NORWAY

GDP per capita is one of the highest in the OECD, reflecting in part a strong labour productivity performance. Rising employment rates have been more than offset by a large decline in average hours worked.

Priorities supported by indicators

Reform disability and sickness benefits schemes

There has been a surge in lost working time due to sickness leaves, and the disability recipient rate is one of the highest in the OECD, reflecting the system's generosity and loose eligibility criteria.

Actions taken: Stricter regulations on the entitlement to long-term sick leave have recently been introduced. Reduced replacement rates and mandatory assessment for vocational rehabilitation are being implemented. Temporary disability pensions are replacing permanent ones for those with uncertain future work capacity.

Recommendations: Reduce public subsidies for sickness benefits. Make mandatory the involvement of independent medical specialists in disability assessment. Make job search compulsory for workers in vocational rehabilitation and routinely review its cost-effectiveness.

Reduce producer support to agriculture

Norway provides very high support to agriculture, resulting in production surpluses and excessive use of resources in low-productivity activities. Most of the support is linked to output or inputs.

Actions taken: Budget transfers were reduced by 2½ per cent during 2002, but this was offset by higher target prices for livestock and an increase in tax concessions for all farmers.

Recommendations: Reduce producer support to agriculture and decouple aid from output or input use, for example *via* a system of targeted income transfers. Reduce very high external tariffs on agricultural products.

Reduce the scope of public ownership

Public ownership is extensive and covers *inter alia* network industries, the retail trade sector, financial services and oil. Extensive public ownership may reduce the scope for FDI and weakens competition.

Actions taken: The government has published a White Paper on reducing public ownership. Most public companies have been incorporated, and state guarantees for loans to such firms have been abolished. However, the government has been increasing its ownership stake in the banking sector.

Recommendations: Implement a privatisation programme in the context of extensive regulatory reform. Further liberalise sectors such as railways and postal services. Introduce formal separation between competitive and non-competitive activities in network industries.

Other key priorities

- Implement a pension reform in line with recent Pension Commission proposals. Consider using the Petroleum Fund to pre-fund part of pension liabilities, so as to underpin fiscal sustainability.

- Reduce the regional emphasis in policies related to communication and transport, social security, labour markets, welfare, and natural resources. Pursue regional goals by more transparent cash transfers, and use any freed up resources to cut taxes.

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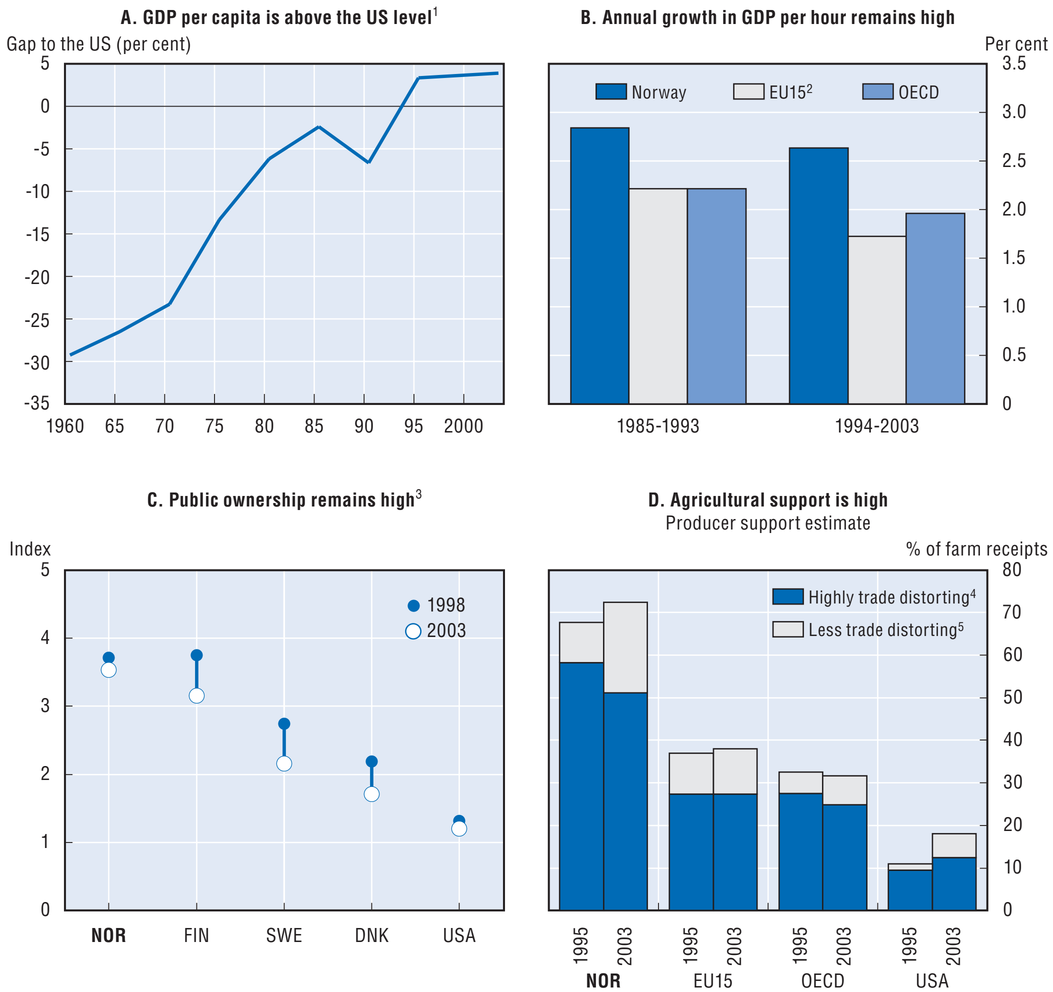
NORWAY

Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	1.2	2.1	2.3	1.9
Trend employment rate	75.2	75.5	76.6	76.6
Trend participation rate	78.3	79.0	79.6	79.9
Structural unemployment rate (NAIRU)	3.9	4.4	3.8	4.1

Source: Estimates based on *OECD Economic Outlook,* No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).
2. Excluding Austria and Luxembourg.
3. Index 0-6 scale from lowest to highest share of public enterprises.
4. Market price support and payments based on output and input use.
5. Payments based on area planted/animal numbers, historical entitlements and overall farm income.

Source: Charts A and B: *National Accounts of OECD Countries*, 2004; *OECD Labour Force Statistics*, 2004; *OECD Economic Outlook*, No. 76; Chart C: OECD Regulation database; Chart D: OECD, Producer and consumer support estimates database.