

TAXES ON THE AVERAGE WORKER

This series, taxes on a single average worker, measures the difference between the salary cost of a single average worker to their employer and the amount of disposable income (net wage) that the worker receives. This “tax wedge” represents the extent to which the tax system 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 employing 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). 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.

Comparability

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

The income levels of the workers are different in each country, but they are each equal to the average income of full-time workers in ISIC sectors C-K. Thus, they can be regarded as income levels that correspond to comparable types of work in each country. Before 2000, the wage measure only covered full-time manual workers in manufacturing.

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 of the country concerned. Thus, the tax rates are the result of a modeling exercise rather than direct observation of taxes actually paid.

Data for Australia from 1996 include payroll taxes. Data for earlier years are not available on the same basis.

Source

- OECD (2007), *Taxing Wages 2005/2006: 2006 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 – No. 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 (2007), *Revenue Statistics 1965-2006 – 2007 Edition*, OECD, Paris.

Websites

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


Long-term trends

On average, the taxes on an average worker increased until 1997 and have since declined, in both the European Union and the OECD as a whole. However, there are important differences between countries. The countries that have experienced an overall increase in the taxes on an average worker since 2000 include Japan Mexico and the Netherlands. Countries that have experienced an overall decline include Australia, Denmark, Finland, Ireland, Luxembourg and the Slovak Republic.

Taxes on the average worker

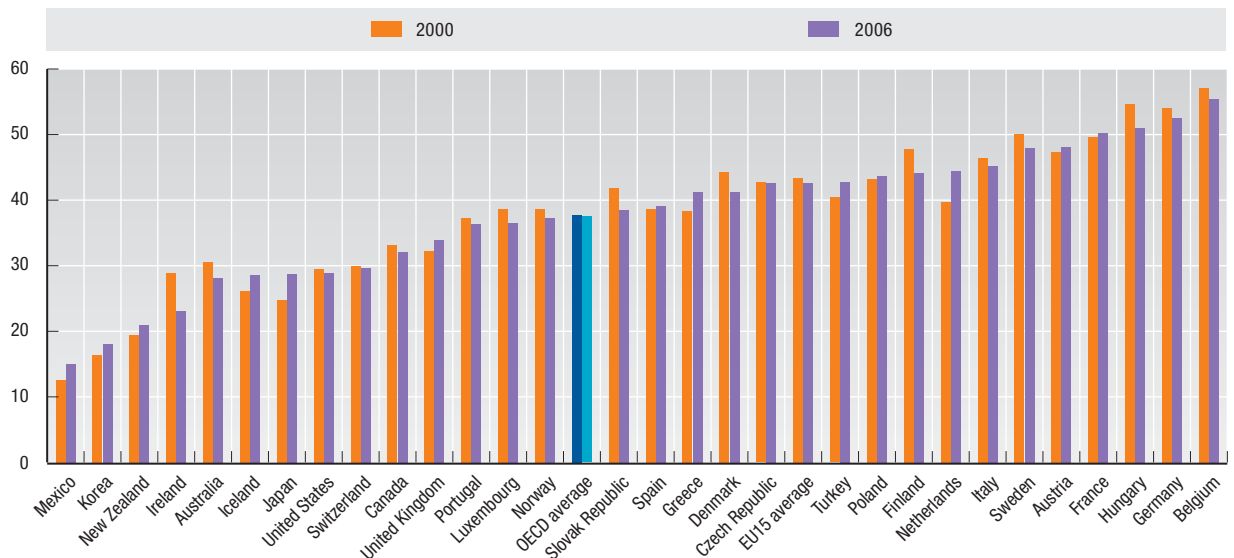

As a percentage of labour cost

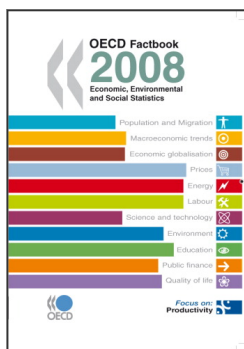
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	..	..	..	29.3	29.6	30.2	30.4	30.6	27.3	27.7	28.0	28.0	28.3	28.1
Austria	40.0	39.7	41.2	41.5	45.6	45.8	45.9	47.3	46.9	47.1	47.4	48.1	47.9	48.1
Belgium	54.6	54.6	56.3	56.4	56.6	56.8	56.9	57.1	56.7	56.3	55.7	55.4	55.4	55.4
Canada	30.8	31.4	31.5	32.1	32.3	31.7	31.1	33.2	32.0	32.1	32.0	32.0	31.9	32.1
Czech Republic	42.6	42.8	43.2	42.6	42.9	42.8	42.7	42.7	42.6	42.9	43.2	43.5	43.8	42.6
Denmark	47.0	45.2	45.2	44.8	45.2	43.7	44.5	44.3	43.6	42.6	42.6	41.3	41.1	41.3
Finland	49.3	50.5	51.2	50.3	48.9	48.8	47.4	47.8	46.4	45.9	45.0	44.5	44.6	44.1
France	..	51.6	49.1	49.7	48.7	47.6	48.1	49.6	49.8	49.8	49.8	49.9	50.1	50.2
Germany	46.4	48.3	50.2	51.2	52.3	52.2	51.9	54.0	53.0	53.5	54.2	53.2	52.4	52.5
Greece	35.3	35.1	35.6	35.8	35.8	36.1	35.7	38.4	38.1	37.7	37.7	39.5	40.4	41.2
Hungary	..	..	51.4	52.0	52.0	51.6	50.7	54.6	55.8	53.7	50.8	51.8	51.1	51.0
Iceland	22.0	22.9	23.1	24.5	24.4	25.9	26.0	26.1	26.9	28.4	29.2	29.4	29.0	28.6
Ireland	40.0	38.4	36.9	36.1	33.9	33.0	32.4	28.9	25.8	24.5	24.2	25.0	23.5	23.1
Italy	49.2	49.9	50.3	50.8	51.5	47.5	47.2	46.4	46.0	46.0	45.0	45.4	45.4	45.2
Japan	21.2	21.6	19.5	19.4	20.7	19.6	24.0	24.8	24.9	30.5	27.4	27.3	27.7	28.8
Korea	..	..	6.9	6.3	12.4	14.7	16.1	16.4	16.4	16.1	16.3	17.2	17.3	18.1
Luxembourg	34.9	35.1	34.3	34.5	35.2	33.8	34.6	38.6	37.0	34.2	34.7	35.1	35.9	36.5
Mexico	26.6	26.5	27.2	25.4	20.8	21.9	14.1	12.6	13.2	15.8	16.8	15.3	14.7	15.0
Netherlands	45.7	45.6	44.8	43.8	43.6	43.5	44.3	39.7	37.2	37.4	37.1	38.8	38.9	44.4
New Zealand	24.0	24.3	24.5	22.3	21.6	20.0	19.4	19.4	19.4	19.5	19.7	20.0	20.4	20.9
Norway	36.8	36.9	37.5	37.6	37.4	37.5	37.3	38.6	39.2	38.6	38.1	38.1	37.2	37.3
Poland	44.1	..	44.7	44.7	43.9	43.2	43.0	43.2	42.9	42.9	43.1	43.4	43.5	43.7
Portugal	33.3	34.1	33.7	33.8	33.9	33.8	33.4	37.3	36.4	36.6	36.8	36.8	36.3	36.3
Slovak Republic	..	..	..	..	..	..	..	41.8	42.8	42.5	42.9	42.5	38.3	38.5
Spain	38.0	38.8	38.5	38.8	39.0	39.0	37.5	38.6	38.8	39.1	38.5	38.7	38.9	39.1
Sweden	45.6	46.8	49.3	50.2	50.7	50.7	50.5	50.1	49.1	47.8	48.2	48.4	48.1	47.9
Switzerland	28.7	28.7	30.6	30.4	30.0	30.0	29.8	30.0	30.1	30.1	29.7	29.4	29.5	29.7
Turkey	40.0	36.1	35.3	38.3	40.7	39.8	30.3	40.4	43.6	42.5	42.2	42.8	42.8	42.8
United Kingdom	32.6	33.3	33.4	32.6	32.0	32.0	30.8	32.2	31.9	32.0	33.5	33.6	33.7	33.9
United States	31.2	31.2	31.0	31.1	31.1	31.0	31.1	29.5	29.4	29.2	29.0	29.0	28.9	28.9
EU15 average	42.3	43.1	43.3	43.4	43.5	43.0	42.7	43.4	42.4	42.0	42.0	42.2	42.2	42.6
OECD average	37.6	38.0	37.7	37.5	37.7	37.4	36.8	37.8	37.4	37.4	37.3	37.4	37.2	37.5

StatLink  <http://dx.doi.org/10.1787/275613070451>

Taxes on the average worker

As a percentage of labour cost

StatLink  <http://dx.doi.org/10.1787/271060748570>



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