

TAXES ON THE AVERAGE WORKER

Taxes on the average worker measures the ratio between the amount of taxes paid by an average single worker without children and the corresponding total labour cost for the employer. This tax wedge therefore measures the extent to which the tax system on labour income discourages employment.

Definition

The taxes included in the measure are personal income taxes, employees' social security contributions and employers' social security contributions. For the few countries that have them, it also includes payroll taxes. The amount of these taxes paid in relation to the employment of one average worker is expressed as a percentage of their labour cost (gross wage plus employers' social security contributions and payroll tax).

An average worker is defined as somebody who earns the average income of full-time workers of the country concerned in sectors C-K of the International Standard Industrial Classification (ISIC rev. 3). The average worker is single, meaning that he or she does not receive any tax relief in respect of a spouse, unmarried partner or child.

Overview

In 2008, taxes on an average worker represented around 38% of their total labour costs, on average, across OECD countries. This tax wedge ranged between 15% in Mexico and 50% or more in Belgium, Hungary and Germany.

On average, taxes on an average worker have decreased very slightly since 2000 for the OECD as a whole. However, there are important differences between countries. 11 of the 30 OECD member countries experienced an overall increase in the taxes on an average worker since 2000. The countries with the largest increases were Greece, Japan, Korea and the Netherlands. Of the 19 countries that have experienced an overall decline, the largest decreases were for Finland, Ireland and Sweden.

Comparability

The types of taxes included in the measure are fully comparable across countries. They are based on common definitions agreed by all OECD countries and published in OECD Revenue Statistics.

While the income levels of workers in sectors C-K differ across countries, they can be regarded as corresponding to comparable types of work in each country.

The information on the average worker's income level is supplied by the Ministries of Finance in all OECD countries and is based on national statistical surveys. The amount of taxes paid by the single worker is calculated by applying the tax laws in each country. These tax wedge measures are therefore derived from a modelling exercise rather than from the direct observation of taxes actually paid by workers and their employers.

Sources

- OECD (2009), *Taxing Wages 2007-2008*, 2008 Edition, OECD, Paris.

Further information

Analytical publications

- Immervoll, H. (2004), *Average and Marginal Effective Tax Rates Facing Workers in the EU: A Micro-Level Analysis of Levels, Distributions and Driving Factors*, OECD Social Employment and Migration Working Papers, No. 19, OECD, Paris.
- OECD (2006), *OECD Tax Policy Studies – N.15 Encouraging Savings through Tax-Preferred Accounts*, OECD, Paris.
- OECD (2006), *OECD Tax Policy Studies: No. 11: The Taxation of Employee Stock Options*, OECD, Paris.
- OECD (2007), *Benefits and Wages: OECD Indicators*, OECD, Paris.

Statistical publications

- OECD (2008), *OECD Latin American Economic Outlook 2009*, OECD, Paris.
- OECD (2009), *Revenue Statistics 1965-2008 – Edition 2009*, OECD, Paris.

Web sites

- OECD Benefits and Wages, www.oecd.org/els/social/workincentives.
- OECD Centre for Tax Policy and Administration, www.oecd.org/ctp.
- OECD Tax Policy Analysis, www.oecd.org/ctp/tpa.



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Taxes on the average worker

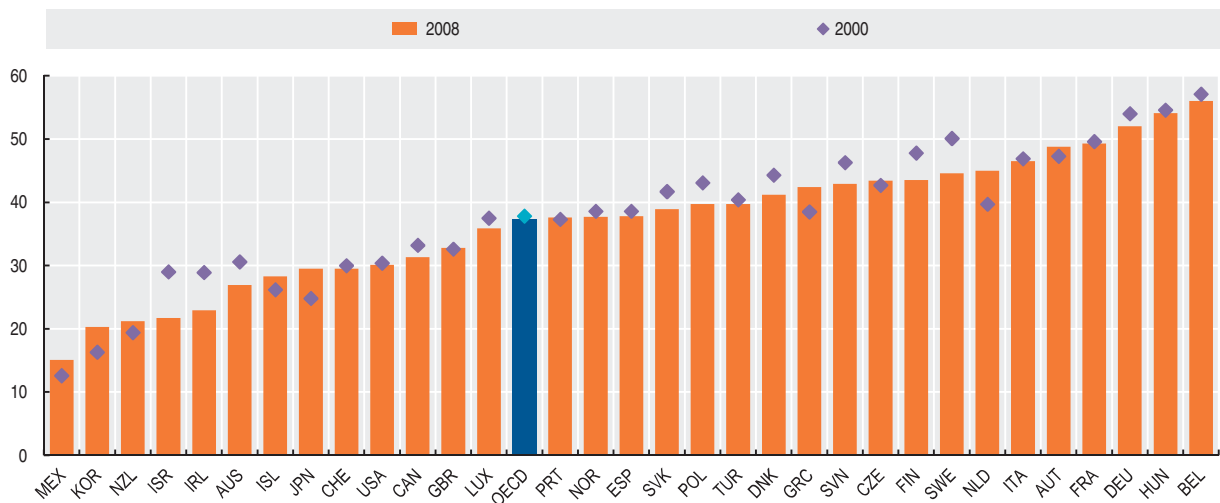
As a percentage of labour cost

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	30.6	27.3	27.7	28.0	28.0	28.3	28.3	27.7	26.9
Austria	47.3	46.9	47.1	47.4	48.1	48.0	48.3	48.6	48.8
Belgium	57.1	56.7	56.3	55.7	55.4	55.5	55.5	55.8	56.0
Canada	33.2	32.0	32.1	32.0	32.0	31.9	31.9	31.2	31.3
Czech Republic	42.7	42.6	42.9	43.2	43.5	43.8	42.6	42.9	43.4
Denmark	44.3	43.6	42.6	42.6	41.3	41.1	41.3	41.4	41.2
Finland	47.8	46.4	45.9	45.0	44.5	44.6	44.0	43.6	43.5
France	49.6	49.8	49.8	49.8	49.9	50.0	50.1	49.2	49.3
Germany	54.0	53.0	53.5	54.2	53.2	53.1	53.3	52.6	52.0
Greece	38.5	38.2	39.0	37.9	40.0	40.5	41.9	42.3	42.4
Hungary	54.6	55.8	53.7	50.8	51.8	51.1	52.0	54.5	54.1
Iceland	26.2	26.9	28.5	29.3	29.8	29.7	29.5	28.1	28.3
Ireland	28.9	25.8	24.5	24.2	24.0	23.5	23.0	22.7	22.9
Italy	46.9	46.4	46.4	45.7	46.0	45.7	45.9	46.2	46.5
Japan	24.8	24.9	30.5	27.4	27.3	27.7	28.8	29.3	29.5
Korea	16.3	16.4	16.1	16.3	17.0	17.3	18.1	19.7	20.3
Luxembourg	37.5	35.8	32.9	33.5	33.9	34.7	35.3	36.3	35.9
Mexico	12.6	13.2	15.8	16.8	15.3	14.7	15.0	15.9	15.1
Netherlands	39.7	37.2	37.4	37.1	38.8	38.9	44.6	44.3	45.0
New Zealand	19.4	19.4	19.5	19.7	20.0	20.4	21.1	21.5	21.2
Norway	38.6	39.2	38.6	38.1	38.1	37.2	37.4	37.5	37.7
Poland	43.1	42.8	42.7	43.0	43.2	43.4	43.7	42.9	39.7
Portugal	37.3	36.4	36.6	36.8	37.8	37.3	37.4	37.7	37.6
Slovak Republic	41.7	42.7	42.5	42.9	42.5	38.3	38.5	38.6	38.9
Spain	38.6	38.8	39.1	38.5	38.7	38.9	39.1	38.9	37.8
Sweden	50.1	49.1	47.8	48.2	48.4	48.1	47.8	45.3	44.6
Switzerland	30.0	30.1	30.1	29.7	29.4	29.5	29.5	29.7	29.5
Turkey	40.4	43.6	42.5	42.2	42.8	42.8	42.7	42.7	39.7
United Kingdom	32.6	32.2	32.3	33.8	33.9	33.9	34.0	34.0	32.8
United States	30.4	30.3	30.1	29.9	29.8	29.7	29.9	29.7	30.1
OECD average	37.8	37.5	37.5	37.3	37.5	37.3	37.7	37.7	37.4
Israel	29.0	29.5	30.0	27.1	25.3	24.9	23.5	24.1	21.7
Slovenia	46.3	46.2	46.1	46.2	46.3	45.6	45.3	43.3	42.9

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Taxes on the average worker

As a percentage of labour cost

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QUALITY OF LIFE

HEALTH

LIFE EXPECTANCY
INFANT MORTALITY
OBESITY

INCOME INEQUALITY AND POVERTY

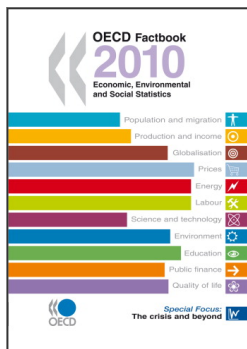
INCOME INEQUALITY
POVERTY RATES AND GAPS

SOCIETY

SUICIDES
SUBJECTIVE WELL-BEING
SOCIAL BENEFITS OF EDUCATION
YOUTH INACTIVITY
TOURISM: HOTEL NIGHTS

SECURITY

PRISON POPULATION
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