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SOCIAL SECURITY

comparing rates and types of social security contributions across the world



Introduction

Social security contributions vary enormously by country. Of the 38 jurisdictions we have surveyed, the highest employer payments were 45% of a worker's salary, in France. We found that Western democracies often had high employer contributions, but not necessarily: UK and US contributions are relatively low. By contrast, some former Soviet countries had high levels and the same is true of certain South American jurisdictions. In terms of employee contributions, the picture is very varied and this is reflected in the graph on the next page. The highest contributions were in the Netherlands, at some 27%.

But one must not forget that some countries simply don't provide services by means of social security contributions, but do it via taxation. This explains the fact that Denmark appears to be an outlier at the bottom of the graph. Therefore, for a fuller picture, make sure to look at the parameters we have set out for the graph (on the left hand side over the page) and take a look at the country text for those countries you are interested in.

We hope our survey gives a sense of the differences you will find when you employ people in different countries and hope you find the results as interesting as we do.

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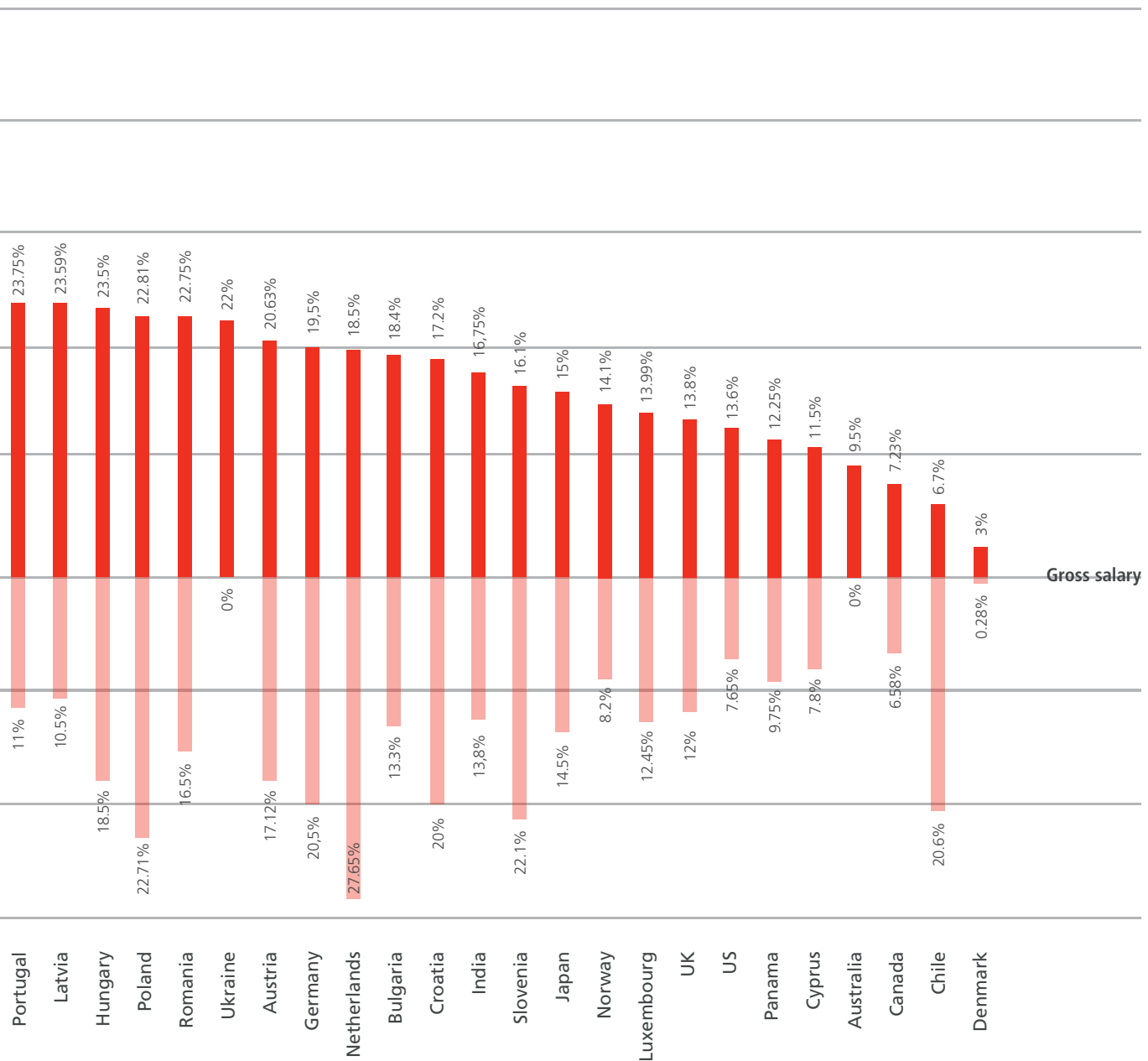
Our approach:

When reading the graph below, please refer to the text for each country and note the following:

- The schemes included vary by country. For example, some cover unemployment and others do not. Some countries also require the employer and employee to pay into different schemes.
- Rates may vary according to the type of job or industry, but we have chosen what we think is a representative rate.
- Rates may vary based on the area of the country, but we have chosen what we think is a representative rate.
- There may be other ways in which the rates vary, for example, the type of contract the employee has or the amount the employee earns. If there are different rates for fixed or permanent contracts, we have chosen to show the rate for permanent contracts. Where the rates vary according to what the person earns, we have chosen an average salary in the country concerned.
- The thresholds may vary, but we have chosen what we think is a representative figure.
- The caps may vary, for example, according to the different elements insured.
- There may be voluntary contributions people can make to cover them for different elements (e.g. to get family allowances). We have included these if in practice people tend to pay them.
- The rates may vary based on the risk involved in the job. If so, we have made a judgment about what would be a reasonable mid-point as an illustration.
- If there are different figures for blue and white collar workers, we have given the figures for whichever category has the highest number of workers nationwide.



Comparison



Please see the country text on the following pages for a more detailed explanation of each country's place in the graph.

Portugal

- ▶ General social security contributions are at 34.75% of the employee's gross salary, with no lower threshold and no cap. The contributions are shared between the employer and the employee, with the employer paying 23.75% and the employee paying 11%. The contributions cover illness, maternity/paternity, unemployment, professional disease, disability, old age pension and death of beneficiaries.

Note, however, that other rates are set for certain professionals (e.g.; disabled employees: 11.9% for the employer and 11% for the employee).

A contribution is due from the 10th to 20th of the month following the one to which the pay relates and must be paid by the employer to the Social Security services. The employee's portion is withheld by the employer and delivered to the Social Security services along with its own contribution.

Romania

- ▶ An employer owes social security contributions for every employee and must withhold and pay social security contributions owed in relation to its employees. The most burdensome contribution is the pension contribution payable by the employer, which is set at 15.8% for normal working conditions (for other working conditions the rate could rise to 20.8% or 25.8%). The employer also owes the following salary-related contributions:

- 5.2% for health insurance;
- 0.5% for unemployment insurance;
- 0.85% for sickness and maternity leave;
- 0.15% to 0.85%, depending on the risk classification of the employer's core activity, for occupational injury and illness insurance; and
- 0.25% to the wages guarantee fund.

The employee pays a pension fund contribution (10.5%); a health insurance contribution (5.5%) and an unemployment insurance contribution (0.5%).

In the case of sickness and maternity leave insurance, the monthly contribution is levied on gross pay up to a cap of 12 times the national minimum wage, multiplied by the number of employees. Other contributions are levied on the whole of the employees' gross pay. The salary-related tax obligations must be paid into the state budget by the 25th of the month following the month for which they are payable.

Russia

- ▶ The employer pays social security contributions in favour of the employee into the following funds:
 - Pension Fund - 22% of remuneration up to RUB 876, 000 (approximately **EUR 12,322**) and 10% of remuneration above the threshold;
 - Social Insurance Fund - 2.9% of the pay of Russian citizens and 1.8% of the pay of foreign citizens or stateless people for compulsory social insurance for temporary disability and maternity, up to RUB 755,000 (approximately **EUR 10,192.50**);
 - Federal Compulsory Medical Insurance Fund - 5.1% of all remuneration for compulsory medical insurance, without any threshold.

In addition to the above, employers must contribute to an occupational injury and illness insurance scheme administered by the Social Insurance Fund. The contribution rate varies from 0.2% to 8.5% of employees' pay, depending on the degree of risk involved in the employer's activities. The employee is not required to make any contributions.

Note that certain reductions are available for particular types of organisations and there are additional payments into the pensions fund for employees with certain types of working conditions.

The employer must pay the contributions monthly. Social security contributions must be paid not later than the 15th day of each month in respect of the previous month. If the last day of the period falls on a weekend or holiday, the deadline is the next business day.

► Global reach

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