax breaks for pensions (post-September 2004 figures)	9 375.0	10 790.0
Total reliefs	16 975.0	19 030.0
Deduction of contributions to private pensions by employees and self-employed	5 715.0	5 530.0
Deduction of contributions to private pensions by employers	7 210.0	10 750.0
Non-taxation of investment of private pension funds	3 700.0	2 400.0
Relief on lump sum payments from unfunded schemes	350.0	350.0
- taxation of current pensions in payment	7 600.0	8 240.0

Sources: Estimates based on administrative data and information compiled from a variety of sources by the Office for National Statistics, for HM Revenue and Customs.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure in 2001 and 2003 (cont.)

UNITED STATES

A. Average Itemised Tax Rates (AITR %)

	2 001	2 003
Social Security Benefits	4.0	5.2
Unemployment compensation	8.0	12.1
Pension and IRA distributions	15.0	14.8

Source: US Department of Treasury.

B. Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions US dollars

	2001	2003
(1) Private final consumption expenditure	6 987 000	7 055 000
(2) Private consumption plus Government consumption minus Government wages	7 553 125	7 554 200
(3) General consumption taxes plus excise duties (5110+5121)	335 805	355 001
5110 General taxes	223 748	234 292
5121 Excises	112 057	120 709
(4) Taxes on production sale transfer (5100)	408 635	433 266
(5) Taxes on Goods and Services (5000)	474 771	509 054
Implicit average indirect tax rate on consumption out of benefit income:		
(6) using general consumption taxes plus excise duties (3)/(2)	4.4%	4.7%
(7) using a broad concept of the indirect tax base (5)/(2)	6.3%	6.7%
(8) using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	6.8%	7.2%

Sources: Source: OECD (2006), National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004 (2nd version) OECD, Paris (Lines 1 and 2) and OECD (2006), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of US dollars)

	2001	2003
Tax breaks similar to cash benefits	78 658	84 304
Deductibility of medical expenses	4 990	6 240
Medical savings accounts	20	-30
Additional deduction for the blind	41	40
Earned income credit	4 940	5 089
Credit for child and dependent care expenses & exclusion for employer provided child care	3 182	3 310
Exclusion. of certain foster care payments	500	430
Adoption assistance (adoption credit and exclusion)	130	220
Assistance for adopted foster children	190	250
Child credit (from 1998 onwards)	29 312	37 970
Personal allowance for dependants (largely for children)	35 353	30 785
Tax breaks to stimulate private social protection (not including pensions)	116 470	141 320
Exclusion. of employer contributions for medical insurance premiums and medical care	82 800	101 920
Self-employed medical insurance premiums	1 520	2 550
Exclusion. of interest on State and local debt for private non-profit health facilities (excl. interest hosp)	-	-
Deductibility of charitable contributions (health)	270	3 390
Special Blue Cross/Blue Shield deduction	140	350
Tax credit for orphan drug research	50	160
Credit for disabled access expenditures	50	50
Deductibility of charitable contributions, other than education or health	30 150	30 020
Empowerment zones, enterprise communities, renewal communities	380	1 070
New markets tax credit	10	190
Exclusion of hospital construction bonds	1 100	1 620
Memorandum item		
Tax breaks for pension	110 990	131 980
Net exclusion of pension contributions:		
Employer plans	42 070	59 480
401(K) plans	44 080	51 560
Individual retirement accounts	18 680	20 060
Keogh plans	6 160	880

Source: US Department of Treasury.

**ANNEX 3 ADDITIONAL INFORMATION:
FROM GROSS PUBLIC TO TOTAL NET SOCIAL EXPENDITURE**

PART I. NET SOCIAL EXPENDITURE INDICATORS RELATED TO GDP AT MARKET PRICES AND NATIONAL INCOME, IN 2003

As the construction of net social spending indicators involves adjusting for indirect taxation of consumption out of benefit income, net social expenditure is related to GDP at factor cost, as GDP at factor costs does not include the value of indirect taxation and government subsidies to private enterprises and public corporations. However, in order to facilitate comparison with gross social spending indicators which are usually related to GDP at market prices for international comparisons, Table A.3.1.a presents these indicators. As domestic product includes income that accrues to foreigners, it may be argued that national income is another appropriate measure. As net transfers to foreigners should be measured (foreign aid is often net of tax) and capital stock depreciation arguably should not be used to finance tax payments, Table A.3.1.b relates the net spending indicators to Net Disposable National Income at factor prices.

Table A.3.1.a From gross public to total net social spending, 2003
Social expenditure, in percentage of GDP at market prices

	Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Mexico	Netherlands	New Zealand	Norway	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD 24
1 Gross public social expenditure	17.9	26.1	26.5	17.3	21.1	27.6	22.5	28.7	27.3	18.7	15.9	24.2	17.7	5.7	6.8	20.7	18.0	25.1	23.5	17.3	20.3	31.3	20.6	16.2	20.7
- Direct taxes and social contributions	0.1	2.6	1.6	0.4	0.0	4.1	2.2	1.3	1.1	0.7	0.2	1.8	0.2	0.0	0.0	1.6	1.4	2.1	0.7	0.0	1.2	4.3	0.2	0.7	1.2
2 Net cash direct public social expenditure	17.8	23.5	24.9	16.9	21.1	23.5	20.3	27.4	26.1	18.0	15.7	22.4	17.5	5.7	6.8	19.1	16.6	22.9	22.8	17.3	19.1	27.0	20.4	15.5	
- Indirect taxes (on cash benefits)	0.9	2.8	2.4	0.9	2.1	3.2	2.5	2.7	2.2	1.4	2.1	2.0	0.6	0.3	0.2	1.9	1.6	2.8	2.9	1.8	1.8	2.7	1.6	0.4	
3 Net direct public social expenditure	16.9	20.6	22.5	16.0	19.1	20.3	17.7	24.7	23.9	16.6	13.6	20.4	16.9	5.4	6.7	17.2	15.0	20.1	19.9	15.5	17.2	24.3	18.9	15.2	
+ T1 TBSPs similar to cash benefits	0.1	0.0	0.6	1.0	0.5	0.0	0.0	1.0	1.7	0.0	0.2	0.1	0.8	0.6	0.7	0.4	0.0	0.1	1.1	0.5	0.1	0.0	0.4	0.8	0.5
- Indirect taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.1	0.0	0.0	0.1	0.0	
4 Net TBSPs similar to cash benefits	0.1	0.0	0.5	0.9	0.4	0.0	0.0	0.9	1.5	0.0	0.2	0.1	0.7	0.6	0.7	0.3	0.0	0.1	0.9	0.4	0.1	0.0	0.3	0.7	
+ T2 TBSPs towards current private benefits	0.2	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.4	0.0	0.2	0.1	0.0	0.0	0.2	0.3	0.1	0.0	0.1	0.1	0.3	0.0	0.1	1.4	0.2
5 Net TBSPs (not including pensions)	0.3	0.0	0.5	1.2	0.4	0.0	0.0	0.9	1.9	0.0	0.3	0.2	0.7	0.6	0.9	0.7	0.1	0.1	0.9	0.6	0.4	0.0	0.4	2.1	
6 Net current public social expenditure	17.2	20.6	22.9	17.2	19.5	20.3	17.7	25.5	25.8	16.6	14.0	20.6	17.6	5.9	7.6	17.9	15.1	20.2	20.8	16.1	17.6	24.3	19.3	17.3	18.2
7 Gross mandatory private soc. Exp.	1.2	0.9	0.0	0.0	0.2	0.2	3.5	0.4	1.2	5.1	0.0	1.8	0.7	2.2	0.0	0.7	0.0	1.6	0.4	0.2	0.0	0.6	0.8	0.4	0.9
- Direct taxes and social contributions	0.2	0.3	0.0	0.0	0.0	0.1	0.7	0.0	0.5	0.8	0.0	0.1	0.0	0.1	0.0	0.2	0.0	0.4	0.0	0.0	0.0	0.2	0.0	0.0	0.1
- Indirect taxes	0.1	0.1	0.0	0.0	0.0	0.0	0.7	0.1	0.1	1.0	0.0	0.2	0.0	0.3	0.0	0.1	0.0	0.3	0.1	0.0	0.0	0.1	0.1	0.0	
8 Net current mand. private soc. exp.	1.0	0.5	0.0	0.0	0.2	0.1	2.1	0.3	0.6	3.3	0.0	1.4	0.6	1.8	0.0	0.4	0.0	0.9	0.4	0.2	0.0	0.3	0.6	0.4	0.6
9 Net publicly mandated soc. exp. [6+8]	18.2	21.2	22.9	17.2	19.7	20.4	19.9	25.8	26.4	20.0	14.0	22.0	18.2	7.8	7.6	18.3	15.1	21.2	21.2	16.3	17.6	24.6	19.9	17.6	18.9
10 Gross voluntary private soc. exp.	3.2	1.2	3.9	5.4	0.1	2.3	1.2	2.3	1.8	0.0	0.5	0.5	2.6	0.2	0.2	7.0	0.5	1.0	1.0	1.1	0.3	2.4	6.0	9.7	2.3
- Direct taxes and social contributions	0.3	0.1	0.3	0.7	0.0	0.7	0.3	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	1.1	0.0	0.2	0.0	0.0	0.0	0.5	0.4	0.6	0.2
- Indirect taxes	0.2	0.1	0.5	0.4	0.0	0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.7	0.0	0.2	0.0	0.2	0.0	0.4	0.8	0.2	
11 Net current voluntary private soc. exp.	2.7	1.0	3.1	4.3	0.1	1.2	0.7	2.2	1.6	0.0	0.5	0.4	2.4	0.2	0.2	5.1	0.5	0.6	1.0	0.9	0.3	1.5	4.8	8.9	1.8
12 Net current private soc. exp. [8+11]	3.7	1.5	3.1	4.3	0.3	1.2	2.9	2.5	2.2	3.3	0.5	1.9	3.0	2.1	0.2	5.6	0.5	1.5	1.3	1.1	0.3	1.8	5.4	9.2	
13 Net total social expenditure [6+12-T2] ^c	20.6	22.2	26.0	21.2	19.8	21.6	20.6	28.0	27.6	20.0	14.3	22.3	20.6	8.0	7.5	23.1	15.5	21.7	22.1	17.0	17.7	26.1	24.6	25.2	20.5
Memorandum item																									
TBSPs towards pensions	1.8	0.1	0.1	1.7	0.1	..	0.1	0.0	0.8	1.0	1.9	0.0	0.6	..	0.1	..	..	0.7	0.1	0.0	0.2	0.0	1.0	1.2	
Average indirect tax rate	10.1	17.0	15.2	12.4	16.4	27.5	23.5	16.2	13.8	23.2	23.5	13.3	6.4	13.6	9.0	17.5	18.1	24.6	20.2	16.8	14.8	22.3	15.4	4.7	16.5

a) 2002 tax amounts in Spain, 2002 TBSPs in Ireland and Italy, and 2001 tax rates in the Netherlands.

b) Numbers in square brackets refer to line numbers in the second column; “..” cell with no information.

c) In order to avoid double counting, the value of TBSPs towards “current” private social benefits has been ignored for the calculation of net total social expenditure.

d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

Table A.3.1.b From gross public to total net social spending, 2003
Social expenditure, in percentage of Net national disposable income at factor cost, 2003 ^a

	Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Mexico	Netherlands	New Zealand	Norway	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-24
1 Gross public social expenditure	25.6	36.0	36.4	23.8	31.0	41.4	32.6	39.3	37.5	26.0	25.4	33.8	24.8	7.8	8.5	28.4	26.2	33.8	31.7	25.1	27.6	43.3	26.4	20.0	28.8
- Direct taxes and social contributions	0.2	3.6	2.2	0.5	0.0	6.2	3.2	1.8	1.6	1.0	0.4	2.5	0.3	0.0	0.0	2.2	2.0	2.9	0.9	0.0	1.6	5.9	0.3	0.8	
2 Net cash direct public social expenditure	25.4	32.4	34.2	23.3	31.0	35.2	29.4	37.4	35.9	25.0	25.0	31.3	24.5	7.7	8.5	26.2	24.2	30.9	30.8	25.1	25.9	37.4	26.1	19.2	
- Indirect taxes (on cash benefits)	1.3	3.9	3.3	1.2	3.0	4.8	3.7	3.7	3.0	1.9	3.3	2.9	0.9	0.4	0.2	2.6	2.4	3.8	4.0	2.6	2.5	3.8	2.0	0.5	
3 Net direct public social expenditure	24.1	28.5	30.9	22.1	27.9	30.4	25.7	33.7	32.9	23.1	21.7	28.5	23.6	7.3	8.3	23.6	21.8	27.1	26.8	22.4	23.4	33.7	24.1	18.7	
+ T1 TBSPs similar to cash benefits	0.1	0.0	0.8	1.4	0.7	0.0	0.0	1.4	2.3	0.0	0.4	0.2	1.1	0.9	0.9	0.6	0.0	0.2	1.5	0.8	0.2	0.0	0.5	1.0	
- Indirect taxes	0.0	0.0	0.1	0.2	0.1	0.0	0.0	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.3	0.1	0.0	0.0	0.1	0.0	
4 Net TBSPs similar to cash benefits	0.1	0.0	0.6	1.3	0.6	0.0	0.0	1.2	2.0	0.0	0.3	0.2	1.0	0.8	0.8	0.5	0.0	0.1	1.2	0.6	0.2	0.0	0.4	0.9	
+ T2 TBSPs towards current private benefits	0.3	0.0	0.0	0.4	0.1	0.0	0.0	0.0	0.6	0.0	0.3	0.2	0.0	0.0	0.3	0.5	0.1	0.0	0.1	0.2	0.4	0.0	0.1	1.7	
5 Net TBSPs (not including pensions)	0.5	0.0	0.6	1.6	0.6	0.0	0.0	1.2	2.6	0.0	0.5	0.3	1.0	0.8	1.1	1.0	0.1	0.1	1.3	0.8	0.5	0.0	0.5	2.6	
6 Net current public social expenditure	24.6	28.5	31.6	23.7	28.6	30.5	25.7	34.9	35.5	23.1	22.3	28.8	24.6	8.1	9.4	24.5	21.9	27.3	28.1	23.3	24.0	33.7	24.7	21.4	25.4
7 Gross mandatory private soc. Exp.	1.8	1.3	0.0	0.0	0.3	0.3	5.0	0.5	1.6	7.2	0.0	2.5	0.9	3.0	0.0	1.0	0.0	2.2	0.6	0.3	0.0	0.8	1.0	0.5	1.3
- Direct taxes and social contributions	0.3	0.4	0.0	0.0	0.0	0.1	1.0	0.0	0.6	1.1	0.0	0.2	0.0	0.1	0.0	0.2	0.0	0.6	0.0	0.0	0.0	0.2	0.0	0.0	
- Indirect taxes	0.2	0.2	0.0	0.0	0.1	0.1	1.0	0.1	0.1	1.4	0.0	0.3	0.1	0.4	0.0	0.1	0.0	0.4	0.1	0.0	0.0	0.1	0.2	0.0	
8 Net current mand. private soc. exp.	1.4	0.7	0.0	0.0	0.3	0.1	3.1	0.4	0.8	4.7	0.0	2.0	0.8	2.5	0.0	0.6	0.0	1.2	0.5	0.3	0.0	0.4	0.8	0.4	0.9
9 Net publicly mandated soc. exp. [6+8] ^b	25.9	29.2	31.6	23.7	28.9	30.6	28.8	35.3	36.3	27.8	22.3	30.8	25.5	10.6	9.4	25.1	21.9	28.5	28.6	23.6	24.0	34.1	25.5	21.8	26.2
10 Gross voluntary private soc. exp.	4.6	1.6	5.4	7.5	0.2	3.4	1.7	3.2	2.5	0.0	0.7	0.7	3.7	0.3	0.2	9.5	0.7	1.3	1.4	1.6	0.4	3.4	7.6	11.9	3.1
- Direct taxes and social contributions	0.4	0.1	0.5	1.0	0.0	1.1	0.4	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.0	1.5	0.0	0.3	0.0	0.0	0.0	0.7	0.5	0.7	
- Indirect taxes	0.3	0.1	0.7	0.6	0.0	0.6	0.3	0.1	0.1	0.0	0.0	0.0	0.2	0.0	0.0	1.0	0.0	0.3	0.1	0.2	0.0	0.6	1.0	0.2	
11 Net current voluntary private soc. exp.	3.9	1.4	4.2	5.9	0.2	1.7	1.1	3.0	2.2	0.0	0.7	0.6	3.3	0.3	0.2	7.1	0.7	0.8	1.3	1.3	0.4	2.1	6.1	11.0	2.5
12 Net current private soc. exp. [8+11]	5.2	2.1	4.2	5.9	0.5	1.9	4.2	3.4	3.0	4.7	0.7	2.6	4.2	2.8	0.2	7.7	0.7	2.0	1.8	1.6	0.4	2.5	6.9	11.4	
13 Net total social expenditure [6+12-T2] ^c	29.4	30.6	35.8	29.2	29.0	32.3	29.9	38.3	37.9	27.8	22.7	31.2	28.8	10.9	9.4	31.7	22.5	29.3	29.8	24.7	24.0	36.2	31.5	31.1	28.5
Memorandum item																									
TBSPs towards pensions ^d	2.5	0.1	0.2	2.3	0.1	..	0.2	0.0	1.2	1.4	3.1	0.0	0.9	..	0.1	..	..	1.0	0.1	0.0	0.3	0.0	1.2	1.5	
Average indirect tax rate	10.1	17.0	15.2	12.4	16.4	27.5	23.5	16.2	13.8	23.2	23.5	13.3	6.4	13.6	9.0	17.5	18.1	24.6	20.2	16.8	14.8	22.3	15.4	4.7	16.5

a) 2002 tax amounts in Spain, 2002 TBSPs in Ireland and Italy, and 2001 tax rates in the Netherlands.

b) Numbers in square brackets refer to line numbers in the second column; “..” cell with no information.

c) In order to avoid double counting, the value of TBSPs towards “current” private social benefits has been ignored for the calculation of net total social expenditure.

d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

PART II. TRENDS IN GROSS AND NET SOCIAL EXPENDITURE

Chart A.3.1. Gross and net social expenditure trends
Percentage of GDP factor cost

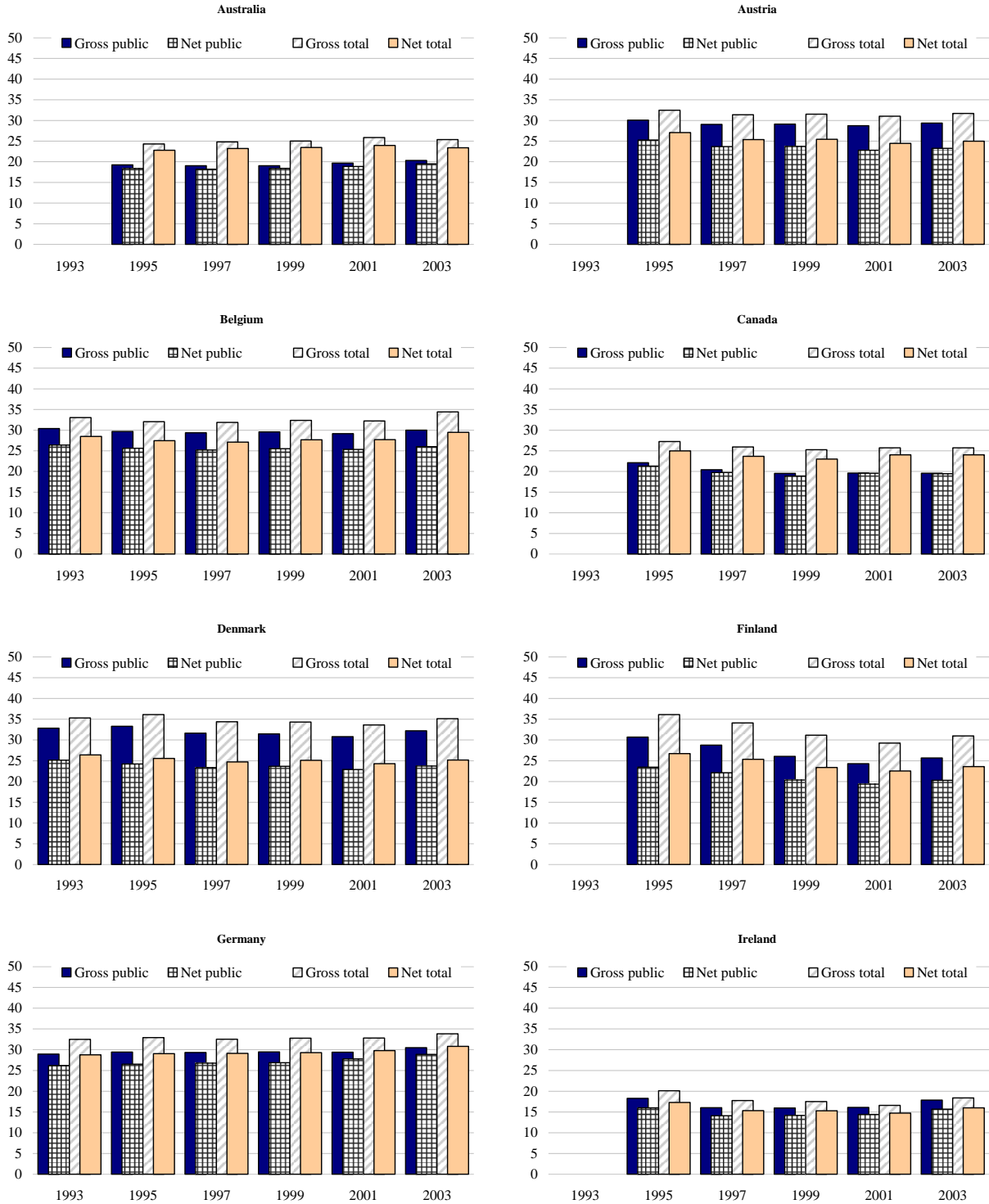
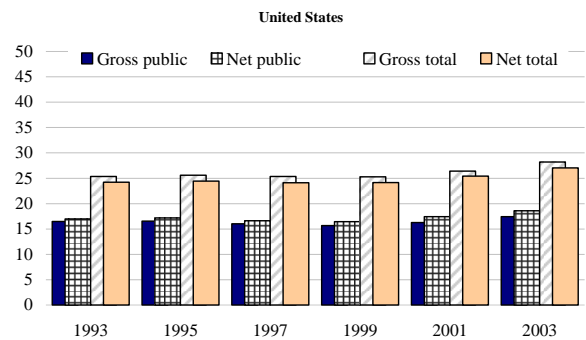
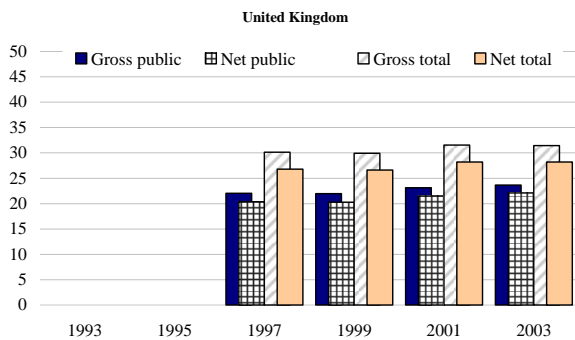
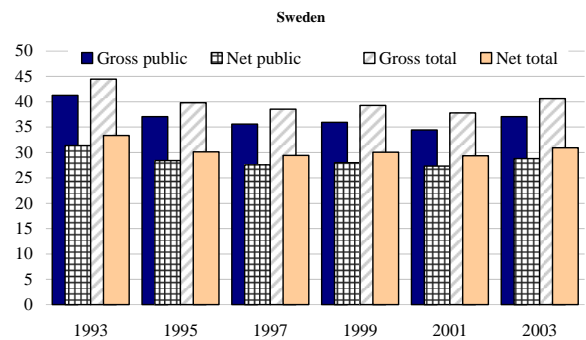
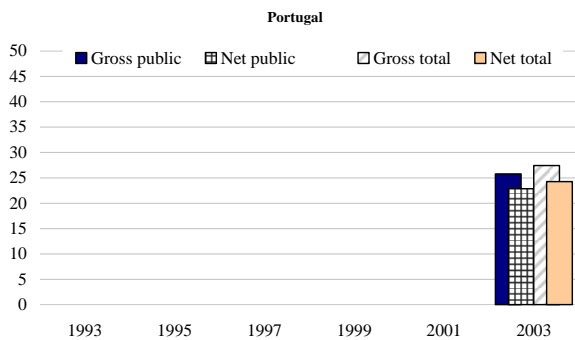
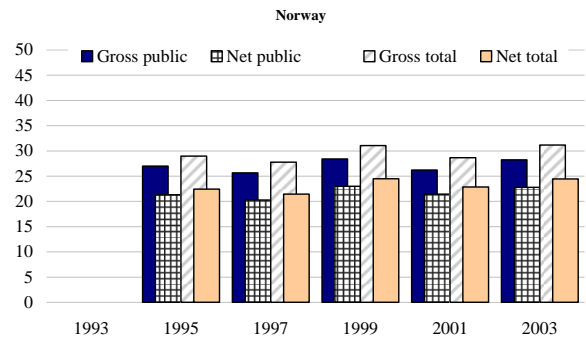
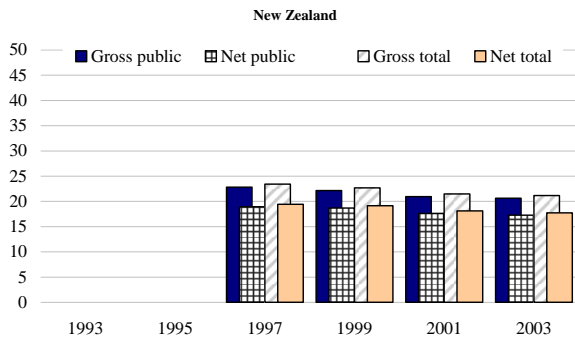
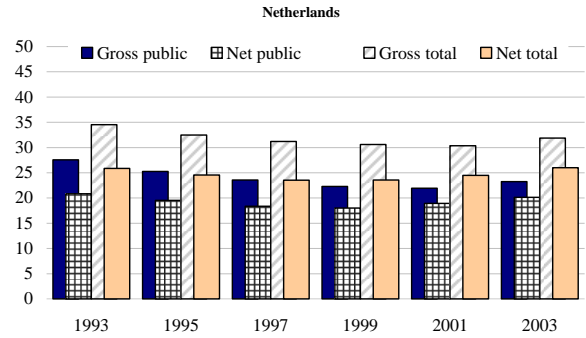
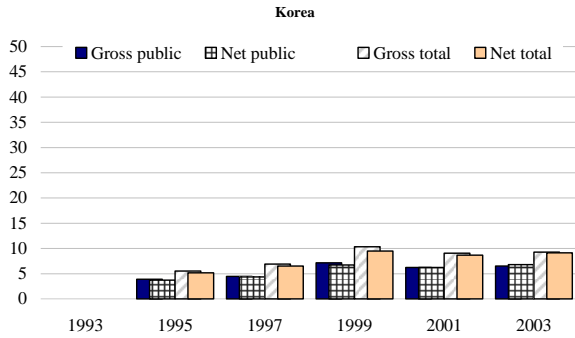


Chart A.3.1. Gross and net social expenditure trends (cont.)
Percentage of GDP factor cost



Source: See Table 6.2 and Annex 2.A.2.

ANNEX 4. HOW TO ACCESS SOCX ELECTRONICALLY?

SOCX data is now available using OECD Statistics available via <http://stats.oecd.org/wbos/default.aspx> , then click on Theme >Social and Welfare Statistics >>Social Protection , then select appropriate SOCX dataset, then click on OPEN.

A “user guide » can be found at the top-right of the OECD Statistics home page, or downloaded directly via <http://stats.oecd.org/wbos/Help/UserGuide.pdf>

SOCX2007 contains three datasets:

- SOCX-AGG for main aggregates
- SOCX-REF for reference series used for calculating aggregates
- SOCX-DET for detailed expenditure at the programme level
for OECD/OLIS users: via OECD Statistics or SourceOECD
for other public: via SourceOECD or the on-line bookshop.

See next pages for more information on each dataset.

Default views are as follows:

- years 1980, 1985, 1990, 1995, 2000, 2001, 2002 and 2003 only due to space constraints;
- all countries are selected for aggregated and reference series datasets.

Default selections can be modified by double-clicking on the appropriate dimension and selecting appropriate item(s) in the left menu.

Missing values are presented as follows:

- m data not available;
- a data do not exist;
- x data included in another category.

! Tips:

- all dimensions can be moved using “drag & drop” in headers/columns/lines as in a MS-Excel pivot-table;
- meta-data information are available by clicking on “i” next to specific variable/item
(i.e. country notes (.pdf) attached to each country);
- data can be exported into MS-Excel or as a text file by clicking on the appropriate icon at the top-right of the table
- French version of datasets is available by clicking on “*version française*” at the top-right of the screen.

This SOCX interpretative guide is available via:

http://stats.oecd.org/OECDStatDownloadFiles/OECDSOCX2007InterpretativeGuide_En.pdf

Country-notes - presenting country-specific sources and definitions of social programmes - are available in both English and French via: http://stats.oecd.org/OECDStatDownloadFiles/XXX_Note_SOCX_En.pdf or http://stats.oecd.org/OECDStatDownloadFiles/XXX_Note_SOCX_Fr.pdf , with XXX = [country code in square brackets – see last page].

A.4.1. SOCX aggregated data are available in OECD.Stat via http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_AGG

Aggregated data are available by : (codes in brackets)

- source: Public (10), Mandatory private (20), or Voluntary private (30)
- branch: each social policy area from 1 to 9, or Total (90)
- type of expenditure: Cash benefits (1), Benefits in kind (2), or Total (0)
- type of programme: each of the 36 sub-areas (Table 3.1), or Total (0)

to view data by type of programme, e.g. "cash benefits paid to families", select branch 5 (family); type of expenditure 1 (Cash benefits) with unit set to current prices in national currency, only. This will allow you to access the data for 511 (family allowances); 512 (maternity and parental leave) and 513 (other cash benefits).

- unit, as follows:

	Source	Branch	Type of expenditure	Type of programme
at current prices in national currency, in millions	NCUR	x	x	x
at constant prices (2000) in national currency, in millions	NCST	x	x	-
per head, at current prices and current PPPs, in US dollars	PPPH	x	x	-
in percentage of GDP	PCT_GDP	x	x	-
in percentage of GNI	PCT_GNI	x	-	-
in percentage of GOV	PCT_GOV	x	-	-

x: available; - not available.

See reference series for notes and sources.

- country: each of 30 OECD countries, or Total
- year: any year from 1980 to 2003

Dataset: Social Expenditure - Aggregated data
data extracted on 2007/11/13 18:08 from OECD.Stat

Year	1980	1985	1990	1995	2000	2001	2002	2003
Country								
Australia	10.9	13.0	14.1	17.1	17.9	17.4	17.5	17.9
Austria	22.6	23.9	23.7	26.6	25.3	25.4	25.8	26.1
Belgium	23.5	28.1	25.0	28.4	25.3	25.7	28.1	28.5
Canada	14.1	17.3	18.4	19.2	16.7	17.3	17.3	17.3
Czech Republic	(m)	(m)	..	16.0	18.2	20.3	20.4	21.0
Denmark	25.2	24.2	25.5	28.9	25.8	26.4	26.9	27.6
Finland	18.4	22.8	24.5	27.4	21.3	21.4	21.9	22.5
France	20.8	25.8	25.3	28.3	27.6	27.5	27.9	28.7
Germany	23.0	23.6	22.5	26.6	26.3	26.3	27.0	27.3
Greece	11.5	17.9	18.6	19.3	21.3	22.3	21.3	21.3
Hungary	(m)	..	(m)	..	..	20.6	20.7	21.9
Iceland	(m)	(m)	..	14.0	15.5	15.3	15.6	17.3
Ireland	16.8	21.8	15.5	16.3	13.6	14.4	15.5	15.9
Italy	18.0	20.8	19.9	19.8	23.2	23.3	23.8	24.2
Japan	10.3	11.2	11.2	13.9	16.1	16.8	17.5	17.7
Korea	(m)	(m)	..	3.0	3.5	5.1	5.4	5.7
Luxembourg	23.6	23.1	21.9	23.8	20.4	19.8	21.6	22.2
Mexico	(m)	..	1.9	3.6	4.7	5.8	5.9	6.3
Netherlands	..	24.2	24.4	22.8	19.3	19.5	19.9	20.7
New Zealand	17.1	18.0	21.8	19.0	19.1	18.4	18.4	18.0
Norway	16.9	17.9	22.6	23.5	22.2	23.2	24.6	25.1
Poland	(m)	(m)	..	15.1	23.1	21.2	22.4	23.0

A.4.2. SOCX Reference series are available in OECD.Stat via http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_REF

Reference series are available as follows:

- GDP: Gross Domestic Product at current prices in national currency, in millions
- GDPV: Gross Domestic Product at 2000 prices in national currency, in millions
- DEFL: Deflator for GDP, I(2000) = 100
- GNI: Gross national income at market prices, at current prices in national currency, in millions
= GDP at market prices
 - + Taxes less subsidies on production and imports (net, receivable from abroad)
 - + Compensation of employees (net, receivable from abroad)
 - + Property income (net, receivable from abroad)
- GOV: Total general government expenditure, at current prices in national currency, in millions
- PPP: Purchase Power Parities (PPP) for GDP, National currency per US dollar
- EXC: Exchange rates, National currency per US dollar
- POP: Population, Mid-year estimates, in thousands

Source: OECD, National Accounts database.

Dataset: Social Expenditure - Reference Series
data extracted on 2007/11/14 10:07 from OECD.Stat

Variable	Year	1980	1985	1990	1995	2000	2001	2002
Country i								
Australia		150 039.0	256 053.0	409 010.0	518 158.0	689 340.0	735 783.0	782 798.0
Austria		76 324.8	103 068.0	136 326.3	175 525.6	210 392.3	215 877.9	220 687.7
Belgium		90 756.1	125 345.2	167 909.2	207 782.0	251 741.0	258 884.0	267 578.0
Canada		321 549.5	485 346.0	671 135.8	804 735.3	1 068 777.3	1 103 153.3	1 151 871.5
Czech Republic i	(m)	.. (m)	..	665 015.9	1 466 681.0	2 150 058.0	2 315 255.0	2 414 669.0
Denmark		392 977.6	645 800.1	840 648.0	1 019 545.0	1 293 964.0	1 335 611.0	1 372 737.0
Finland		33 100.0	57 188.2	88 896.4	96 145.0	130 859.0	136 472.0	140 853.0
France		443 858.8	752 010.3	1 028 708.6	1 194 807.9	1 441 372.0	1 497 184.0	1 548 555.0
Germany i		766 600.0	955 300.0	1 274 900.0	1 848 450.0	2 062 500.0	2 113 160.0	2 145 020.0
Greece		6 105.8	16 645.9	39 110.8	79 927.0	121 701.3	131 769.2	142 368.9
Hungary	(m)	.. (m)	.. (m)	..	5 656 608.4	13 272 167.0	14 989 800.0	16 915 259.0
Iceland		16 137.1	122 421.3	365 045.7	445 105.7	669 198.0	749 953.2	782 347.9
Ireland		13 042.4	24 787.1	36 737.6	53 146.7	104 379.0	117 114.1	130 515.4
Italy		203 382.8	429 648.8	701 352.0	947 338.7	1 191 057.3	1 248 648.1	1 295 225.7
Japan		245 485 400.0	327 324 400.0	447 152 200.0	500 187 625.0	510 058 500.0	503 859 525.0	497 793 850.0
Korea		38 774 900.0	84 061 000.0	186 690 900.0	398 837 700.0	578 664 500.0	622 122 600.0	684 263 500.0
Luxembourg		3 784.0	5 842.1	9 179.5	13 214.8	21 278.5	22 019.8	22 805.5
Mexico		4 766.1	50 529.8	738 897.5	1 937 019.1	5 491 708.4	5 809 688.2	6 263 136.6
Netherlands		167 603.6	207 598.0	253 991.1	315 175.6	419 518.5	447 731.0	465 214.0
New Zealand		23 622.6	46 524.9	73 582.1	93 386.5	115 941.5	124 874.7	130 856.4
Norway		314 363.0	547 286.0	726 799.0	937 445.0	1 469 075.0	1 526 233.0	1 519 131.0
Poland	(m)	.. (m)	..	59 930.1	329 567.1	723 886.3	760 595.3	781 112.4
Portugal		7 457.5	20 922.6	50 816.8	80 826.8	115 548.1	122 549.5	128 458.2
Slovak Republic i	(m)	.. (m)	..	292 800.0	576 502.0	934 079.0	1 009 839.0	1 098 658.0
Spain		97 385.1	179 402.6	319 145.8	447 206.0	630 263.0	679 842.0	729 021.0
Sweden		553 206.9	907 341.1	1 433 404.0	1 787 889.0	2 217 290.0	2 288 351.0	2 371 606.0

A.4.3. SOCX Detailed expenditure at the program level are available :

for OECD/OLIS users:

via OECD Statistics http://dotstat/wbos/default.aspx?datasetcode=SOCX_DET
or SourceOECD www.SourceOECD.org/database/social expenditure

for other public:

via SourceOECD www.SourceOECD.org/database/social expenditure

or via the on-line bookshop :

OECD Social Expenditure Statistics - online database

(<http://www.oecd.org/bookshop?1608117X>)

and/or :

OECD Social Expenditure Statistics - online database and CD-ROM

(<http://www.oecd.org/bookshop?5LGQM9GFX7WJ>)

Detailed expenditures at program level are only available at current prices in national currency, in millions (NatCur).

Each social programme has a “unique” code, made of 6 components:

Name of programme =

“country code” . ”source” . ”branch” . “type of expenditure” . “ type of programme” . “number of programme”
with: (codes in brackets)

- country: ISO country code

Australia (36) [AUS]	Austria (40) [AUT]	Belgium (56) [BEL]	Canada (124) [CAN]
Czech Rep. (203) [CZE]	Denmark (208) [DNK]	Finland (246) [FIN]	France (250) [FRA]
Germany (276) [DEU]	Greece (300) [GRC]	Hungary (348) [HUN]	Iceland (352) [ISL]
Ireland (372) [IRL]	Italy (380) [ITA]	Japan (392) [JPN]	Korea (410) [KOR]
Luxembourg (442) [LUX]	Mexico (484) [MEX]	Netherlands (528)[NLD]	N.-Zealand (554)[NZL]
Norway (578) [NOR]	Poland (616) [POL]	Portugal (620) [PRT]	Slovak R. (703) [SVK]
Spain (724) [ESP]	Sweden (752) [SWE]	Switzerland (756) [CHE]	Turkey (792) [TUR]
Un.Kingdom (826)[GBR]	Un.States (840) [USA]		

- source: Public (10), Mandatory private (20), or Voluntary private (30)

- branch: each social policy area from 1 to 9, or Total (90)

- type of expenditure: Cash benefits (1), Benefits in kind (2), or Total (0)

- type of programme: each of the 36 sub-areas (Table 3.1), or Total (0)

- then a “number of programme” starting from “1” in each “type of programme”.

There are 30 country table views, one per country.

Last but not least, “[country-notes](#)” - presenting country-specific sources and definitions of social programmes - are available in both English and French via:

http://stats.oecd.org/OECDStatDownloadFiles/XXX_Note_SOCX_En.pdf

Or http://stats.oecd.org/OECDStatDownloadFiles/XXX_Note_SOCX_Fr.pdf

with XXX = [country code in square brackets – see above].