

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 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 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 in the measure 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

Overview

In 2012, taxes on an average worker, on average, represented around 36% of their total labour costs across OECD countries. This tax wedge ranged between 7% in Chile to 56% in Belgium.

On average, taxes on an average worker for the OECD as a whole have decreased by around 1 percentage point since 2000. However, there are important differences between countries. Of the 34 OECD member countries, 8 countries experienced an overall increase in the taxes on an average worker since 2000. The countries with the largest increases were Iceland, Japan and Mexico. Of the 25 countries that have experienced an overall decline, the largest decreases were for Denmark, Finland, Hungary, Israel and Sweden.

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.

Sources

- OECD (2013), *Taxing Wages*, OECD Publishing.

Further information

Analytical publications

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Statistical publications

- OECD (2013), *Revenue Statistics*, OECD Publishing.
- OECD and Economic Commission for Latin America and the Caribbean (2013), *Latin American Economic Outlook*, OECD Publishing.

Online databases

- OECD Tax Statistics.

Websites

- Benefits and wages: OECD indicators, www.oecd.org/els/social/workincentives.
- OECD Centre for Tax Policy and Administration, www.oecd.org/ctp.
- Tax policy analysis, www.oecd.org/tax/tax-policy.
- Taxing wages (supplementary material), www.oecd.org/tax/tax-policy/taxing-wages.



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Taxes on the average worker

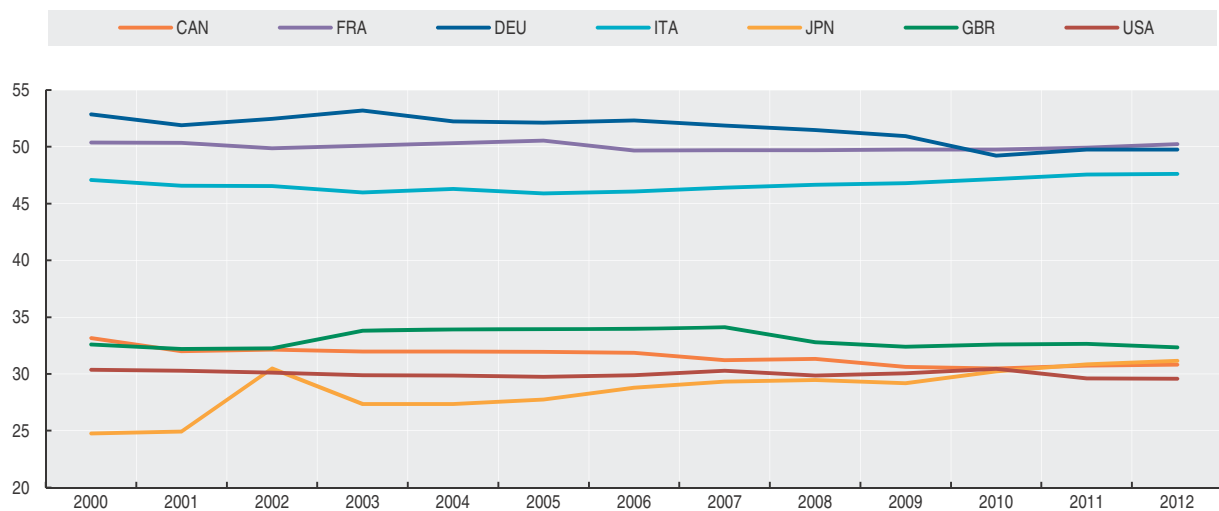
As a percentage of labour cost

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	27.6	28.0	28.2	28.2	28.5	28.3	27.7	26.9	26.7	26.8	26.7	27.2
Austria	46.9	47.1	47.4	48.3	48.1	48.5	48.8	49.0	47.9	48.2	48.5	48.9
Belgium	56.7	56.3	55.7	55.4	55.5	55.5	55.6	55.9	55.7	55.9	56.1	56.0
Canada	32.0	32.1	32.0	32.0	31.9	31.9	31.2	31.3	30.6	30.5	30.7	30.8
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	42.6	43.0	43.2	43.5	43.7	42.5	42.9	43.4	42.0	42.1	42.6	42.4
Denmark	43.3	42.4	42.4	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4	38.6
Estonia	41.0	42.1	42.3	41.5	39.9	39.0	39.0	38.4	39.2	40.1	40.3	40.4
Finland	46.4	45.9	45.0	44.5	44.6	44.0	43.9	43.8	42.5	42.3	42.3	42.5
France	50.3	49.9	50.1	50.3	50.6	49.7	49.7	49.7	49.8	49.8	49.9	50.2
Germany	51.9	52.5	53.2	52.2	52.1	52.3	51.9	51.5	50.9	49.2	49.8	49.8
Greece	38.2	39.3	39.9	41.4	41.2	42.3	41.8	41.0	40.7	39.2	42.4	41.9
Hungary	55.8	53.7	50.8	51.7	51.1	51.9	54.5	54.1	53.1	46.6	49.5	49.4
Iceland	29.3	30.9	31.5	31.9	32.1	31.8	30.5	30.9	30.5	33.4	34.1	34.5
Ireland	25.9	24.4	24.4	24.1	23.5	23.0	22.2	22.3	24.7	25.8	25.8	25.9
Israel	29.5	30.0	27.1	25.3	24.9	23.5	24.1	21.7	20.2	19.4	19.4	19.2
Italy	46.6	46.6	46.0	46.3	45.9	46.1	46.4	46.6	46.8	47.2	47.6	47.6
Japan	24.9	30.5	27.4	27.3	27.7	28.8	29.3	29.5	29.2	30.2	30.8	31.2
Korea	16.5	16.1	16.4	17.0	17.3	18.2	19.7	20.0	19.5	20.1	20.5	21.0
Luxembourg	35.7	32.9	33.5	33.9	34.7	35.3	36.3	34.7	33.9	34.3	36.2	35.8
Mexico	13.1	15.8	16.7	15.2	14.7	15.0	15.9	15.1	15.3	15.5	18.7	19.0
Netherlands	37.4	37.4	37.2	38.8	38.9	38.4	38.7	39.2	38.0	38.1	38.0	38.6
New Zealand	19.4	19.4	19.5	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9	16.4
Norway	39.2	38.6	38.1	38.1	37.2	37.4	37.5	37.6	37.3	37.3	37.6	37.6
Poland	38.0	38.0	38.2	38.4	38.7	39.0	38.2	34.7	34.1	34.2	34.3	35.5
Portugal	36.4	37.6	37.4	37.4	36.8	37.5	37.3	36.9	36.5	37.1	38.0	36.7
Slovak Republic	42.5	42.1	42.5	42.2	38.0	38.3	38.4	38.8	37.7	37.9	38.8	39.6
Slovenia	46.2	46.1	46.2	46.3	45.6	45.3	43.3	42.9	42.2	42.5	42.6	42.3
Spain	38.9	39.1	38.6	38.8	39.0	39.1	39.0	38.0	38.3	39.7	40.0	41.4
Sweden	49.1	47.8	48.2	48.4	48.1	47.8	45.3	44.8	43.2	42.8	42.8	42.8
Switzerland	22.4	22.4	21.9	21.7	21.7	21.6	21.9	21.4	21.5	21.6	21.9	21.5
Turkey	43.6	42.5	42.2	42.8	42.8	42.7	42.7	39.9	37.4	37.9	38.2	38.2
United Kingdom	32.2	32.3	33.8	33.9	33.9	34.0	34.1	32.8	32.4	32.6	32.7	32.3
United States	30.3	30.1	29.9	29.8	29.8	29.9	30.3	29.8	30.1	30.5	29.6	29.6
EU 28	..	..	..	..	..	..	..	..	..	..	..	..
OECD	36.4	36.5	36.3	36.3	36.1	36.1	36.1	35.6	35.1	35.0	35.5	35.6
Brazil
China
India
Indonesia
Russian Federation
South Africa

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Taxes on the average worker

As a percentage of labour cost



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