

The Tax Burden Rises: The share of income paid by workers keeps rising.

[April 24, 2015 6:59 p.m. WSJ](#)

Your government hopes you haven't noticed, but if you live in a developed country there's a good chance your taxes have gone up over the past four years. That's the conclusion from the OECD's latest "Taxing Wages" report, which finds the average worker paid a higher proportion of income in tax in 2014 than in 2010.

The average total "tax wedge" is the difference between the gross cost to a company of employing one person and what that worker takes home after income tax and employee and employer social insurance taxes. The OECD finds that this wedge stood at 36% in 2014, up 0.1 percentage points from 2013 for its 32 member countries. The average tax burden was 35% in 2010. The burden increased in 23 OECD member countries in 2014, though no country increased marginal tax rates.

Governments were able to make this tax grab on the sly thanks in part to bracket creep. As nominal income rises, a taxpayer can find himself in a higher tax bracket even if inflation means his purchasing power hasn't increased at the same pace. Rising nominal incomes also diminish the relative value of personal allowances and deductions that generally don't keep up with inflation, and in some cases were reduced.

As a result, an increase of only 0.3% in inflation-adjusted earnings was enough to increase the average Finn's tax wedge by 0.84 percentage points to 43.9%. Japanese workers were even worse off as modest nominal wage increases pushed them into higher tax brackets while faster inflation left them with less purchasing power: Inflation-adjusted earnings fell by 1.9% but the average tax wedge rose 0.29 percentage points to 31.9%, ranking 21st on the list. Belgium's 55.6% tax wedge puts it at the top of the rankings, with Chile's 7% wedge is at the bottom.

The OECD provides a useful public service by including social-insurance taxes on workers and employers in these rankings. These contributed significantly to the bigger tax wedges in countries such as Canada, where social charges amounted to nearly half of the 0.52 percentage point increase to 31.5%, tying America at 22nd. Politicians like to present these levies as "contributions," but the sooner voters recognize them for the income taxes they are, the better.

Americans saw their inflation-adjusted wages increase 1%, and their tax wedge increased 0.11 percentage points to 31.5% last year. This is still lower than most of Europe. Americans also don't pay the steep value-added taxes that European welfare states use to finance themselves, and which aren't included in this study.

But American taxes on labor already are edging higher without statutory rate increases since 2013, even before the full burden of ObamaCare's subsidies arrives. Only Britain, Ireland and Switzerland have tax wedges lower than America's among OECD countries, and most European countries tax labor at 40% or above.

The warning to Americans is that taxes will have to rise to European levels if they elect politicians who promise European-style welfare states. A big question for the U.S. 2016 election will be whether this trend can be arrested, as it was by the 1980 election.

Meanwhile, the message to voters everywhere is that if a politician promises to “tax the rich” with a progressive tax code, you’ll find yourself defined as rich sooner than you think.