

TAXES ON THE AVERAGE WORKER

This series, “taxes on a single average worker”, measures the ratio of the amount of taxes paid by a single average worker compared with the implied total labour cost for the employer. This “tax wedge” measure therefore 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 the employment of 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.

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 wedge” measures are therefore the result of a modeling exercise rather than direct observation of taxes actually paid.

Source

- OECD (2008), *Taxing Wages 2006-2007, 2007 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. 11: The Taxation of Employee Stock Options*, OECD, Paris.
- OECD (2006), *OECD Tax Policy Studies – No. 15 Encouraging Savings through Tax-Preferred Accounts*, OECD, Paris.
- OECD (2007), *Benefits and Wages: OECD Indicators*, OECD, Paris.

Statistical publications

- OECD (2008), *Revenue Statistics 1965-2007 – Edition 2008*, OECD, Paris.
- OECD (2008), *OECD Latin American Economic Outlook 2009*, OECD, Paris.

Websites

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

Long-term trends

On average, the taxes on an average worker have decreased slightly since 2000 for the OECD as a whole. However, there are important differences between countries. 13 of the 30 OECD member countries experienced an overall increase in the taxes on an average worker since 2000. Countries with the largest increases included Japan, Greece and Korea. Of the 17 countries that have experienced an overall decline, the largest decreases were for Finland, Ireland and Sweden.

Taxes on the average worker

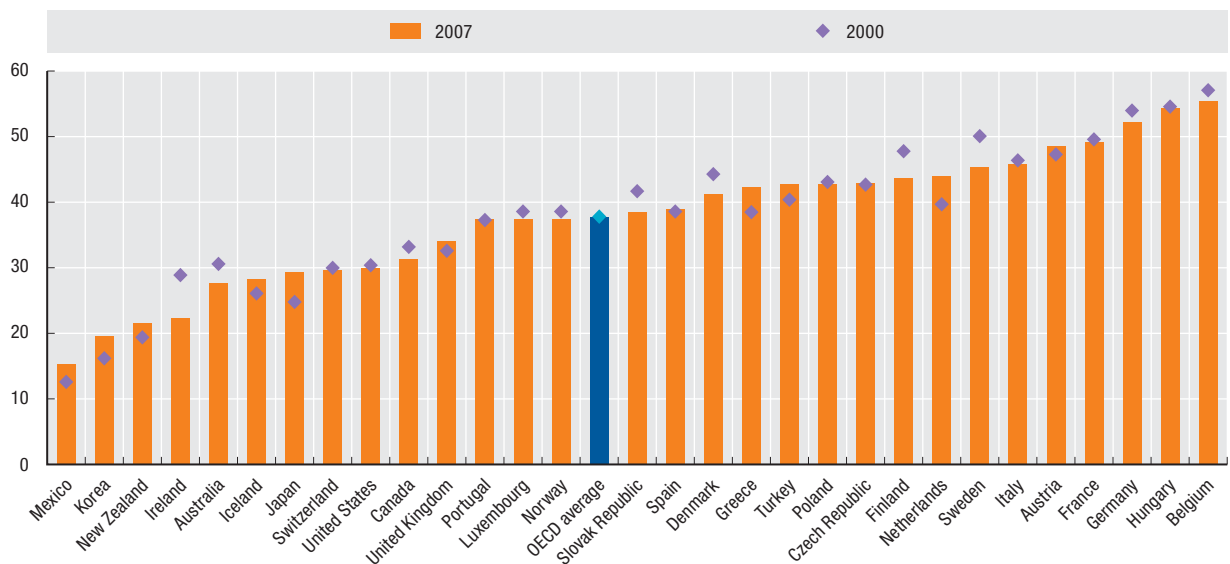

As a percentage of labour cost

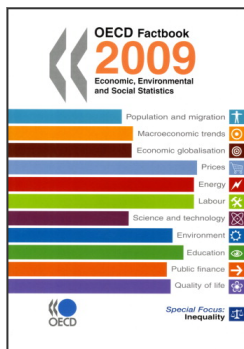
	2000	2001	2002	2003	2004	2005	2006	2007
Australia	30.6	27.3	27.7	28.0	28.0	28.3	28.3	27.7
Austria	47.3	46.9	47.1	47.4	48.1	48.0	48.3	48.5
Belgium	57.1	56.7	56.3	55.7	55.4	55.5	55.5	55.5
Canada	33.2	32.0	32.1	32.0	32.0	31.9	31.9	31.3
Czech Republic	42.7	42.6	42.9	43.2	43.5	43.8	42.6	42.9
Denmark	44.3	43.6	42.6	42.6	41.3	41.1	41.3	41.3
Finland	47.8	46.4	45.9	45.0	44.5	44.6	44.1	43.7
France	49.6	49.8	49.8	49.8	49.9	50.0	50.2	49.2
Germany	54.0	53.0	53.5	54.2	53.2	53.1	53.3	52.2
Greece	38.5	38.2	39.0	37.9	40.0	40.5	41.9	42.3
Hungary	54.6	55.8	53.7	50.8	51.8	51.1	51.9	54.4
Iceland	26.1	26.9	28.4	29.2	29.4	29.6	29.5	28.3
Ireland	28.9	25.8	24.5	24.2	24.0	23.5	23.0	22.3
Italy	46.4	46.0	46.0	45.0	45.4	45.4	45.5	45.9
Japan	24.8	24.9	30.5	27.4	27.3	27.7	28.8	29.3
Korea	16.2	16.4	16.1	16.3	17.2	17.3	18.2	19.6
Luxembourg	38.6	37.0	34.2	34.7	35.1	35.9	36.6	37.5
Mexico	12.6	13.2	15.8	16.8	15.3	14.7	15.0	15.3
Netherlands	39.7	37.2	37.4	37.1	38.8	38.7	44.4	44.0
New Zealand	19.4	19.4	19.5	19.7	20.0	20.4	21.1	21.5
Norway	38.6	39.2	38.6	38.1	38.1	37.2	37.4	37.5
Poland	43.1	42.8	42.7	43.0	43.2	43.4	43.7	42.8
Portugal	37.3	36.4	36.6	36.8	37.8	37.3	37.4	37.4
Slovak Republic	41.7	42.7	42.5	42.9	42.5	38.3	38.5	38.5
Spain	38.6	38.8	39.1	38.5	38.7	38.9	39.1	38.9
Sweden	50.1	49.1	47.8	48.2	48.4	48.1	47.8	45.4
Switzerland	30.0	30.1	30.1	29.7	29.4	29.5	29.5	29.6
Turkey	40.4	43.6	42.5	42.2	42.8	42.8	42.7	42.7
United Kingdom	32.6	32.2	32.3	33.8	33.9	34.0	34.0	34.1
United States	30.4	30.3	30.1	29.9	29.8	29.7	29.9	30.0
OECD average	37.8	37.5	37.5	37.3	37.5	37.3	37.7	37.7

StatLink  <http://dx.doi.org/10.1787/544212780653>

Taxes on the average worker

As a percentage of labour cost

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