

# Economy: OECD household income falls in Q4 2020, but grows overall in COVID-19 affected year

OECD household income falls in the fourth quarter of 2020, but grows overall during COVID affected year

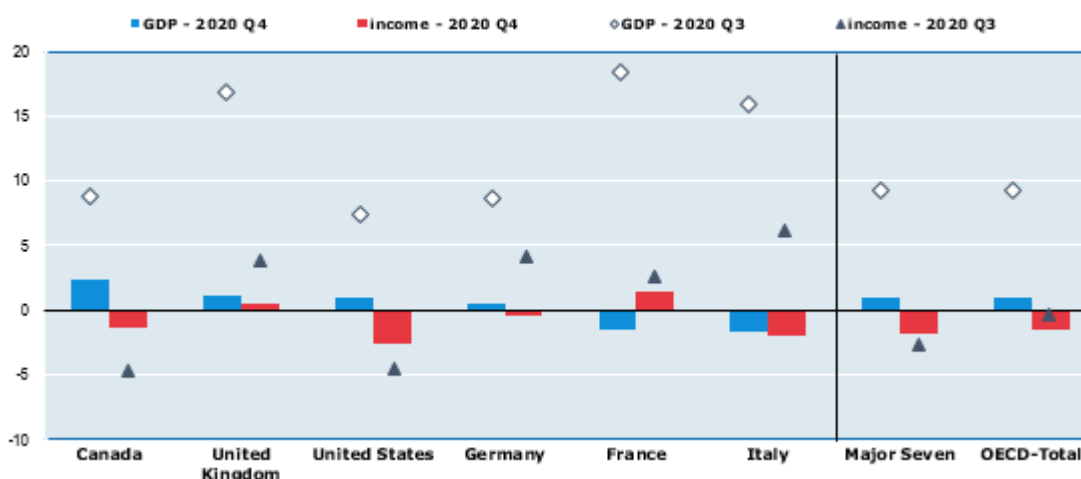
[Download the entire news release \(including graphs and tables PDF\)](#)

6 May 2021 – Real household income per capita, which provides a better picture of people’s economic well-being than GDP, fell by 1.4% in the **OECD area** in the fourth quarter of 2020. This decline occurred despite a continued rise in real GDP per capita for the **OECD area** by 1.0%, following the sharp increase by 9.2% recorded in the previous quarter. Cumulatively however, since 2019 Q4, real household income per capita increased by 2.0% in the **OECD area**, while real GDP per capita declined by 3.4%.

Overall, the decline of 1.4% is the largest quarterly decline in real household income per capita since 2013 Q1 and reflects many governments across OECD countries reducing the level of COVID related transfer payments to households, after the unprecedented levels of support provided earlier in 2020.

## Real household income per capita and real GDP per capita

Percentage change on the previous quarter, seasonally adjusted data



Source: [OECD Household Dashboard: cross country comparisons](#)

> [Household Dashboard](#) for quarterly growth rates of real household income per capita and real GDP for all OECD countries (when available) and geographic groupings.

> [Non-financial accounts by economic sector](#) for the full set of non-financial quarterly sector accounts



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## [Economy: Labour market disruption and COVID-19 support measures contribute to widespread falls in taxes on wages in 2020](#)

29/04/2021 – The COVID-19 crisis has resulted in the largest decrease in taxes on wages since the global financial crisis of 2008-09, according to a new OECD report.

[Taxing Wages 2021](#) shows that declining household incomes coupled with tax reforms linked to the pandemic are driving widespread declines in effective taxes on wages across the OECD.

The report highlights record falls across the OECD during 2020 in the tax wedge – the total taxes on labour paid by both employees and employers, minus family benefits, as a percentage of the labour cost to the employer.

The tax wedge for a single worker at the average wage was 34.6% in 2020, a decrease of 0.39 percentage points from the previous year. This is a significant fall, but is smaller than the decreases seen in the global financial crisis – 0.48 percentage point in 2008, and 0.52 percentage points in 2009. The tax wedge increased in 7 of the 37 OECD countries over the 2019-20 period and fell in 29, mainly due to lower income taxes.

The drop in the tax wedge was even more significant for households with children, bringing tax rates on these family types to new lows. The average tax wedge for a one-earner couple at the average wage with children in 2020 was 24.4%, a decrease of 1.1 percentage points versus 2019. This is the largest fall and lowest level seen for this household type since the OECD started producing *Taxing Wages* in 2000.

Between 2019 and 2020, the tax wedge for this household type decreased in 31 countries, and rose in only 6. It decreased by more than 1 percentage point in 16 countries. The largest decreases were in Lithuania, the United States, Poland, Italy, Canada and Korea. The only increase over 1 percentage point

was in New Zealand.

The gap between the OECD average tax wedge for the single average worker (34.6%) and the one-earner couple with children (24.4%) has widened by 0.7 percentage points since 2019, reflecting policy changes that provided additional support to families with children during the COVID-19 crisis.

The falls in country tax wedges for the single worker, the one-earner couple with two children, and the single parent resulted predominantly from changes in tax policy settings, although falling average wages also contributed in some countries. By contrast, increases in the tax wedge were almost all driven by rising average wages, offset only slightly by policy changes.

Of the ten countries where specific COVID-19 measures affected the indicators, support was primarily delivered through enhanced or one-off cash benefits, with a focus on supporting families with children.

The report shows that labour taxation continues to vary considerably across the OECD, with the tax wedge on the average single worker ranging from zero in Colombia to 51.5% in Belgium.

Further information and individual country notes: <https://www.oecd.org/tax/taxing-wages-20725124.htm>.

Media enquiries should be directed to [David Bradbury](#), Head of the OECD's Tax Policy and Statistics division (+33 1 4524 1597), or to [Lawrence Speer](#) (+33 1 4524 7970) in the [OECD Media Office](#) (+33 1 4524 9700).

**An embeddable data visualisation for this publication is available at:**

**[www.compareyourcountry.org/taxing-wages](http://www.compareyourcountry.org/taxing-wages)**

**Please use the '+share/embed' button to customize this tool for your country and language and to generate the embed code for your website.**

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**[Economy: Policy reset can deliver a stronger, more resilient, equitable](#)**

## and sustainable post-pandemic recovery

14/04/2021 – The COVID-19 pandemic has brought social and economic disruption worldwide, but is also providing governments with the opportunity to put economies on a more sustainable and inclusive growth path while addressing the underlying challenges, according to the OECD's **Going for Growth** policy report.

[Going for Growth 2021: Shaping a Vibrant Recovery](#) analyses pre-existing weaknesses as well as those brought on by the pandemic, and offers policy makers country-specific advice to seize the opportunity for a fundamental reset.

**OECD Secretary-General Angel Gurría** and **Italian Minister of Economy and Finance Daniele Franco** launched the report shortly after the second meeting of G20 finance ministers and central bank governors under the Italian Presidency on 7 April. Its recommendations provide a basis for G20 discussions on strategies to push forward a vibrant economic recovery and promote higher-quality growth.

“The pandemic is a painful reminder that the nature of our past growth was often unsustainable and left many people behind,” Mr Gurría said. “The recovery is an opportunity to set our policies right, to achieve growth that is stronger, equitable, sustainable and more resilient. And for this to happen, governments have to act now.”

*Going for Growth 2021: Shaping a Vibrant Recovery* provides a framework for policy reform covering three key dimensions:

- *Building resilience and sustainability:* Structural policies can improve the first line of defence to shocks (health care and social safety nets, critical infrastructure), improve public governance, and strengthen firms' incentives to better take longer-term sustainability considerations into account.
- *Facilitating reallocation and boosting productivity growth.* Steering growth in a more durable, resilient and inclusive direction requires structural policy action to increase job dynamism and support firms becoming more dynamic, more innovative and greener.
- *Supporting people through transitions.* Policies should ensure that people are not left behind in transitions, so that reallocation is socially productive and builds resilience. This requires investments in skills, training and a big push for accessing quality jobs – particularly amongst vulnerable groups – as well as broad-based social safety nets, and better learning and support to access jobs.

**Going for Growth** policy advice includes short country notes for OECD members and a number of Partner countries (Argentina, Brazil, China, India, Indonesia and South Africa).

The report also highlights the crucial importance of countries acting together – in particular in the case of challenges that span borders. *Going for Growth* identifies a number of areas where international co-operation is needed to enhance the effectiveness of domestic policies and underpin the shift to more sustainable, resilient and equitable globalisation: healthcare, climate change, international trade and the taxation of multinational enterprises.

Key recommendations and individual country notes on OECD and key non-member countries are accessible at: <https://www.oecd.org/economy/going-for-growth/>. You are invited to include this link in media coverage of the report.

For further information on Going for Growth 2021 or to arrange interviews, journalists should contact [Lawrence Speer](#) (+33 1 4524 7970) or the [OECD Media Office](#) (+33 1 4524 9700).

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## [Development: COVID-19 spending lifts foreign aid to new high in 2020 but more effort needed](#)

13/04/2021 – Foreign aid from official donors rose to an all-time high of USD 161.2 billion in 2020, up 3.5% in real terms from 2019, boosted by additional spending mobilised to help developing countries grappling with the COVID-19 crisis, according to preliminary data collected by the OECD.

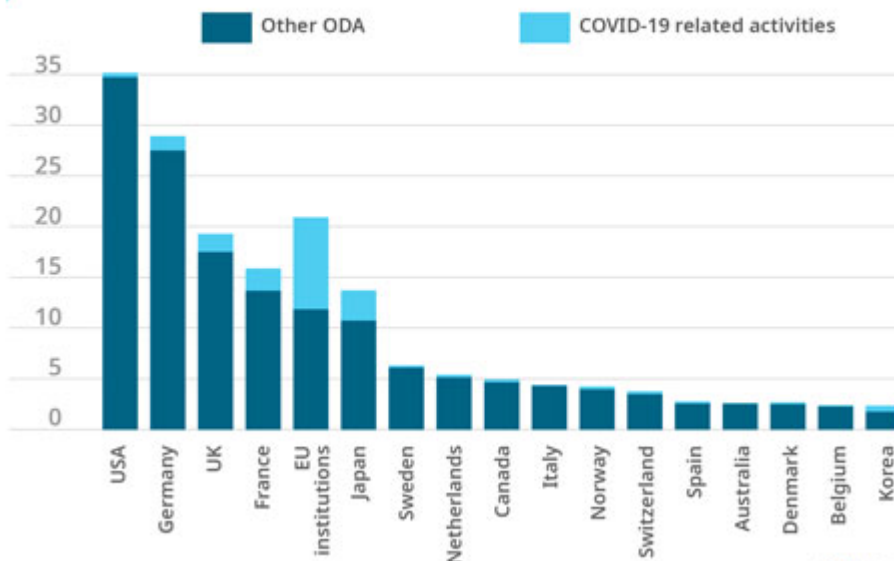
Within total Official Development Assistance (ODA) provided by members of the OECD's Development Assistance Committee in 2020, initial estimates indicate that DAC countries spent USD 12 billion on COVID-19 related activities. Some of this was new spending and some was redirected from existing development programmes, according to an OECD survey carried out in April and May 2020. Most providers said they would not discontinue programmes already in place.

Total ODA equated to around 1% of the amount countries have mobilised over the past year in economic stimulus measures to help their own societies recover from the COVID crisis. Meanwhile the global vaccine distribution facility COVAX remains severely underfunded, **OECD Secretary-General Angel**

Gurría said during a virtual presentation of the aid data.

“Governments globally have provided 16 trillion dollars’ worth of COVID stimulus measures yet we have only mobilised 1% of this amount to help developing countries cope with a crisis that is unprecedented in our lifetimes,” Mr Gurría said. “This crisis is a major test for multilateralism and for the very concept of foreign aid. We need to make a much greater effort to help developing countries with vaccine distribution, with hospital services and to support the world’s most vulnerable people’s incomes and livelihoods to build a truly global recovery.”

## COVID-19 related ODA expenditures for top donors in USD Billion



Source: Official Development Assistance data for 2020



Foreign aid rose in a year that saw all other major flows of income for developing countries – trade, foreign direct investment and remittances – decline due to the pandemic, and domestic resources under increased pressure. Total external private finance to developing countries fell 13% in 2020 and trade volumes declined by 8.5%. ([See the OECD’s Global Outlook on Financing for Sustainable Development 2021.](#))

The rise in 2020 ODA was also affected, however, by an increase in loans by some donors. Of gross bilateral ODA, 22% was in the form of loans and equity investments, up from around 17% in previous years, with the rest provided as grants.

The 2020 ODA total is equivalent to 0.32% of DAC donors’ combined gross national income, up from 0.30% in 2019 but below a target of 0.7% ODA to GNI. Part of the rise in the ratio was due to the fact that GNI fell in most DAC countries. Six DAC members – Denmark, Germany, Luxembourg, Norway, Sweden and the United Kingdom – met or exceeded the 0.7% target. Among non-DAC donors, whose assistance to developing countries is not included in the ODA total, Turkey provided aid equivalent to 1.12% of its GNI.

ODA rose in 16 DAC countries, with some substantially increasing their aid budgets to help developing countries respond to the pandemic. The largest

increases were in Canada, Finland, France, Germany, Hungary, Iceland, Norway, the Slovak Republic, Sweden and Switzerland. ODA fell in 13 countries, most notably in Australia, Greece, Italy, Korea, Luxembourg, Portugal and the United Kingdom. G7 donors provided 76% of total ODA and DAC-EU countries 45%. ODA provided by EU Institutions jumped by 25.4% in real terms as they mobilised funds for COVID-19 related activities and increased sovereign lending by 136% over 2019.

Short-term support to help with the COVID-19 crisis focused on health systems, humanitarian aid and food security, according to the OECD survey. Aid providers indicated they would focus in the medium-term on making diagnostics and vaccines available to countries in need, as well as offering support to address the economic and social repercussions of the pandemic.

“At the outset of the pandemic, DAC donors said that they would strive to protect ODA volumes. I am grateful and proud to say that they have done that and more. Donor countries have stepped up to support developing countries struggling with the health and economic fallout of COVID-19, even as their own economies and societies have been battered,” said **DAC Chair Susanna Moorehead**. “The next few years will be tough and the finance we provide must work harder than ever. If we really are going to build forward better and greener, we must focus on the most vulnerable countries and the most vulnerable people in them, especially women and girls.”

Bilateral ODA to Africa and least-developed countries rose by 4.1% and 1.8% respectively. Humanitarian aid rose by 6%. Excluding aid spent on hosting refugees within donor countries – which was down 9.5% from 2019 to USD 9.0 billion and mainly concerned Canada, Iceland and the Netherlands – ODA rose by 4.4% in real terms in 2020.

ODA makes up over two thirds of external finance for least-developed countries. The OECD also monitors flows from some non-DAC providers and private foundations. Preliminary data released by the OECD each April is followed by final statistics published at the end of each year with a detailed geographic and sectoral breakdown. ([See the 2019 ODA breakdown.](#))

Net ODA has risen for the most part steadily in volume terms from just below USD 40 billion (in 2019 prices) in 1960. It has more than doubled in real terms (up 110%) since 2000, when the Millennium Development Goals were agreed, despite the impact of the 2008 crisis on provider economies.

#### **Links to aid data and background information:**

For further information, journalists should contact [Catherine Bremer](#) in the OECD Media Office (+33 1 4524 80 97.)

*The DAC is an OECD committee that serves as a forum for 30 donors and observer bodies.*

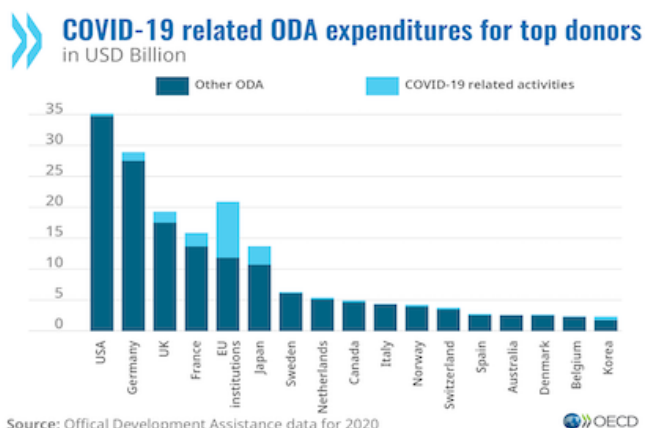
*ODA is defined as official financing flows to promote the economic development and welfare of low and middle-income countries. Net ODA is total*

*ODA spent minus repayment of loan principals by recipient countries.*

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## [Health: Governments should step up their efforts against harmful alcohol consumption](#)



13 April 2021

Foreign aid for development from official donors rose to an all-time high of USD 161.2 billion in 2020, up 3.5% in real terms from 2019, boosted by efforts to help developing countries address COVID-19. Still, this total came to only 1% of the amount countries have mobilised in stimulus measures for their own economies, preliminary data show.

[Read more](#)