



ESCWA  
Regional Workshop on  
A Social Expenditure Monitor Framework for the Arab States  
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# MEASURING SOCIAL PROTECTION EXPENDITURE THE OECD SOCIAL EXPENDITURE DATABASE (SOCX)

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SOCX via [www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm)



# Outline of presentation

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- What is SOCX ?  
background, definition, structure, scope, classification, sources
- How do countries compare in SOCX?
  - Trends and composition of public spending,
  - Private spending and the impact of the tax system
- Links between SOCX and COFOG
- Other Databases  
Social expenditure in ESCWA countries based on ILO WSP Report
- Society At Glance: Social Indicators  
2019 Asia Pacific Edition
- OECD work on the SDGs



# THE OECD SOCIAL EXPENDITURE DATABASE

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- Aim: SOCX was developed in the 1990s to analyse trends in social spending and facilitate cross-national social policy analysis
- SNA provides comprehensive framework but do not allow for data at sub category/ programme level
- Designed to be compatible with the System of National Accounts and *inter alia* the System of Health Accounts
- SOCX records data on social protection expenditures since 1980s, for countries that joined the OECD in the 1990s and 2000s data may only be available for shorter periods.
- SOCX detailed level programme Database is updated every 2 years



## What is social expenditure?

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“...The provision by public and private institutions of benefits to and contributions targeted at households and individuals during circumstances which adversely affect their welfare, provided that the provisions of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer. ...”

### **OECD records social expenditure as social benefits received by individuals from institutions**

There are two main criteria which have to be simultaneously satisfied for an expenditure item to be classified as social.

First, the benefits have to be intended to address one or more social purposes.

Second, programmes regulating the provision of benefits have to involve either a) inter-personal redistribution of resources among participants programmes , or b) compulsory participation.



# SOCX: Structure

## 1. OLD AGE

### Cash benefits

Pension

Early retirement pension

Other cash benefits

### Benefits in kind

Residential care / Home-help services

Other benefits in kind

## 2. SURVIVORS

### Cash benefits

Pension

Other cash benefits

### Benefits in kind

Funeral expenses

Other benefits in kind

## 3. INCAPACITY-RELATED BENEFITS

### Cash benefits

Disability pensions

Pensions (occupational injury and disease)

Paid sick leave (occupational injury and disease)

Paid sick leave (other sickness daily allowances)

Other cash benefits

### Benefits in kind

Residential care / Home-help services

Rehabilitation services

Other benefits in kind

## 4. HEALTH

### Benefits in kind

## 5. FAMILY

### Cash benefits

Family allowances

Maternity and parental leave

Other cash benefits

### Benefits in kind

Early childhood education and care (ECEC)

Home help / Accomodation

Other benefits in kind

## 6. ACTIVE LABOUR MARKET PROGRAMMES

PES and administration

Training

Employment Incentives

Sheltered and supported employment and rehabilitation

Direct job creation

Start-up incentives

## 7. UNEMPLOYMENT

### Cash benefits

Unemployment compensation / severance pay

Early retirement for labour market reasons

### Benefits in kind

## 8. HOUSING

### Benefits in kind

Housing assistance

Other benefits in kind

## 9. OTHER SOCIAL POLICY AREAS

### Cash benefits

Income maintenance

Other cash benefits

### Benefits in kind

Social assistance

Other benefits in kind



# THE OECD SOCIAL EXPENDITURE DATABASE: SCOPE

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**OECD records social expenditure as social benefits received by individuals from institutions**

- Social benefits include
  - cash benefits (*e.g.*, pensions, income support during maternity leave and social assistance payments),
  - social services (*e.g.*, childcare, care for the elderly and disabled)
- By definition since only benefits provided by institutions are included in the social expenditure definition, transfers between households – albeit of a social nature, are not in the social domain.
- SOCX does not include administrative costs, or loans
- SOCX includes capital investment on an accruals basis



# THE OECD SOCIAL EXPENDITURE DATATBASE: SCOPE

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- Education is not considered as part of the Social Domain in SOCX.  
Recorded separatly in the OECD Education Database  
[www.oecd.org/education/eag.htm](http://www.oecd.org/education/eag.htm)

Public expenditure on educational institutions as a percentage of GDP,  
Primary to Tertiary: 4.2% GDP on average in OECD.

From DEN-NOR: more than 6 % GDP in DNK and NOR to about 3%  
GDP in JPN.

- Disaster/Emergency benefits

Small-scale, informal and incidental types of support that do not  
require regular management and accounting are conventionally  
excluded from the scope of SOCX.



# SOCX CLASSIFICATION:

## Public/ Private Social Expenditure

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**Public social expenditure:** Public social expenditure: social spending with financial flows controlled by General Government (different levels of government and social security funds), as social insurance and social assistance payments.

All social benefits not provided by general government are considered 'private'.

**Mandatory Private:** Social support stipulated by legislation but operated through the private sector, *e.g.*, direct sickness payments by employers to their absent employees as legislated by public authorities, or benefits accruing from mandatory contributions to private insurance funds. Ex: Chile: Monthly benefit paid to members of the Defined Contributions pension scheme (managed by Pension Fund Administrators, Pension Schemes (AFP y Rentas Vitalicias)).

**Voluntary private :** Benefits accruing from privately operated programmes that involve the redistribution of resources across households and include benefits provided by NGOs, and benefit accruing from tax advantaged individual plans and collective (often employment-related) support arrangements, such as for example, pensions, childcare support, and, in the United States, employment related health plans. Ex: Voluntary private health insurance.





# SOCX: Sources

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26 European OECD countries: EUROSTAT ESSPROS, European System of Integrated Social Protection Statistics, Social Protection Satellite Accounts

10 non-European OECD countries: SOCX questionnaires  
(AUS CAN CHL ISR JPN KOR MEX NZL TUR USA)

*ie.* through the services of the delegates to the Working Party on Social Policy

All (36) OECD countries: use of 4 OECD databases:

- OECD Health data (4. Health)
- OECD Active Labour Market Programmes database (6.ALMP)
- OECD Education database (pre-school spending within 5.2.1 childcare)
- OECD Centre for Tax Policy and Administration DB (CTPA)



# Challenges in Social Expenditure Data reporting

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- Enhance comprehensiveness and comparability

- Underreporting of Local Government spending

Ex: Coverage of spending on Family and community services/ Housing rental allowances in SOCX may be limited as such services are often provided, and/or co-financed, by local governments.

The latter may receive general block grants to finance their activities, and reporting requirements may not be sufficiently detailed for central statistical agencies to have a detailed view of the nature of local spending.

In Nordic countries (where local government is heavily involved in service delivery) this does not lead to large gaps in measurement of spending, but it does for some countries with a federal structure, for example, Canada and Switzerland.

- Avoid double counting: Ex: for some countries there might be an issue with items recorded as spending on LTC services for elderly and/or the disabled provided by institutions other than hospitals also being included under Public expenditure on health. Adjustment needed.

- Collect data on a yearly basis to monitor trends
- Timeliness: Lag of 2/3 years : might need for estimations



# Public social expenditure Outlook: 2018 Nowcasting

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- **Context:** Currently spending on Social expenditure for EU countries are available till 2015 or 16/2017 for OECD non EU countries
- Time lag is ~2/3 years.
- Need for more up to date aggregate data

➡ Estimates on aggregate public social spending are made.

- Cash benefits:

Estimates are based on trends in Social security benefits paid by general government SSPG SNA (from OECD Economic Outlook database, June Edition)

- Service expenditure:

Estimates are based on trends in Social transfers in-kind (SNA) from the Ameco Database as in May Edition: [Ameco online](#) >> General government

The annual macro-economic database of the European Commission EU countries

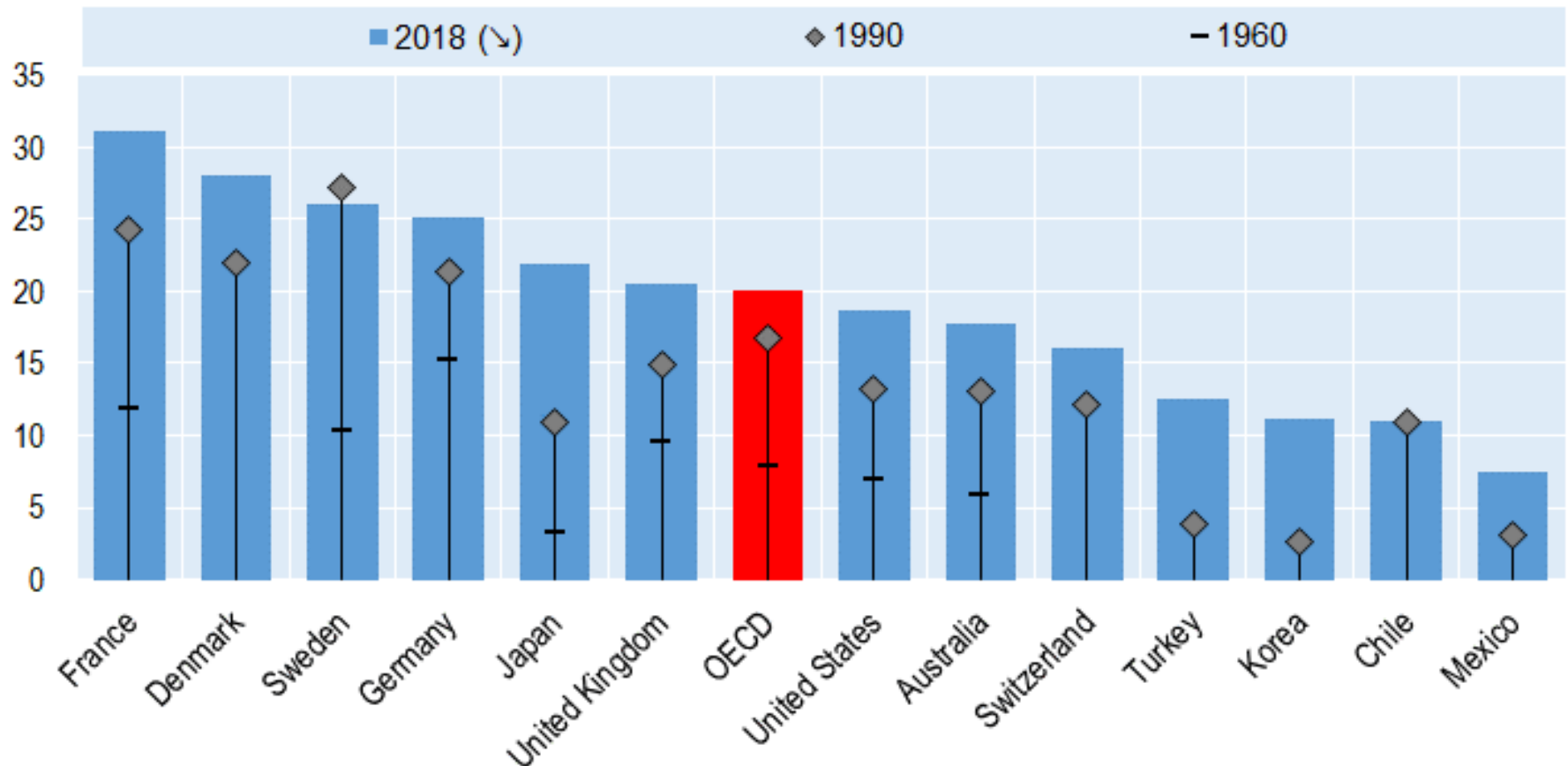
- Other Source: Special requests have been sent to our delegates for non EU countries asking for public social expenditure at aggregate level based on national sources (Budget Data) till 2018 (AUS, CAN, CHL, IRS, JPN, KOR, MEX, NZL, USA)



# How do countries compare in SOCX?

## Public social spending is worth around 20% of GDP on average across the OECD

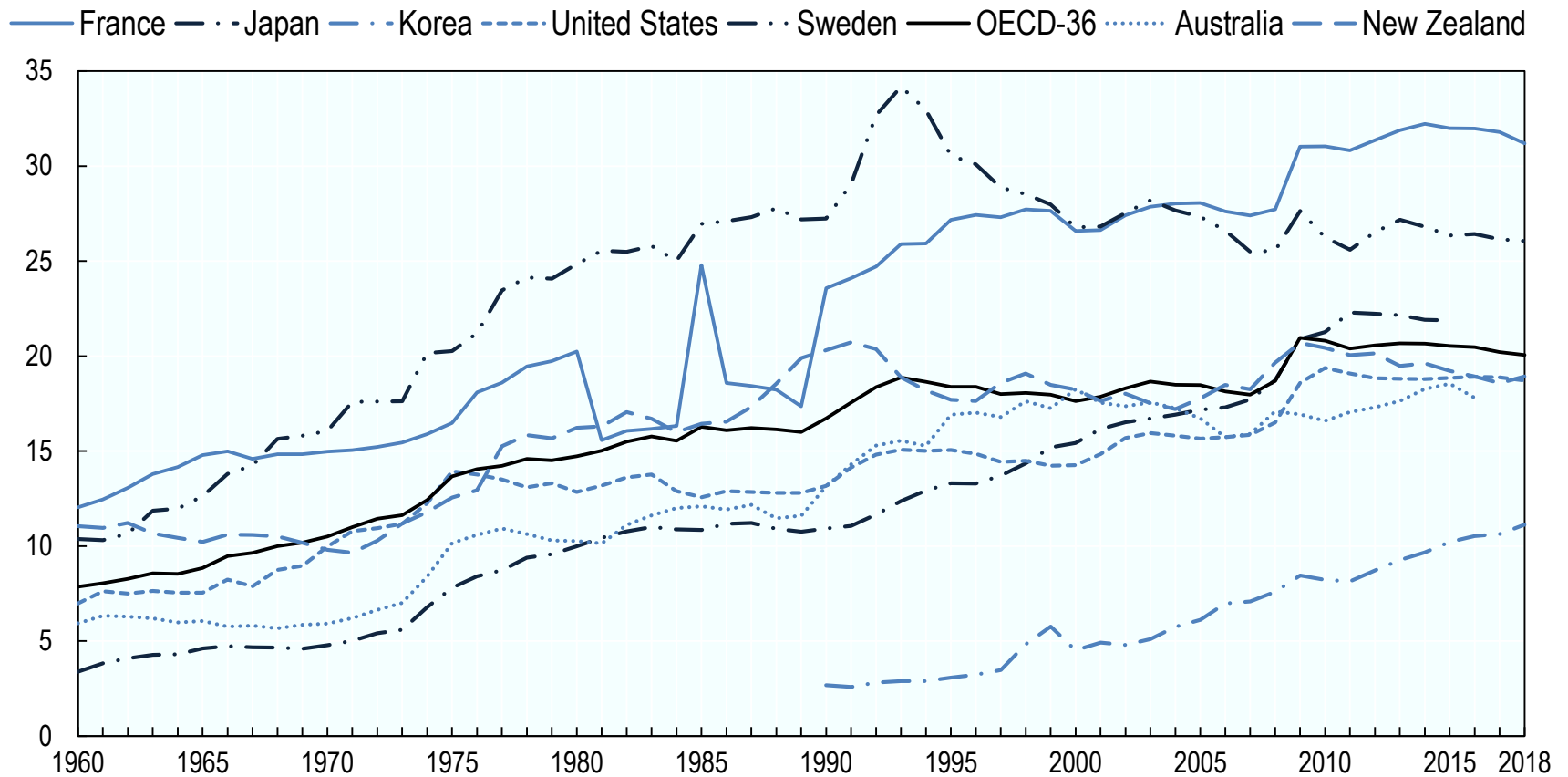
Public social expenditure in selected OECD countries as a percent of GDP, 1960, 1990 and 2018





# Welfare states in OECD countries took a long time to develop

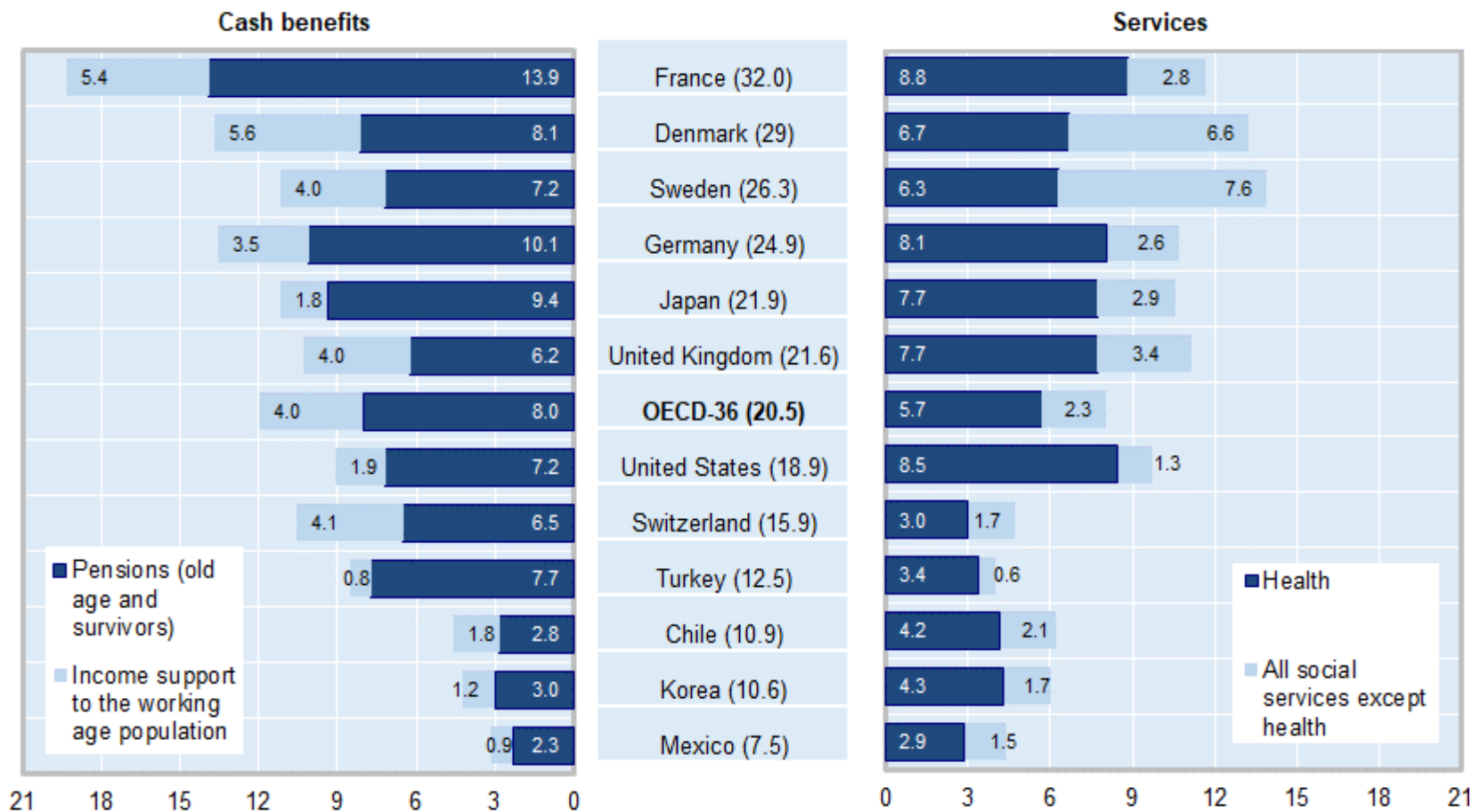
Trends in public social protection spending as a percent of GDP, 1960-2018





# Pensions and health expenditure are the main items of public social spending

Public social expenditure by broad social policy area, in percentage of GDP, in 2015/17 or latest year available



Note: Countries are ranked by decreasing order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programs (ALMPs) cannot be split by cash/services breakdown; they are however included in the total public spending (shown in brackets). Income support to the working-age population refers to spending on the following SOCX cash categories: Incapacity benefits, Family cash benefits, Unemployment and other social policy areas categories. Other social services refer to services for the elderly, survivors, disabled, families, housing and other social services.

Source: OECD (2019) OECD Social Expenditure database [www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm)



# From Gross to Net Social Expenditure

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## **Gross (Public + Private) social expenditure**

- Direct taxes and social contributions over benefit income
- Indirect taxes on consumption (e.g. VAT)
- + Tax break for social purposes (TBSPs)
  - Tax breaks similar to cash benefits

*(e.g. tax expenditures towards families with children)*

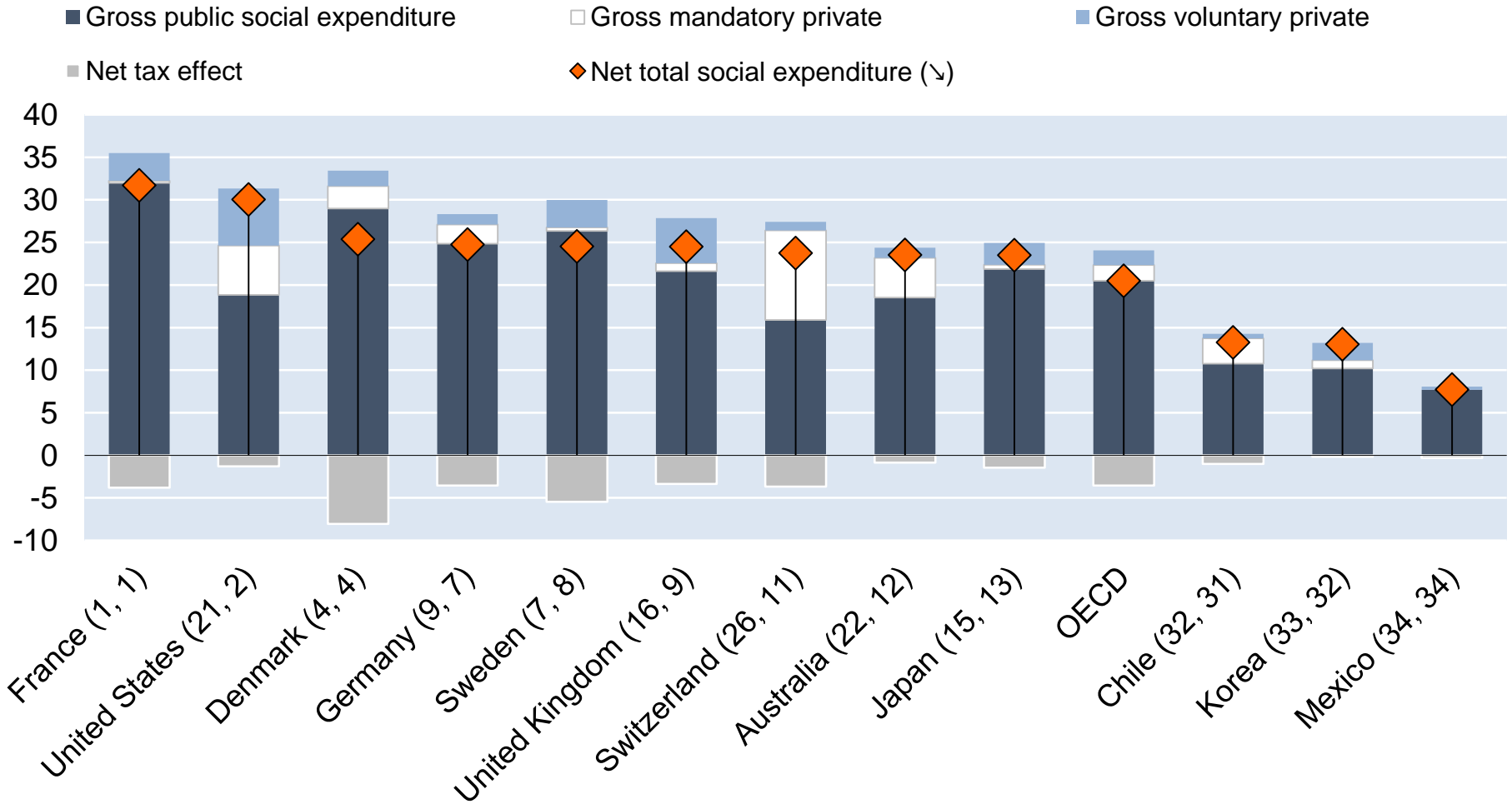
- Tax breaks to stimulate private social protection

*(e.g. favourable tax treatment of contributions to private health plans)*

**= Net social expenditure**



# From gross public to net total social spending









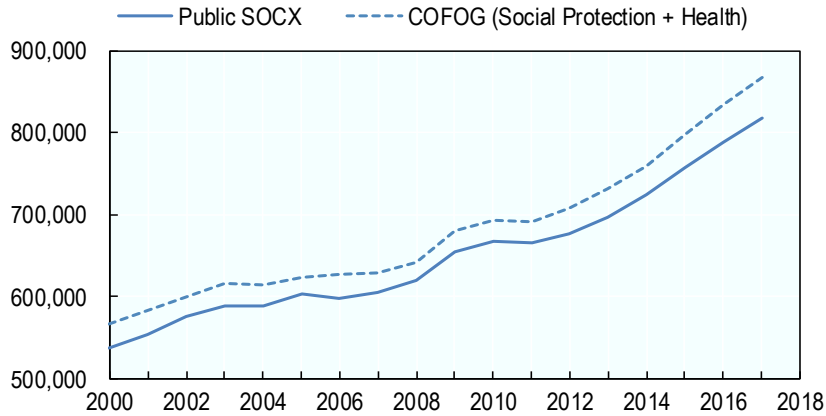
## COFOG and SOCX: Main differences

Classification of the Functions of Government (COFOG) for government expenditure	SOCX
Division 10: Social Protection + Division 7: Health	Health as part of social expenditure
include collective expenditures, R&D	NO
include administrative costs	NO
no breakdown by type of benefits	breakdown by type of benefits
Government expenditure only	include also private social expenditure and Net benefits
No capital transfers	Capital transfers on an accrual basis

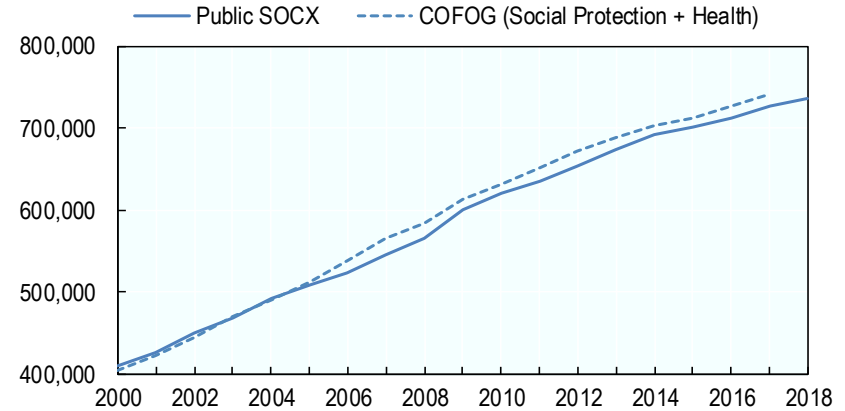


# Similar trends in SOCX and COFOG social expenditure data

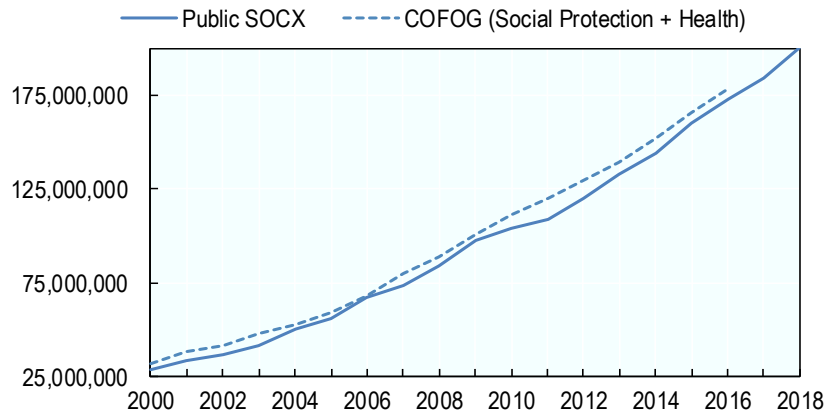
## Germany



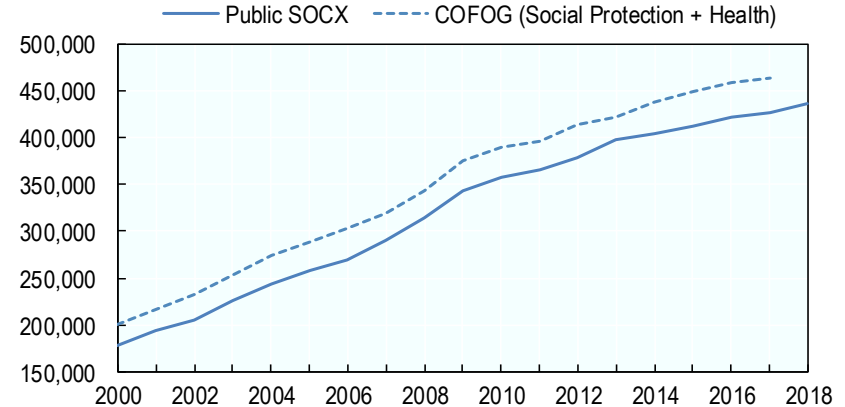
## France



## Korea



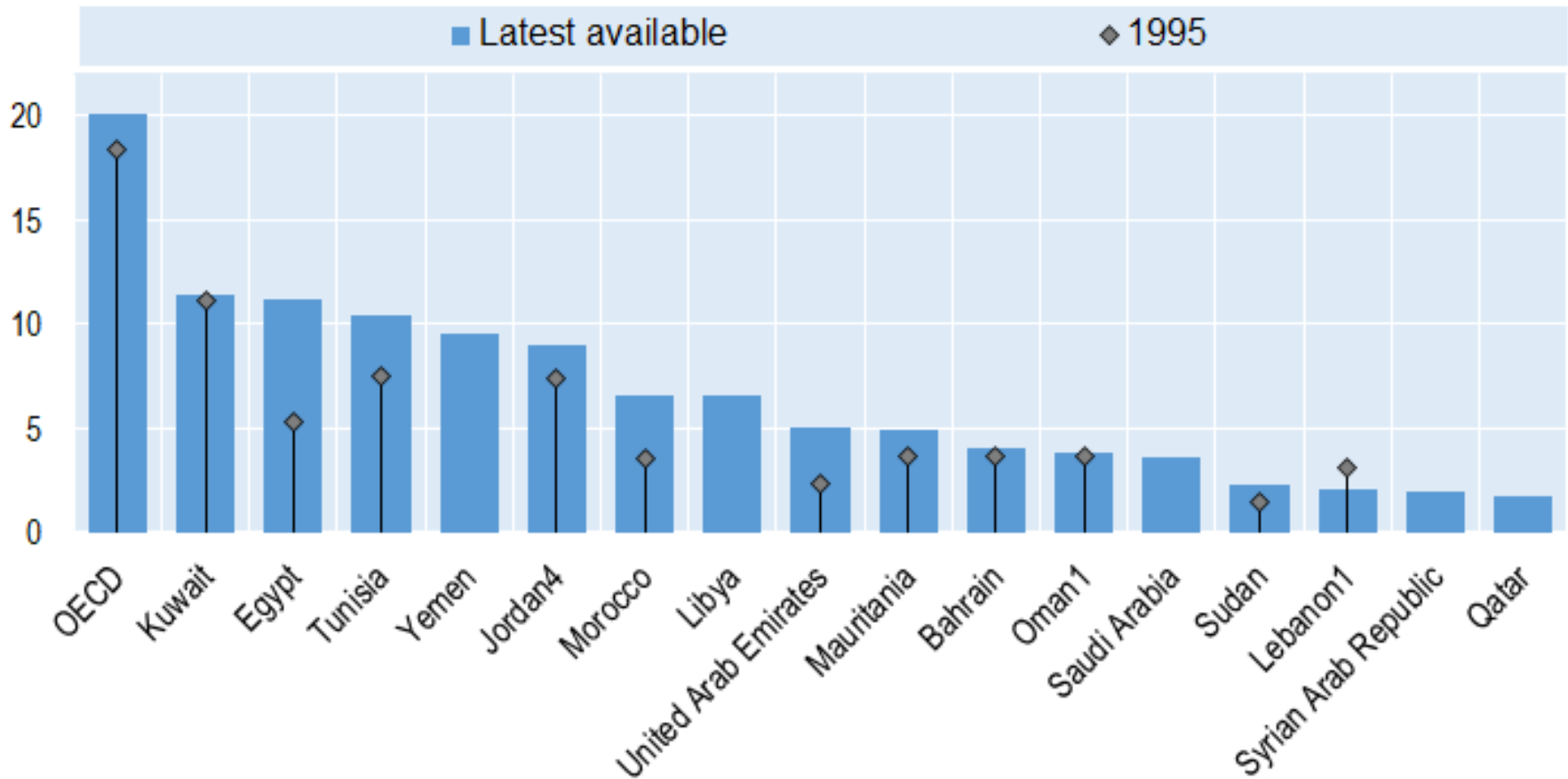
## United Kingdom



Note: Data are presented in millions of national currency.  
Source: OECD Social Expenditure Database (SOCX) and COFOG.



# Total public social protection expenditure in selected ESCWA countries (% of GDP)



Notes: Include public social protection expenditure for older persons, social protection for active age (ie. unemployment, labour market programmes, sickness, maternity, employment injury, disability), general social assistance and social protection expenditure for children.

1. The expenditure on social protection and health refers only to the central government sector.

Source: ILO World Social Protection Report 2017-19 referred as IMF, ILO/WHO, [https://www.ilo.org/global/publications/books/WCMS\\_604882/lang-en/index.htm](https://www.ilo.org/global/publications/books/WCMS_604882/lang-en/index.htm)



# OECD Society At a Glance 2019 Asia Pacific

## Chapter 2. Extending coverage and the future of social protection in Asia and the Pacific

### Chapter 3. General context indicators

GDP per capita

Fertility

Marriage and divorce

International migration

Old-age support ratio

### Chapter 5. Equity

Poverty

Income inequality

Pensions: coverage and replacement rates

Public social expenditure

Solidarity

### Chapter 7. Social cohesion indicators

Life satisfaction

Confidence in institutions

Trust and safety

Tolerance

Voting

### Chapter 4. Self-sufficiency

Labour force participation

Employment

Early childhood education and care

Educational attainment and student performance

Education spending

### Chapter 6. Health

Life expectancy

Infant and child mortality

Child malnutrition (including under nutrition and overweight)

Health expenditure

Hospital activities



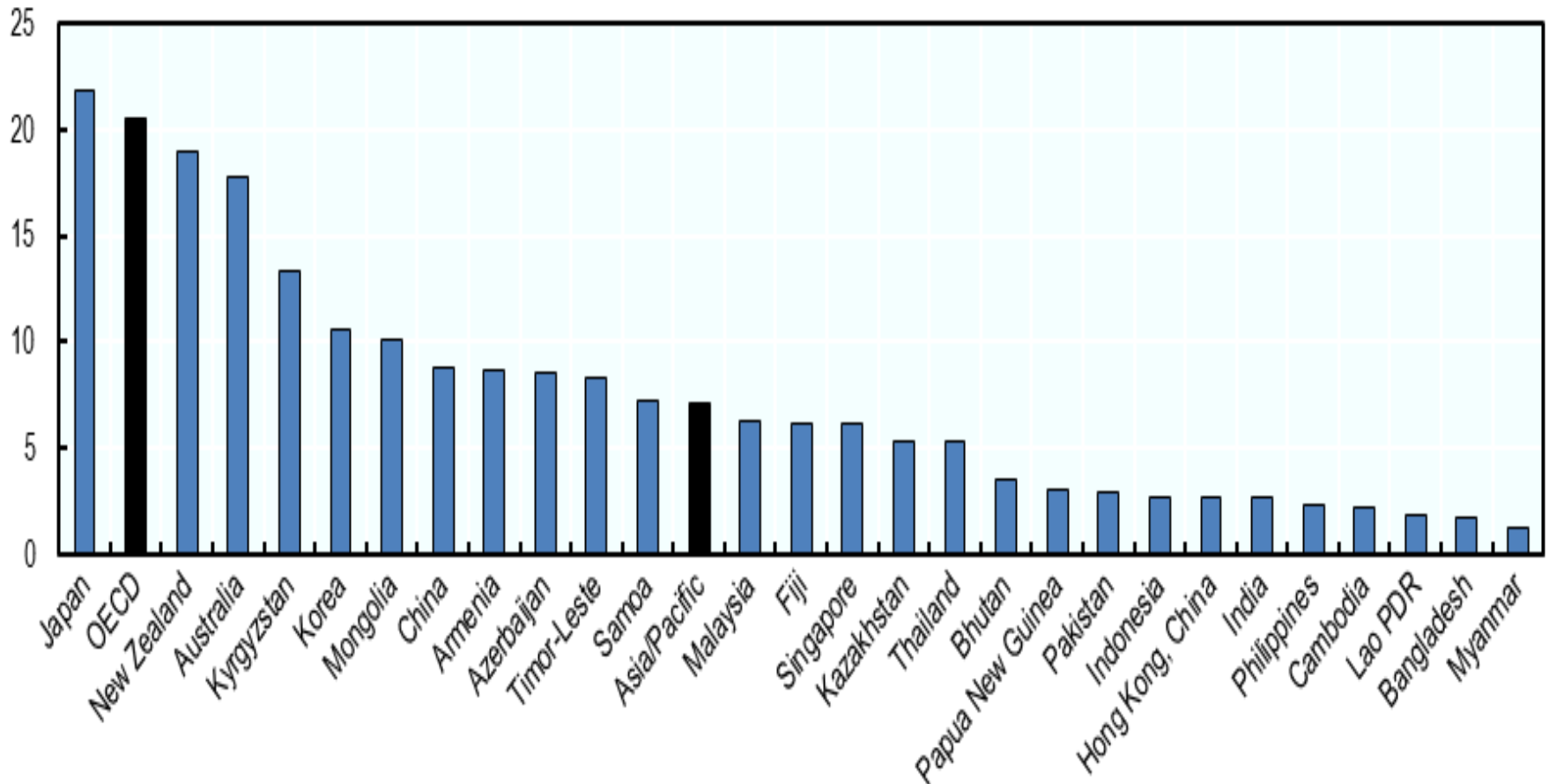
Society at a Glance:  
Asia/Pacific 2019





## Public social expenditure across the Asia/Pacific region are generally well below the OECD average

Public social protection expenditure as a % GDP, 2015/17 or latest year available



Source: OECD estimates based on ADB (2018, forthcoming), "The Social Protection Indicator: Results for Asia in 2015" (<http://spi.adb.org/spidmz/index.jsp> - <http://spi.adb.org/>); WHO (World Health Organisation) Global Health Expenditure Database <http://apps.who.int/nha/database/ViewData/Indicators/en> ; ILO World Social Protection Report 2017-2019, <http://www.social-protection.org/gimi/gess/ShowTheme.action?th.themeld=3985> ; OECD Social Expenditure Database (SOCX), ([www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm)) ; and, World Bank, World Development Indicators <http://data.worldbank.org/indicator>.



# OECD work on the SDGs



[www.oecd.org/dac/sustainable-development-goals.htm](http://www.oecd.org/dac/sustainable-development-goals.htm)

[www.oecd.org/sdd/measuring-distance-to-the-sdgs-targets.htm](http://www.oecd.org/sdd/measuring-distance-to-the-sdgs-targets.htm)

Social expenditure is connected to many dimensions of the SDGs (Poverty, Inequality, Social Protection coverage, Gender, Employment, Health, Well-being, etc..)



# Thank you and further information!

The OECD SOCX database latest update via [www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm)

Online database: Data available in [OECD.Stat](https://data.oecd.org)

OECD SOCX Manual 2019 Edition:

[A guide to the OECD Social Expenditure Database](#)

See also the [OECD Family Database](#)

[OECD Gender Equality Data Portal](#)

[@OECD Social](#)

[www.oecd.org/social](http://www.oecd.org/social)

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Public social expenditure was just over 20% of GDP on average across the OECD in 2018.

The largest spending item is public spending on pensions worth 9% of GDP on average across the OECD and over the last decade such spending has increased by 1 per cent per year.

At over 10% of GDP, private social spending on health insurance and pensions is highest in the Netherlands, Switzerland and the United States.

After accounting for private social expenditure and the impact of the tax system, France is the biggest social spender at about 32% of GDP; net total spending in the United States is second highest across the OECD at 30% of GDP.

Public social expenditure amounts to just over 20% GDP on average across OECD countries. Public social spending-to-GDP ratios are highest at just over 30% of GDP in France, while Austria, Belgium, Denmark, Finland, Germany, Italy and Sweden also devote more than a quarter of their GDP to public social support. In contrast, public social spending in countries such as Chile, Ireland, Korea, Mexico and Turkey, accounts for less than 15% of GDP (Figure 1).

At its peak during the Great Recession, public social expenditure amounted to 21% of GDP on average across the OECD. Spending has edged downwards since 2009, but in 2018 the average across the OECD was still above 20%. Since 2009, public social

expenditure to GDP ratios fell in almost two-thirds of OECD countries, and the decline was most pronounced in Ireland (see notes to Figure 1), and in Hungary. In both countries the fall was related to declining spending on income support to the working age population and GDP growth (the denominator in the spending-to-GDP ratio). In contrast, in Finland, Norway and Korea spending-to-GDP ratios increased by 2 percentage points over the same period. The increase was largely related to more spending on pensions (all three countries), while in Korea increased spending on Health and Early Childhood Education and Care (ECEC) also played a role.

