

NORWAY

Mainland GDP per capita is among the highest in the OECD, thanks to high productivity. However, labour utilisation is mediocre, reflecting low annual average hours worked. Following a period of substantial reform, the past few years have seen less change, but particular weaknesses remain in the following areas.

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, banking, telecommunications and chemicals. This can be detrimental to competition, foreign direct investment, innovation and growth, even if many state-owned companies are profitable.

Actions taken: Privatisation is on hold, and public ownership has risen. The government has increased its stake in the dominant petroleum company and taken a minority share, with significant veto rights, in a holding company in the sector providing services to energy production. State ownership remains an active policy lever for the government.

Recommendations: Resume privatisation, with priority for telecommunications, banking and industry, as soon as financial market conditions permit.

Reform disability and sickness benefit schemes

Labour utilisation is held back by extensive use of sick leave arrangements and disability schemes, often leading directly to early retirement.

Actions taken: Since 2007, participants in long-term sickness and disability schemes have been required to actively plan with their employers to get back to work. An ongoing merger of the welfare system and the employment services network should create one-stop shops to improve coordination of these services.

Recommendations: Further tighten access to sickness and disability benefits, notably by mandating the involvement of independent medical experts (not family doctors) in disability assessments. With due allowance for impaired work capacity, use the ongoing merger of the welfare system and the employment services network to impose similar conditionality on partial disability benefit recipients as on the unemployed.

Reduce producer support to agriculture

Agricultural support remains among the highest in the OECD, including outright bans on imports of certain items at certain times, keeping resources in low-productivity activities.

Actions taken: None.

Recommendations: Cut high explicit and implicit tariffs and reduce production subsidies. Where intervention is aimed at income support, provide it in targeted form, rather than protecting the whole sector. Consider subjecting aid to the same consumer interest test that would be used in competition policy cases.

Other key priorities

- **Education efficiency.** To improve educational performance and cost-efficiency, raise teacher training standards. Consider using merit pay to improve incentives for school principals and teacher performance. Publish the results of the nation-wide standardised assessment for each school and provide direct feedback on students' results to teachers. Merge small and medium-sized schools to gain economies of scale.
- **Marginal tax rates.** Reduce high marginal income tax rates to increase labour supply and encourage human capital investment and risk-taking.

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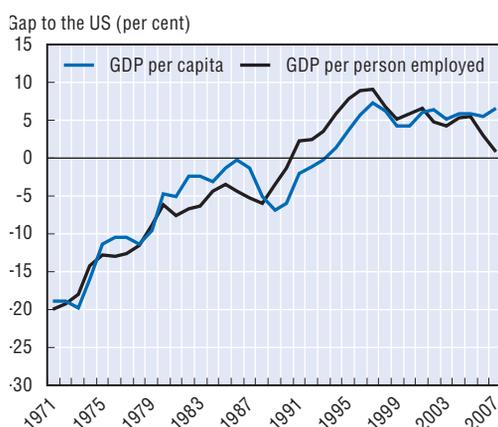
Structural indicators

Average annual trend growth rates, per cent

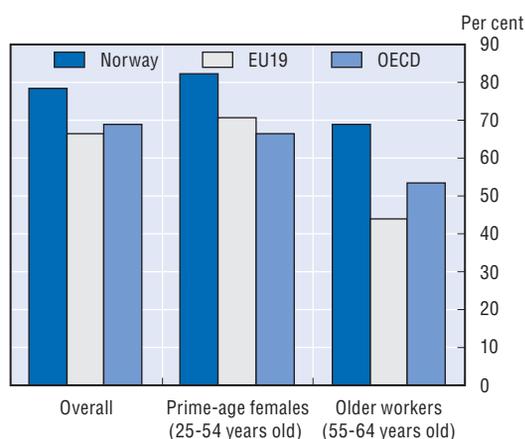
	1997-2007	1997-2002	2002-2007
GDP per capita	2.5	2.3	2.8
Labour utilisation	0.1	-0.2	0.5
of which: Employment rate	0.6	0.6	0.7
Average hours	-0.5	-0.8	-0.2
Labour productivity	2.4	2.5	2.3
of which: Capital intensity	-0.4	-0.1	-0.6
Multifactor productivity	2.8	2.7	2.9

Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

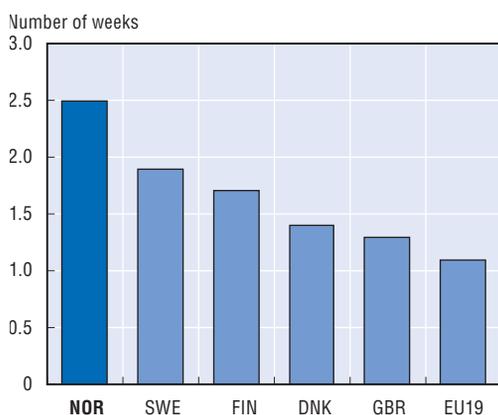
A. GDP per capita and productivity are among the highest in OECD¹



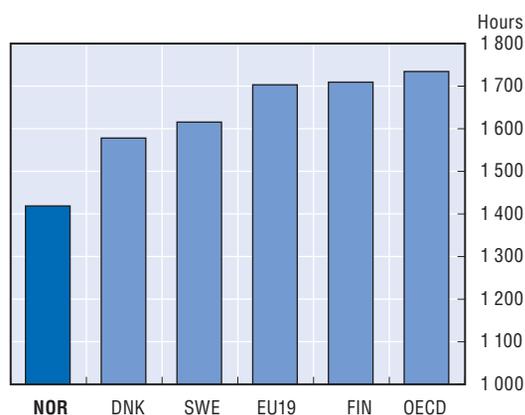
B. Employment rates are high, 2007



C. The average number of weeks lost per employee due to sickness is very high, 2007



D. Average annual hours worked per person employed are among the lowest in the OECD, 2007



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

Source: Chart A: OECD, National Accounts Database; Chart B: OECD, Labour Force Statistics Database; Chart C: OECD (2004), OECD Employment Outlook and OECD estimates; Chart D: OECD (2008), Employment Outlook.

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