

Social spending

A corrigendum has been issued for this page. See: <http://www.oecd.org/about/publishing/Corrigendum-Society-at-a-Glance-2016.pdf>

In 2016, public social spending average an estimated 21% of GDP across the 35 OECD countries (Figure 5.9). Public social spending-to-GDP ratios are highest in France, at 32% of GDP, followed by Finland, at over 30% of GDP. Belgium, Italy, Denmark, Austria, Sweden, and Greece devote more than a quarter of their GDP to public social spending. At the other end of the spectrum are non-European countries such as Latvia, Turkey, Korea, Chile and Mexico which spend less than 15% of GDP on social support. Social spending in the emerging economies in the early 2010s was lower than the OECD average, ranging from around 2% of GDP in India to about 17% in Brazil.

While in most OECD countries social spending has not fallen much in recent years, in some countries there has been a significant decline since spending peaked in 2009-10. Spending-to-GDP ratios declined by 3 percentage points in Hungary and Luxembourg and by 4 and 6 percentage points of GDP in Latvia and Ireland respectively.

When comparing current social spending levels with pre-crisis levels in 2007, public social-spending-to-GDP ratios are about more than 5 percentage points higher in 2016 in Finland, Greece, Norway, Estonia, Japan (2013).

On average in the OECD, pensions and health services account for two-third of the total expenditures. In a majority of OECD countries, pensions are the largest expenditure area (Figure 5.10). In Anglophone countries and most other countries outside Europe, health makes the bulk of public social expenditure. In a few countries, such as Denmark and Ireland, the largest share is devoted to income support of the working-age population.

Accounting for the impact of taxation and private social benefits (Figure 5.10) leads to some convergence of spending-to-GDP ratios across countries. Net total social spending is 21-28% of GDP in about half of countries. It is even higher for the United States at 29% of GDP, where the amount of private social spending and tax incentives is much larger than in other countries. It remains highest in France at 31% of GDP.

Investing on early ages is important for future development and capacities of young people. Public spending on family benefits and education varies according to the age of the child (Figure 5.11). Social expenditure during early childhood is focused mainly on cash benefits/tax breaks and childcare, while spending on older children is dominated by public investment in education. On average public spending on education is dominant when children are aged 12-17. Most children are in secondary education at this stage of childhood, and consequently education spending forms a large part of total spending.

Definition and measurement

Social expenditure is classified as public when general government controls the financial flows. Sickness benefits financed by compulsory contributions to social insurance funds are considered “public”, whereas sickness benefits paid directly by employers to their employees are classified as “private”. The spending shown in Figure 5.9 is recorded before deduction of direct and indirect tax payments levied on these benefits and before addition of tax expenditures provided for social purposes. Data after considering the impact of private social spending as well as the tax system (Total Net social) are presented in Figure 5.10. Spending by lower tiers of government may be underestimated in some federal countries.

Public social spending totals reflect detailed social expenditure data for 1980-2013/14. Consistent with these historical series, public social expenditure totals were calculated for 2014, 2015 and estimated for 2016.

The OECD country’s age-spending profile maps public social and education expenditure by year of age for the first 28 years of life and the pre-natal period of nine months. Expenditure is allocated by benefit rules, population data by age, and reported receipt by age, where this data is available. Detailed childhood age-spending profiles for each individual age are available online via the *OECD Family Database*, www.oecd.org/social/family/database.htm.

Further reading

Adema, W., P. Fron and M. Ladaique (2011), “Is the European Welfare State Really More Expensive? Indicators on Social Spending, 1980-2012 and a Manual to the OECD Social Expenditure Database (SOCX)”, *OECD Social, Employment and Migration Working Papers*, No. 124, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kg2d2d4pbfo-en>.

OECD (2015), *Integrating Social Services for Vulnerable Groups*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264233775-en>.

OECD (2011), *Doing Better for Families*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264098732-en>.

OECD Family Database, www.oecd.org/social/family/database.htm.

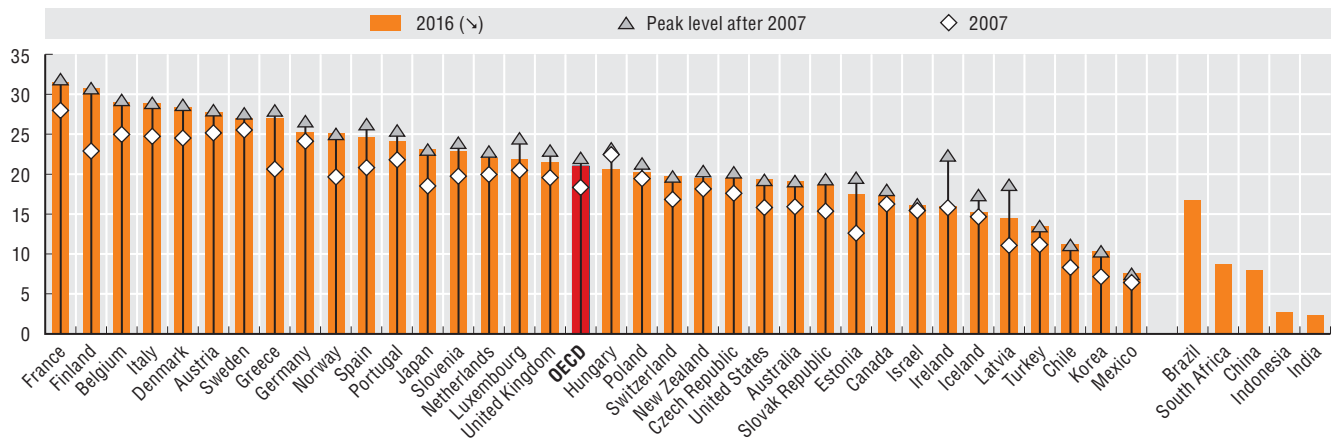
Figure notes

Figure 5.9: Data for Mexico refer to 2012, 2013 for Japan, 2014 for Turkey and 2015 for Canada, Chile and New Zealand.

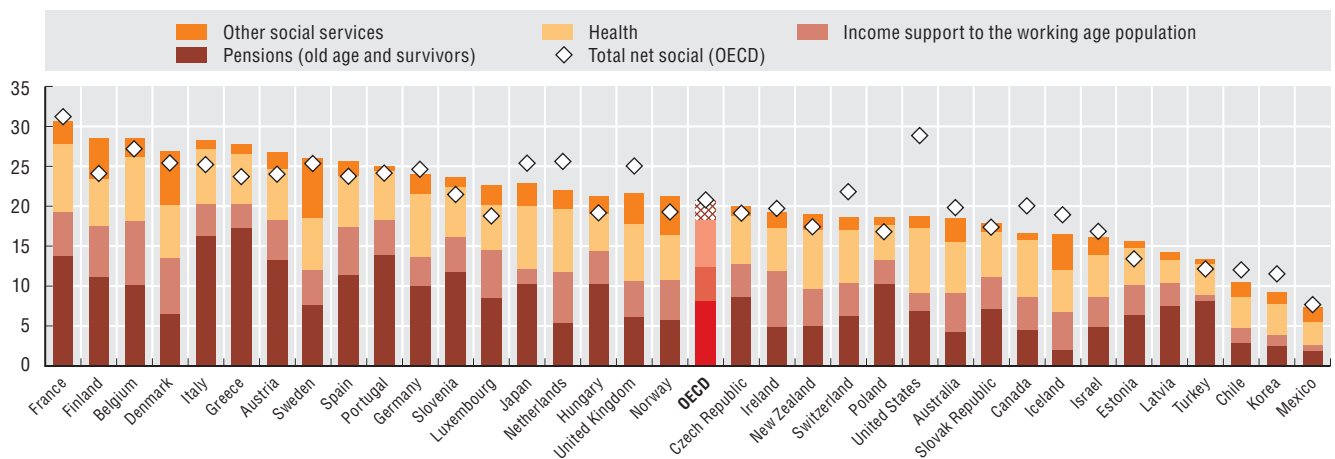
Figure 5.10: Countries are ranked by decreasing order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programs (ALMPs) cannot be split into cash and service spending. Income support to the working-age population refers to spending on the following SOCX categories: Incapacity benefits, Family cash benefits, Unemployment and Other social policy areas. Total net social expenditure data are not available for Latvia.

5.9. Public social spending is worth 22% of GDP on average across the OECD

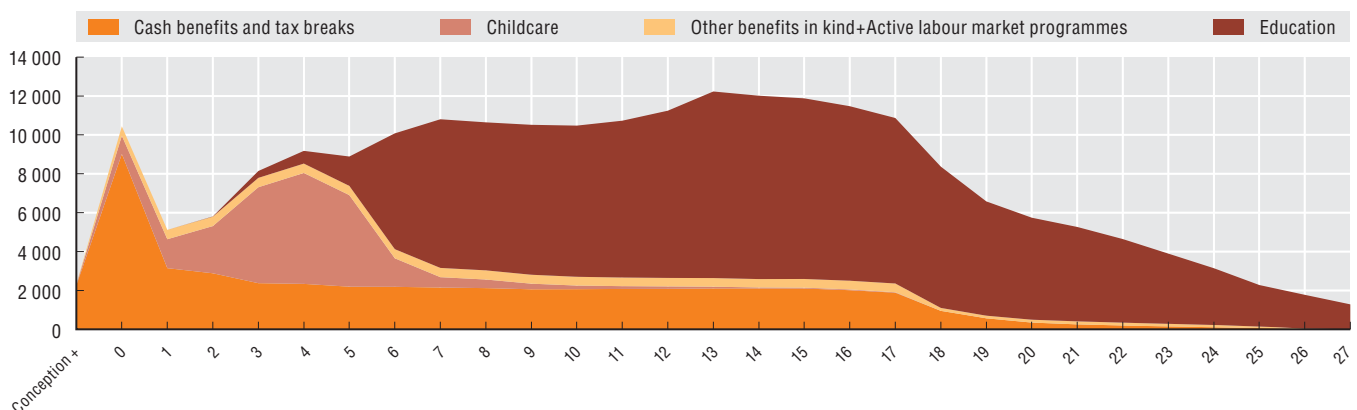
Public social expenditure as a percent of GDP, 2007, peak level after 2007, and 2016

StatLink <http://dx.doi.org/10.1787/888933405490>**5.10. Most spending goes to pensions and health**

Public social spending by broad policy area and total net social spending, 2013/14, in percentage of GDP

StatLink <http://dx.doi.org/10.1787/888933405505>**5.11. Public spending on family benefits and education varies according to the age of the child**

Average social expenditure (including education) by intervention in OECD countries, in PPP per child and age in early 2010s (USD), OECD average

Source: OECD Social Expenditure Database, www.oecd.org/social/expenditure.htm.StatLink <http://dx.doi.org/10.1787/888933405515>



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