

## TAXES ON THE AVERAGE WORKER

Taxes on the average worker measure the ratio between the amount of taxes paid by the worker and the employer on the country average wage and the corresponding total labour cost for the employer. This tax wedge measures the extent to which the tax system on labour income may discourage employment.

### Definition

The taxes included 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 B-N of the *International Standard Industrial Classification (ISIC Rev.4)*. The average worker is considered single without children, 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 are fully comparable across countries. They are based on common definitions agreed by all OECD countries.

While the income levels of workers in Sectors B-N differ across countries, they can be regarded as corresponding 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 in each country. These tax wedge measures are therefore derived from a modelling exercise rather than from the direct observation of taxes actually paid by workers and their employers.

### Overview

In 2014, taxes on an average single worker without children represented 36% of their total labour costs across OECD countries on average. This tax wedge ranged between 7% in Chile to around 56% in Belgium. The average tax wedge has decreased by 0.7 percentage points since 2000. However, there are important differences between countries. Of the 34 OECD countries, 11 countries have experienced an overall increase in the taxes on an average worker since 2000. The countries with the largest increases were Iceland, Japan, Korea and Mexico. Of the 25 countries that have experienced an overall decline, the largest decreases were in Denmark, Hungary, Israel and Sweden.

### Sources

- OECD (2015), *Taxing Wages*, OECD Publishing.

### Further information

#### Analytical publications

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#### Statistical publications

- OECD (2015), *Revenue Statistics*, OECD Publishing.
- OECD and Economic Commission for Latin America and the Caribbean (2015), *Latin American Economic Outlook*, OECD Publishing.

#### Online databases

- *OECD Tax Statistics*.

#### Websites

- Tax and Benefit Systems: OECD indicators, [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives).
- Tax policy analysis, [www.oecd.org/tax/tax-policy](http://www.oecd.org/tax/tax-policy).
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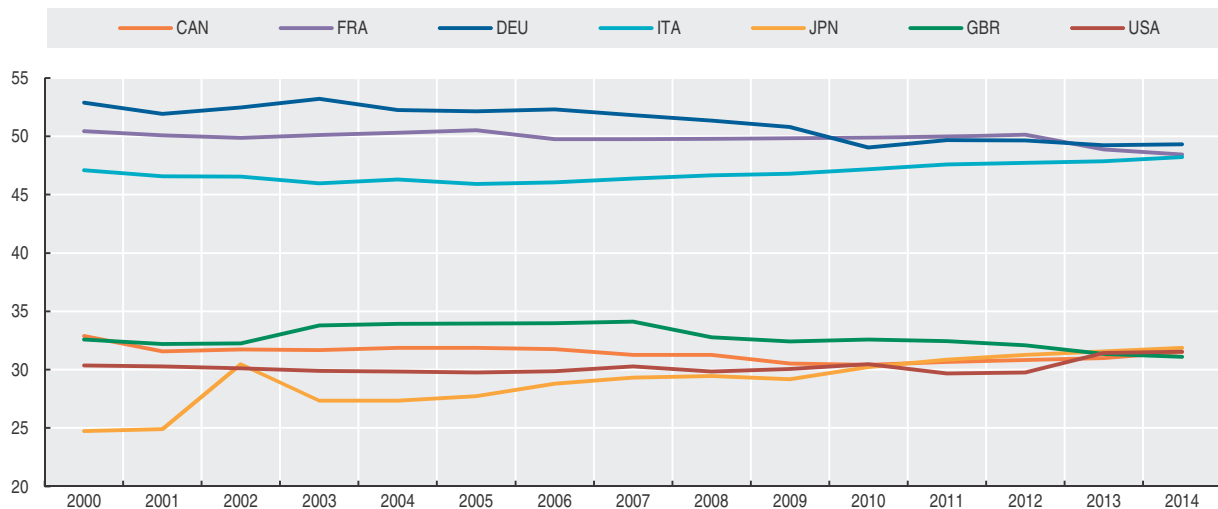
As a percentage of labour cost

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	28.2	28.2	28.5	28.3	27.7	26.9	26.7	26.8	26.7	27.2	27.4	27.7
Austria	47.4	48.3	48.1	48.5	48.8	49.0	47.9	48.2	48.5	48.8	49.2	49.4
Belgium	55.7	55.4	55.5	55.5	55.6	55.9	55.7	55.9	56.1	56.0	55.7	55.6
Canada	31.7	31.9	31.9	31.8	31.3	31.3	30.5	30.4	30.7	30.8	31.0	31.5
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	43.2	43.5	43.7	42.5	42.9	43.4	42.0	42.1	42.6	42.5	42.5	42.6
Denmark	42.4	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4	38.5	38.2	38.1
Estonia	42.3	41.5	39.9	39.0	39.0	38.4	39.2	40.1	40.3	40.4	39.9	40.0
Finland	44.8	44.2	44.4	44.0	43.9	43.8	42.5	42.3	42.3	42.5	43.1	43.9
France	50.1	50.3	50.5	49.7	49.7	49.8	49.8	49.9	50.0	50.1	48.9	48.4
Germany	53.2	52.2	52.1	52.3	51.8	51.3	50.8	49.1	49.7	49.6	49.2	49.3
Greece	39.9	41.4	41.2	42.3	42.1	41.5	41.3	40.1	43.2	42.9	41.6	40.4
Hungary	50.8	51.7	51.1	51.9	54.5	54.1	53.1	46.6	49.5	49.5	49.0	49.0
Iceland	31.5	31.9	32.1	31.8	30.5	30.9	30.5	33.4	34.1	33.8	34.1	33.5
Ireland	24.4	24.1	23.5	23.0	22.2	22.3	24.7	25.8	25.8	25.9	27.1	28.2
Israel	27.7	26.4	25.5	24.3	24.9	22.9	21.3	20.7	20.8	20.4	20.4	20.5
Italy	46.0	46.3	45.9	46.1	46.4	46.6	46.8	47.2	47.6	47.7	47.9	48.2
Japan	27.4	27.3	27.7	28.8	29.3	29.5	29.2	30.2	30.8	31.3	31.6	31.9
Korea	16.4	17.0	17.3	18.2	19.7	20.0	19.5	20.1	20.5	21.0	21.3	21.5
Luxembourg	33.5	33.9	34.7	35.3	36.3	34.7	33.9	34.3	36.3	36.0	37.2	37.6
Mexico	16.7	15.2	14.7	15.0	15.9	15.1	15.3	15.5	18.7	19.0	19.2	19.5
Netherlands	37.2	38.8	38.9	38.4	38.7	39.2	38.0	38.1	38.0	38.8	37.0	37.7
New Zealand	19.5	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9	16.4	16.9	17.2
Norway	38.1	38.1	37.2	37.4	37.5	37.6	37.3	37.3	37.6	37.4	37.3	37.0
Poland	38.2	38.4	38.7	39.0	38.2	34.7	34.1	34.2	34.3	35.5	35.6	35.6
Portugal	37.4	37.4	36.8	37.5	37.3	36.9	36.5	37.1	38.0	37.6	41.4	41.2
Slovak Republic	42.5	42.2	38.0	38.3	38.4	38.8	37.7	37.9	38.8	39.6	41.1	41.2
Slovenia	46.2	46.3	45.6	45.3	43.3	42.9	42.2	42.5	42.6	42.5	42.4	42.5
Spain	38.6	38.8	39.0	39.1	39.0	38.0	38.3	39.7	40.0	40.6	40.7	40.7
Sweden	48.2	48.4	48.1	47.8	45.3	44.8	43.2	42.8	42.8	42.9	43.0	42.5
Switzerland	22.4	22.2	22.2	22.1	22.4	21.9	22.0	22.1	22.3	22.1	22.1	22.2
Turkey	42.2	42.8	42.8	42.7	42.7	39.9	37.4	37.4	37.4	37.4	37.6	38.2
United Kingdom	33.8	33.9	33.9	34.0	34.1	32.8	32.4	32.6	32.5	32.1	31.4	31.1
United States	29.9	29.8	29.8	29.9	30.3	29.8	30.1	30.5	29.7	29.8	31.4	31.5
EU 28	..	..	..	..	..	..	..	..	..	..	..	..
OECD	36.3	36.3	36.1	36.1	36.1	35.7	35.1	35.1	35.6	35.7	35.9	36.0
Brazil	..	..	..	..	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..
Russian Federation	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	..	..	..	..	..	..	..	..	..	..	..	..

1 2 <http://dx.doi.org/10.1787/888933336653>

Taxes on the average worker

As a percentage of labour cost



1 2 <http://dx.doi.org/10.1787/888933335585>



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