

### Special feature: Government expenditures by functions of social protection and health (COFOG)

Among other duties, the government is responsible for ensuring access to health care and administering benefits for specific population groups, e.g. pensions, unemployment benefits and family allowances. These services entail high costs, and thus health care and social protection are two of the main categories of government spending. Demographic and technological changes have accentuated the relative importance of these categories over the past half-century.

For example, the number of people of retirement age has increased with respect to the working-age population and the length of time in retirement has grown. According to OECD research, in 2015, there were 28 people aged 65 and over for every 100 persons aged between 20-64 across OECD countries, up from 18 in 1970. Projections indicate that, by 2060, this ratio will be 57 people (OECD, 2019). Moreover, while in 1970 a man would have spent on average 11 years in retirement and a woman 15 years, in 2016 they would have enjoyed 18 and 22 years respectively (OECD, 2017).

According to the latest available data, in 2017 over half of the funds for social protection were allocated to old age pensions: 10% of GDP on average in OECD countries. In Finland, Greece, France and Italy old age pensions represent more than 13% of GDP. Iceland (3.0%), Ireland (3.4%) and Israel (5.0%), on the other hand, spend the least on pensions. Still, pensions play a key social role as the main source of income for older people in the majority of OECD countries. While the replacement rate (i.e. how effectively a pension system provides a retirement income to replace earnings) varies across OECD countries and over time is dependent on whether or not pensions are indexed similarly to salaries, most OECD countries aim to protect low-income workers from old age poverty by ensuring them higher replacement rates (OECD, 2017).

With almost 15% of social protection expenditures, sickness and disability benefits follow in terms of relevance, reaching on average 2.8% of GDP. Norway (6.7%), Denmark (4.4%) and the Netherlands (4.1%) spend the most in terms of GDP in this category. Japan spends only 0.9% of its GDP on disability and sickness, due to multiple factors including the eligibility criteria for disability pensions, the relatively low proportion of the working-age population that reports experiencing disabilities, and the low levels of applications, approvals and appeals to these programmes (Rajnes, 2010).

Austria, Estonia, Japan, Luxembourg and Poland are the only countries spending more on allowances for family and children than on sickness and disability. These countries are below the OECD average fertility rates, hence improving them is a strategic priority (OECD, 2019).

In terms of health, the largest share is spent on hospital services (3.1% of GDP on average in 2017), followed by outpatient services (1.0%). In analogy with sickness and disability benefits, expenditure in hospital services (e.g. general and specialised hospitals, medical and maternity

centres, as well as nursing and convalescent home services) in Norway, Denmark and the Netherlands are above the OECD average.

#### 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 A for details). Data on expenditures are disaggregated according to the classification of the Functions of Government (COFOG) 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; and 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; and social protection n.e.c. In the OECD income distribution database old age poverty refers to individuals aged over 65 that have an income below half the national median equalised household income.

#### Further reading

OECD (2019), *Society at a Glance 2019: OECD Social Indicators*, OECD Publishing, Paris, [https://doi.org/10.1787/soc\\_glance-2019-en](https://doi.org/10.1787/soc_glance-2019-en).

OECD (2017), *Pensions at a Glance 2017: OECD and G20 Indicators*, OECD Publishing, Paris, [http://doi.org/10.1787/pension\\_glance-2017-en](http://doi.org/10.1787/pension_glance-2017-en).

Rajnes, David (2010), "Permanent Disability Social Insurance Programs in Japan", *Social Security Bulletin*, Vol. 70, No. 1, pp. 61-84.

#### Figure notes

Data for the non-European OECD countries (apart from Israel and Japan) and Turkey are not available. On data for Israel, see <http://doi.org/10.1787/888932315602>. OECD Europe includes the European member countries of the OECD; data for Iceland are not included in the OECD average due to missing time series.

2.58 to 2.61. (Structure of government expenditures by government function of social protection and health in 2017 and its change since 2019) are available online in Annex F.

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## 2.56. Government expenditures by function of social protection as percentage of GDP, 2017

	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	1.82	12.51	1.38	2.16	1.30	0.11	1.04	0.01	0.20
Belgium	3.29	9.19	1.72	2.19	1.65	0.21	1.13	0.01	0.16
Czech Republic	2.10	7.34	0.54	1.01	0.17	0.22	0.38	0.00	0.21
Denmark	4.44	8.24	0.01	4.39	2.26	0.67	1.88	0.02	0.47
Estonia	2.13	6.79	0.06	2.53	1.15	0.02	0.18	0.04	0.14
Finland	3.14	13.80	0.67	3.05	2.26	0.56	1.05	0.02	0.31
France	2.94	13.36	1.51	2.38	1.94	0.96	1.06	0.00	0.18
Germany	3.22	9.35	1.85	1.63	1.64	0.33	0.62	0.00	0.72
Greece	1.54	13.77	2.11	0.65	0.48	0.02	0.78	0.02	0.05
Hungary	2.58	6.96	0.97	2.08	0.30	0.15	0.78	0.00	0.19
Iceland	3.11	3.04	0.01	2.02	0.49	0.42	0.32	0.00	0.33
Ireland	1.90	3.42	0.56	1.34	1.09	0.82	0.30	0.00	0.05
Israel	2.63	4.97	0.58	1.42	0.27	0.16	0.54	0.00	0.48
Italy	1.82	13.35	2.62	1.56	1.11	0.04	0.36	0.00	0.01
Japan	0.91	10.88	1.50	1.85	0.27	0.00	0.29	0.00	0.43
Latvia	2.15	6.90	0.17	1.19	0.49	0.11	0.38	0.00	0.27
Lithuania	3.08	5.75	0.31	1.06	0.57	0.05	0.25	0.00	0.15
Luxembourg	2.84	9.89	0.00	3.74	1.06	0.08	0.68	0.00	0.16
Netherlands	4.11	6.55	0.07	1.35	1.62	0.47	1.69	0.01	0.00
Norway	6.71	7.31	0.19	3.52	0.49	0.11	0.95	0.04	0.44
Poland	2.37	8.99	1.66	2.67	0.37	0.04	0.21	0.00	0.12
Portugal	1.29	11.73	1.73	1.07	0.80	0.03	0.23	0.00	0.56
Slovak Republic	2.91	7.77	0.81	1.21	0.20	0.00	0.25	0.00	1.36
Slovenia	2.20	9.18	1.27	1.85	0.50	0.02	0.88	0.00	0.26
Spain	2.37	9.11	2.22	0.70	1.60	0.02	0.33	0.00	0.20
Sweden	4.11	10.31	0.25	2.45	1.29	0.28	1.41	0.00	0.08
Switzerland	2.93	6.81	0.31	0.48	1.19	0.02	1.53	0.00	0.27
United Kingdom	2.45	8.35	0.05	1.28	0.10	1.10	1.58	0.00	0.28
<b>OECD</b>	<b>2.78</b>	<b>9.97</b>	<b>1.35</b>	<b>1.71</b>	<b>1.20</b>	<b>0.43</b>	<b>0.86</b>	<b>0.00</b>	<b>0.29</b>
Colombia	0.01	6.40	..	0.83	..	0.29	1.16	..	0.26
Costa Rica	0.62	4.72	0.69	0.24	0.00	0.00	0.01	0.00	2.20

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

StatLink  <https://doi.org/10.1787/888934031959>

## 2.57. Government expenditures by function of health as percentage of GDP, 2017

	Medical products, appliances and equipment	Outpatient services	Hospital services	Public health services	R&D Health	Health n.e.c.
Austria	1.12	1.47	4.64	0.18	0.46	0.31
Belgium	0.79	2.66	3.91	0.13	0.02	0.17
Czech Republic	0.90	1.57	3.40	1.34	0.05	0.21
Denmark	0.55	1.18	5.96	0.15	0.20	0.34
Estonia	0.66	0.54	3.64	0.04	0.12	0.05
Finland	0.63	3.15	3.10	0.03	0.12	0.04
France	1.43	2.91	3.39	0.11	0.09	0.10
Germany	1.60	2.13	2.72	0.06	0.08	0.51
Greece	1.49	0.48	3.20	0.00	0.04	0.03
Hungary	0.90	1.36	2.15	0.13	0.03	0.24
Iceland	0.49	1.80	5.09	0.02	0.00	0.16
Ireland	0.76	1.86	1.95	0.14	0.01	0.42
Israel	0.69	1.57	2.87	0.11	0.00	0.11
Italy	0.81	2.59	2.99	0.27	0.07	0.09
Japan	1.26	2.97	2.78	0.45	0.01	0.16
Latvia	0.55	0.93	1.88	0.05	0.00	0.09
Lithuania	0.74	1.46	2.11	0.06	0.00	1.29
Luxembourg	3.44	1.06	0.07	0.05	0.19	0.07
Netherlands	0.75	2.49	3.50	0.22	0.34	0.27
Norway	0.54	2.00	5.03	0.25	0.41	0.31
Poland	0.06	1.46	2.89	0.07	0.08	0.12
Portugal	0.35	2.08	3.30	0.04	0.11	0.12
Slovak Republic	1.48	2.22	3.02	0.04	0.00	0.35
Slovenia	0.95	2.21	2.73	0.34	0.08	0.27
Spain	0.97	4.60	..	0.09	0.25	0.03
Sweden	0.75	3.03	2.55	0.22	0.18	0.19
Switzerland	0.00	0.19	1.70	0.13	0.11	0.05
United Kingdom	0.52	1.00	5.37	0.22	0.16	0.16
<b>OECD</b>	<b>0.97</b>	<b>2.23</b>	<b>3.14</b>	<b>0.16</b>	<b>0.13</b>	<b>0.22</b>
Colombia	4.58	..	..	0.21	0.03	0.07
Costa Rica	0.27	2.32	3.03	0.13	0.12	0.24

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

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