

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

Social protection and health care are on average the most important spending categories in OECD countries. The availability of data for OECD-EU countries and some other OECD members allows these broad spending categories to be examined in greater detail. Social spending and health care are particularly important as many OECD-EU countries share common challenges. These are associated with the evolution of their demographic profiles (i.e. higher life expectancy and/or low fertility rates) alongside rapid technological change in the health sector and more expensive treatments.

On average, the most important spending category within social protection is old age pensions, which amounted to 10.5% of GDP in 2019, ranging from 13.8% in Greece to 3% in Ireland (Table 2.27). Between 2009 and 2019 spending on old age pensions increased by 2.4 p.p. as a share of total social protection spending, the largest increase within all social protection categories. Unemployment benefits (2.8 p.p.) decreased the most (Online Table G.18).

The second largest category within social spending is sickness and disability benefits, averaging 2.7% of GDP in 2019, but ranging from 6.9% of GDP in Norway to 0.01% in Colombia. In the case of Norway spending in this category fell by 2.2 p.p. of total social protection spending between 2009 and 2019 while it remained practically unchanged on average for the 22 OECD-EU countries. Spending on families and children is the third largest spending category, reaching 1.8% of GDP on average in OECD-EU countries and ranging from 4.2% of GDP in Denmark to 0.58% in Switzerland. Denmark has a generous system of family policies including extended parental leave, and children and youth allowances. Such systems seek to enable parents to reconcile work and family life, ensure that paid and unpaid work are shared more equally between men and women, and provide care solutions in the best interest of children. In Switzerland, child allowances exist on application. They are set at the cantonal level, paid by employers and funded through family compensation funds.

Hospital infrastructure, which includes fixed medical equipment and facilities, is the most important spending category of health care expenditure. It averaged 3.1% of GDP in OECD-EU countries in 2019, 2.7% in Australia, and 5.6% in the United Kingdom (Table 2.28). Between 2009 and 2019, spending on this category as a share of total health expenditures fell by 0.19 p.p. on average. This could be partially explained by a shorter average length of stay in hospitals. The second largest spending category within health care is outpatient services, amounting to 2.3% of GDP. This category includes services delivered at home or in consulting facilities, and it increased by 1.2 p.p. between 2009 and 2019. Finland (3.17%) and Sweden (3.16%) spent the most on outpatient services in 2019 while Switzerland (0.19%) and Estonia (0.58%) spent the least. The third largest

category of healthcare spending is medical products, appliances and equipment, at 1.1% of GDP on average in OECD-EU countries, 0.77% in Australia and 0.46% in the United Kingdom. In the case of OECD-EU countries this category decreased by 1.5 p.p. as a share of total health spending between 2009 and 2019 (Online Table G.19).

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). 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

OECD (2020), *OECD Pensions Outlook 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/67ede41b-en>.

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

OECD (2019), *Health at a Glance 2019: OECD Indicators*, OECD Publishing, Paris, <https://doi.org/10.1787/4dd50c09-en>.

Figure notes

2.27 and 2.28. Data for several non-European OECD countries (apart from Australia, Colombia, Israel and Japan) are not available. Data for Australia, Colombia and Japan refer to 2018 rather than 2019. Data for Costa Rica refer to 2017 rather than 2019.

G.16 to G.19. (Structure of government expenditures by function of social protection and health in 2019 and its change since 2009) are available online in Annex G.

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2.27. Government expenditures by function of social protection as percentage of GDP, 2019

	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	2.19	3.95	0.00	2.21	0.55	0.22	0.24	0.00	0.41
Austria	1.77	12.56	1.34	2.02	1.17	0.09	0.98	0.01	0.18
Belgium	3.46	9.42	1.60	2.18	1.31	0.21	1.03	0.00	0.15
Colombia	0.01	6.42	..	0.80	..	0.19	0.98	..	0.27
Czech Republic	2.23	7.39	0.51	1.60	0.14	0.15	0.35	0.00	0.20
Denmark	4.35	8.24	0.01	4.21	1.91	0.65	1.56	0.01	0.49
Estonia	2.09	6.71	0.06	2.70	1.28	0.02	0.16	0.01	0.16
Finland	3.14	13.71	0.64	3.02	1.68	0.62	0.91	0.02	0.31
France	2.89	13.12	1.46	2.26	1.86	0.84	1.26	0.00	0.17
Germany	3.25	9.65	1.90	1.71	1.55	0.34	0.62	0.00	0.71
Greece	1.61	13.84	2.04	0.89	0.60	0.20	0.56	0.01	0.02
Hungary	2.18	6.36	0.81	2.06	0.25	0.08	0.79	0.01	0.18
Iceland	3.40	3.23	0.01	2.15	0.83	0.36	0.49	0.00	0.41
Ireland	1.66	2.99	0.57	1.29	0.82	1.15	0.27	0.00	0.16
Israel	2.85	5.13	0.56	1.31	0.31	0.18	0.47	0.00	0.35
Italy	1.79	13.54	2.59	0.95	1.12	0.03	1.04	0.01	0.06
Japan	0.88	10.99	1.45	1.89	0.27	0.00	0.29	0.00	0.36
Latvia	2.38	7.02	0.18	1.22	0.50	0.07	0.39	0.00	0.31
Lithuania	2.75	6.24	0.29	1.70	0.67	0.07	0.36	0.00	0.20
Luxembourg	3.00	9.50	0.00	3.54	1.01	0.08	0.74	0.00	0.16
Netherlands	4.13	6.46	0.06	1.43	1.34	0.44	1.58	0.01	0.00
Norway	6.92	7.38	0.18	3.42	0.31	0.13	0.87	0.05	0.43
Poland	2.03	9.53	1.64	2.84	0.26	0.03	0.30	0.00	0.10
Portugal	1.28	11.32	1.70	1.11	0.62	0.17	0.39	0.00	0.29
Slovak Republic	3.18	7.67	0.77	1.09	0.23	0.00	0.23	0.00	1.19
Slovenia	2.02	9.85	1.23	1.84	0.42	0.03	0.92	0.00	0.18
Spain	2.51	9.53	2.27	0.94	1.62	0.02	0.36	0.00	0.13
Sweden	3.59	10.41	0.21	2.47	1.07	0.27	0.99	0.00	0.01
Switzerland	2.88	6.51	0.29	0.58	1.01	0.02	1.56	0.01	0.01
United Kingdom	2.35	8.21	0.05	1.20	0.06	0.86	1.74	0.00	0.29
OECD-EU	2.72	10.49	1.60	1.76	1.30	0.33	0.82	0.00	0.28
Costa Rica	0.62	4.75	0.41	0.25	0.00	0.32	0.01	0.00	1.93
Romania	1.05	8.75	0.11	1.37	0.05	0.00	0.08	0.00	0.44

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

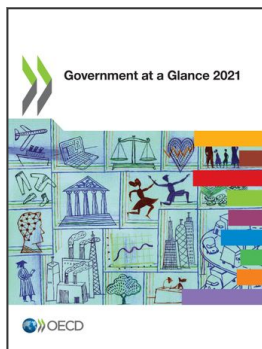
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2.28. Government expenditures by function of health as percentage of GDP, 2019

	Medical products, appliances and equipment	Outpatient services	Hospital services	Public health services	R&D Health	Health n.e.c.
Australia	0.77	0.67	2.65	0.32	0.22	2.70
Austria	1.12	1.54	4.66	0.18	0.46	0.31
Belgium	0.78	2.90	3.54	0.13	0.04	0.19
Colombia	4.68	0.20	0.04	0.18
Czech Republic	0.87	1.59	3.56	1.30	0.07	0.22
Denmark	0.54	1.21	5.70	0.13	0.21	0.45
Estonia	0.71	0.58	3.72	0.04	0.21	0.07
Finland	0.66	3.17	3.12	0.03	0.10	0.04
France	1.42	2.91	3.38	0.12	0.09	0.12
Germany	1.67	2.24	2.80	0.07	0.08	0.50
Greece	1.26	0.57	3.32	0.02	0.12	0.04
Hungary	0.80	1.26	1.96	0.15	0.03	0.34
Iceland	0.52	1.78	5.22	0.02	0.00	0.24
Ireland	0.68	1.79	1.78	0.12	0.01	0.35
Israel	0.71	1.47	3.03	0.11	0.00	0.10
Italy	0.99	2.47	2.84	0.30	0.09	0.12
Japan	1.27	2.97	2.80	0.46	0.01	0.17
Latvia	0.62	1.07	2.37	0.06	0.00	0.12
Lithuania	0.86	1.59	2.26	0.08	0.00	1.42
Luxembourg	1.69	1.06	2.02	0.04	0.17	0.07
Netherlands	0.75	2.54	3.57	0.24	0.36	0.25
Norway	0.50	1.99	5.17	0.29	0.41	0.32
Poland	0.07	1.45	3.11	0.07	0.09	0.11
Portugal	0.55	2.04	3.51	0.02	0.24	0.19
Slovak Republic	1.47	2.06	3.74	0.05	0.03	0.36
Slovenia	0.92	1.98	3.04	0.34	0.08	0.29
Spain	0.96	2.25	2.50	0.09	0.26	0.03
Sweden	0.74	3.16	2.50	0.22	0.19	0.18
Switzerland	0.00	0.19	1.67	0.10	0.10	0.05
United Kingdom	0.46	0.97	5.63	0.20	0.14	0.29
OECD-EU	1.11	2.28	3.06	0.16	0.13	0.24
Costa Rica	0.26	2.25	2.89	0.12	0.12	0.26
Romania	1.02	0.12	2.87	0.08	0.01	0.90

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

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