

Structure of general government expenditures (by COFOG function)

Governments spend money on a broad array of goods and services, from providing childcare to building bridges or subsidising alternative energy sources. International commitments to mutual policy goals can also influence the structure of expenditures; such is the case with OECD-EU member countries and their common goals towards economic growth, agriculture, energy, infrastructure, and research and development, among others.

With the exception of Korea and the United States, social protection expenditure, which is driven by old age pension but also includes unemployment insurance and disability benefits, is the largest function of public expenditures in all OECD member countries, representing on average 35.6% of total expenditure in 2011. In Korea, the most important function is economic affairs (which includes support for industries) while in the United States, health expenditure is the largest category, reaching 21.4% of total expenditure in 2011.

While they reflect social and policy preferences, factors such as an ageing population or a high level of public debt requiring substantial interest payments also influence the structure of general government expenditures. The share of resources devoted to different policy sectors shifted between 2001 and 2011. OECD member countries increased their share of social protection and health expenditure by respectively 2 and 1.2 percentage points on average. A small increase also occurred in recreation, culture and religion (0.05 percentage points). The shift of spending towards social protection is mostly due to the impact of the financial and economic crisis (unemployment insurance and other welfare benefits) whereas the cost of new medical technologies, innovation and an ageing population likely accounts for the shift of resources towards health. The share of all other policy areas decreased: general public services (1.1 percentage points), economic affairs (0.6 percentage points), defence and housing and community amenities (both 0.5 percentage points), education (0.3 percentage points), public order and safety and environmental protection (both 0.1 percentage points).

Health stands as a good example for changes in expenditure levels within a policy area. In the period between 2001 and 2011, with the exception of Iceland, Ireland, Luxembourg, Portugal and Slovenia, all OECD member countries experienced an increase in the share of health expenditures. However, in recent years, this trend has slowed or reversed as a consequence of the economic downturn and active policies to contain the growth of health spending. For instance, most of the reductions in Ireland occurred through cuts in wages, reduction in the number of health care workers and lower fees paid to professionals and pharmaceutical companies. Iceland has put on hold investments in health infrastructure while obtaining efficiency gains through the merger of hospitals.

Methodology and definitions

Expenditures data are derived from the OECD *National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into ten functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. Data in Table 3.27 (available on line at <http://dx.doi.org/10.1787/888932943324>) and Table 3.28 (available on line at <http://dx.doi.org/10.1787/888932943343>) illustrate general government expenditures by function as a percentage of GDP in 2011 and the change from 2001 to 2011.

Structure of governments by selected COFOG II level priority functions are shown in Figure 3.29 (general public services), Figure 3.30 (public order and safety), Figure 3.31 (economic affairs), Figure 3.32 (health care), Figure 3.33 (education) and Figure 3.34 (social protection). These are available on line at <http://dx.doi.org/10.1787/888932941766>, <http://dx.doi.org/10.1787/888932941785>, <http://dx.doi.org/10.1787/888932941804>, <http://dx.doi.org/10.1787/888932941823>, <http://dx.doi.org/10.1787/888932941842>, <http://dx.doi.org/10.1787/888932941861> respectively.

Further reading

OECD (2012), *Health at a Glance: Europe 2012*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264183896-en>.

Table notes

Data are not available for Canada, Chile, Mexico and New Zealand.

3.26: Time series data are not available for Japan, Switzerland and Turkey. Data for Poland are for 2002 rather than 2001.


Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Structure of general government expenditures (by COFOG function)

3.25. Structure of general government expenditures by function (2011)

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Australia	12.5	4.1	4.8	11.4	2.6	1.8	19.2	2.1	14.5	27.1
Austria	13.1	1.4	2.9	10.5	1.0	1.2	15.3	2.0	11.0	41.6
Belgium	15.0	1.8	3.4	12.3	1.4	0.7	14.8	2.4	11.6	36.6
Czech Republic	10.7	2.1	4.3	13.9	3.1	1.9	18.1	2.9	11.4	31.7
Denmark	13.7	2.4	2.0	6.1	0.7	0.6	14.5	2.8	13.5	43.8
Estonia	8.4	4.1	5.6	12.0	-0.9	1.6	13.3	5.0	16.9	34.2
Finland	13.3	2.6	2.7	8.8	0.5	1.0	14.2	2.2	11.6	43.1
France	11.5	3.2	3.1	6.3	1.9	3.4	14.7	2.5	10.8	42.6
Germany	13.6	2.4	3.5	7.8	1.5	1.2	15.5	1.8	9.4	43.3
Greece	24.6	4.6	3.3	6.2	1.0	0.4	11.6	1.2	7.9	39.3
Hungary	17.5	2.3	3.9	14.4	1.5	1.6	10.4	3.5	10.5	34.5
Iceland	17.8	0.1	3.1	12.4	1.3	0.7	16.1	7.0	17.1	24.6
Ireland	11.4	0.9	3.7	16.4	2.1	1.3	15.6	1.8	10.9	35.9
Israel	14.7	14.7	3.8	5.8	1.5	1.0	12.3	3.9	16.5	25.9
Italy	17.3	3.0	4.0	7.1	1.8	1.4	14.7	1.1	8.5	41.0
Japan	11.0	2.2	3.1	9.8	2.9	1.8	17.3	0.8	8.4	42.7
Korea	15.2	8.6	4.2	20.1	2.4	3.3	15.2	2.2	15.8	13.1
Luxembourg	11.4	1.0	2.5	9.9	2.8	1.8	11.4	4.0	12.1	43.2
Netherlands	11.2	2.7	4.2	10.9	3.3	1.2	17.0	3.5	11.6	34.5
Norway	9.7	3.6	2.2	9.6	1.5	1.6	16.5	2.9	12.6	39.8
Poland	13.4	2.7	4.2	13.0	1.6	2.0	10.9	3.0	12.8	36.6
Portugal	17.1	2.7	4.0	8.2	1.1	1.3	13.8	2.2	12.9	36.7
Slovak Republic	15.4	2.7	6.4	9.8	2.7	2.6	15.5	3.0	10.6	31.3
Slovenia	12.4	2.3	3.3	11.4	1.6	1.3	13.5	3.7	13.2	37.3
Spain	12.5	2.3	4.8	11.6	2.1	1.3	14.1	3.3	10.5	37.4
Sweden	14.4	2.9	2.7	8.2	0.7	1.5	13.7	2.2	13.3	40.5
Switzerland	9.9	2.9	5.0	13.7	2.3	0.6	6.1	2.6	17.9	39.0
Turkey	16.4	4.1	5.2	11.9	1.1	3.5	12.1	2.3	11.4	31.9
United Kingdom	11.6	5.1	5.3	5.3	2.0	1.8	16.5	2.1	13.4	36.8
United States	12.4	11.7	5.5	9.4	0.0	2.1	21.4	0.7	15.5	21.3
OECD	13.6	3.6	3.9	10.5	1.6	1.6	14.5	2.7	12.5	35.6


Source: OECD National Accounts Statistics (database). Data for Australia are based on Government Finance Statistics provided by the Australian Bureau of Statistics.

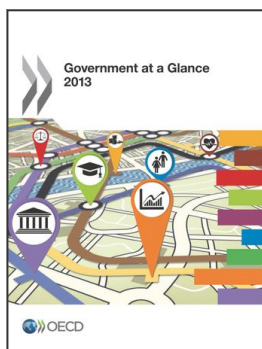
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3.26. Change in the structure of general government expenditures by function (2001 to 2011)

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Australia	0.4	-0.4	0.3	-1.4	1.0	-0.7	2.4	-0.1	0.0	-1.5
Austria	-2.5	-0.3	0.0	0.3	0.0	-0.3	1.7	0.1	0.2	0.8
Belgium	-6.3	-0.7	0.2	3.4	-0.1	0.1	1.5	0.5	-0.2	1.6
Czech Republic	1.6	-1.4	-0.6	-6.4	1.0	-0.7	2.2	0.5	1.5	2.3
Denmark	-1.6	-0.6	0.2	0.1	-0.4	-0.7	1.9	-0.3	-0.1	1.5
Estonia	-0.9	0.2	-1.4	1.4	-3.0	-0.2	1.6	-0.7	-2.1	5.0
Finland	-1.1	-0.1	-0.1	-0.8	-0.2	0.1	2.0	-0.1	-0.9	1.2
France	-2.7	-0.7	0.2	-0.5	0.3	-0.2	1.0	0.4	-0.6	2.9
Germany	1.0	0.0	0.1	-1.4	0.0	-0.9	1.4	0.0	0.7	-0.8
Greece	1.1	-2.8	0.7	-3.8	-0.2	-0.5	0.3	0.4	1.8	2.8
Hungary	-4.6	-0.3	-0.5	1.9	-0.1	-0.2	0.1	0.2	-0.6	4.0
Iceland	2.5	0.0	-0.4	-4.0	-0.4	-0.2	-2.5	-0.1	-1.1	6.1
Ireland	0.4	-1.0	-1.1	3.1	-0.7	-4.3	-3.1	-0.2	-2.6	9.5
Israel	-4.3	-1.2	0.7	0.3	0.3	-0.7	1.2	0.5	1.8	1.6
Italy	-2.9	0.6	0.1	-1.9	0.0	-0.3	1.6	-0.7	-1.3	4.8
Korea	1.8	-1.9	-0.9	-3.2	-0.3	-0.6	4.2	-0.1	-2.2	3.2
Luxembourg	-0.6	0.2	0.1	2.7	-0.5	-0.3	-1.3	-0.4	0.1	0.0
Netherlands	-3.6	-0.8	0.4	-1.4	0.1	-0.5	5.8	-0.2	0.2	0.0
Norway	-1.8	-0.7	-0.1	-1.0	0.3	0.8	0.3	0.5	-0.7	2.4
Poland	-0.1	0.0	0.8	5.0	0.2	-1.7	1.0	0.6	-1.0	-4.9
Portugal	3.0	-0.5	0.0	-4.8	-0.5	-1.0	-1.1	-0.8	-2.2	7.8
Slovak Republic	-1.7	-2.3	0.2	-5.2	1.0	0.8	4.5	0.9	3.3	-1.5
Slovenia	-2.0	-0.4	-0.7	2.0	0.0	-0.1	-0.4	1.1	-0.6	1.1
Spain	-2.1	-0.5	0.0	-0.2	-0.2	-1.3	0.8	-0.1	-0.6	4.2
Sweden	-0.5	-1.0	0.2	1.0	0.1	-0.3	1.8	0.2	0.1	-1.6
United Kingdom	1.0	-0.6	-0.4	-1.0	0.3	0.0	1.8	-0.4	0.3	-1.0
United States	-2.5	2.3	-0.4	-1.7	0.0	0.5	2.2	-0.2	-2.0	1.7
OECD	-1.1	-0.5	-0.1	-0.6	-0.1	-0.5	1.2	0.0	-0.3	2.0

Source: OECD National Accounts Statistics (database). Data for Australia are based on Government Finance Statistics provided by the Australian Bureau of Statistics.

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