ROOM DOCUMENT 1
ROUNDTABLE ON REGULATORY REFORM FOR INCLUSIVE GROWTH: FROM POLICY MEASURES TO IMPROVEMENTS

The contribution of regulatory reform to the broader reform for growth agenda of OECD countries: Survey of OECD Members - results and analysis - NORWAY

19 November 2012
OECD Conference Centre, Paris

JT03330923

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Q1-Q2 - Q.1. What is your country’s growth strategy?
Q.2. How is regulatory reform seen as supporting and contributing to this overall growth strategy?

Regularly the Government publishes a white paper on “Long-term perspectives for the Norwegian economy” which deal with challenges and opportunities in the Norwegian economy. The latest version was published January 2009 and the next version is expected in 2013. An English summary of the report from 2009 may be found on the following link:


The paper includes chapters on resource utilisation, stability and restructuring. In addition there is a chapter on policy options for further development of welfare provision.

The report on long term perspectives states that well-functioning labour markets, product markets, credit and capital markets along with a well-adapted fiscal and monetary policy are important tools in the effort to align resource utilisation and the economy’s absorption capacity. The paper concludes that measures promoting a large labour force and an efficient public sector can help to ensure the continuation of Norway’s welfare model. In this context regulatory reform is necessary and a useful tool to ensure well-functioning markets.

Along with the government fiscal budget, Norway yearly publishes “The National Budget” accounting for the economic situation and outlook and the Government’s economic policy. In addition, the document contains a separate chapter on measures to improve resource utilisation. This chapter gives a brief overview of regulations in different sectors and policy measures that have been implemented during recent years.

As these documents indicate, regulatory reform is part of the general policy for growth. In product markets competition is important in order to ensure efficient allocation of resources, and contributes to both cost reductions and innovation. Innovation in the form of new products or improved products and methods of production, the development of new markets and improving business organisation leads to benefits for the consumers, inter alia through lower prices and a wider range of products.

In the long term, the development of welfare in Norway will be determined by the growth potential of the mainland (non-oil) economy. Therefore, a main concern of the government is to create a regulatory framework that supports growth and productivity in this part of the economy. There is a risk that wealth stemming from petroleum production could mask the need for structural and regulatory reforms and make implementation harder.
In the present context, regulatory reform in Norway is not primarily seen as a way to reduce high levels of unemployment or boost slow growth, which may be the drivers in many other OECD countries. Rather, regulatory reform is seen as a way to counter structural bottlenecks in the economy. Further, ensuring sufficient labour supply going forward is crucial for funding an extensive welfare state like the Norwegian one. Therefore policies to increase human capital, through pension reform as well as measures taken to prevent people from leaving the labour market in favour of public welfare, are high on the agenda. Also, increasing human capital through education reform and job qualification schemes is imperative.
Q3: Q.3. What specific sectors of the economy or areas of regulation have you [your government] identified as important for reform?

Reforms in labour and product markets

- Labour market

The Norwegian government have targeted challenges within the labour market. For instance, in 2001 the Government and the employer/employee organizations entered into an ambitious agreement, the IA agreement, to reduce sick leave, include more people with disabilities in the work force and extend working life for the elderly. The agreement has since been renewed, and the latest agreement runs until 31 December 2013.

Further, the government merged the National Employment Directorate and the National Social Security in 2006. Throughout the country there is now one common office for employment services and social benefits. These offices will tailor services more closely to individual needs. The aim is to strengthen labour market participation. To accompany this reform, the schemes of temporary disability and vocational and medical rehabilitation are merged into one single scheme.

Ageing of the population will pose increasing challenges for the pension system. The combination of an increasing share of older people and higher average pensions will lead to a dramatic increase in the pension expenditure of the National Insurance System (NIS). A reform of the public old age system in NIS, with the aim of making it more sustainable, was implemented gradually from 2011. As a result of the reform benefits will be based on life time earnings, adjusted according to life expectancy and indexed on an average of prices and wages after retirement. A flexible retirement age from 62 years was introduced based on actuarial principles. Life time earnings and the opportunity to work longer to compensate for the effect of life expectancy adjustments will improve work incentives.

Furthermore, we have seen an increase in disability pensions especially among young people. By the end of 2010 approximately 300 000 persons received disability pensions in Norway. This represents 9 percent of the total population between the 18-67 years old. From 1980 to 2010 the number of disability pensions have increased from 159 000 to 300 000 (89 percent).

The Government launched a disability reform in 2011 with an aim to target this structural challenge within the labour market. The new disability scheme implements stronger incentives to combine work and disability pension. The aim is to make it easier to employ people with reduced ability to work and thereby increase the total workforce. The new disability scheme will be implemented in 2015.

Labour immigration has contributed to a considerable employment growth since 2004. According to Statistics Norway 70 pct. of the employment growth in 2011 was a result of increased labour immigration. While labour immigration has largely been beneficial to the Norwegian economy, it also creates a need to strengthen employees’ legal rights and avoid social dumping. On May 1st 2006, the Government presented an action plan against social dumping. This plan contains measures that are intended to contribute to the necessary regulations being put in place and to ensure employer’s compliance with the regulations. The plan is regularly followed up in relation to the Parliament (Stortinget).

1 These replies represent trade union opinions which may differ from those of the Russian government.
- **Product markets**

Product markets have undergone considerable reforms through the 1990s and early 2000s in Norway. The principal objectives of these reforms have been to improve the efficiency of markets while securing provision of services in all parts of the country. Competition has been enhanced through a strengthening of the competition law and authorities, and the reform of sector regulation especially in network industries. Generally, co-operation within the context of the EEA Agreement, which came into force in 1994, has promoted reviews and reforms of a number of product market regulations.

- A new energy law from 1991 enabled competition within electricity generation, supply and trade. Transmission and distribution are regulated monopolies. The electricity market is fully open for all producers and consumers. All end-users are free to choose their electricity supplier.

- Telecom markets were deregulated gradually, with the last exclusive rights of the former monopoly supplier abolished as of 1998.

- Restrictions on entry into air traffic markets were lifted in the early 1990s.

- Non-commercial service obligations have been allocated by tender (i.e. bidding for lowest subsidy for stipulated service provision) in some transport sectors: regional airway services and highway ferry lines.

As a general description, regulation of product markets and business operations is efficient and not excessive. However, there are special issues regarding product market competition.

- Some sectors, notably agriculture, remain regulated. In these sectors, the government considers regulation necessary to sustain domestic production or to achieve certain political goals, such as settlement in sparsely populated areas.

- The monopoly for Norway Post now only covers letters weighing up to 50 grams. The Government has decided to maintain this remaining exclusive right.

- There is an exception from the competition act, allowing book sellers to set fixed prices for higher educational books and literature.

- A food chain committee, appointed by the Government, has been looking at the relative powers in the food value chain. The government has announced that it will look into the need for new regulations relating to negotiations and fair trading practises in the grocery sector.

In general, the regulatory framework adapts to developments in neighbouring countries and internationally, while it maintains national characteristics.
Q4-Q6: Processes for regulatory reform

Q.4. What challenges do you [your government] face when identifying and assessing the contribution of regulatory reform to the growth agenda? How do you [your government] overcome those challenges?

Q.5. How do you [your government] identify, prioritise & sequence regulatory reform measures? Does the prioritization and identification of reforms rely on technical tools (such as economy wide models), on consultation within government and outside of government or other approaches?

Q.6. How do you [your government] factor in the resistance and support to regulatory reforms in the prioritization of reforms? What strategy do you [your government] put in place to mobilize public demand and build a coalition of supporters for regulatory reforms in support of the growth agenda?

While the Minister for Government Administration, Reform and Church Affairs is responsible for promoting regulatory reform across the government, the approach to regulatory management in Norway remains decentralised and ministries enjoy considerable autonomy in the regulatory process. Thus, the responsibility for developing and improving the functioning of product markets lies with the concerned ministry. It is the responsible ministries’ task to identify, prioritise and sequence regulatory reform measures. The ministries may have different models and methods for analyzing potential impacts of regulatory reforms. However, when having identified a potential for regulatory reform the responsible ministry has to follow certain general guidelines, submissions and review procedures when preparing official studies, regulations, propositions and reports to the Parliament (Stortinget).

These guidelines aim to ensure proper preparation and administration of all work relating to regulatory reforms, amendments to regulations and other measures. The guidelines contribute to cooperation and coordination, high quality of government reports and studies, and an effective process of communication between the body submitting the matter and consultative bodies. The guidelines also give instructions on process regarding consultations within the government and between the government and the general public.

Also, the government may appoint committees to investigate certain topics. These committees usually consist of persons with different backgrounds and experiences, and the aim is to explore the subject from serveral perspectives. The work results in an Official Norwegian Report (NOU). This is way of building consensus and support for necessary reforms.

When a study of a specific matter has been completed, the ministry concerned or the subordinate agency shall, as the main rule, circulate the matte r for general review to all the public and private institutions and organizations affected. A matter shall also be sent to other ministries affected at the same time as it is circulated for review.

The review process intends to identify resistance and support to the matter in hand, including suggestions on improvements. Depending on the results of the process, the matter may be implemented, postponed, modified or terminated. Challenges regarding regulatory reform are complex. However, the points of conflicts are typically general. Regulatory reform usually removes privileges from specific gropus, whereas the benefits are dispersed with the general public. In addition the benefits are often difficult to document in advance, while the negative effects are emphasized by the affected groups. This makes regulatory reform politically challenging.
The Norwegian Agency for Public Management and eGovernment (DIFI) in 2012 published an evaluation of ministries’ compliance with the instructions for Regulatory Impact Analysis (RIA). The study showed that since the last evaluation in 2003 there has not been any significant positive development. Conducted RIAs are often limited and without quantitative measures. Also, full scale cost benefit analyses or other economy wide analyses are rarely done. The Ministry of Government Administration, Reform and Church Affairs is now in the process of considering reforms that could enhance compliance with the requirements to perform RIAs when proposing regulatory reforms. This includes possible changes to clarify requirements and make requirements more flexible. In addition, changes may clarify responsibilities and make it more difficult to put forward reform proposals that are not satisfactory assessed.