

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 2005, on average, public social expenditure amounted to 21% of GDP, although there are significant cross-country variations. In Sweden and France public social spending is about 29% while it is 7% in Mexico and Korea.

Changes in gross public social expenditures over time are also significant. Gross public social expenditure has increased from about 16% in 1980 to 18% in 1990 and to 21% of GDP in 2005 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 in the early 2000s. 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 7% of GDP), health (6%) and income transfers to the working-age population (4%). 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 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 France, Luxembourg and the United Kingdom, as they have the most comprehensive public system of child allowances, paid leave arrangements or 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 (2002-2008), *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), *Sickness, Disability and Work: Breaking the Barriers (Vol. 1): Norway, Poland and Switzerland*, OECD, Paris.
- OECD (2007), *Sickness, Disability and Work: Breaking the Barriers (Vol. 2): Australia, Luxembourg, Spain and the United Kingdom*, OECD, Paris.
- OECD (2008), *Sickness, Disability and Work: Breaking the Barriers (Vol. 3): Denmark, Finland, Ireland and the Netherlands*, OECD, Paris.
- OECD (2009), *Society at a Glance: OECD Social Indicators – 2008 Edition*, OECD, Paris.
- OECD (2006), *Starting Strong II: Early Childhood Education and Care*, OECD, Paris.


Websites

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

Public social expenditure

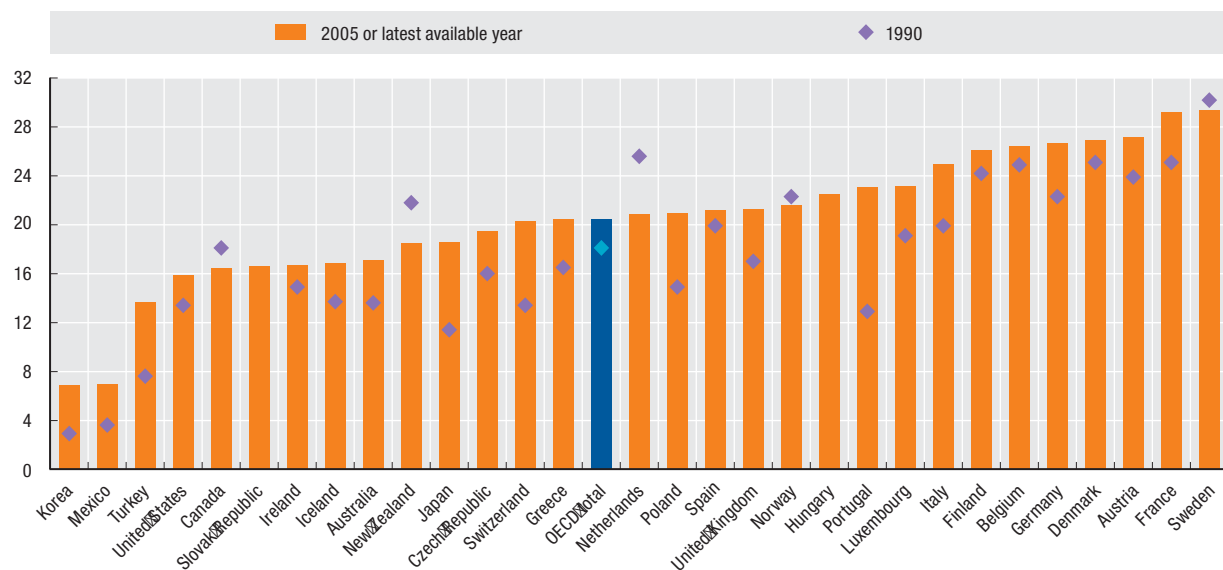
As a percentage of GDP

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	13.6	16.6	16.6	16.4	17.1	17.0	17.8	17.3	17.5	17.8	17.7	17.1
Austria	23.9	26.5	26.6	26.7	26.6	26.9	26.4	26.6	27.0	27.5	27.3	27.2
Belgium	24.9	26.2	26.8	25.7	26.1	26.0	25.3	25.8	26.2	26.5	26.6	26.4
Canada	18.1	18.9	18.1	17.4	17.8	16.7	16.5	17.0	17.1	17.2	16.6	16.5
Czech Republic	16.0	18.2	18.1	18.8	19.1	19.5	19.8	19.8	20.6	20.7	19.7	19.5
Denmark	25.1	28.9	28.2	27.2	26.5	26.4	25.6	25.9	26.6	27.6	27.5	26.9
Finland	24.2	30.9	30.8	28.5	26.3	25.7	24.3	24.2	25.0	25.8	26.0	26.1
France	25.1	28.6	28.9	28.7	28.9	29.0	27.9	27.9	28.6	29.0	29.1	29.2
Germany	22.3	26.5	27.1	26.4	26.3	26.3	26.2	26.3	27.0	27.3	26.7	26.7
Greece	16.5	17.3	17.9	17.9	18.6	19.2	19.2	20.6	20.0	19.9	19.9	20.5
Hungary	..	..	..	..	..	21.1	20.0	20.2	21.4	22.2	21.7	22.5
Iceland	13.7	15.2	14.9	14.6	14.8	15.4	15.3	15.3	16.9	18.2	17.9	16.9
Ireland	14.9	15.7	14.8	14.0	13.0	14.1	13.6	14.4	15.3	15.8	16.2	16.7
Italy	19.9	19.9	22.0	22.7	22.9	23.3	23.3	23.5	24.0	24.4	24.7	25.0
Japan	11.4	14.3	14.6	14.7	15.5	16.1	16.5	17.4	17.8	18.1	18.2	18.6
Korea	2.9	3.3	3.5	3.8	5.2	6.3	5.0	5.4	5.3	5.6	6.3	6.9
Luxembourg	19.1	20.8	20.9	21.2	20.9	20.4	19.7	20.8	22.0	23.4	23.9	23.2
Mexico	3.6	4.7	4.4	4.5	5.0	5.7	5.8	5.9	6.3	6.8	6.7	7.0
Netherlands	25.6	23.8	22.6	21.8	21.4	20.5	19.8	19.7	20.5	21.2	21.1	20.9
New Zealand	21.8	18.9	18.8	19.8	20.3	19.6	19.4	18.6	18.7	18.2	18.0	18.5
Norway	22.3	23.3	22.5	22.0	23.6	23.6	21.3	22.2	23.6	24.5	23.2	21.6
Poland	14.9	22.6	22.8	22.2	21.4	21.6	20.5	21.9	22.3	22.3	21.4	21.0
Portugal	12.9	17.0	17.6	17.5	17.9	18.3	19.6	19.9	21.3	22.9	23.1	..
Slovak Republic	..	18.6	18.2	17.9	18.0	18.5	17.9	17.6	17.7	17.1	16.5	16.6
Spain	19.9	21.4	21.3	20.7	20.6	20.3	20.3	20.0	20.4	21.0	21.2	21.2
Sweden	30.2	32.1	31.7	30.5	30.3	29.8	28.5	28.9	29.5	30.3	29.8	29.4
Switzerland	13.4	17.5	18.0	18.7	18.8	18.6	17.9	18.4	19.2	20.3	20.3	20.3
Turkey	7.6	7.5	9.7	10.8	11.1	13.2	..	..	..	..	..	13.7
United Kingdom	17.0	20.2	19.9	19.0	19.4	19.1	19.2	20.1	20.0	20.5	21.1	21.3
United States	13.4	15.3	15.1	14.9	14.7	14.5	14.5	15.1	15.9	16.2	16.1	15.9
OECD total	18.1	19.9	20.0	19.7	19.8	19.7	19.3	19.7	20.2	20.7	20.6	20.5

StatLink  <http://dx.doi.org/10.1787/544036521217>

Public social expenditure

As a percentage of GDP

StatLink  <http://dx.doi.org/10.1787/537860231647>