

Special feature: Structure of general government expenditures by functions of social protection and health (COFOG)

One of the key objectives of governments is to protect the vulnerable and share the risks that could arise in communities from ill health, job loss and ageing. This is reflected in governments spending on social protection (i.e. pensions, unemployment insurance, etc.) and health care, which often constitute the largest public expenditure programmes. The demand and supply of social protection and health care services are subject to demographic dynamics, economic fluctuations as well as technological changes, and the complexity arising from their interaction can have a major impact on the long-term sustainability of public finances.

Two related reasons make the dynamics of social protection and health services, and the composition of government expenditures devoted to them, particularly significant. First, overall productivity slowdown in OECD countries became more pronounced. While between 1985 and 1999 multi-factor productivity grew at 1.45% per year, on average, it further decreased to 0.58% between 2000 and 2015 (OECD, 2016a). This dynamic imposes a cap on long-term growth that has a direct effect on the sustainability of social protection and health expenditures. A second reason is the increasing costs arising from both population ageing and technological change.

In 2015, across OECD European countries - data for which information is available - social protection expenditures were concentrated in pensions, averaging 53.5% of expenditures in social protection, rising from 51.1% in 2009 as reforms have been introduced to ensure the sustainability of pension systems and other personal pension arrangements (OECD, 2016b). Pensions account for the largest shares of social protection in Greece (76%), Portugal (67%), Italy (64%) and Latvia (63%) whereas pensions experienced lowest shares in Ireland (25%) and Iceland (26%). Sickness and disability benefits accounted for 14% of social protection spending, ranging from 34% in Norway to 6% in Portugal. Expenditures related to family and children represented 9% of social protection on average across OECD European countries, and are the highest in countries with extensive parental leave and child support like Iceland (23%) and Luxembourg (22%), followed by Ireland (20%), Denmark (19%) and Norway (18%). Unemployment accounted for 7% of public expenditures in social protection in OECD European countries on average, reaching 19% in Ireland where long-term benefits are generous, 12% in Spain where unemployment remains high after the crisis, and 11% in Denmark. The remaining components of social protection (survivors, housing, related R&D and others) add up to, on average, 16% across OECD European countries.

For health care in 2015, hospital services represent 46.5% of health care expenditures on average across OECD European countries, followed by outpatient services (31.8%) and expenditures in medical products and equipment (14%). The largest share of health care spending devoted to hospital services was in the United Kingdom (75.2%), followed by Estonia (74.1%) and Denmark (71.1%). Outpatient services

for 2015 represented the largest share of overall public expenditures in health care in Luxembourg (85.6%) and Spain (77.4%), while the expenditures in medical products, appliances and equipment were proportionally the largest in Greece (30.8%) and Germany (22.5%). Finally, public health services and research and development (R&D) in health care each represented 1.9% of health care public spending.

Methodology and definitions

Expenditures data are derived from the OECD National Accounts Statistics (database) and Eurostat Government finance 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. The updated 2008 SNA framework has been now implemented by all OECD countries (see Annex A for details on reporting systems and sources). Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides expenditures into ten main functions (See Annex C for further information).

From those functions, health expenditures are further divided into six sub-functions: medical products, appliances and equipment; outpatient services; hospital services; public health services; R&D health; health n.e.c. Social protection expenditures are further divided into nine sub-functions: sickness and disability; old age (i.e. pensions); survivors; family and children; unemployment; housing; social exclusion n.e.c.; R&D social protection; social protection n.e.c.

Figure 2.59 and 2.60, Change in the structure of government expenditures by government function of social protection and health - 2009 to 2015, are available online in Annex F.

Further reading

OECD (2016a), *OECD Compendium of Productivity Indicators 2016*, OECD, Paris.

OECD (2016b), *OECD Pensions Outlook 2016*, OECD, Paris, http://dx.doi.org/10.1787/pens_outlook-2016-en

Figure notes

Data for the OECD non-European countries (apart from Israel) and for Switzerland and Turkey are not available.

OECD Europe includes the European member countries of the OECD; data for Iceland are not included in the OECD Europe average because of missing time series.

Data for Colombia and Costa Rica are for 2014 rather than 2015.

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

2.57. Structure of government expenditures by government function of social protection, 2015

	Sickness and disability	Old age	Survivors	Family and children	Unemployment	Housing	Social exclusion n.e.c.	R&D Social protection	Social protection n.e.c.
Austria	9.0	60.4	6.8	10.8	6.8	0.5	4.7	0.0	1.0
Belgium	17.4	44.9	8.9	11.9	9.8	1.0	5.0	0.0	1.0
Czech Republic	17.1	60.5	4.8	8.7	1.7	2.1	3.5	0.0	1.5
Denmark	20.2	35.4	0.0	19.3	11.5	3.0	8.4	0.0	2.1
Estonia	16.4	54.5	0.5	17.9	8.3	0.2	1.0	0.1	1.1
Finland	13.8	52.4	3.1	12.6	10.4	1.7	3.6	0.1	2.3
France	11.4	55.2	6.4	10.1	8.1	3.8	4.2	0.0	0.8
Germany	16.1	48.3	9.8	8.4	9.2	2.4	2.2	0.0	3.6
Greece	7.8	76.6	8.2	3.1	3.3	0.2	0.1	0.1	0.6
Hungary	20.3	48.4	7.4	13.1	2.5	1.8	5.2	0.0	1.4
Iceland	30.3	26.4	0.2	22.6	5.9	6.0	4.3	0.0	4.4
Ireland	17.2	25.1	6.6	20.3	19.2	8.5	0.8	0.0	2.4
Israel	23.7	46.2	5.7	10.2	2.9	1.6	5.5	0.0	4.2
Italy	8.7	64.3	12.9	7.1	5.5	0.2	1.2	0.0	0.0
Latvia	18.4	63.6	1.5	5.7	4.2	0.9	3.5	0.0	2.1
Luxembourg	7.9	55.5	0.0	21.7	10.6	0.2	3.7	0.0	0.3
Netherlands	27.3	41.0	0.6	6.4	10.3	2.8	11.3	0.2	0.1
Norway	34.5	36.0	1.0	18.2	2.6	0.6	4.5	0.2	2.4
Poland	16.4	57.3	11.3	8.9	3.5	0.3	1.6	0.0	0.7
Portugal	6.6	67.0	9.6	5.8	6.7	0.1	1.2	0.0	2.9
Slovak Republic	18.7	52.8	5.7	8.7	1.4	0.0	3.2	0.0	9.6
Slovenia	13.0	57.0	8.1	11.3	3.5	0.1	4.9	0.0	2.1
Spain	13.8	53.5	13.7	3.8	11.8	0.2	1.6	0.0	1.6
Sweden	21.3	51.0	1.4	11.9	6.3	1.5	6.1	0.0	0.4
United Kingdom	16.1	53.7	0.4	9.0	0.9	8.0	9.9	0.0	2.0
OECD	14.7	53.5	7.5	9.0	7.0	2.6	4.1	0.0	1.6
Colombia	1.4	69.1	..	10.7	..	5.1	11.9	..	1.7
Lithuania	24.9	52.0	3.1	8.8	5.0	0.5	4.2	0.0	1.5

Source: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).

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2.58. Structure of government expenditures by government function of health, 2015

	Medical products, appliances and equipment	Outpatient services	Hospital services	Public health services	R&D Health	Health n.e.c.
Austria	14.1	18.3	55.7	2.2	5.7	3.9
Belgium	10.9	34.8	49.6	1.9	0.1	2.7
Czech Republic	12.4	21.2	44.9	18.1	0.6	2.8
Denmark	6.8	13.9	71.1	1.6	2.3	4.2
Estonia	12.4	8.9	74.1	0.5	2.3	1.7
Finland	9.3	45.7	42.4	0.3	1.6	0.6
France	17.6	35.4	43.2	1.4	1.2	1.2
Germany	22.5	29.5	38.6	0.8	1.1	7.4
Greece	30.8	10.3	57.6	0.0	0.4	0.8
Hungary	19.2	28.7	41.5	2.7	0.4	7.4
Iceland	7.4	22.0	67.9	0.3	0.0	2.3
Ireland	16.7	31.7	39.8	2.8	0.2	8.7
Israel	11.5	29.5	55.1	2.2	0.0	1.7
Italy	11.5	37.9	44.0	3.9	1.1	1.5
Latvia	12.7	26.5	55.8	1.7	0.0	3.3
Luxembourg	0.1	85.6	8.5	0.8	3.6	1.4
Netherlands	10.4	27.2	51.5	2.6	3.9	4.3
Norway	6.5	23.2	59.6	3.1	4.5	3.3
Poland	1.3	32.1	60.8	1.5	1.8	2.5
Portugal	5.5	31.3	58.1	0.6	1.2	3.4
Slovak Republic	19.6	32.1	42.9	0.6	0.0	4.8
Slovenia	14.5	32.9	41.8	5.2	1.1	4.5
Spain	16.1	77.4	0.0	1.4	4.4	0.7
Sweden	10.5	42.9	37.9	3.1	2.6	2.9
United Kingdom	5.7	10.3	75.2	2.9	2.1	3.7
OECD	14.0	31.8	46.5	2.3	1.9	3.6
Colombia	93.2	4.3	0.5	2.0
Costa Rica	3.3	38.8	48.9	2.3	2.0	4.8
Lithuania	13.2	25.9	37.5	1.3	0.1	22.0

Source: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).

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