

## SOCIAL EXPENDITURE

Social expenditures are a measure of the extent to which countries assume responsibility for supporting the standard of living of disadvantaged or vulnerable groups.

### Definition

Social expenditure comprises cash benefits, direct “in-kind” provision of goods and services, and tax breaks with social purposes. Benefits may be targeted at low-income households, the elderly, disabled, sick, unemployed, or young persons. To be considered “social” programmes have to involve either redistribution of resources across households, or compulsory participation. Social benefits are classified as public when general government (that is central, state, and local governments, including social security funds) controls the relevant financial flows. All social benefits not provided by general government are considered “private”. Private transfers between households are not considered as “social” and not included here.

### Overview

In 2005, on average, public social expenditure amounted to 21% of GDP. In Sweden and France, public social spending is about 29% of GDP while it is 7% in Mexico and Korea.

Gross public social expenditure increased from about 16% in 1980 to 18% in 1990 and to 21% of GDP in 2005 across OECD countries. On average, public social spending-to-GDP ratios increased the most in the early 1980s, early 1990s and in the beginning of this millennium. 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, fluctuating around 20% of GDP.

The three biggest categories 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 exceeds 5% of GDP only in the Nordic countries, where the public role in providing services to the elderly, the disabled and families is the most extensive.

There are also considerable differences across countries in the extent to which social protection systems rely on private provision. In 2005, gross private social spending was highest (at just over 10% of GDP) in the United States and lowest (at less than 1% of GDP) in the Czech Republic, Hungary, Luxembourg, Mexico, Poland, New Zealand, Spain and Turkey. In some OECD countries, the role of private social benefits has increased in recent years, especially in Canada, the Netherlands and the United States. Reductions in the generosity of public employment-related social benefits (sickness and incapacity related income support) since the 1980s have encouraged the growth of private benefits to top-up public programmes. In Denmark, the Netherlands and Sweden, governments have legislated increased employer’s responsibility for the provision of sickness benefits during the first part of the 1990s.

### Comparability

For cross-country comparisons, the most commonly used indicator of social support is gross (before tax) public social expenditure relative to GDP. Measurement problems do exist, particularly with regard to spending by lower tiers of government, which may be underestimated in some countries. Data on private social spending are often of lesser quality than for public spending.

No data for private expenditure are currently collected for countries ranked separately on the left-hand side of the chart.

### Sources

- Social Expenditure Database, (See [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)).

### Further information

#### Analytical publications

- Adema, W. and M. Ladaique (2009), *How Expensive is the Welfare State? Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)*, OECD Social Employment and Migration Working Papers, No. 92, OECD, Paris.
- OECD (2002-2008), *Babies and Bosses – Reconciling Work and Family Life*, (See [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)), OECD, Paris, (See [www.oecd.org/els/social/family](http://www.oecd.org/els/social/family)).
- OECD (2009), *Society at a Glance: OECD Social Indicators – 2009 Edition*, OECD, Paris, (See [www.oecd.org/els/social/indicators/SAG](http://www.oecd.org/els/social/indicators/SAG)).
- OECD (2009), *Doing Better for Children*, OECD, Paris, (See [www.oecd.org/els/social/childwellbeing](http://www.oecd.org/els/social/childwellbeing)).
- OECD (2009), *Sickness, Disability and Work*, OECD, Paris, (See [www.oecd.org/els/disability](http://www.oecd.org/els/disability)).

#### Web sites

- OECD Social and Welfare Statistics, [www.oecd.org/statistics/social](http://www.oecd.org/statistics/social).



## Public and private social expenditure

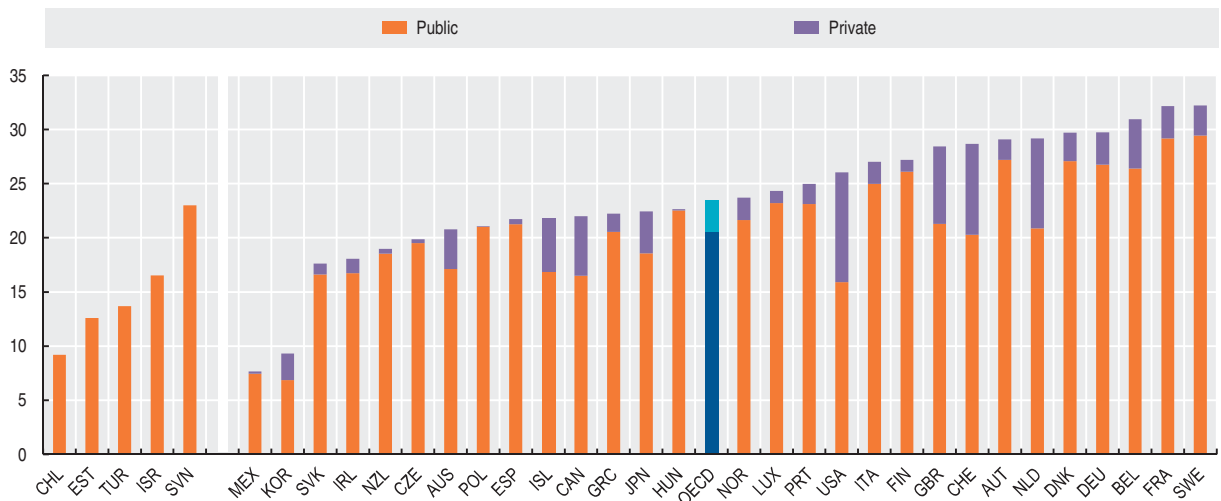
As a percentage of GDP

	Public expenditure						Private expenditure					
	1990	1995	2000	2003	2004	2005	1990	1995	2000	2003	2004	2005
Australia	13.6	16.6	17.8	17.8	17.7	17.1	..	4.5	5.4	4.5	3.6	3.7
Austria	23.9	26.5	26.4	27.5	27.3	27.2	2.2	2.1	2.0	2.0	1.9	1.9
Belgium	24.9	26.2	25.3	26.5	26.6	26.4	1.6	2.1	2.4	4.1	4.2	4.5
Canada	18.1	18.9	16.5	17.2	16.6	16.5	3.3	4.4	5.0	5.4	5.5	5.5
Czech Republic	16.0	18.2	19.8	20.7	19.7	19.5	0.0	0.1	0.4	0.4	0.3	0.4
Denmark	25.1	28.9	25.8	27.8	27.7	27.1	2.1	2.4	2.4	2.5	2.6	2.6
Finland	24.2	30.9	24.3	25.8	26.0	26.1	1.1	1.3	1.2	1.2	1.2	1.1
France	25.1	28.6	27.9	29.0	29.1	29.2	1.9	2.0	2.4	2.8	2.9	3.0
Germany	22.3	26.5	26.2	27.3	26.7	26.7	3.1	3.1	3.1	3.1	3.0	3.0
Greece	16.5	17.3	19.2	19.9	19.9	20.5	2.1	1.9	2.3	2.1	1.8	1.7
Hungary	..	..	20.0	22.2	21.7	22.5	..	..	0.0	0.1	0.1	0.1
Iceland	13.7	15.2	15.3	18.2	17.9	16.9	3.0	3.5	4.2	5.0	4.9	4.9
Ireland	14.9	15.7	13.6	15.8	16.2	16.7	1.4	1.7	1.3	1.3	1.3	1.3
Italy	19.9	19.9	23.3	24.4	24.7	25.0	4.0	4.2	2.2	2.2	2.1	2.1
Japan	11.4	14.3	16.5	18.1	18.2	18.6	..	..	3.7	3.6	3.6	3.8
Korea	2.9	3.3	5.0	5.6	6.3	6.9	0.4	2.3	2.9	2.9	2.3	2.5
Luxembourg	19.1	20.8	19.7	23.4	23.9	23.2	0.0	0.0	0.1	1.1	1.2	1.1
Mexico	3.6	4.7	5.8	7.3	7.2	7.4	0.1	0.1	0.1	0.2	0.2	0.2
Netherlands	25.6	23.8	19.8	21.2	21.1	20.9	6.1	6.7	7.3	7.9	8.2	8.3
New Zealand	21.8	18.9	19.4	18.2	18.0	18.5	0.2	0.5	0.5	0.5	0.4	0.4
Norway	22.3	23.3	21.3	24.5	23.2	21.6	1.9	1.7	2.0	2.6	2.3	2.1
Poland	14.9	22.6	20.5	22.3	21.4	21.0	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	12.9	17.0	19.6	22.9	23.1	23.1	0.9	1.2	1.6	0.8	1.9	1.9
Slovak Republic	..	18.6	17.9	17.1	16.5	16.6	0.0	0.7	0.8	1.2	1.3	1.0
Spain	19.9	21.4	20.3	21.0	21.2	21.2	0.2	0.3	0.3	0.5	0.5	0.5
Sweden	30.2	32.1	28.5	30.4	29.9	29.4	1.2	2.4	2.7	3.0	2.9	2.8
Switzerland	13.4	17.5	17.9	20.3	20.3	20.3	5.3	7.6	8.3	8.2	8.6	8.4
Turkey	7.6	7.5	13.3	13.5	13.6	13.7	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	17.0	20.2	19.2	20.5	21.1	21.3	5.1	6.7	7.8	6.7	6.7	7.1
United States	13.4	15.3	14.5	16.2	16.1	15.9	7.6	8.3	9.2	10.1	10.1	10.1
OECD total	18.1	19.9	19.3	20.8	20.6	20.6	2.1	2.5	2.7	2.9	2.8	2.9
Chile	..	..	10.7	10.3	9.4	9.2	..	..	..	..	..	..
Estonia	..	..	13.9	12.5	13.0	12.6	..	..	..	..	..	..
Israel	..	16.6	17.2	18.3	17.2	16.5	..	..	..	..	..	..
Slovenia	..	..	24.2	23.7	23.4	23.0	..	..	..	..	..	..

StatLink <http://dx.doi.org/10.1787/826301580471>

## Public and private social expenditure

As a percentage of GDP, 2005

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