

## 19. Social contributions

Social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits (see Section 18). They may be made by employers on behalf of their employees or by employees, self-employed or non-employed persons on their own behalf. The contributions may be compulsory or voluntary and the schemes may be funded or unfunded. Compulsory social security contributions paid to general government or to social security funds under the effective control of government form an important part of government revenue and, although they are not treated so in the SNA, many analysts (including the OECD's Tax Directorate) consider the payments as being analogous to a tax on income and so part of a country's overall tax burden. They are important not only in the sense that they form a significant share of government revenue but also because they reflect part of the costs of doing business. In many developing countries high social contributions coupled with low social benefits are often cited as a reason for a large informal economy.

### Definition

Social insurance schemes may be managed by any sector and the schemes may be funded or unfunded. Moreover the contributions paid to the schemes may be compulsory or voluntary. Typically the most important types of schemes are social security schemes; i.e. those imposed, controlled and financed by government. But in many countries the role of private funded or unfunded schemes is growing.

Social security funds established for social security schemes are separate institutional units in the SNA, forming a subcomponent of the government sector. Although contributions to the scheme are obligatory, payments can be made to the funds on a voluntary basis to qualify for social security benefits. Social insurance schemes organised by government for their own employees are classified as private funded or unfunded schemes as appropriate. As such, they may be part or not of government, depending on certain criteria.

### Comparability

Not all countries operate social security schemes. Some may choose instead to finance social benefits paid by government through other taxes or revenue; which is one of the reasons why analysts often prefer to show the totality of taxes and social contributions in calculating the tax burden. But even these comparisons should be interpreted carefully. Governments may encourage employers and employees to opt out of social security schemes and instead pay contributions, even if compulsory, to schemes managed by corporations, thus reducing the revenues and expenditures of government, without necessarily reducing the well-being of households. This is one of the reasons why comparisons of taxes on income are often shown as rates, with the component for social contributions reflecting the compulsory rate irrespective of whether the associated scheme is managed by government or corporations.

In Finland, Iceland and the Netherlands, some contributions are levied as a function of taxable income (i.e. gross wage earnings after most/all tax reliefs). Australia and New Zealand do not levy social security contributions.

The figures shown include both voluntary and compulsory social contributions paid to government.

### Source

- OECD (2012), *National Accounts of OECD Countries*, OECD Publishing, <http://dx.doi.org/10.1787/2221433x>.

### Online database

- OECD (2012), "General Government Accounts: Main aggregates", *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00020-en>.

### Further reading

- Lequiller, F. and D. Blades (2007), *Understanding National Accounts*, OECD Publishing, <http://dx.doi.org/10.1787/9789264027657-en>.
- OECD (2000), *System of National Accounts, 1993 – Glossary*, OECD Publishing, <http://dx.doi.org/10.1787/9789264180871-en>.
- UN, OECD, IMF, World Bank and Eurostat (eds.) (1993 and 2008), *System of National Accounts*, United Nations, Geneva, <http://unstats.un.org/unsd/nationalaccount/sna.asp>.

Table 19.1. **Social contributions to government**  
Percentage of GDP

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..	..
Austria	17.1	17.1	16.8	16.6	16.3	16.4	16.2	16.1	15.9	15.7	15.9	16.5	16.3	16.2
Belgium	16.3	16.3	16.0	16.2	16.5	16.4	16.0	15.8	15.7	15.7	16.1	16.8	16.5	16.6
Canada	4.8	4.7	4.6	4.8	5.0	5.0	4.8	4.8	4.7	4.6	4.5	4.9	4.6	..
Chile	..	..	..	..	..	..	..	..	..	..	1.7	1.8	1.7	..
Czech Republic	14.9	15.0	15.1	15.0	15.5	15.7	15.5	15.5	15.7	15.7	15.6	14.9	15.2	15.4
Denmark	2.0	2.5	2.6	2.6	2.1	2.1	2.1	2.0	1.9	1.9	1.8	1.9	1.9	2.0
Estonia	11.2	11.1	11.0	10.7	11.0	10.7	10.4	10.4	10.2	10.6	11.8	13.4	13.3	12.3
Finland	13.0	13.0	12.1	12.2	12.0	11.9	11.8	12.1	12.4	12.0	12.2	12.9	12.8	12.7
France	17.9	18.1	17.9	17.9	18.0	18.3	18.1	18.2	18.2	18.0	18.1	18.8	18.6	18.8
Germany	19.2	19.0	18.6	18.4	18.4	18.5	18.1	17.9	17.3	16.5	16.5	17.3	16.9	16.9
Greece	12.2	12.3	12.6	12.7	13.7	13.9	13.4	13.5	12.4	13.0	13.2	12.7	13.4	13.2
Hungary	13.9	13.3	13.4	13.1	12.9	12.7	12.4	12.6	12.7	13.9	13.8	13.3	12.2	13.2
Iceland	2.7	2.8	2.9	2.8	2.9	3.1	3.0	3.2	3.3	3.0	2.8	3.1	4.1	4.1
Ireland	5.5	5.6	5.6	5.7	5.7	5.7	5.9	6.0	6.1	6.3	6.8	7.4	7.3	6.4
Israel <sup>1</sup>	6.8	6.7	6.7	7.1	7.2	7.3	7.1	7.0	6.7	6.6	6.7	6.4	6.6	6.6
Italy	12.6	12.2	12.3	12.1	12.2	12.5	12.6	12.6	12.6	13.1	13.7	14.0	13.7	13.7
Japan	..	..	..	..	..	..	..	10.6	10.9	11.0	11.5	11.8	11.9	..
Korea	3.5	3.7	4.0	4.5	4.7	5.0	5.2	5.5	5.7	5.9	6.1	6.4	6.2	..
Luxembourg	11.2	11.0	10.9	11.8	11.8	11.7	11.6	11.3	10.8	10.7	11.5	12.7	11.9	12.0
Mexico	..	..	..	..	..	2.0	1.8	1.7	1.7	1.6	1.5	1.6	1.6	..
Netherlands	16.1	16.6	16.4	14.7	14.3	14.7	14.9	13.9	14.8	14.2	15.2	14.6	14.8	15.4
New Zealand	1.8	1.4	1.1	1.1	1.2	1.1	1.0	1.0	1.2	1.2	1.2	1.3	..	..
Norway	10.3	10.1	8.9	9.3	9.9	9.8	9.4	8.9	8.7	9.0	8.9	10.0	9.7	9.6
Poland	11.6	13.7	12.9	13.4	12.9	12.8	12.3	12.3	12.2	12.0	11.3	11.3	11.1	11.5
Portugal	10.3	10.2	10.6	10.8	11.1	11.6	11.5	11.9	11.8	11.6	11.9	12.5	12.2	12.2
Slovak Republic	14.9	14.1	14.2	14.4	14.7	14.0	13.3	12.8	11.9	11.9	12.2	12.9	12.5	12.5
Slovenia	14.5	14.2	14.4	14.6	14.5	14.4	14.4	14.5	14.3	13.9	14.3	15.2	15.4	15.3
Spain	12.7	12.8	12.9	13.0	13.0	13.0	13.0	12.9	12.9	13.0	13.2	13.4	13.4	13.2
Sweden	13.5	12.0	13.1	12.6	11.7	11.4	11.1	10.7	9.8	9.9	9.0	8.7	8.7	7.6
Switzerland	7.1	7.1	7.1	7.2	7.4	7.3	6.8	6.8	6.6	6.5	6.5	6.9	6.7	6.9
Turkey	..	..	..	..	..	..	..	..	6.7	6.6	6.3	7.2	7.5	..
United Kingdom	7.3	7.5	7.6	7.7	7.5	7.8	8.1	8.3	8.3	8.2	8.4	8.5	8.4	8.4
United States	7.2	7.1	7.2	7.2	7.1	7.1	7.0	7.0	7.0	6.9	7.0	7.0	6.9	6.2
Euro area	16.2	16.1	15.8	15.6	15.6	15.7	15.5	15.4	15.3	15.1	15.3	15.8	15.6	15.7
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.


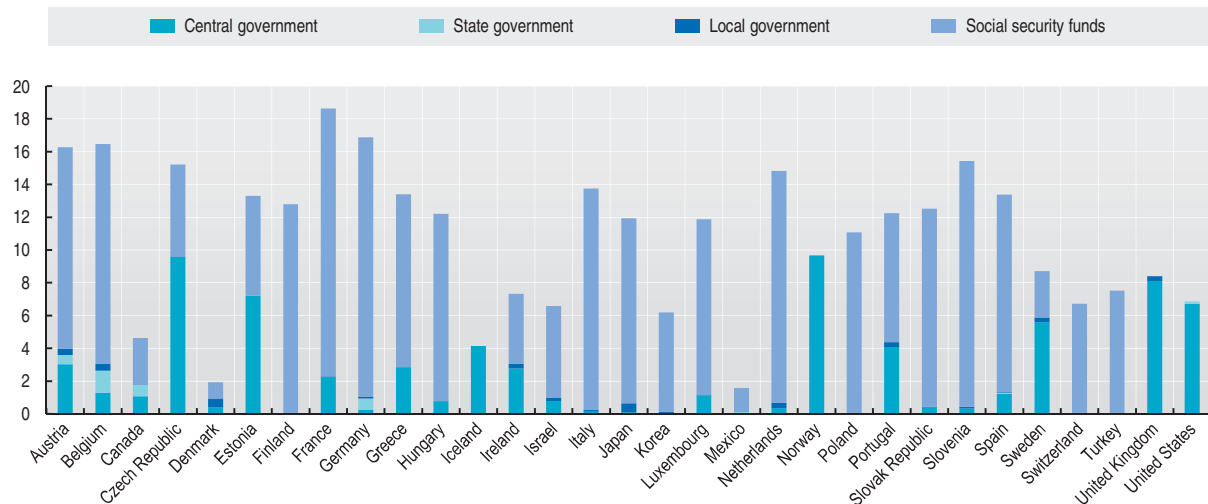

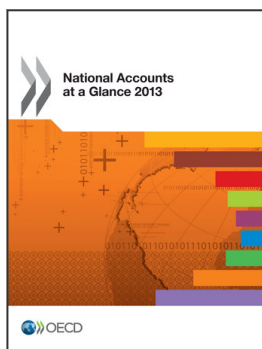
StatLink  <http://dx.doi.org/10.1787/888932762805>

Figure 19.1. **Social contributions to government**  
Percentage of GDP, 2010



Note: Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

StatLink  <http://dx.doi.org/10.1787/888932762102>



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