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- The income gap relative to the most advanced OECD countries, after having widened in the aftermath of the crisis, has stabilised. This pattern is explained by essentially flat labour productivity while labour force participation and employment have recently picked up.
- Income inequality is among the lowest in the OECD and has been declining recently as the share of income of the poorest 20% has been rising.
- Some of the *Going for Growth 2015* priorities has been addressed, such as increasing public sector efficiency, which is no longer a priority reform area. There is scope for further progress in other priorities. Modest changes to agricultural support were introduced between 2013 and 2015. Tax incentives were introduced in 2015 for new investments. A White Paper for education policy was issued.
- Productivity growth would be enhanced by supporting entrepreneurship, reducing barriers to competition stemming from distortive agricultural support and by giving the competition authorities more power. Improving education outcomes would foster human capital accumulation and thus boost productivity. Reforms to the tax and transfer system would help people remain productive. Improving equity and performance in education would, in addition to boosting productivity growth, also help reduce income inequality. Reducing producer support to agriculture would boost productivity and also lower food prices, which would benefit lower-income households.

Going for Growth 2017 priorities

Remove disincentives from the tax and transfer system.¹ Many young people are not in employment, education or training and disability rolls are rising.

Recommendations: Further reduce the duration of unemployment benefit receipt, which is very long, and increase the period of work needed before a worker becomes eligible to receive unemployment benefits, which is very short. Help people to retain labour force attachment by tightening eligibility for disability benefits and providing support for disabled workers who are able to work and who want to.

Support entrepreneurship. The small size of the capital market can constrain entrepreneurship and dynamic new firms from scaling up.

Recommendations: Support innovation, including by encouraging links with universities. Ease funding access, notably with public investment funds that can finance firm expansion. Evaluate support measures.

Reduce producer support to agriculture. Agricultural support remains high by international standards

Actions taken: Milk production quotas were raised and dairy-specific levies were abolished between 2013 and 2015.

Recommendations: Reduce agricultural support by lowering tariffs and excise duties, abolishing quotas on agricultural products, reducing other forms of producer support and delinking it from production.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an “*”.

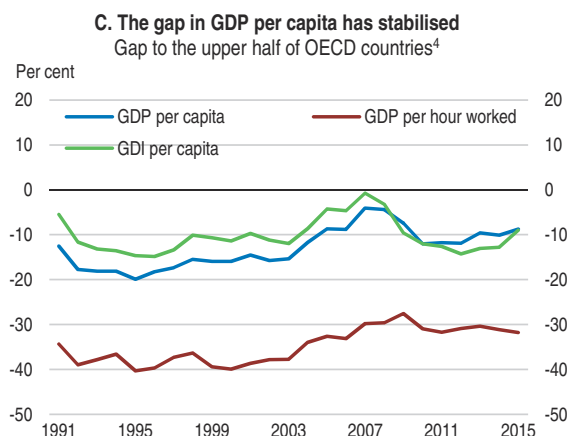
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Growth performance and inequality indicators

A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	2.1	1.1
Labour utilisation	-0.4	0.7
of which: Labour force participation rate	0.3	0.2
Employment rate ¹	-0.7	0.6
Employment coefficient ²	0.0	0.0
Labour productivity	2.6	0.0
of which: Capital deepening	0.3	-1.0
Total factor productivity	2.3	1.0
Dependency ratio	-0.1	0.3

B. Inequality		
	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient ³	24.4 (31.7)*	-1.3 (0)*
Share of national disposable income held by the poorest 20%	10.1 (7.7)*	0.3 (0)*

* OECD average



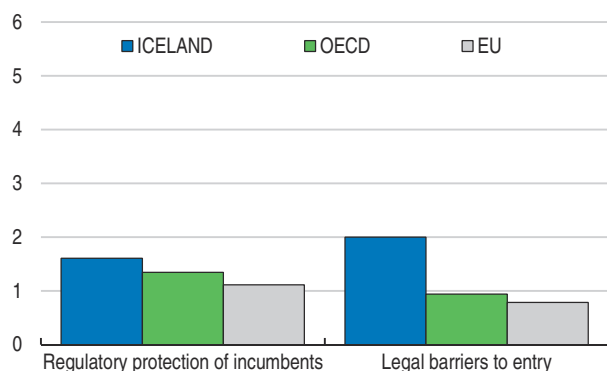
- The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
- This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, Economic Outlook No. 100 Database; Panel B: OECD, Income Distribution Database; Panel C: OECD, National Accounts and Productivity Databases.

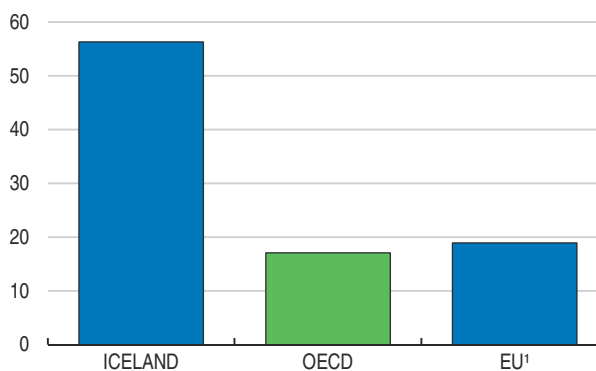
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Policy indicators

A. Regulatory barriers to competition are high
Index scale of 0-6 from least to most restrictive, 2013



B. Producer support to agriculture is more than double the OECD average
Percentage of farm receipts, 2015



- For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, Product Market Regulation Database; Panel B: OECD, Producer and Consumer Support Estimates Database.

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Improve outcomes and equity in education. Below OECD average achievement in reading and science, high variance across students and low efficiency of the education system reduce productivity.

Actions taken: In 2015, a Directorate of Education was created to promote progress towards meeting government objectives, such as raising literacy rates and increasing the share of students who finish primary and secondary education on time.

Recommendations: Strengthen the capacity of municipalities to manage and oversee primary education collectively or shift these responsibilities back to the central government's education ministry. Strengthen school accountability for education outcomes. Adjust curricula to improve performance in reading and mathematics. Raise teacher quality in rural areas. Increase effective teaching time and student-teacher ratios.

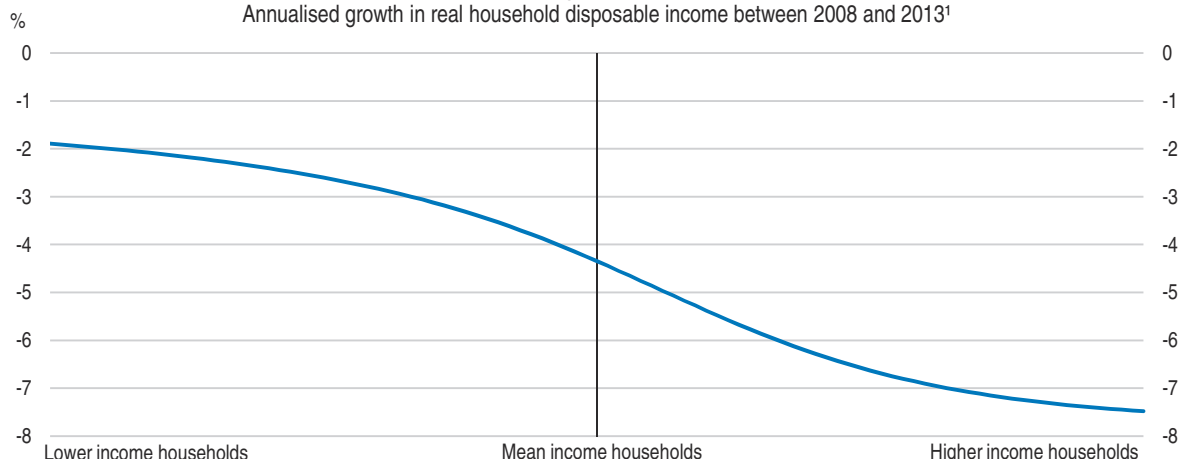
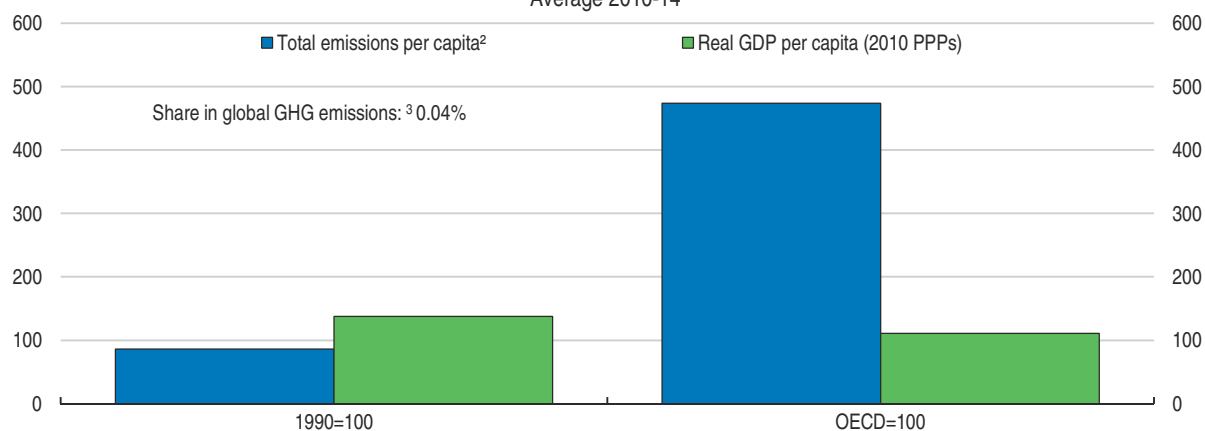
Strengthen the competition regime and authorities. Achieving competition in a small economy can be challenging without sacrificing economic efficiency.

Actions taken: The Competition Authority concluded an investigation into the fossil fuel market in 2016, showing an abuse of competition law.

Recommendations: Toughen competition policy implementation to ensure that abuse of dominant position and cartel/tacit collusion does not stifle competition. Use the OECD's Competition Assessment Toolkit to refine laws and regulations that restrict competition. Reduce regulatory opacity and legal barriers to entry that restrain competition, entrepreneurship and productivity growth.


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Beyond GDP per capita: Other policy objectives

A. Income fell for all households, notably for those in the upper part of the distribution
Annualised growth in real household disposable income between 2008 and 2013¹B. Emissions per capita are at the 1990 level and high above OECD average
Average 2010-14

1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

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

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