

Social spending

In 2018, public social spending was just over 20% of GDP on average across the 36 OECD countries (Figure 6.10). Public social spending-to-GDP ratios are highest in France at just over 30% of GDP, while Austria, Belgium, Denmark, Finland, Germany, Italy and Sweden devoted more than a quarter of their GDP to public social spending. At the other end of the spectrum are mostly non-European countries such as Chile, Korea, Mexico and Turkey, which spend less than 13% of GDP on public social support. Social spending in the emerging economies in the early 2010s was lower than the OECD average, ranging from around 3% of GDP in India to about 17% in Brazil.

At its peak during the Great Recession, public social expenditure amounted to 22% of GDP on average across the OECD. Spending has edged downwards since 2009. Figure 6.10 suggests that it takes some time for social protection systems to develop into comprehensive welfare states. Although still low in international comparisons, since 1990 public social expenditure-to-GDP ratios more than tripled in Korea and Turkey. In a small number of OECD countries (Canada, Israel, New Zealand, the Slovak Republic, Slovenia and Sweden) the public social spending-to-GDP ratio is the same now as it was in 1990, or is even lower. The Netherlands is the country with the biggest drop: a health care reform in 2006 led to a shift away from public spending; since then, compulsory basic health insurance is being financed through private funds.

On average in the OECD, pensions and health services account for two-third of total expenditure. In a majority of OECD countries, pensions are the largest expenditure area (Figure 6.11). In Anglophone countries and most other countries outside Europe, health makes up for the bulk of public social expenditure. In a few countries, such as Denmark and Ireland, the largest share is devoted to income support for the working-age population.

Accounting for the impact of taxation and private social benefits leads to some convergence of spending-to-GDP ratios across countries (Figure 6.11). Net total social spending is 20-27% of GDP in about half of countries. It is even higher for the United States at 30% 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 32% of GDP.

Cash social benefits are not always tightly targeted to the poorest. In 2016, on average only 23% of public cash transfers received by working-age individuals went to households in the bottom 20% of the income distribution, while 19% went to households in the top 20% of the income distribution (Figure 6.12). These shares vary across countries. On the one hand, more than 40% of cash benefits go the poorest 20% in Australia, Finland and New-Zealand, countries with various income-tested benefits. On the other hand, less than 15% of cash benefits go the poorest 20% in Mediterranean European countries (Greece, Italy, Portugal, Spain) and Luxembourg, countries with a strong social insurance dimension where most benefits are related to past earnings.

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 6.10 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 6.11. Spending by lower tiers of government may be underestimated in some federal countries.

Public social spending totals reflect detailed social expenditure data for 1980-2015/17. Consistent with these historical series, public social expenditure totals were calculated for 2016, 2017 and estimated for 2018.

“Poorest 20%” and “Richest 20%” refer to the share of public cash transfers received by working-age households at the bottom and top quintiles of the income distribution. Data come from the *OECD Income Distribution Database*.

Further reading

OECD (2019), *Social Expenditure Update 2019*, Public Social Spending is High in Many OECD Countries, OECD Publishing, Paris, <http://oe.cd/socx>.

OECD (2017), “Basic income as a policy option: Can it add up?”, Policy Brief on The Future of Work, OECD Publishing, Paris, www.oecd.org/employment/future-of-work.

Figure notes

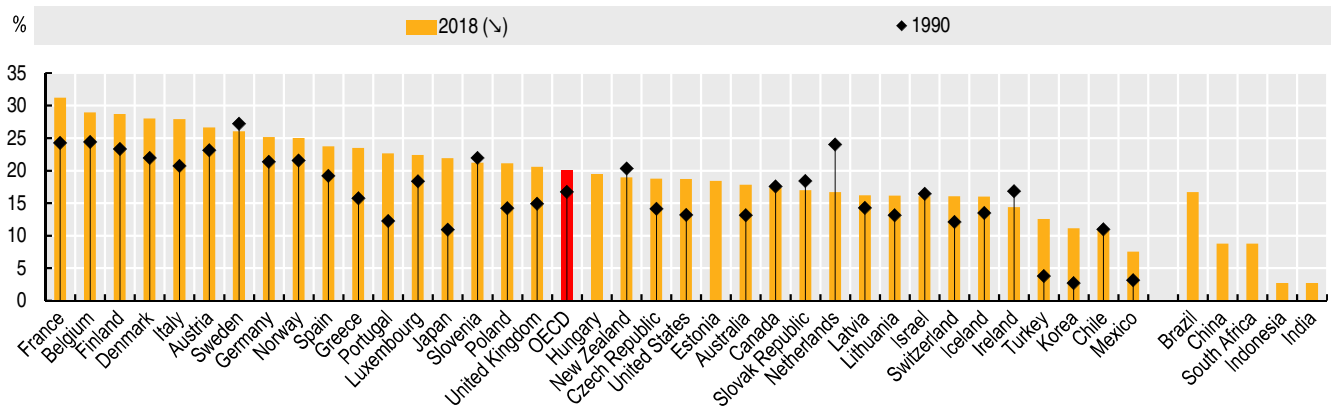
Figure 6.10: Instead of 2018, data refer to 2017 for Canada, Chile and Israel, 2016 for Australia, Mexico and Turkey and 2015 for Japan. Instead of 1990, data for Chile, Israel and the Slovak Republic refer to 1995, for Slovenia to 1996, and for Latvia to 1997. Estimates for non-OECD countries (right side) do not follow the same methodology therefore data are not fully comparable with OECD countries.

Figure 6.11: Data for Chile, Israel and Korea refer to 2017, Australia, Mexico, New Zealand, the United States and Turkey to 2016, Poland to 2014, otherwise they refer to 2015. Income support to the working-age population refers to spending on the following SOCX cash categories: Incapacity benefits, Family cash benefits, Unemployment and other social policy areas categories. Other social services refer to services for the elderly, survivors, disabled, families, housing and other social services. Net indicators are not available for Lithuania and the Netherlands and refer to 2013 for Poland.

Figure 6.12: Data refer to 2016 for all countries except Chile, Denmark, Germany, Iceland, Ireland, Japan, Korea, Switzerland, Turkey (2015); Hungary, Mexico and New Zealand (2014).

6.10. Public social spending amounts to just over 20% of GDP on average across OECD countries

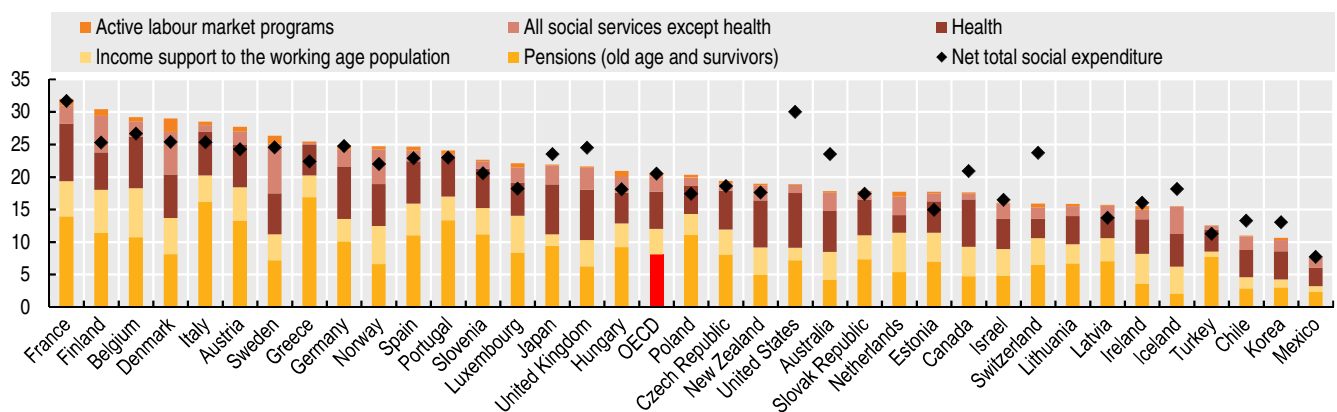
Public social expenditure in percentage of GDP, in 1990 and 2018



Source: OECD (2019), Social Expenditure database (SOCX), <http://oe.cd/socx> and OECD (2019), Society at a Glance: Asia/Pacific 2019, OECD Publishing, Paris.
StatLink <http://dx.doi.org/10.1787/888933939180>

6.11. Most spending goes to pensions and health

Public social spending by broad policy area and net total social spending, in 2015/17, in percentage of GDP

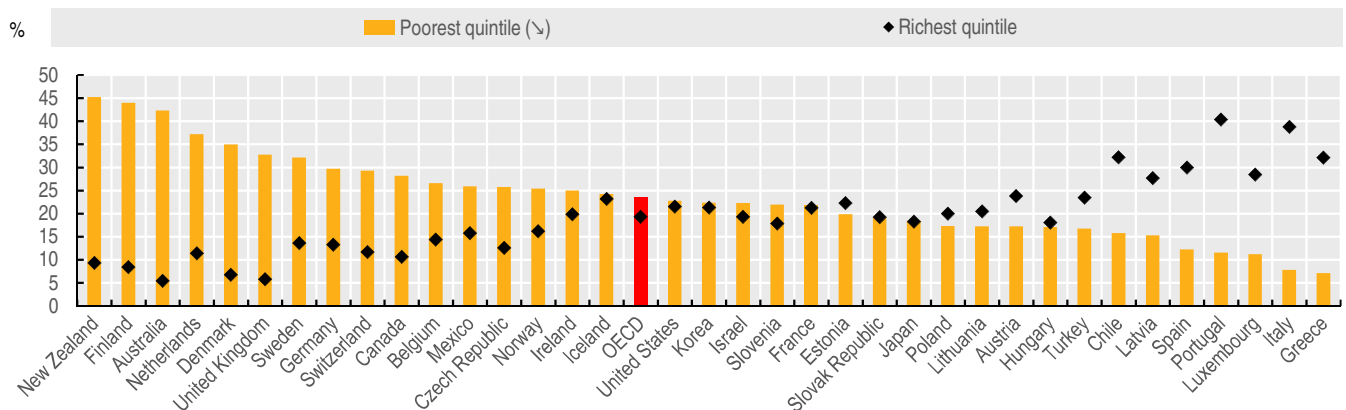


Source: OECD (2019), Social Expenditure database (SOCX), <http://oe.cd/socx>.

StatLink <http://dx.doi.org/10.1787/888933939199>

6.12. Cash support is not always tightly targeted to the poorest

Share of public cash transfers received by working-age individuals in low and high-income groups, in 2016



Source: Calculations based on OECD Income Distribution Database, <http://oe.cd/idd>.

StatLink <http://dx.doi.org/10.1787/888933939218>



From:
Society at a Glance 2019
OECD Social Indicators

Access the complete publication at:
https://doi.org/10.1787/soc_glance-2019-en

Please cite this chapter as:

OECD (2019), “Social spending”, in *Society at a Glance 2019: OECD Social Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/e02dd0a9-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.