

## NORWAY

GDP per capita is one of the highest in the OECD, reflecting a strong labour productivity performance in addition to large natural resource rents. The impact of rising employment rates on labour utilisation have been more than offset by a large decline in average hours worked.

### Policy priorities

#### **Reform disability and sickness benefit schemes**

**Challenge and recommendations:** To raise labour input, it was recommended that stricter regulation on the entitlement to sickness benefits be enforced and that independent medical disability assessment be made mandatory. The cost-effectiveness of vocational rehabilitation should be routinely reviewed.

**Actions taken:** Announced measures reducing replacement rates have been postponed. A committee to study disability reform options with the aim of strengthening work incentives is to be formed and should issue a report in autumn 2006.

#### **Reduce producer support to agriculture**

**Challenge and recommendations:** To reduce inefficient allocation of resources in the economy, it was recommended that high producer support to agriculture be reduced, targeted income transfers be introduced to decouple aid from output or input use and high external tariffs on agricultural products be cut.

**Actions taken:** The Norwegian Competition Authority investigated and fined the major producer for abuses of market power in the dairy market in 2005.

#### **Reduce the scope of public ownership**

**Challenge and recommendations:** To increase competition and encourage FDI, it was recommended that high public ownership be reduced, especially in network industries, retail trade, financial services and oil.

**Actions taken:** Further sales of state shares in telecommunications and in the oil industry have taken place since the spring of 2004. A full liberalisation of the postal market as from January 2007 was decided by Parliament but later postponed. Competition has been enhanced in provision of non-commercial service obligations by use of tender, including highway ferry lines (since 2004) and one contract for rail passenger transport services (operational as of June 2006).

#### **Implement a comprehensive pension reform**

**Challenge and recommendations:** To strengthen fiscal sustainability, it was recommended that a pension reform be implemented. It should aim at raising effective retirement age by promoting a shift to a more actuarially fair pension system, and using the Petroleum Fund to pre-fund part of pension liabilities.

**Actions taken:** The May 2005 pension reform adjusts benefits in line with life expectancy and indexes pension benefits on an average of prices and wages. The reform is being reconsidered by the new government, and a new white paper on pension policy is expected next May. A pension fund, built on the Petroleum Fund and the National Insurance Scheme Fund, was established 1 January 2006. Private occupational pension schemes have been made mandatory as of January 2006.

#### **Improve transparency and cost-effectiveness of regional policy**

**Challenge and recommendations:** To improve transparency and cost-efficiency, it was recommended that regional goals be pursued by more transparent cash transfers and that any freed up resources be used to cut taxes.

**Actions taken:** No recent action.