

## NORWAY

Mainland GDP per hour worked is one of the highest in the OECD, reflecting strong productivity growth over the past decade. However, labour utilisation is mediocre, mainly because of low annual average hours worked.

### Priorities supported by indicators

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

Public ownership is high and widespread, covering a broad range of sectors such as petroleum and aluminium production, network industries, as well as typically private domains, such as banking, telecommunications, fish-farming and chemicals. This can be detrimental to competition, foreign direct investment, innovation and growth.

**Actions taken:** State interest was reduced significantly in a fish-farming company, but was reinforced in an ammunition company.

**Recommendations:** Restart the process of privatisation, with a priority in telecommunication, banking and industry.

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

Labour utilisation is held back by large participation in disability schemes and extensive use of sick leave arrangements.

**Actions taken:** A public commission will issue a White Paper in Spring 2007 to propose options to reform the disability scheme. The employment and national insurance services were merged into a new combined public employment and welfare service to improve activation policies, including for the recipients of disability benefits.

**Recommendations:** Enforce stricter regulation on the entitlement to sickness benefits and make mandatory the involvement of independent medical specialists in disability assessment. Make the medical/vocational rehabilitation and temporary disability programmes more effective in getting people back to work, in particular by further tightening eligibility criteria for entry into each partial and full disability categories, by improving co-ordination between medical and vocational programmes, and by requiring compulsory job search where feasible.

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

Agricultural support remains among the highest in the OECD and keeps resources in low-productivity activities.

**Actions taken:** No significant action taken.

**Recommendations:** Cut high external tariffs on agricultural products and reduce public subsidies to domestic production. Decouple support from production levels and move to a system of income transfers targeted to less well-off farmers, or those in remote regions, in order to reduce trade distortions and make transparent the aims of the policy.

### Other key priorities

- Implement a comprehensive pension reform in line with the 2004 proposals of the pension commission, promoting an actuarially more neutral pension system aimed at raising the effective retirement age.
- Strengthen the independence of the competition authority, and limit some of whose decisions have been recently overruled by the government. Reduce state aid, notably regionally targeted social contribution rebates, and promote competition to maintain rapid productivity gains.