Expenditures structure by level of government

The degree of fiscal decentralisation determines the types of expenditures carried out at each level of government. All levels of government are connected by overlapping responsibilities in financing the goods and services provided by them, setting up quality guidelines for their provision, etc. How much overlap there is in responsibilities among levels of government depends on the constitutional set-up of countries, the uniformity of the public goods and services they provide and the needs of the population, as well as redistributive objectives they pursue. Even though decentralised expenditures respond to the variety in local preferences, and can lead to better political accountability for results, they can also limit the extent to which economies of scale can be exploited in service provision, can create inefficiencies and can exacerbate geographical inequalities.

In 2015, on average, 41% of all public expenditures were carried out by central government, 38.9% by state and local governments and social security funds represented the remaining 20.1% of expenditures. Between 2007 and 2015, albeit with large country variability, the composition of expenditure among levels of government moved towards social security: on average, the share of social security funds increased by 1.4 p.p. – most likely reflecting population aging and the effects of the crisis – while central governments’ share remained almost stable (-0.1 p.p.) and sub-central governments’ shares decreased slightly by -1.3 p.p. The largest changes during this period occurred with an increased share of central government in Ireland (10.5 p.p.) and Hungary (8.9 p.p.), which in Ireland was offset by a similar reduction in local government, while Hungary saw a decrease in the share of local government (-7.4 p.p.) and social security (-1.5 p.p.). In Hungary the reorganization of territorial administration caused this, where key service delivery responsibilities have been moved from sub-central level governments to deconcentrated central government entities.

Focusing on central government, in 2015, compensation of employees averaged 16.8% of all central government expenditures, ranging from 30.2% in Turkey to 6.6% in Japan. Social benefits represented 16.6% on average, the highest of which was 48.3% in the United States, followed by 41.5% in the Czech Republic, 40.6% in Netherlands and 39.6% in Norway. The share of other current expenditures, which includes transfers to other institutional units, reached 35.6% of central government expenditures on average. These differences among the countries could reflect differences in the responsibilities across levels of governments, different policy decisions on how public services would be provided, as well as the different choices on how social benefits would be delivered to citizens.

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). The updated 2008 SNA framework has been now implemented by all OECD countries (see Annex A for details on reporting systems and sources). Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, other current expenditures (mainly current transfers) and capital expenditures (i.e. capital transfers and investments). General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. In Figure 2.42 and 2.43 exclude transfers between levels of government and thus provide a rough proxy of the overall responsibility for providing goods and services borne by each level of government. However, data on Figure 2.44 and the structure of expenditures by function at the central, state, and local levels (Table 2.45, 2.46 and 2.47) include transfers between levels of government and therefore illustrate how much is spent on each type of spending by level of government. Tables 2.45, 2.46 and 2.47 are available online in Annex F.

Further readings


Figure notes

Data for Chile are not available.

Data for Turkey and are not included in the OECD average due to missing time-series.

2.42 and 2.43: Flows between levels of government are excluded (apart from Australia, Korea, Turkey and Costa Rica). For Japan data for sub-sectors of general government refer to fiscal year. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in Ireland, New Zealand, Norway, the United Kingdom and the United States.

2.42 and 2.44: Data for Costa Rica are for 2014 rather than 2015.

2.44: Data for Australia are not available.

Information on data for Israel: http://dx.doi.org/10.1787/888932315602.
2.42. Distribution of general government expenditures across levels of government, 2015 and 2016

Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933531877

2.43. Change in the distribution of general government expenditures across levels of government, 2007 to 2015

Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933531896

2.44. Structure of central government expenditures by economic transaction, 2015 and 2016

Source: OECD National Accounts Statistics (database).

StatLink http://dx.doi.org/10.1787/888933531915