

GENERAL GOVERNMENT PRODUCTION COSTS

Decisions on the amount and type of goods and services governments produce, as well as on how best to produce them, are often political in nature and based on a country's social and cultural context. While some governments choose to outsource a large portion of the 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 2011, the production costs of government services and goods represented on average almost a quarter of GDP in the OECD across OECD member countries, ranging from 32% in Denmark and the Netherlands to 12% in Mexico.

Between 2001 and 2011, the share of government production costs in GDP increased on average by 1.6 percentage points across OECD member countries. Of this, 0.2 percentage points came from compensation of general government employees, 1.2 percentage points came from costs of goods and services used and financed by general government and the remaining difference from an increase in consumption of fixed capital.

In terms of the structure of production costs, on average, production by governments' own employees is still somewhat more prevalent than outsourcing: compensation of employees accounts for 47% of the cost of producing goods and services, compared to 44% paid to non-governmental actors for intermediate goods and services or to deliver services directly to households. Consumption of fixed capital represents the remaining 9% of total government production costs.

In 2011, government outsourcing represented on average 10% of GDP in OECD member countries. However, its importance varies greatly from 2.8% and 5.4% of GDP in Mexico and Switzerland to 14.2% and 19% of GDP in Finland and the Netherlands, respectively. In particular, the Netherlands, Germany and Japan rely comparatively more on corporations and private non-profit institutions to produce goods and services than other OECD countries, reaching a share of over 55% of the total production costs dedicated to outsourcing.

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, consumption of fixed capital (depreciation of capital). The data include government employment and intermediate consumption for output produced by the government for its own use, such as roads and other capital investment projects built by government employees.

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.

Data for Canada, Chile, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Data for the Russian Federation are for 2002 rather than 2001. The OECD average for production costs as percentage of GDP does not include Chile, Japan and Turkey.

Sources

- OECD (2013), *Government at a Glance*, OECD Publishing.

Further information

Analytical publications

- OECD (2012), *Corporate Governance, Value Creation and Growth, The Bridge between Finance and Enterprise, Corporate Governance*, OECD Publishing.
- OECD (2008), *The State of the Public Service*, OECD Publishing.

Statistical publications

- OECD (2013), *National Accounts at a Glance*, OECD Publishing.
- OECD (2013), *National Accounts of OECD Countries*, OECD Publishing.

Online databases

- “General Government Accounts: Main aggregates”, OECD National Accounts Statistics.

Websites

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

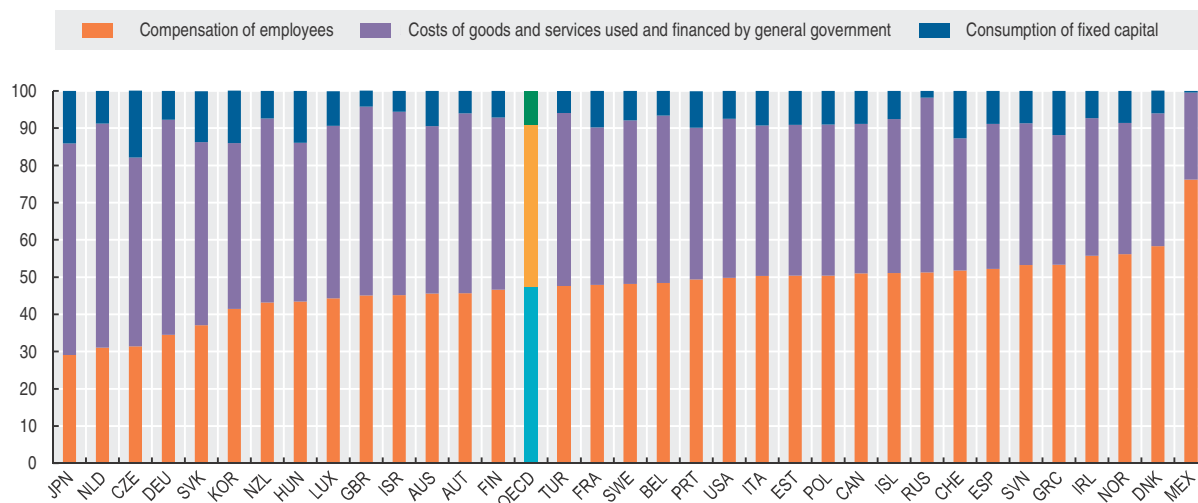
Production costs for general government

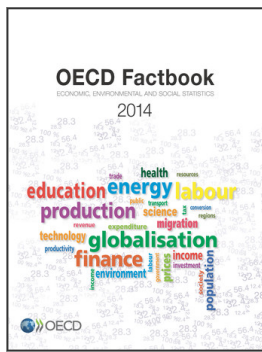
As a percentage of GDP

	Compensation of employees		Costs of goods and services used and financed by general government		Consumption of fixed capital		Total	
	2001	2011	2001	2011	2001	2011	2001	2011
Australia	9.3	9.7	9.1	9.6	2.3	2.0	20.7	21.4
Austria	9.8	9.5	9.3	10.0	1.4	1.2	20.5	20.7
Belgium	11.7	12.6	9.8	11.7	1.6	1.7	23.1	26.0
Canada	11.4	12.8	8.7	10.0	1.9	2.2	22.0	25.0
Chile	..	7.9	..	..	..	..	..	..
Czech Republic	7.1	7.3	11.5	11.8	4.6	4.2	23.2	23.3
Denmark	17.4	18.5	9.5	11.3	1.9	1.9	28.8	31.7
Estonia	10.2	11.1	9.3	8.9	1.6	2.0	21.1	22.0
Finland	13.0	14.2	9.8	14.2	2.1	2.2	24.9	30.6
France	13.3	13.1	10.1	11.6	2.2	2.7	25.6	27.4
Germany	8.2	7.7	11.5	12.9	1.7	1.7	21.4	22.3
Greece	10.5	12.4	6.3	8.1	2.0	2.8	18.7	23.3
Hungary	11.2	10.2	9.1	10.0	3.8	3.3	24.1	23.5
Iceland	14.7	14.5	10.3	11.7	1.9	2.2	26.9	28.4
Ireland	8.9	12.0	6.8	8.0	1.4	1.6	17.1	21.6
Israel	13.7	11.8	13.9	12.8	1.3	1.5	28.8	26.0
Italy	10.5	10.7	7.5	8.6	1.6	2.0	19.6	21.3
Japan	..	6.3	..	12.3	..	3.1	..	21.6
Korea	6.6	6.8	5.5	7.3	1.7	2.3	13.9	16.5
Luxembourg	7.9	8.0	7.9	8.3	1.7	1.7	17.6	18.0
Mexico	9.1	9.0	2.6	2.8	0.0	0.1	11.8	11.8
Netherlands	9.6	9.8	14.1	19.0	2.4	2.8	26.0	31.6
New Zealand	8.5	10.3	10.1	11.7	1.6	1.8	20.2	23.7
Norway	13.0	13.6	8.8	8.5	1.9	2.1	23.7	24.1
Poland	10.7	9.7	8.0	7.8	2.2	1.7	20.8	19.3
Portugal	13.9	11.4	6.4	9.4	1.9	2.3	22.2	23.0
Slovak Republic	8.9	7.1	9.4	9.4	3.8	2.6	22.0	19.2
Slovenia	11.7	12.8	8.7	9.1	1.5	2.1	21.9	24.0
Spain	10.1	11.6	6.7	8.7	1.5	2.0	18.3	22.3
Sweden	15.6	13.9	12.1	12.7	2.2	2.3	29.9	28.9
Switzerland	7.9	7.8	5.7	5.4	2.0	1.9	15.5	15.2
Turkey	..	8.5	..	8.3	..	1.0	..	17.9
United Kingdom	10.1	11.1	9.7	12.5	0.9	1.1	20.8	24.6
United States	9.8	10.7	7.3	9.2	1.4	1.6	18.5	21.5
EU 28	..	..	..	..	..	..	..	..
OECD	10.8	11.0	8.9	10.1	1.9	2.0	21.6	23.2
Brazil	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..
Russian Federation	8.7	9.7	9.4	8.8	0.5	0.3	18.6	18.8
South Africa	..	..	..	..	..	..	..	..

 StatLink  <http://dx.doi.org/10.1787/888933028805>
Structure of general government production costs

Percentage, 2011


 StatLink  <http://dx.doi.org/10.1787/888933026468>



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