

11. PUBLIC SPENDING

Structure of government expenditures by economic transaction

Another way of classifying public spending is by economic transactions, for example employee compensation, financing subsidies, cash transfers such as social or unemployment benefits, and intermediate consumption (i.e. procurement of goods or services from the private sector that are used in government production). This classification is distinct from government expenditures by function, which groups expenditures by thematic categories (e.g. health, education, defence, etc.), as it distinguishes broader categories of government's production function. By considering both types of classifications, it is possible to gain a more comprehensive understanding of government spending patterns and their impact on the economy.

On average the largest category of government expenditures is social benefits. In 2021, 41.5% of government expenditures were on social benefits on average among OECD countries and this share was up by 0.9 percentage points since 2019. In 2021, Germany and Japan had the highest share of expenditure on social benefits (51.0% and 50.1% respectively of total expenditures). In 2022, among countries with information available, those with the highest share of expenditures on social benefits had included Germany (50.7%), Belgium (48.0%) and the Netherlands (46.3%). Some countries saw substantial changes between 2019 and 2021 in the share of expenditures which were made on social benefits. The share increased most in the United States (5.8 p.p.), while the largest decreases during the same period were observed in Greece (a fall of 5.7 p.p.), Japan (4.6 p.p.), Italy (3.2 p.p.), the Netherlands (3.1 p.p.) and Germany (3.1 p.p.) (Table 11.11).

The second largest category of government expenditures is employee compensation, which amounted to 20.1% of total spending on average across OECD countries in 2021, a drop of 2.3 p.p. since 2019. Expenditures on employee compensation in 2022 were highest in Iceland (31.7% of total spending) and Denmark (30.3%). The shares were also high in Costa Rica (30.0%) and Mexico (29.7%) in 2021, the year for which data are available for these countries. Between 2019 and 2021, 37 out of 38 OECD countries reduced their spending on employee compensation as a share of the total expenditures. The largest falls were in Chile (8.7 p.p.) and Costa Rica (8.6 p.p.). Luxembourg was the only country with a slight increase (0.2 p.p.).

The category of government expenditures with the largest increase was subsidies, which rose by 2.3 p.p. between 2019 and 2021, to reach an average share of 4.6% of total spending across OECD countries. This increase is likely to be partially

due to the effects of the COVID-19 pandemic, when many countries increased their subsidies to enterprises. Capital expenditures (0.1 p.p.) and other current expenditures (0.6 p.p.) also recorded moderate increases over the period (Table 11.11).

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. The 2008 SNA framework has been implemented by all OECD countries (see Annex C). Expenditures encompass the following economic transactions: intermediate consumption (i.e. goods and services that are consumed in a production process within the economic territory and during the accounting period); compensation of employees; subsidies; property income (mainly including interest spending); social benefits (consisting of social benefits other than social transfers in kind and of social transfers in kind provided to households via market producers); other current expenditures (mainly current transfers but also other minor expenditures as other taxes on production, current taxes on income and wealth etc. and the adjustment for the change in pension entitlements); and capital expenditures (i.e. capital transfers and investments). All these transactions at the level of general government are recorded on a consolidated basis (i.e. transactions between levels of government are netted out).

Further reading

OECD (2017), *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264282070-en>.

Figure notes

Data for Chile and Türkiye are not included in the OECD average. Data for Türkiye, Brazil and Indonesia are for 2020 rather than 2021.

Structure of government expenditures by economic transaction

11.11. Structure of general government expenditures by economic transaction, 2021 and 2022 and change 2019 to 2021

% of total expenditures	Intermediate consumption			Compensation of employees			Subsidies			Property income (incl. interest)			Social benefits			Other current expenditures			Capital expenditures		
	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)	2021	2022	Change 2019-21 (p.p.)
Australia	20.9	..	0.9	22.2	..	-0.1	5.7	..	-3.6	3.3	..	0.6	31.6	..	1.2	4.8	..	0.6	11.5	..	0.4
Austria	13.3	13.7	0.5	19.7	19.6	-2.0	8.3	4.6	5.2	2.0	1.8	-0.9	42.8	42.7	-2.3	6.3	8.1	-0.3	7.6	9.4	-0.2
Belgium	7.7	8.1	-0.2	22.5	23.2	-1.1	7.8	6.9	0.6	3.0	2.8	-0.8	47.4	48.0	0.2	4.7	4.4	0.9	6.9	6.6	0.4
Canada	16.5	17.6	-0.9	27.5	29.1	-2.5	6.5	3.4	3.8	5.7	6.5	-1.4	31.4	29.2	1.9	3.6	4.0	0.1	8.8	10.3	-1.0
Chile	..	..	..	27.1	..	-8.7	1.3	..	-0.7	2.6	..	-0.8	..	..	..	..	..	..	6.4	..	-2.3
Colombia	11.1	..	-1.8	15.5	..	-1.4	0.3	..	0.2	7.6	..	1.1	27.0	..	-1.1	31.7	..	5.4	6.8	..	-2.4
Costa Rica	7.9	..	-2.7	30.0	..	-8.6	0.0	..	0.0	11.2	..	-0.5	13.8	..	-0.7	29.7	..	14.6	7.5	..	-2.0
Czech Republic	12.5	12.9	-1.8	23.8	22.8	-0.4	7.1	5.1	1.7	1.6	2.6	-0.1	38.0	38.5	0.7	5.2	5.5	0.4	11.9	12.5	-0.5
Denmark	17.8	17.6	0.5	29.3	30.3	-1.0	5.0	3.1	1.7	1.1	1.6	-0.4	33.1	33.2	-1.5	6.6	6.3	0.3	7.1	7.8	0.5
Estonia	15.0	16.3	-1.7	26.4	26.3	-1.4	2.4	1.9	1.1	0.1	0.2	0.0	35.9	35.1	-0.3	5.6	4.6	1.0	14.8	15.6	1.3
Finland	20.7	21.5	0.6	22.9	23.1	-0.5	2.8	2.1	0.8	0.9	1.0	-0.7	39.2	39.0	-0.5	5.1	4.9	0.4	8.4	8.3	-0.2
France	8.8	9.0	-0.1	21.3	21.3	-0.8	5.6	5.4	0.6	2.4	3.3	-0.3	45.6	44.3	-0.1	7.7	7.5	0.6	8.8	9.2	0.1
Germany	12.3	12.3	0.3	15.9	16.0	-1.5	6.0	3.8	4.2	1.1	1.4	-0.6	51.0	50.7	-3.1	4.9	5.9	0.1	8.7	10.0	0.6
Greece	10.0	10.7	0.1	21.5	20.8	-3.3	8.3	10.3	5.5	4.3	4.6	-1.9	39.2	39.7	-5.7	3.5	2.8	0.2	13.2	11.1	5.1
Hungary	18.0	17.0	-1.0	21.8	21.2	-0.9	2.6	3.8	0.1	4.7	5.8	-0.2	25.1	24.4	-1.1	8.1	8.0	1.1	19.7	19.9	1.9
Iceland	20.9	21.3	-0.4	31.6	31.7	-1.2	3.2	3.2	0.5	7.6	10.0	-2.3	22.5	19.9	2.1	4.3	3.9	0.4	9.9	9.9	0.8
Ireland	15.4	16.6	0.8	25.2	26.9	-2.3	6.8	3.1	4.6	3.1	3.0	-2.2	35.3	34.6	-0.3	4.5	4.8	0.7	9.8	11.1	-1.3
Israel	16.4	..	-0.8	23.8	..	-2.2	7.5	..	5.1	6.8	..	1.5	23.8	..	0.2	11.3	..	-0.8	10.4	..	-3.1
Italy	10.8	10.6	-0.9	17.3	17.3	-2.6	3.4	4.6	0.2	6.2	7.7	-0.7	43.5	42.2	-3.2	4.6	4.2	0.0	14.3	13.4	7.2
Japan	10.3	..	0.6	12.2	..	-1.6	1.5	..	0.1	3.4	..	-0.6	50.1	..	-4.6	10.5	..	6.6	12.0	..	-0.6
Korea	10.4	..	-0.6	18.4	..	-1.9	2.0	..	0.1	2.9	..	-0.5	32.1	..	-0.5	16.8	..	5.6	17.4	..	-2.2
Latvia	13.7	15.7	-2.8	26.2	26.2	-2.0	6.1	3.9	3.7	1.1	1.2	-0.7	34.3	31.4	2.3	6.2	7.7	0.2	12.4	14.0	-0.7
Lithuania	11.5	11.7	-1.1	28.6	27.8	-0.6	4.2	4.8	3.1	1.2	1.0	-1.3	40.0	38.8	0.1	4.8	5.6	0.1	9.8	10.3	-0.2
Luxembourg	9.8	10.0	-0.1	23.7	23.5	0.2	2.3	2.8	-0.2	0.4	0.4	-0.4	42.6	42.9	-0.2	8.1	8.4	-0.2	13.0	12.0	0.9
Mexico	10.7	..	-0.9	29.7	..	-0.6	1.2	..	-0.2	8.3	..	-2.0	11.4	..	0.7	24.0	..	-1.9	14.8	..	4.9
Netherlands	13.9	14.4	-0.3	18.4	19.0	-1.2	7.8	4.2	5.0	1.2	1.2	-0.6	46.3	46.3	-3.1	3.9	6.0	0.1	8.5	8.9	0.1
New Zealand	16.5	..	1.0	20.9	..	-1.6	7.1	..	3.3	3.0	..	-0.2	33.8	..	-1.4	5.3	..	-0.2	13.3	..	-0.9
Norway	15.3	15.6	0.5	28.8	28.4	-0.9	4.3	5.3	0.7	0.5	1.1	-0.5	33.4	32.3	0.7	6.3	5.9	0.4	11.3	11.5	-0.9
Poland	13.4	14.4	-0.2	23.6	22.4	-1.0	2.7	2.0	1.4	2.5	3.6	-0.8	40.8	39.2	-0.4	5.3	5.4	0.5	11.6	13.0	0.4
Portugal	12.1	12.6	0.0	24.4	24.1	-1.1	4.2	2.4	3.2	5.0	4.4	-1.9	40.6	41.7	-2.1	5.7	5.9	0.6	8.0	8.9	1.3
Slovak Republic	12.5	14.1	-0.8	24.8	25.1	-0.5	3.0	2.6	0.6	2.4	2.4	-0.6	40.2	42.4	-0.9	9.1	4.7	4.3	7.9	8.7	-2.1
Slovenia	13.1	13.7	-0.8	25.6	24.0	-0.4	4.9	2.8	2.7	2.5	2.4	-1.4	37.2	39.4	-2.7	6.3	4.9	2.1	10.4	12.8	0.4
Spain	11.7	12.3	-0.6	24.2	24.3	-1.4	3.0	4.2	0.7	4.3	5.0	-1.1	43.1	42.1	-0.5	4.0	3.9	0.2	9.8	8.3	2.7
Sweden	16.0	16.5	0.1	25.2	24.6	-0.4	4.3	3.3	1.0	0.8	1.4	-0.4	31.4	30.8	-0.7	12.1	12.3	0.7	10.2	11.1	-0.2
Switzerland	13.5	..	-0.9	20.8	..	-1.3	10.9	..	1.4	0.7	..	-0.2	35.0	..	1.7	7.2	..	-0.1	11.9	..	-0.5
Türkiye	12.7	..	-1.1	24.1	..	-0.5	6.3	..	1.5	8.6	..	1.4	34.9	..	-0.2	2.4	..	-0.7	10.9	..	-0.5
United Kingdom	19.8	19.0	0.6	21.1	20.9	-1.1	6.6	3.4	4.1	5.8	9.3	0.5	33.9	33.8	-2.6	3.3	4.1	-1.3	9.5	9.4	-0.2
United States	14.7	..	-2.1	20.2	..	-3.9	4.6	..	3.7	8.1	..	-2.5	43.7	..	5.8	0.6	..	0.0	8.1	..	-1.0
OECD	13.5	..	-0.7	20.1	..	-2.3	4.6	..	2.3	5.2	..	-1.1	41.5	..	0.9	5.3	..	0.6	9.8	..	0.1
OECD-EU	11.8	12.0	-0.2	20.3	20.2	-1.5	5.1	4.3	2.0	2.8	3.4	-0.7	44.3	43.7	-1.6	5.7	5.9	0.3	10.1	10.4	1.6
Brazil	7.3	..	-0.7	19.2	..	-1.1	0.3	..	-0.1	8.3	..	-3.2	45.6	..	4.8	16.3	..	0.1	3.0	..	0.1
Bulgaria	12.4	12.9	-0.1	26.7	24.2	-0.8	9.0	12.2	2.4	1.2	1.1	-0.4	34.0	36.1	-1.1	9.3	4.8	5.1	7.4	8.6	-5.1
Croatia	16.9	17.3	-0.5	25.4	25.1	0.3	5.4	5.0	2.2	3.2	3.1	-1.6	31.3	31.5	-1.2	4.9	4.5	0.7	13.0	13.4	0.2
Indonesia	17.6	..	-1.8	22.7	..	-2.4	3.9	..	9.7	8.2	..	-0.2	4.2	..	2.8	23.8	..	-1.3	19.6	..	-6.7
Romania	15.2	14.5	-0.3	27.8	24.9	-3.5	1.3	3.0	0.3	2.8	3.0	0.1	33.1	33.7	0.3	5.7	4.9	1.7	14.0	16.0	1.3

Source: OECD National Accounts Statistics (database). Data for Australia are based on a combination of national accounts and government finance statistics data provided by the Australian Bureau of Statistics.

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