



SHORT REVIEW OF SOCIAL SPENDING TRENDS IN SELECTED OECD COUNTRIES

ESSENTIAL BIBLIOGRAPHY

- Data: SOCX OECD database
 - https://stats.oecd.org/Index.aspx?datasetcode=SOCX_AGG#
- Adema, Fron and Ladaique (2011), “Is the European Welfare State Really More Expensive? Indicators on Social Spending, 1980-2012; and a Manual to the OECD Social Expenditure Database (SOCX)”; OECD Publishing.
- Adema and Ladaique (2009) “How Expensive is the Welfare State? Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)”, OECD Publishing
- Adema and Ladaique (2005) “Net Social Expenditure, 2005 Edition More comprehensive measures of social support”
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- Pestieau, P. and Lefebvre M. (2018), "The Welfare State in the European Union: Economic and Social Perspectives,“, Oxford University Press

SOCIAL EXPENDITURE AGGREGATE

PENSIONS

- **OLD AGE:** pensions, early retirement, home-help
- **SURVIVORS:** pensions and funeral payments
- **DISABILITY:** benefits, care services, sickness payments

HEALTH

- Spending on in- and out- patient care, medical goods, prevention

FAMILY

- Child allowances/credits, childcare and income support
- Housing policies

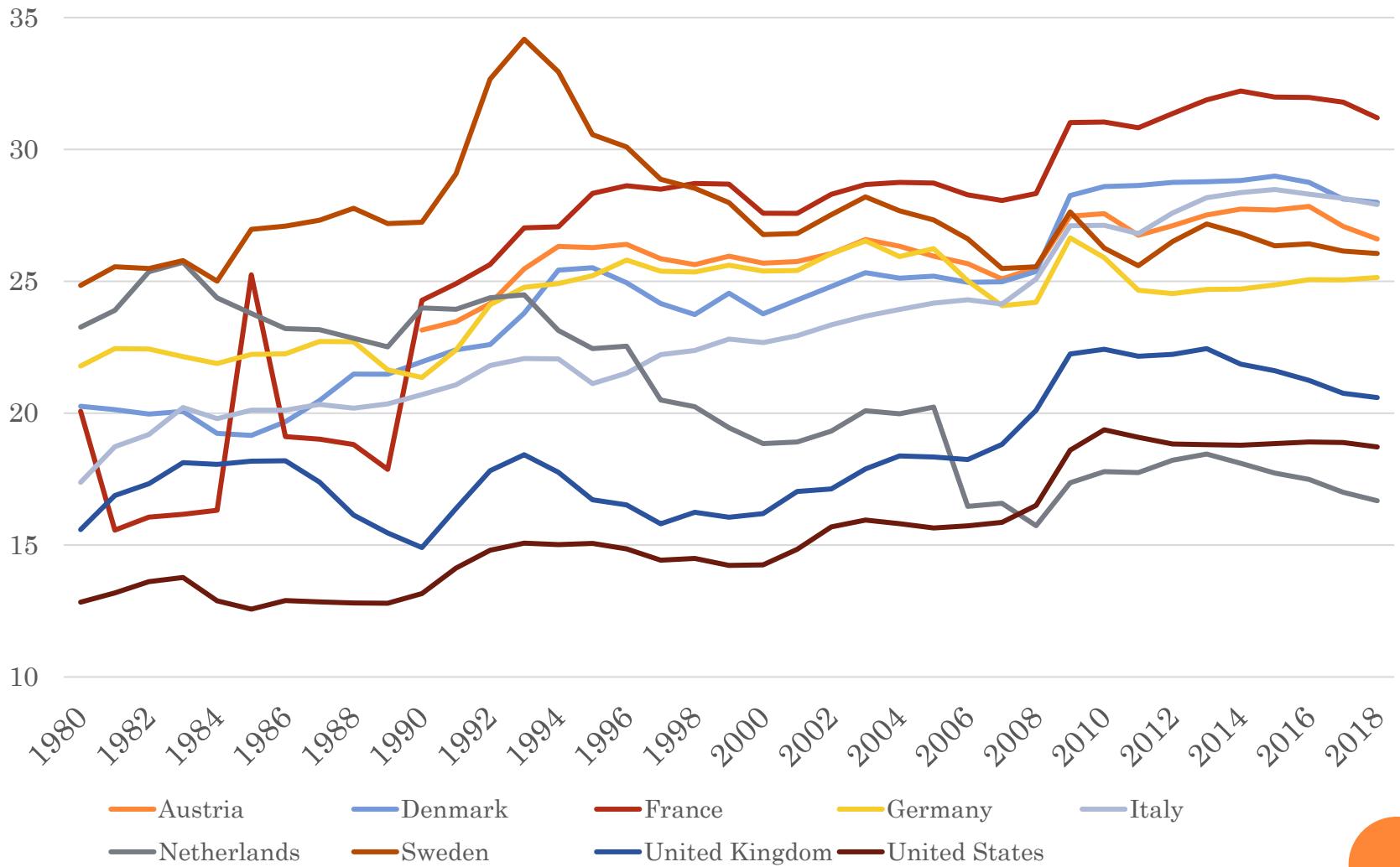
LABOUR MARKET

- **UNEMPLOYMENT** compensations, early retirement for lab mk reasons
- **ACTIVE LABOR MK POLICIES:** training, employment and start-up incentives, direct job creation

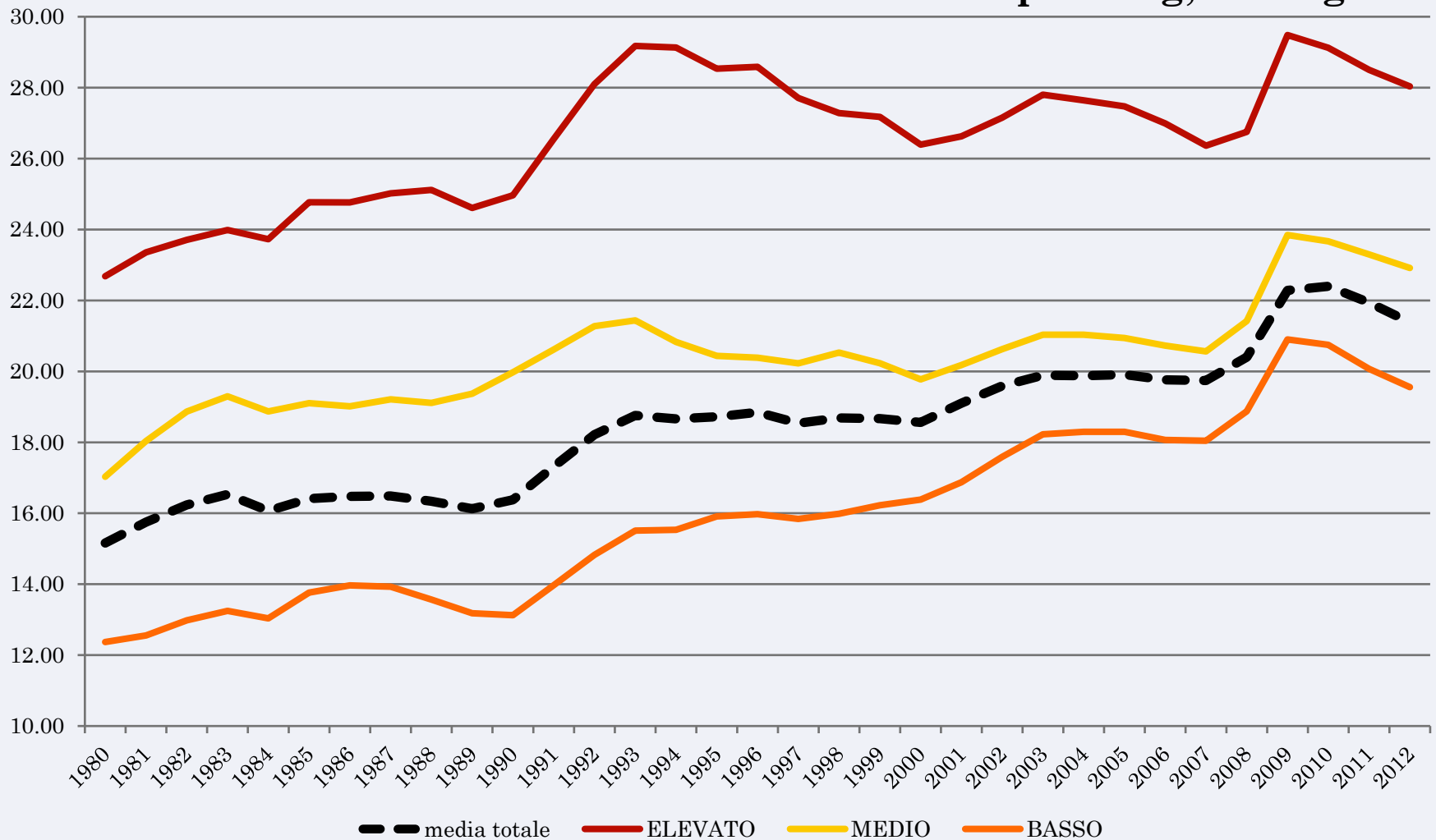
EDUCATION

- Current and capital expenses of educational institutions, support for students and their families.

OECD Social Spending % GPD (OECD SOCX data)



OECD social spending, averages



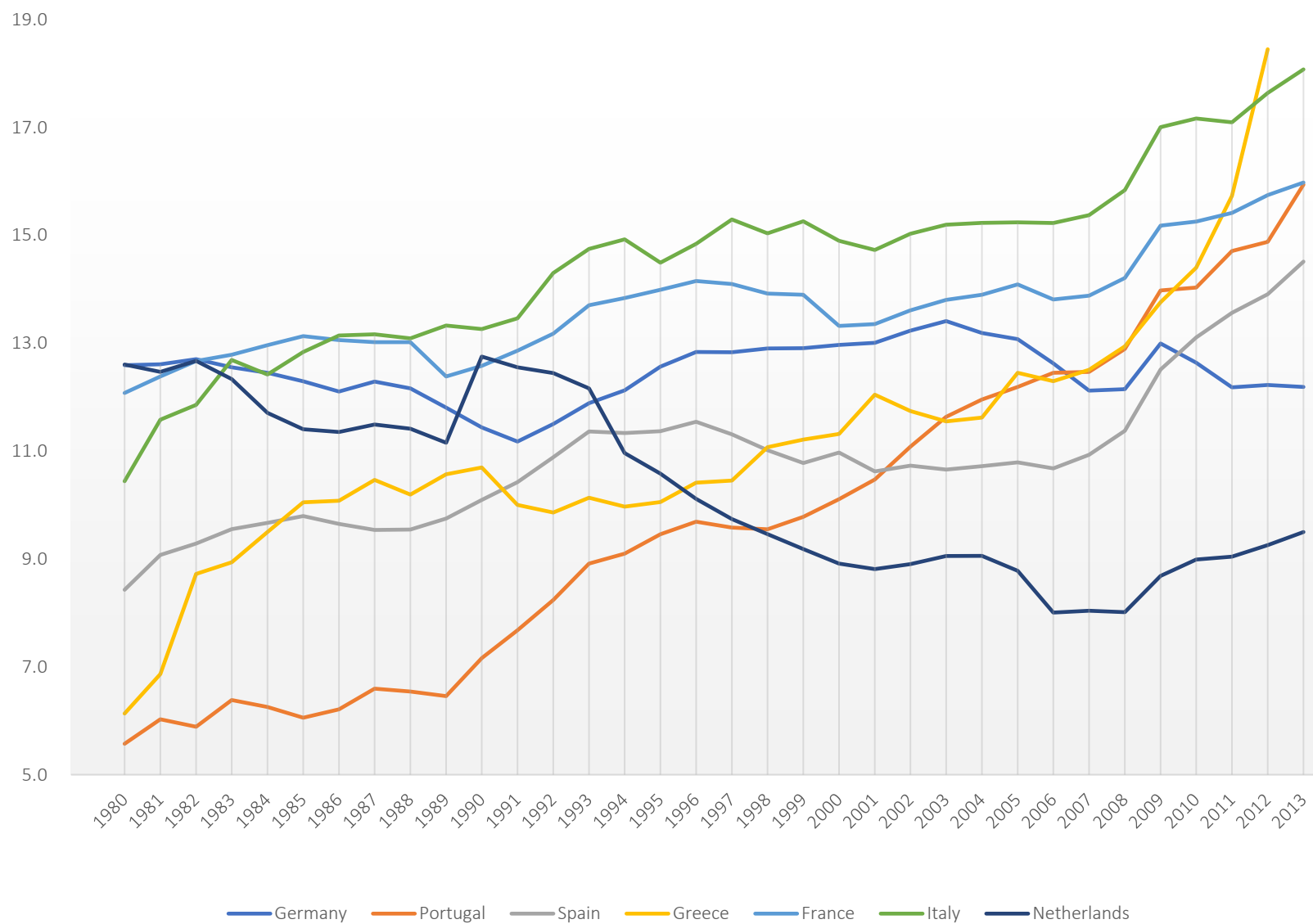
CONVERGENCE ANALYSIS: growth rate (2012-1980) to spending level in 1980

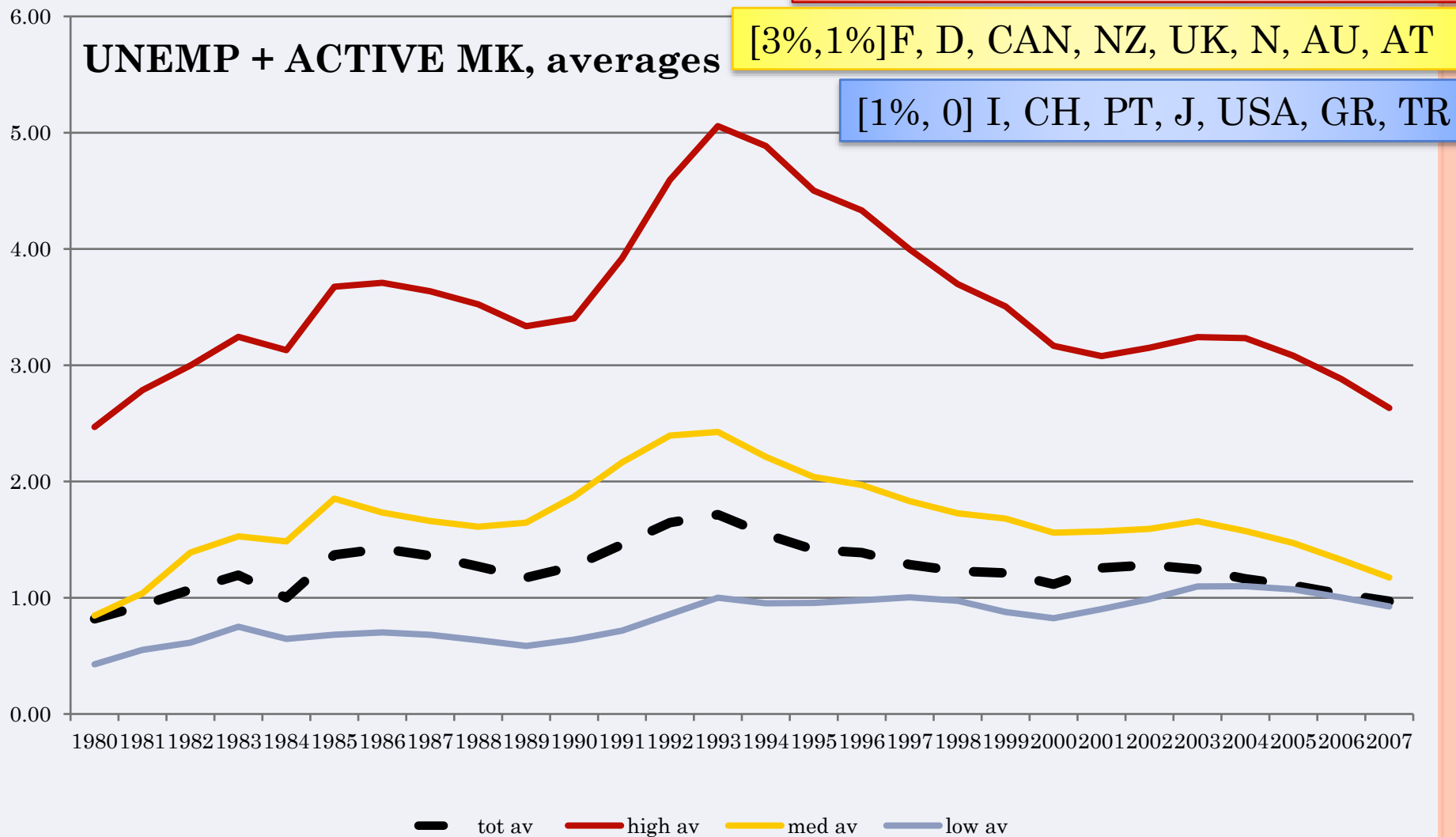
starting | - 0.123289 ***

Adj R-squared = 0.6620



Spesa pensioni %PIL





CONVERGENCE ANALYSIS: growth rate (2012-1980) to spending level in 1980

starting | -3.164008 ***

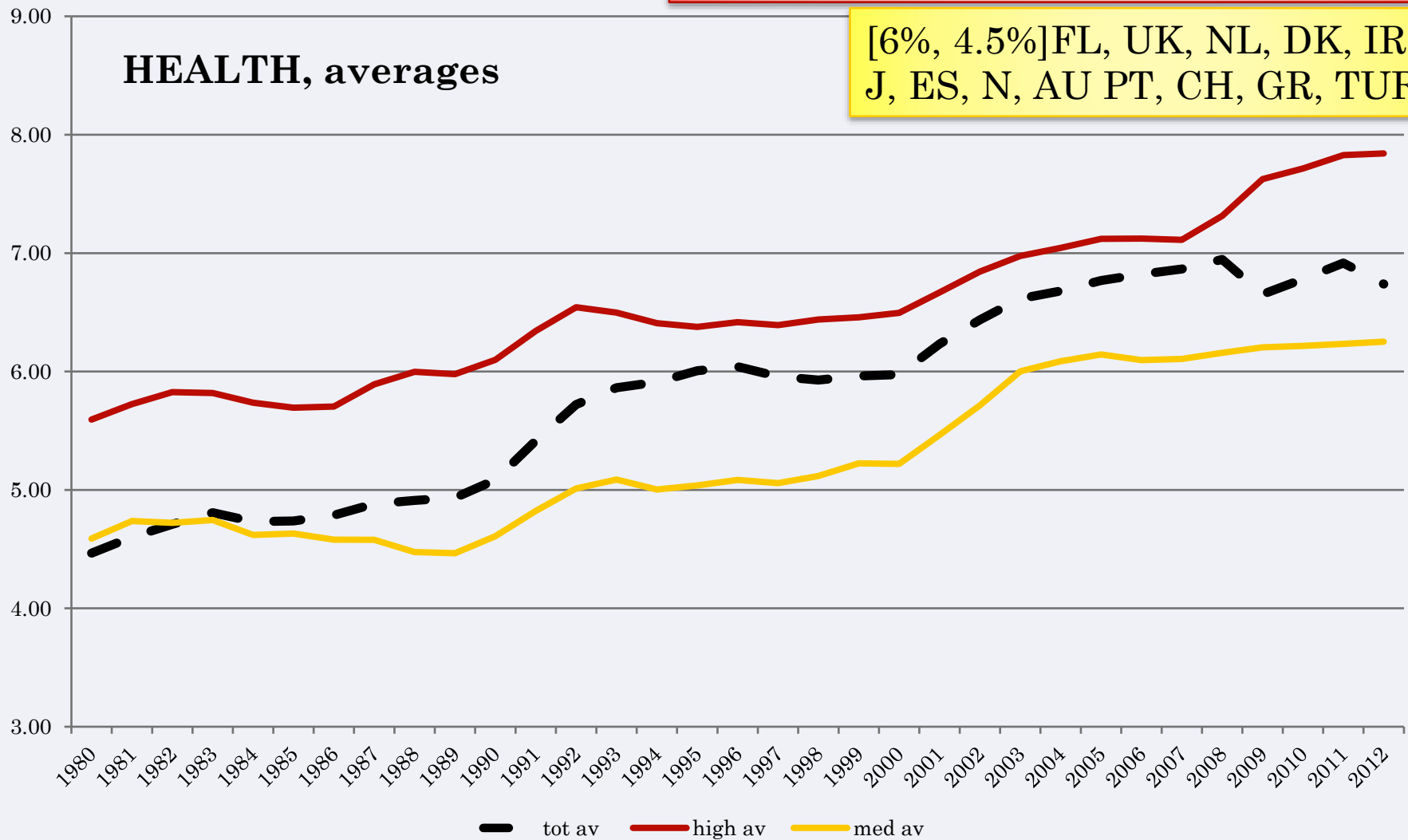
Adj R-squared = 0.3091



[8%, 6%] D, SE, F, CAN, B, NZ, AT, USA, I

[6%, 4.5%] FL, UK, NL, DK, IR,
J, ES, N, AU PT, CH, GR, TUR

HEALTH, averages



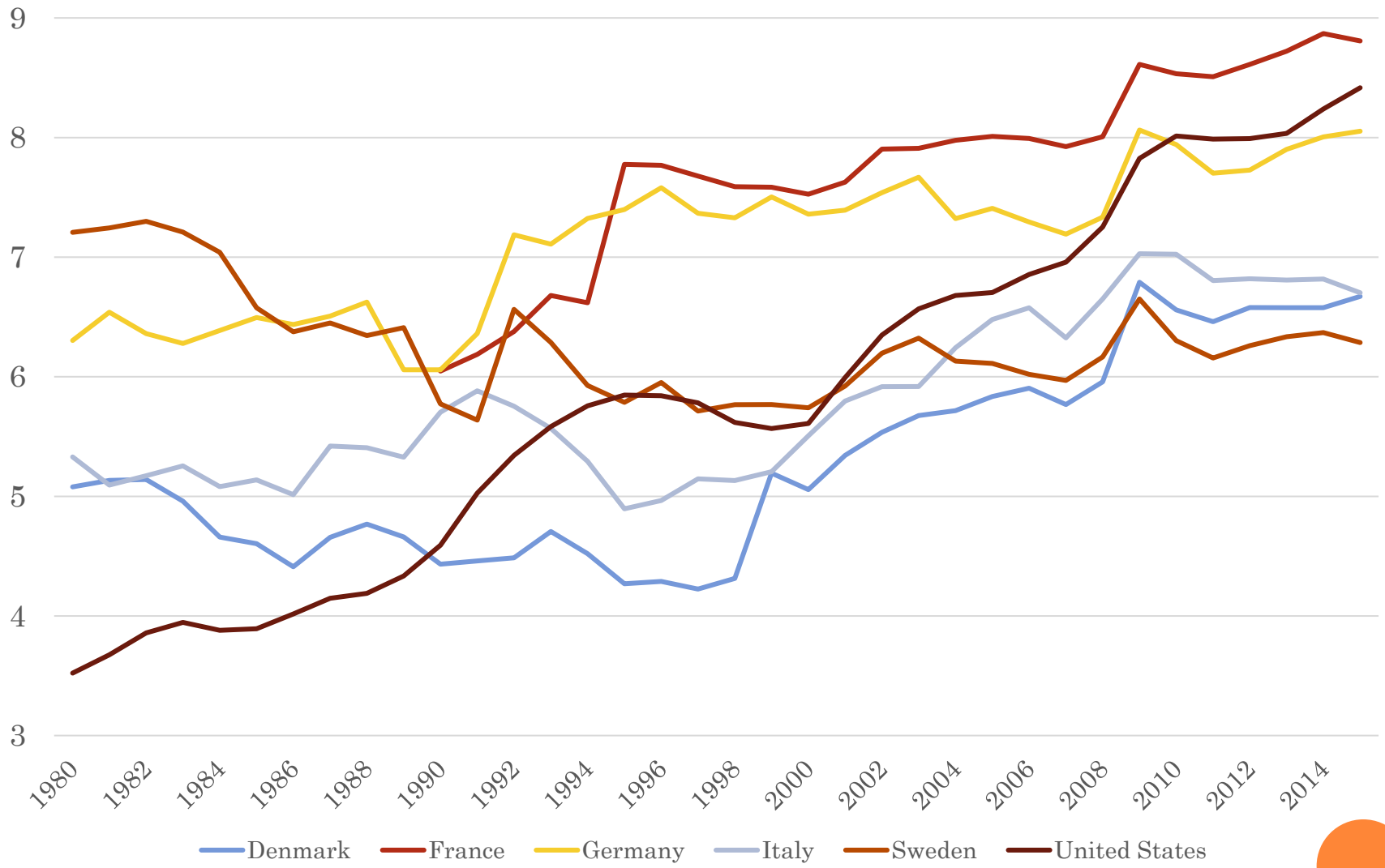
CONVERGENCE ANALYSIS: growth rate (2012-1980) to spending level in 1980

starting | -0.9949707 ***

Adj R-squared = 0.7718



Health spending, % GDP (OECD SOCX data)

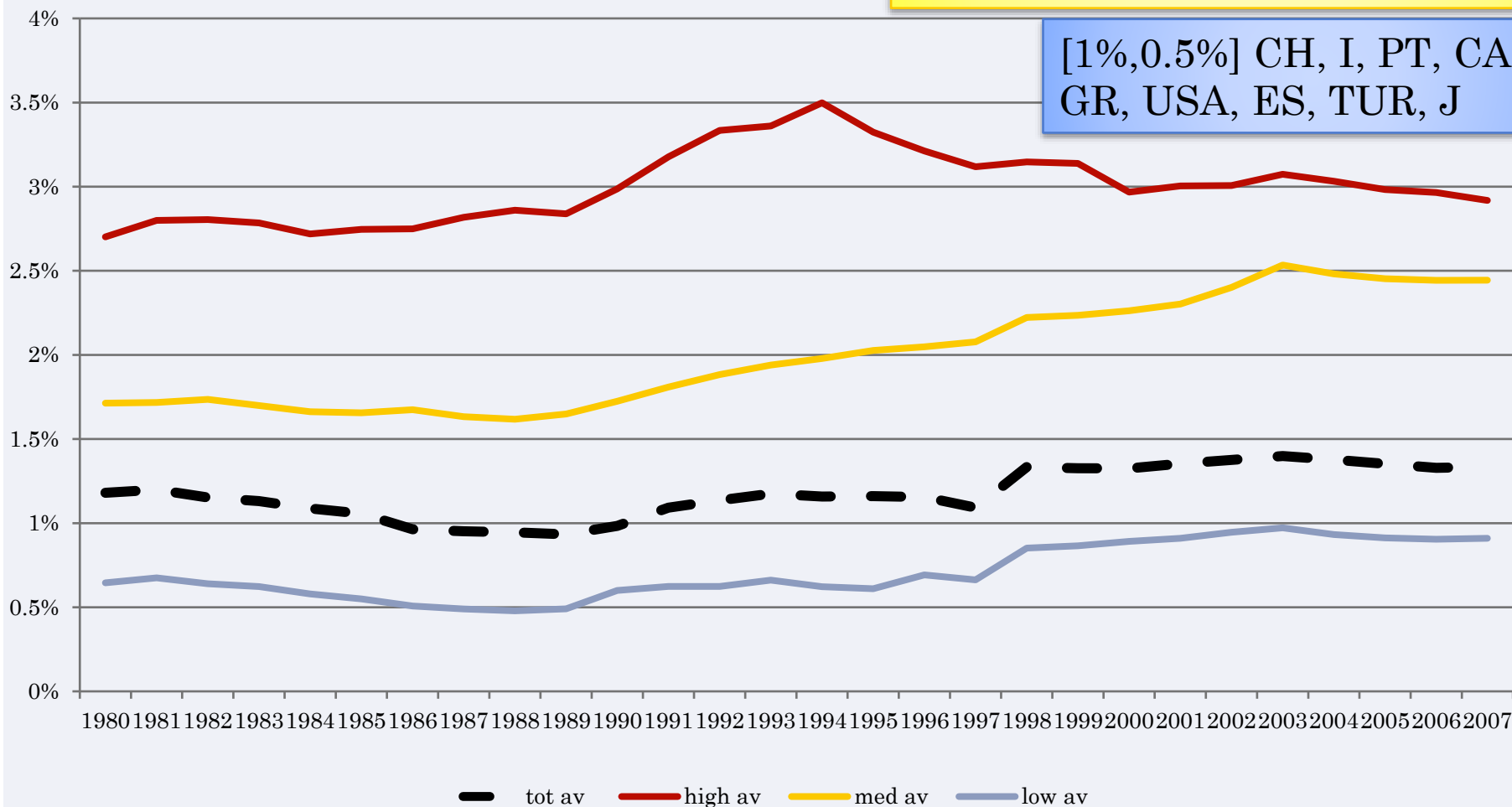


FAMILY, averages

[4%, 2.5%] SE, DK, FL, AT, N, F, B

[2.5%, 1%] UK, NZ, AU, D, IR, NL

[1%, 0.5%] CH, I, PT, CAN, GR, USA, ES, TUR, J



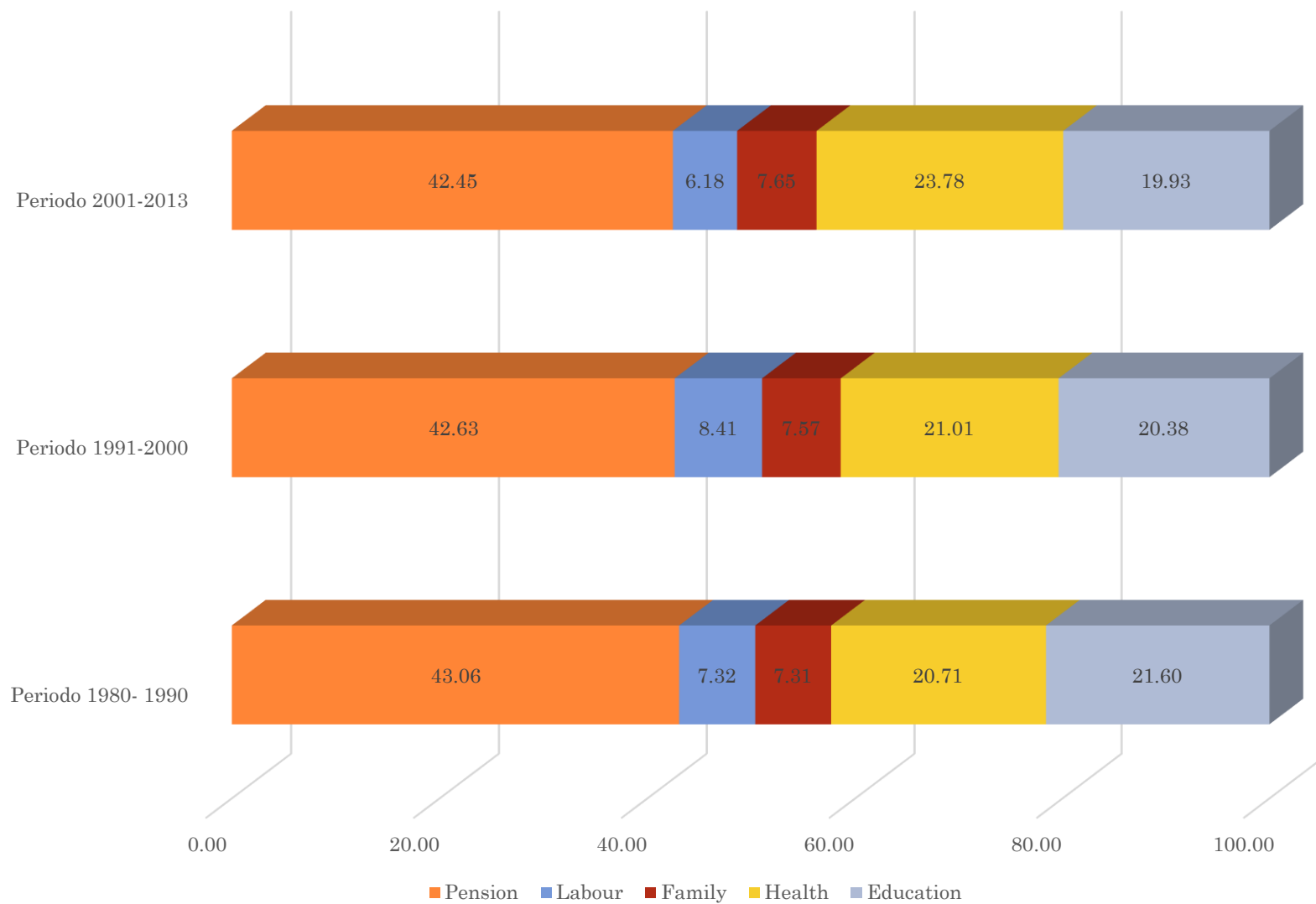
CONVERGENCE ANALYSIS: growth rate (2012-1980) to spending level in 1980

starting | -1.346769

Adj R-squared = 0.2209



Expenditure composition



- Gross social spending data presented so far do not account for how tax systems affect public and private spending on social protection. Adema (1996) identifies three effects
 - **Direct taxation of benefit income:** Governments levy income tax and social security contributions on cash transfers to beneficiaries, in which case redistribution of resources is lower than suggested by gross spending indicators.
 - **Indirect taxation of consumption by benefit recipients:** Benefit income is provided to finance consumption of goods and services. Indirect taxes reduce the consumption which can be financed out of a given level of benefit income.
 - **Tax breaks for social purposes:** Governments also make use of the tax system to directly pursue social policy goals. Fiscal measures with social effects are those which can be seen as replacing cash benefits (e.g., child tax allowances) or stimulating the provision of private benefits (e.g., tax relief towards the provision of private health plans).
- The net social spending indicators are related to GDP at factor cost rather than GDP at market prices. The reason for this is that since adjustment has been made to benefits for the value of indirect taxation, the denominator (GDP) has to be adjusted similarly. As GDP at factor cost does not include the value of indirect taxation and government subsidies to private enterprises and public corporations, it seems the most appropriate indicator for international comparisons.

2007

Denmark

United States

% of GDP at factor cost

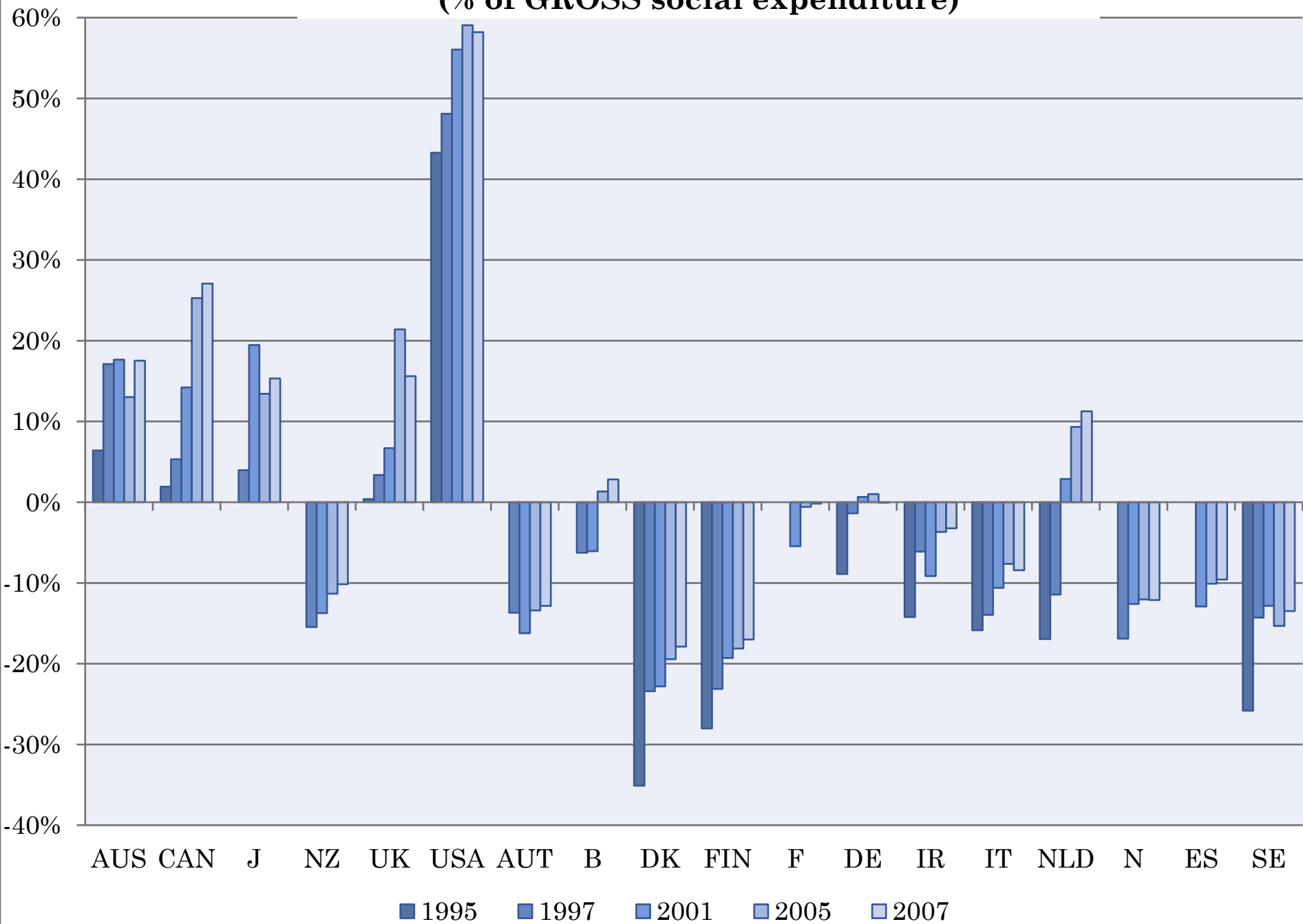
1	Gross public social expenditure	30.81	17.41
-	Direct taxes and social contributions	4.08	0.57
2	Net cash direct public social expenditure	26.73	16.84
-	Indirect taxes (on cash benefits)	3.01	0.33
3	Net direct public social expenditure	23.73	16.51
+ T1	TBSPs similar to cash benefits	0.00	0.65
-	Indirect taxes	0.00	0.03
4	Net TBSPs similar to cash benefits	0.00	0.62
+ T2	TBSPs towards current private benefits	0.00	1.45
5	Net TBSPs (not including pensions)	0.00	2.07
6	Net current public social expenditure	23.73	18.58
7	Gross mandatory private soc. Exp.	0.29	0.33
-	Direct taxes and social contributions	0.12	0.02
-	Indirect taxes	0.05	0.01
8	Net current mand. private soc. exp.	0.13	0.30
9	Net publicly mandated soc. exp. [6+8]	23.86	18.88
10	Gross voluntary private soc. exp.	2.75	10.94
-	Direct taxes and social contributions	0.87	0.65
-	Indirect taxes	0.44	0.18
11	Net current voluntary private soc. exp.	1.44	10.11
12	Net current private soc. exp. [8+11]	1.58	10.41
13	Net total social expenditure [6+12-T2]	25.30	27.54

RATIO net total to gross public

0.82

1.58

**Gap between NET and GROSS social expenditure
(% of GROSS social expenditure)**



Countries ranked by SOCIAL EXPENDITURE

