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GDP per capita is high, but the gap vis-à-vis the best performing countries is widening. The gap reflects relatively weak productivity performance and low employment rates of older workers.

Priorities supported by indicators

Reduce barriers to entry in network industries

High network access prices and remaining state ownership in network industries deter new entrants, hindering greater competition and sustaining high prices.

Actions taken: Network access prices were reduced but remain high.

Recommendations: Facilitate new entrants' access to networks by reducing access prices and remaining cross-subsidies. Relax ownership restrictions that create high barriers to entry at various stages in the production and distribution of electricity. Achieve full privatisation in the telecommunications and electricity sectors.

Reduce implicit taxes on continued work at older ages

High implicit taxes on continued work at older ages encourage early retirement and reduce labour force participation.

Actions taken: The 2004 General Retirement Income Act built on earlier reforms, but also reinstated early retirement at 62 for those with at least 37.5 years of insurance contributions and introduced a new early retirement scheme for "heavy workers".

Recommendations: Move towards making old age pensions more actuarially neutral around the statutory retirement age. At a minimum, revise the "heavy workers" scheme to tighten entry conditions and ensure that it is effectively enforced at all levels of government. Proceed further to harmonise pension schemes throughout the public sector with the private sector. Eliminate higher unemployment benefits for older jobless workers, and phase out subsidies for part-time employment at older ages.

Improve graduation rates from tertiary education

The share of the labour force with tertiary education is low, and the quality of some vocational and tertiary education programmes remains sub-standard. This holds back productivity growth and innovation.

Actions taken: A university reform was introduced, linking part of public funding to performance indicators.

Recommendations: Further strengthen the performance-based funding system in tertiary education. Student fees should be raised, combined with the introduction of a loan scheme with income-contingent repayments.

Other key priorities

- Enhance work and enterprise incentives by lowering marginal income tax rates and by further broadening the tax base through reducing the numerous tax allowances.
- Restrictive regulations remain widespread in services, limiting competition and contributing to slow productivity growth. Both self-imposed and statutory regulation of trades and professions should be reduced. Compulsory chamber membership for the liberal professions should be abolished. Shop opening hours should be further liberalised.

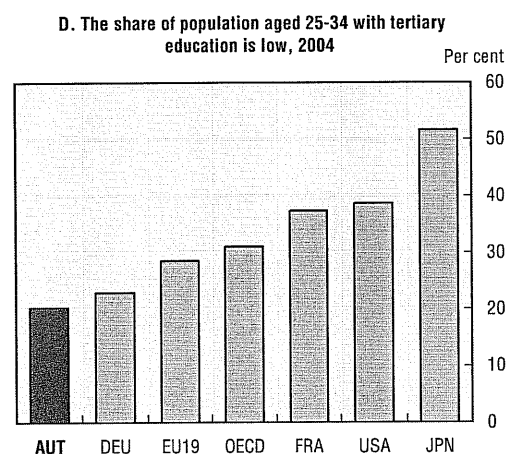
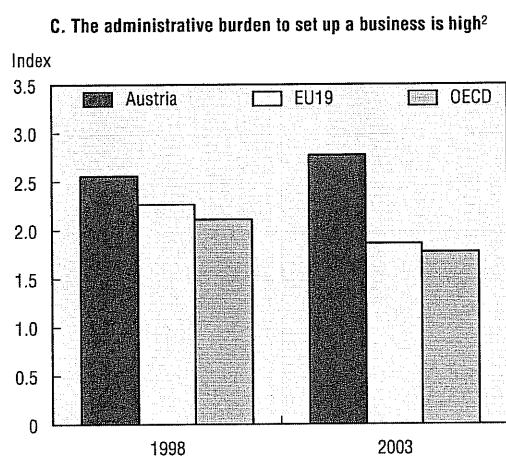
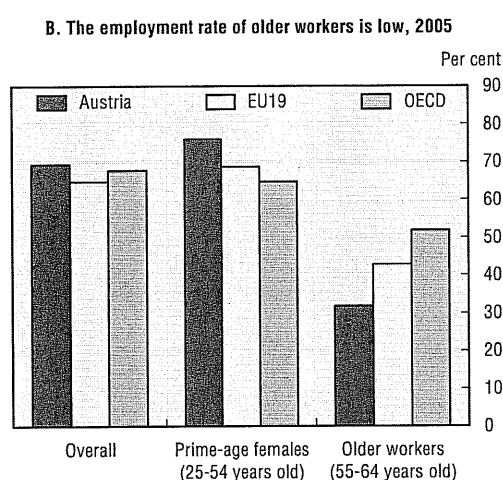
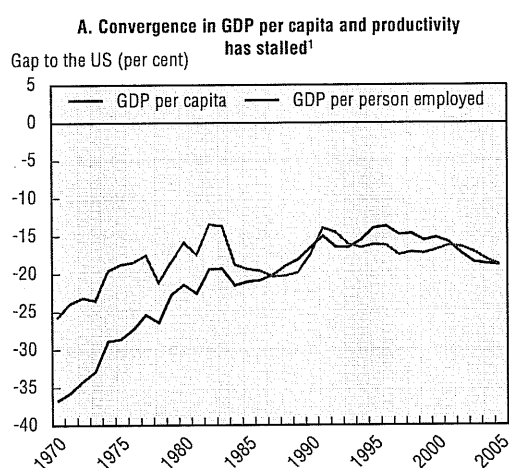
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Structural indicators

Average annual trend growth rates, per cent

	1995-2005	1995-2000	2000-05
GDP per capita	2.0	2.2	1.9
Labour utilisation	0.3	0.2	0.3
of which: Employment rate	0.3	0.3	0.2
Average hours	0.0	-0.1	0.0
Labour productivity	1.8	1.9	1.6
of which: Capital intensity	0.6	0.7	0.4
Multifactor productivity	1.2	1.2	1.2

Source: Estimates based on OECD Economic Outlook, No. 80.



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
2. Indicator scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts of OECD Countries, 2006; Chart B: OECD, Labour Force Statistics, 2006; Chart C: OECD, Product Market Regulation database; Chart D: OECD, Education at a Glance, 2006.

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