

GENERAL GOVERNMENT PRODUCTION COSTS

Decisions on the amount and type of goods and services governments produce, as well as on how to produce them, vary across countries. While some governments choose to outsource a large portion of their production of goods and services to non-governmental or private entities, others decide to produce the goods and services themselves.

Definition

Governments use a mix of their own employees, capital and outside contractors (non-profit institutions or private sector entities) to produce goods and services. The latter is often referred to as “outsourcing”.

This concept and methodology of production costs builds on the existing classification of public expenditures in the

Overview

In 2013, the production costs of government services and goods represented on average 21.3% of GDP in the OECD, ranging from 32.3% in Finland to 12.3% in Mexico.

Between 2007 and 2013, the share of government production costs in GDP increased on average by 1.1 percentage points across OECD countries. This increase was primarily driven by increases in the cost of goods and services produced by private and non-profit agencies (0.7 percentage points). Few countries experienced a reduction in production costs over the same period. In Israel and Greece the decline took place mainly through a lower share of costs of goods and services used and financed by government, whereas in Hungary, Poland and Portugal it took place through a lower share of compensation of government employees.

In terms of the structure of production costs, on average, production by governments' own employees is still somewhat higher than outsourcing: compensation of employees accounts for 45.2% of the cost of producing government goods and services, compared to 41.9% paid to non-governmental actors for intermediate goods and services or to deliver services directly to households. Other production costs represent the remaining 12.9% of total government production costs.

In 2013 government outsourcing represented, on average, 8.9% of GDP in the OECD. However, its importance varies greatly ranging from 3.0% of GDP in Mexico to 17.1% of GDP in the Netherlands. Among OECD countries, Belgium, Japan, Germany and the Netherlands dedicated the largest shares (over 60%) for their resources to outsourcing goods and services through direct third party provision. In contrast, Denmark, Israel and Switzerland spent the majority of outsourcing in intermediate consumption.

System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Specifically, government production costs include: compensation costs of general government employees; goods and services used and financed by general government (including, in SNA terms, intermediate consumption and social transfer in kind via market producers paid for by government); and, other production costs (which include SNA terms, consumption of fixed capital, i.e. depreciation of capital, and other taxes on production less other subsidies on production). The data include government employment and expenditures for output produced by the government for its own use.

Comparability

Data include some cross-country differences, for example, some countries do not record separately for social transfers in kind via market producers in their national accounts. Thus, the costs produced by non-government entities paid for by government may be understated in those countries. The OECD average for production costs does not include Chile and Turkey.

Sources

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Further information

Analytical publications

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Statistical publications

- OECD (2015), *National Accounts at a Glance*, OECD Publishing.
- OECD (2015), *National Accounts of OECD Countries*, OECD Publishing.

Online databases

- “General Government Accounts, SNA 2008 (or SNA 1993): Main aggregates”, OECD National Accounts Statistics.
- *Government at a Glance*.

Websites

- *Government at a Glance* (supplementary material), www.oecd.org/gov/govataglance.htm.

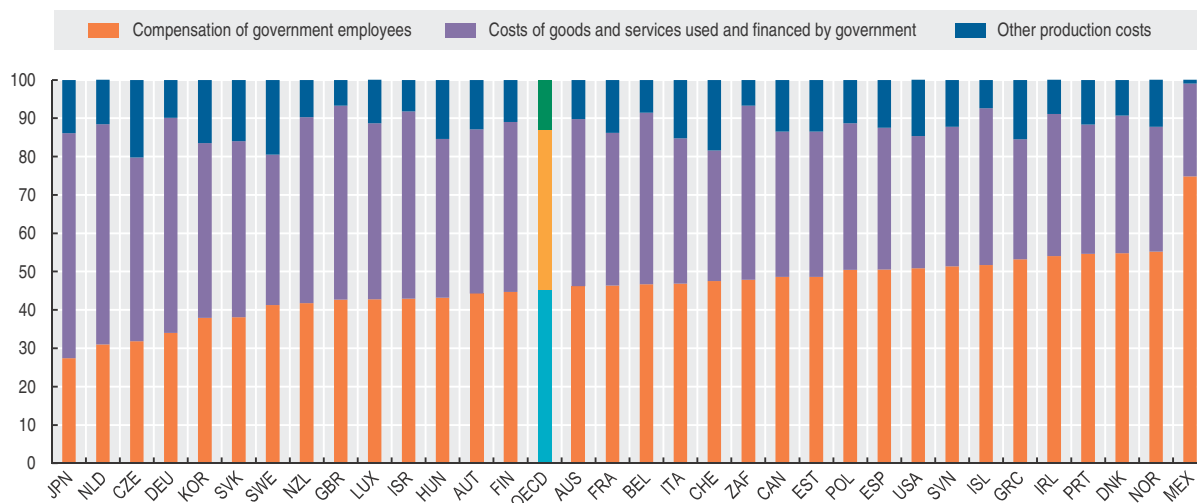
Production costs for general government

As a percentage of GDP

	Compensation of employees			Costs of goods and services used and financed by general government			Other production costs			Total		
	2007	2013	2014	2007	2013	2014	2007	2013	2014	2007	2013	2014
Australia	9.2	9.6	..	8.9	9.1	..	2.0	2.1	..	20.2	20.8	..
Austria	10.4	10.6	10.6	9.3	10.3	10.3	2.8	3.1	3.1	22.5	24.0	24.0
Belgium	11.4	12.5	12.5	10.3	11.9	12.0	2.1	2.3	2.4	23.7	26.7	26.9
Canada	11.4	12.1	11.8	8.5	9.5	9.3	2.8	3.4	3.3	22.7	24.9	24.5
Chile	..	8.4	..	..	..	..	..	..	..	..	..	..
Czech Republic	7.0	7.3	7.1	10.4	10.9	10.8	4.4	4.6	4.4	21.9	22.8	22.3
Denmark	15.3	16.8	16.9	9.6	11.0	11.0	2.9	2.9	2.8	27.8	30.6	30.7
Estonia	9.4	10.7	11.1	7.1	8.4	8.5	1.9	3.0	3.1	18.4	22.0	22.6
Finland	12.6	14.4	14.3	10.9	14.3	14.6	3.0	3.5	3.5	26.5	32.3	32.4
France	12.4	12.9	13.0	10.0	11.1	11.1	3.4	3.8	3.8	25.7	27.9	27.9
Germany	7.3	7.7	7.7	11.0	12.8	12.9	2.1	2.3	2.2	20.4	22.8	22.8
Greece	10.9	12.0	12.0	9.2	7.1	6.7	2.5	3.5	3.5	22.6	22.6	22.2
Hungary	11.5	10.2	10.6	9.2	9.7	9.9	3.4	3.6	3.5	24.1	23.5	24.0
Iceland	14.1	14.2	..	10.3	11.2	..	1.7	2.0	..	26.1	27.4	..
Ireland	10.1	10.7	10.0	6.8	7.3	7.4	1.8	1.8	1.6	18.7	19.8	19.0
Israel	10.5	10.5	..	12.4	11.9	..	2.2	2.0	..	25.0	24.4	..
Italy	10.2	10.3	10.1	7.5	8.3	8.3	3.0	3.3	3.3	20.7	21.9	21.7
Japan	6.2	6.0	..	10.2	12.8	..	2.8	3.0	..	19.2	21.7	..
Korea	6.9	6.8	6.8	7.3	8.1	8.1	2.4	2.9	3.0	16.6	17.8	17.9
Luxembourg	7.4	8.3	8.4	7.6	8.8	8.9	1.8	2.2	2.2	16.8	19.3	19.5
Mexico	8.0	9.2	..	2.5	3.0	..	0.1	0.1	..	10.6	12.3	..
Netherlands	8.6	9.3	9.2	15.2	17.1	16.8	3.1	3.5	3.4	26.9	29.9	29.4
New Zealand	9.2	9.4	..	10.5	11.0	..	2.3	2.2	..	21.9	22.6	..
Norway	12.1	13.6	13.9	7.4	8.0	8.3	2.5	3.0	3.1	22.0	24.7	25.3
Poland	10.4	10.3	10.2	7.8	7.8	8.1	2.4	2.3	2.4	20.7	20.4	20.6
Portugal	13.1	12.4	11.8	7.5	7.7	7.8	2.3	2.7	2.6	22.9	22.8	22.3
Slovak Republic	7.2	8.5	8.7	9.2	10.2	10.6	3.3	3.6	3.6	19.8	22.2	22.9
Slovenia	10.4	12.5	11.6	7.4	8.9	8.7	2.4	3.0	2.9	20.2	24.4	23.2
Spain	9.9	10.9	10.8	7.4	8.0	7.8	2.1	2.7	2.7	19.5	21.6	21.3
Sweden	12.3	12.6	12.7	10.4	12.0	12.0	5.7	6.0	6.0	28.4	30.6	30.6
Switzerland	6.9	7.5	..	5.0	5.4	..	2.6	2.9	..	14.5	15.8	..
Turkey	7.0	..	..	8.7	..	..	..	..	..	..	..	..
United Kingdom	10.6	9.7	9.5	10.8	11.5	11.3	1.3	1.5	1.5	22.8	22.8	22.4
United States	10.1	10.0	..	6.8	6.8	..	2.6	2.9	..	19.4	19.6	..
EU 28	..	..	..	..	..	..	..	..	..	..	..	..
OECD	9.5	9.6	..	8.3	8.9	..	2.5	2.8	..	20.2	21.3	..
Brazil	..	..	..	..	..	..	..	..	..	..	..	..
China	7.8	..	..	..	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..
Russian Federation	8.7	..	..	8.8	..	..	0.3	..	..	17.8	..	..
South Africa	11.7	14.3	..	10.0	13.5	..	2.0	2.0	..	23.7	29.8	..

 1 2 <http://dx.doi.org/10.1787/888933336198>
Structure of general government production costs

Percentage, 2013


 1 2 <http://dx.doi.org/10.1787/888933335016>



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