

SOCIAL EXPENDITURE

Social expenditures as a percentage of GDP are a measure of the extent to which governments assume responsibility for supporting the standard of living of disadvantaged or vulnerable groups.

Definition

Public social expenditure comprises cash benefits, direct “in-kind” provision of goods and services, and tax breaks with social purposes. To be considered “social”, benefits have to address one or more social goals. Benefits may be

targeted at low-income households, but they may also be for the elderly, disabled, sick, unemployed, or young persons. Programmes regulating the provision of social benefits have to involve: a) redistribution of resources across households, or b) compulsory participation. Social benefits are regarded as public when general government (that is central, state, and local governments, including social security funds) controls relevant financial flows. The expenditures shown here refer only to public social benefits and exclude similar benefits provided by private charities.

Comparability

For cross-country comparisons, the most commonly used indicator of social support is gross (before tax) public social expenditure related to GDP. Measurement problems do exist, particularly with regard to spending by lower tiers of government, which may be underestimated in some countries. As noted above, similar social benefits provided by private charities are excluded.

Long-term trends

In 2003, on average, public social expenditure amounted to 21% of GDP, although there are significant cross-country variations. In Sweden, public social spending is about 31% while it is 5-6% in Mexico and Korea.

Changes in gross public social expenditures over time are also significant. Since 1980, gross public social expenditure has increased from about 16% to 21% of GDP in 2003 on average across 28 OECD countries.

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.

It is convenient to divide expenditures according to their social purposes to better analyse policy focus and trends. Broadly speaking, the three biggest groups of social transfers are pensions (on average 8% of GDP), health (6%) and income transfers to the working-age population (5%). Public spending on other social services only exceeds 5% of GDP in the Nordic countries, where the public role in providing services to the elderly, the disabled and families is the most extensive.

Public support for families with children is nearly 2% of GDP on average, but this has increased in most countries since 1980. Family support exceeds 3% of GDP in the Nordic countries and Austria, as they have the most comprehensive public system of child allowances, paid leave arrangements and childcare. Moreover, governments also help families through the tax system; examples include the “quotient familial” in France and “income splitting” in Germany.

Social insurance spending related to work incapacity (disability, sickness and occupational injury benefits) has declined in as many countries as it has increased since 1980. Particularly large declines were found in Belgium and in the Netherlands.

Source

- *Social Expenditure Database.*

Further information

Analytical publications

- Adema, W. and M. Ladaïque (2005), *Net Social Expenditure, 2005 Edition: More Comprehensive Measures of Social Support*, OECD Social Employment and Migration Working Papers, No. 29, OECD, Paris.
- OECD (2002-2004), *Babies and Bosses – Reconciling Work and Family Life*, OECD, Paris.
- OECD (2003), *Transforming Disability into Ability: Policies to Promote Work and Income Security for Disabled People*, OECD, Paris.
- OECD (2006), *Starting Strong II: Early Childhood Education and Care*, OECD, Paris.
- OECD (2007), *Society at a Glance: OECD Social Indicators – 2006 Edition*, OECD, Paris.

Websites

- OECD Social and Welfare Statistics, www.oecd.org/statistics/social.

Public social expenditure

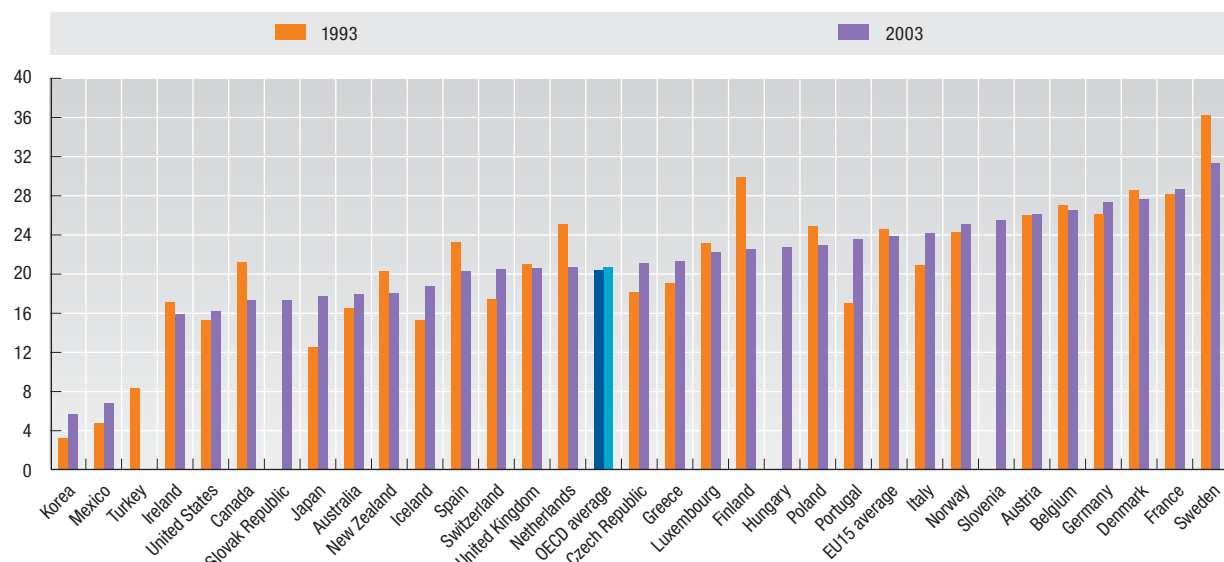
As a percentage of GDP

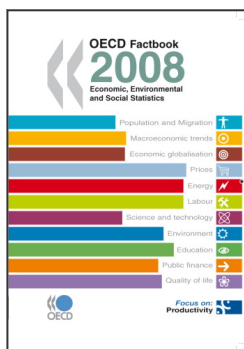
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Australia	14.1	15.2	16.2	16.5	16.2	17.1	17.2	17.0	17.0	16.9	17.9	17.4	17.5	17.9
Austria	23.7	23.9	24.5	26.0	26.6	26.6	26.6	25.5	25.4	25.6	25.3	25.4	25.8	26.1
Belgium	25.0	25.8	25.9	27.0	26.5	26.4	26.9	25.8	26.1	25.9	25.3	25.7	26.1	26.5
Canada	18.4	20.6	21.3	21.2	20.2	19.2	18.4	17.7	18.0	17.0	16.7	17.3	17.3	17.3
Czech Republic	16.0	17.3	17.6	18.1	18.1	18.2	18.3	19.1	19.5	20.0	20.3	20.4	21.0	21.1
Denmark	25.5	26.3	26.8	28.6	29.4	28.9	28.2	27.2	27.0	26.8	25.8	26.4	26.9	27.6
Finland	24.5	29.6	33.6	29.9	29.2	27.4	27.1	25.2	23.2	22.8	21.3	21.4	21.9	22.5
France	25.3	26.0	26.6	28.1	28.1	28.3	28.6	28.5	28.7	28.8	27.6	27.5	27.9	28.7
Germany	22.5	23.7	25.7	26.1	26.1	26.6	27.1	26.4	26.3	26.4	26.3	26.3	27.0	27.3
Greece	18.6	18.0	18.1	19.1	19.1	19.3	20.0	20.0	20.6	21.4	21.3	22.3	21.3	21.3
Hungary	..	..	..	..	..	..	..	..	..	21.6	20.6	20.7	21.9	22.7
Iceland	14.0	14.5	15.0	15.3	15.2	15.5	15.2	14.9	14.9	15.4	15.3	15.6	17.3	18.7
Ireland	15.5	16.3	17.1	17.1	16.8	16.3	15.4	14.3	13.4	14.2	13.6	14.4	15.5	15.9
Italy	19.9	20.1	20.7	20.9	20.7	19.8	22.0	22.7	23.0	23.3	23.2	23.3	23.8	24.2
Japan	11.2	11.4	11.9	12.5	13.1	13.9	14.1	14.2	14.9	15.4	16.1	16.8	17.5	17.7
Korea	3.0	2.8	3.1	3.2	3.2	3.5	3.6	3.9	5.5	6.3	5.1	5.5	5.4	5.7
Luxembourg	21.9	22.3	22.7	23.1	22.9	23.8	23.8	22.5	21.6	21.7	20.4	19.8	21.6	22.2
Mexico	3.6	4.0	4.4	4.7	5.2	4.7	4.5	4.5	5.0	5.8	5.8	5.9	6.3	6.8
Netherlands	24.4	24.4	24.9	25.1	23.6	22.8	21.8	21.2	20.6	19.9	19.3	19.5	19.9	20.7
New Zealand	21.8	22.2	22.0	20.3	19.5	19.0	18.9	19.9	20.0	19.3	19.1	18.4	18.4	18.0
Norway	22.6	23.5	24.4	24.3	24.0	23.5	22.7	22.2	24.5	24.6	22.2	23.2	24.6	25.1
Poland	15.1	21.5	25.5	24.9	23.8	23.1	23.3	22.7	21.5	22.2	21.2	22.4	23.0	22.9
Portugal	13.7	14.7	15.5	17.0	17.2	18.1	18.7	18.6	19.0	19.5	20.2	20.9	22.2	23.5
Slovak Republic	..	..	..	..	..	18.9	18.7	18.2	18.2	18.8	18.1	17.8	17.9	17.3
Spain	20.0	20.7	21.8	23.2	22.1	21.5	21.4	20.8	20.7	20.4	20.4	20.2	20.2	20.3
Sweden	30.5	32.1	35.0	36.2	34.9	32.5	32.1	30.7	30.5	30.1	28.8	29.3	30.4	31.3
Switzerland	13.5	14.5	16.0	17.4	17.3	17.5	18.1	18.8	19.0	18.8	18.0	18.7	19.4	20.5
Turkey	7.6	8.2	8.5	8.3	7.9	7.5	9.7	10.8	11.1	13.2	..	..	..	..
United Kingdom	17.2	18.6	20.3	21.0	20.5	20.4	20.1	19.2	19.3	19.0	19.1	20.1	20.1	20.6
United States	13.4	14.4	15.1	15.3	15.3	15.4	15.2	14.9	14.8	14.6	14.6	15.2	16.0	16.2
EU15 average	21.9	22.8	24.0	24.6	24.2	23.9	24.0	23.2	23.0	23.0	22.5	22.8	23.4	23.9
OECD average	17.9	19.0	20.0	20.4	20.1	19.9	20.0	19.6	19.7	19.8	19.4	19.7	20.3	20.7

StatLink  <http://dx.doi.org/10.1787/275342777042>

Public social expenditure

As a percentage of GDP

StatLink  <http://dx.doi.org/10.1787/270622132156>



From:
OECD Factbook 2008
Economic, Environmental and Social Statistics

Access the complete publication at:
<https://doi.org/10.1787/factbook-2008-en>

Please cite this chapter as:

OECD (2009), "Social expenditure", in *OECD Factbook 2008: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2008-73-en>

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