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- GDP per capita remains high relative to leading OECD countries (in terms of both total and mainland GDP). Growth in GDP per capita has declined, however, with a weaker contribution of both labour productivity and labour utilisation over the past five years. Multifactor productivity is the single most important factor explaining this decline.
- The government has taken some actions in the areas identified as priorities in the 2013 issue of *Going for Growth*, namely, the sickness and disability benefit schemes, product market competition, secondary education and the tax system.
- Pursuing reform of the sickness and disability benefit schemes would increase labour utilisation, while a stronger performance in secondary education would lay the ground for further human capital accumulation. Raising product market competition, reducing agricultural support and improving the design of capital taxation would boost labour productivity.
- In addition to improving the allocation of capital, removing the current tax discrimination in favour of owner-occupied relative to rental housing could also improve equity.

Growth performance indicators

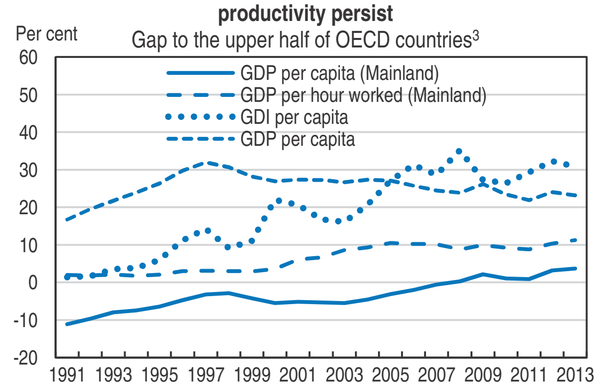
A. Average annual trend growth rates

Per cent

		2003-08	2008-13
Potential GDP per capita		1.9	0.9
Potential labour utilisation		0.3	0.1
of which:	Labour force participation rate	0.2	0.0
	Employment rate[1]	0.1	0.0
	Trend employment coefficient[2]	0.2	0.1
Potential labour productivity		1.6	0.9
of which:	Capital deepening	0.5	0.4
	Labour efficiency	0.8	0.2
	Human capital	0.3	0.3

B. The positive gaps in GDP per capita and productivity persist

Gap to the upper half of OECD countries[3]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs). GDP per capita (Mainland) excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on the financial assets the petroleum fund holds abroad are not included.

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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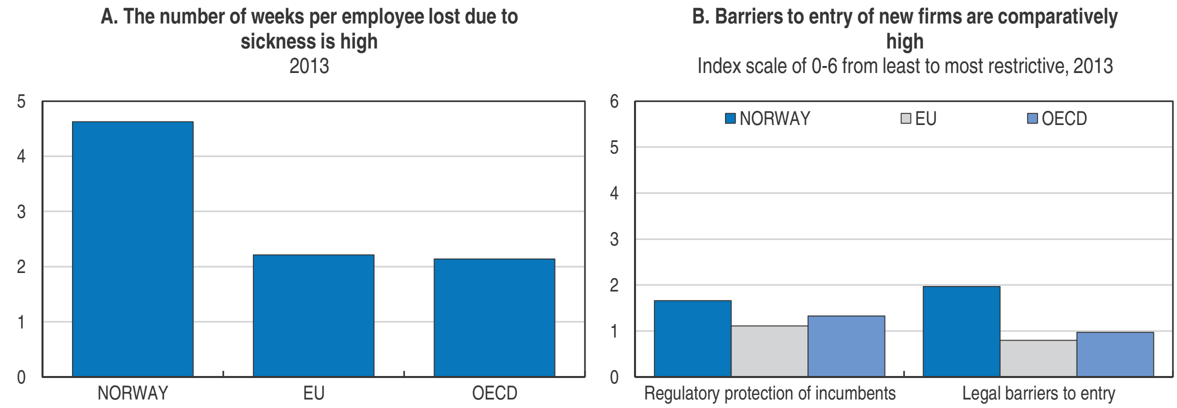
Policy indicators



Source: Panel A: OECD estimates based on the European Labour Force Survey (unpublished data). Panel B: OECD, *Product Market Regulation Database*, *www.oecd.org/economy/pmr*.

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Going for Growth 2015 priorities

Priorities supported by indicators

Reform disability and sickness benefit schemes. High levels of sickness absence and disability benefit recipients reduce labour utilisation.

Actions taken: In 2013, the authorities introduced a new trial using the work assessment allowance as a wage supplement, to make it easier to combine disability benefits and work.

Recommendations: Evaluate the effectiveness of the work assessment allowance trial and the July 2011 reform of sick leave. Tighten access to sickness and disability schemes with stronger enforcement of back-to-work plans and independent checks of general practitioners' assessments. If such action does not lower take-up, reduce the replacement rate for long-term sickness absence and shift more costs to employers.

Increase product market competition. Public ownership and entry barriers reduce competition and may result in lower productivity growth.

Actions taken: In 2014, the government sold Cermaq, one of the world's largest fish farming companies. The ownership share of Entra, a large real estate company, has been reduced from 100% to around 50%.

Recommendations: Reduce public ownership and entry barriers in some services, notably in retail, by lowering the costs of licences needed to engage in commercial activity. Ensure that companies with significant market power in telecommunications are properly regulated in terms of non-discrimination, access, transparency and price controls.

Reduce producer support to agriculture. The heavy protection of the agricultural sector encourages inefficient use of resources.

Actions taken: No action taken.

Recommendations: Progressively cut price support and import restrictions to bring domestic food prices more in line with international levels. Where support is for regional, social or environmental purposes, use more targeted and transparent policies, cutting the link with agricultural output.

Other key priorities

Strengthen performance in secondary education. Educational outcomes, as measured by PISA scores, are poor considering the high expenditure level.

Actions taken: The government tripled investment in teacher training in 2014.

Recommendations: Reduce the number of schools to achieve scale economies. Raise school and teacher accountability. Include school performance measures as a criterion in assessing school principals. Improve teacher training and career structures.

Improve the efficiency of the tax structure. The tax system distorts capital allocation and puts very high effective tax rates on some asset classes.

Actions taken: The tax-assessed values of second homes and commercial properties in the wealth tax have been increased. This implies a small reduction of the favourable tax treatment of real estate. The wealth tax rate has been slightly reduced.

Recommendations: Align the taxation of different asset classes, in particular reduce the implicit tax subsidy for owner-occupied housing. Investigate the combined effects of wealth and capital income taxes on effective tax rates, tax avoidance/evasion and incentives to save and invest.

Reform areas no longer considered a priority in *Going for Growth*

For Norway, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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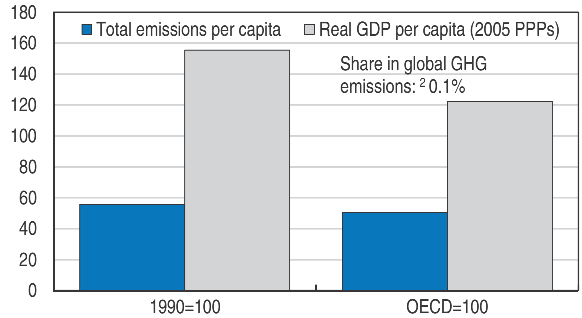
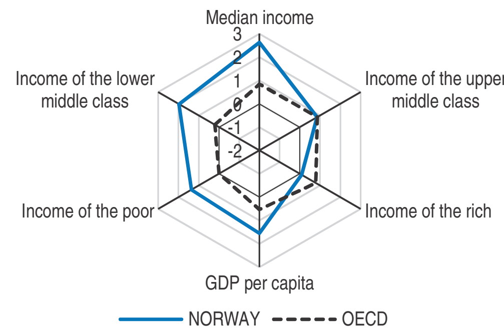
Beyond GDP per capita: Other policy objectives





1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2004-11 for Norway.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink http://dx.doi.org/10.1787/888933178775