

11. PUBLIC SPENDING

Breakdown of government spending by functions of social protection and health (COFOG)

The COVID-19 pandemic showed the importance of robust and agile health and social protection systems to help weather crises by protecting people's lives and preserving living conditions. Social protection and healthcare are on average the largest government spending categories in OECD countries, and increased in significance during the pandemic. Meanwhile, demographic trends, such as higher life expectancy and low fertility rates, add further financial pressure on health and social protection systems, increasing demand for more and better medical care, as well as for pensions and other types of social aid and support (OECD, 2021).

Within social protection, the largest spending category is old age pensions, amounting to 10.9% of GDP in the OECD-EU countries in 2021. Italy (14.3%) and Finland (13.9%) spent the largest share of GDP on old age pensions (Table 11.6). Between 2019 and 2021, spending on old age pensions as a share of total social protection spending fell by 1.6 p.p. in the OECD-EU countries due to relative increases in other categories (Online Table G.6.6), such as unemployment benefits, which increased by a similar amount over this period. Outside OECD-EU countries, there were decreases of old age pensions spending as a share of total social protection expenditures across all countries with available data, with the largest relative decreases in Colombia (6.8 p.p.) and Iceland (5.5 p.p.).

The second largest spending category within social protection is sickness and disability benefits, accounting for 2.9% of GDP on average across OECD-EU countries in 2021. Families and children is the third largest category in social spending, averaging 1.9% of GDP in the OECD-EU, with the highest share in 2021 in Denmark (4.2% of GDP) (Table 11.6).

Within healthcare, the largest public spending category remains hospital services, corresponding to 3.4% of GDP on average in OECD-EU countries in 2021. It includes fixed medical equipment and facilities. Among the countries with available data, the United Kingdom spent the most on hospital services (7.6%) (Table 11.7). Public spending on hospital services as a share of total health spending fell by 1.6 p.p. on average in OECD-EU countries between 2019 and 2021, continuing a downward trend that started in 2009, possibly explained by shorter stays in hospitals in the last decade (OECD, 2021). The second largest spending category within healthcare is outpatient services, averaging 2.5% of GDP. This category includes services delivered at home or in consulting facilities and fell by 2.1 p.p. of total healthcare spending from 2019 to 2021. Finland spent the most on outpatient services (3.4%) in 2021.

The public health services category includes research, disseminating information, and the purchase of vaccines

and masks for the population. Although it is a relatively small category of spending (0.6% of GDP in 2021), it increased substantially as a share of total health spending, by 4.6 p.p. between 2019 and 2021, due to the COVID-19 pandemic. The largest increases were observed in Switzerland (18.5 p.p.), Austria (11 p.p.) and Hungary (10 p.p.) (Table 11.7 and Online Table G.6.7).

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 2008 SNA framework has been implemented by all OECD countries (see Annex C). Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG) into ten main functions. Within these 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; and health n.e.c. (not elsewhere classified). 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; and social protection n.e.c.

Further reading

de Bienassis, K., et al. (2023), "Advancing patient safety governance in the COVID-19 response", *OECD Health Working Papers*, No. 150, OECD Publishing, Paris, <https://doi.org/10.1787/9b4a9484-en>.

OECD/European Union (2022), *Health at a Glance: Europe 2022: State of Health in the EU Cycle*, OECD Publishing, Paris, <https://doi.org/10.1787/507433b0-en>.

OECD (2021), *Health at a Glance 2021: OECD Indicators*, OECD Publishing, Paris, <https://doi.org/10.1787/ae3016b9-en>.

Figure notes

Data for several OECD non-European countries are not available. Data for Colombia and Costa Rica refer to 2020 rather than 2021.

G.6.4 to G.6.7 (Structure of government expenditures by function of social protection and health in 2021 and its change since 2019) are available online in Annex G.

Breakdown of government spending by functions of social protection and health (COFOG)

11.6. Government expenditures by function of social protection as a percentage of GDP, 2021

	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.
Australia	2.67	3.81	0.01	2.00	0.69	0.23	0.87	0.00	0.47
Austria	1.77	13.57	1.38	2.09	1.75	0.09	1.06	0.01	0.18
Belgium	3.69	9.61	1.52	2.24	2.05	0.25	1.16	0.01	0.49
Colombia	0.04	6.90	..	0.87	..	0.23	1.43	..	2.39
Costa Rica	0.45	5.12	0.45	0.34	0.29	0.40	0.00	0.00	2.88
Czech Republic	2.46	7.93	0.55	1.75	0.18	0.14	0.43	0.00	0.19
Denmark	4.62	7.99	0.01	4.21	1.88	0.62	1.33	0.01	0.46
Estonia	2.12	7.42	0.06	2.53	0.94	0.03	0.16	0.02	0.19
Finland	3.22	13.94	0.62	3.04	2.04	0.63	0.91	0.02	0.31
France	3.08	13.21	1.44	2.18	2.33	0.86	1.48	0.00	0.17
Germany	3.34	10.00	1.95	1.91	1.97	0.33	0.65	0.00	0.75
Greece	1.63	13.89	2.39	1.10	0.66	0.35	0.57	0.00	0.02
Hungary	2.08	6.54	0.74	2.32	0.26	0.09	0.88	0.00	0.16
Iceland	3.47	3.29	0.03	2.53	2.46	0.37	0.65	0.00	0.47
Ireland	1.11	3.48	0.41	0.96	1.66	0.81	0.12	0.00	0.18
Israel	2.86	4.77	0.46	1.27	0.41	0.12	0.42	0.00	0.33
Italy	1.95	14.28	2.62	1.05	1.54	0.04	1.69	0.01	0.12
Japan	0.97	11.27	1.45	2.36	0.80	0.00	0.56	0.00	0.52
Latvia	2.64	7.51	0.21	1.75	0.95	0.07	0.37	0.00	0.31
Lithuania	4.11	6.44	0.30	1.88	0.89	0.08	0.41	0.00	0.23
Luxembourg	3.18	9.41	0.00	3.35	1.32	0.12	0.74	0.00	0.19
Netherlands	4.27	6.56	0.05	2.08	0.77	0.47	2.45	0.01	0.00
Norway	6.51	6.89	0.16	3.06	0.70	0.11	0.72	0.05	0.40
Poland	2.07	9.90	1.67	2.93	0.26	0.02	0.31	0.00	0.11
Portugal	1.47	11.86	1.75	1.54	0.81	0.17	0.29	0.00	0.36
Slovak Republic	4.06	8.41	0.80	1.22	0.34	0.00	0.19	0.00	1.18
Slovenia	2.61	10.39	1.28	2.03	0.45	0.02	0.96	0.00	0.15
Spain	2.93	10.73	2.47	1.02	2.65	0.02	0.61	0.00	0.14
Sweden	3.42	10.23	0.17	2.35	1.27	0.29	0.82	0.00	0.01
Switzerland	3.02	6.72	0.30	0.64	2.14	0.03	1.50	0.00	0.01
United Kingdom	2.43	8.67	0.65	1.26	0.05	0.78	2.52	0.00	0.35
OECD-EU	2.87	10.86	1.61	1.89	1.67	0.33	1.02	0.00	0.31
Bulgaria	0.62	10.00	0.00	1.80	0.47	0.07	0.08	0.00	0.31
Croatia	1.65	8.42	1.21	2.10	0.37	0.07	0.05	0.00	0.19
Romania	1.15	9.72	0.14	1.53	0.07	0.01	0.29	0.00	0.45

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

StatLink  <https://stat.link/olv7fa>

11.7. Government expenditures by function of health as a percentage of GDP, 2021

	Medical products, appliances and equipment	Outpatient services	Hospital services	Public health services	R&D Health	Health n.e.c.
Australia	0.80	0.77	2.88	0.65	0.23	2.89
Austria	1.23	1.64	5.08	1.33	0.48	0.32
Belgium	0.80	3.02	4.16	0.37	0.05	0.21
Colombia	3.29	0.20	0.03	3.25
Costa Rica	0.12	2.79	3.47	0.42	0.12	0.56
Czech Republic	0.93	1.94	4.51	2.14	0.07	0.24
Denmark	0.53	1.20	6.42	0.35	0.23	0.51
Estonia	0.71	0.60	4.65	0.28	0.16	0.09
Finland	0.70	3.40	3.29	0.20	0.10	0.04
France	1.50	3.21	3.73	0.52	0.09	0.16
Germany	1.86	2.36	2.90	0.70	0.09	0.74
Greece	1.55	0.67	3.90	0.36	0.14	0.05
Hungary	0.74	1.41	2.22	0.74	0.07	0.44
Iceland	0.64	2.06	5.93	0.03	0.00	0.29
Ireland	0.62	1.84	2.08	0.38	0.01	0.34
Israel	1.10	1.54	2.95	0.10	0.00	0.09
Italy	0.95	2.72	3.10	0.53	0.13	0.15
Japan	1.29	3.08	2.95	1.14	0.01	0.73
Latvia	0.61	1.85	3.12	0.54	0.00	0.15
Lithuania	0.89	1.89	2.74	0.19	0.00	0.18
Luxembourg	1.67	1.09	2.17	0.25	0.16	0.09
Netherlands	0.73	2.43	3.94	0.90	0.40	0.30
Norway	0.47	2.03	4.90	0.48	0.38	0.32
Poland	0.06	1.71	3.53	0.22	0.10	0.14
Portugal	0.67	1.90	4.25	0.12	0.24	0.43
Slovak Republic	0.93	1.56	3.52	0.62	0.02	0.36
Slovenia	1.00	2.29	3.80	0.61	0.09	0.35
Spain	1.10	2.72	3.08	0.12	0.29	0.03
Sweden	0.74	3.29	2.62	0.47	0.17	0.19
Switzerland	0.00	0.22	1.81	0.66	0.09	0.05
United Kingdom	0.52	1.13	7.55	0.24	0.14	0.34
OECD-EU	1.17	2.47	3.40	0.56	0.14	0.32
Bulgaria	0.67	0.69	3.86	0.24	0.00	0.37
Croatia	1.25	1.30	4.64	0.70	0.06	0.31
Romania	0.86	0.14	3.07	0.21	0.02	1.18

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

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