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The income gap vis-à-vis the United States had been narrowing until the recent crisis owing to high growth in labour productivity, although the productivity level remains relatively low in contrast to labour utilisation. Following substantial structural reforms in the late 1990s and early 2000s, there have been few reforms in recent years, and further action will be required in coming years, particularly in the areas below.

Improve education outcomes

PISA-test scores (for 15-year olds) are below the OECD average in science and reading and many young people still do not complete upper-secondary education, with adverse effects on the efficiency of the workforce.

Actions taken: Legislation has been introduced recently that increases teacher qualification requirements, obliges the state to educate everyone up to the age of 18, and promotes vocational training.

Recommendations: Strengthen school accountability for education outcomes. Improve teacher quality, especially in rural areas, where children's PISA scores are particularly low. Increase effective teaching time and adjust the curriculum to enhance the acquisition of core competences.

Reduce producer support to agriculture

Agricultural support remains very high by international comparison: support amounts to two-thirds of farm income, which is twice the EU level and four times the US level – and is concentrated in highly trade-distorting forms. Such support imposes a heavy burden on consumers and taxpayers and keeps resources in low-productivity activities.

Actions taken: Import tariffs for meat have been cut.

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

Lower barriers to entry for domestic and foreign firms

High barriers to entry of foreign firms remain in the energy and fisheries sectors, and public ownership in the electricity sector limits competition, with potentially adverse effects on prices and productivity performance.

Actions taken: A committee has been formed to review legislation on foreign investment.

Recommendations: Reduce foreign ownership restrictions in the fisheries and energy sectors. Divest the National Power Company's generation activities so that they no longer benefit from advantageous borrowing costs resulting from government ownership, thereby creating a more level playing field in generation.

Other key priorities

- **Financial sector regulation and supervision.** Strengthen independence and accountability of main financial regulators. Review rules on liquidity management, connected lending, large exposures, cross-ownership, and the “fit and proper” status of owners and managers and strengthen them as necessary. Tighten capital requirements for foreign assets.
- **Public sector reform.** Accelerate the introduction of output-based budgeting, performance measurement and management reforms in the public sector to enhance efficiency.

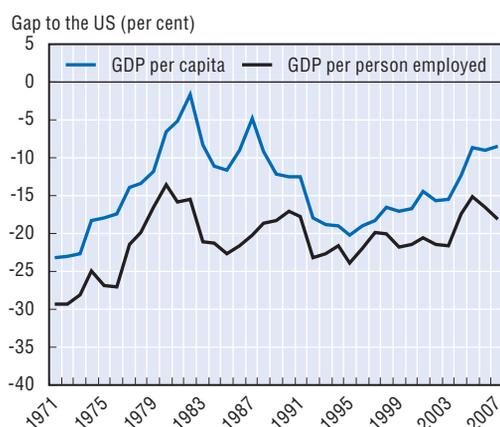
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Structural indicators

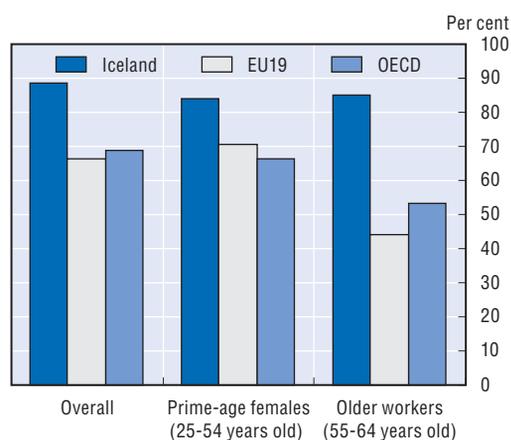
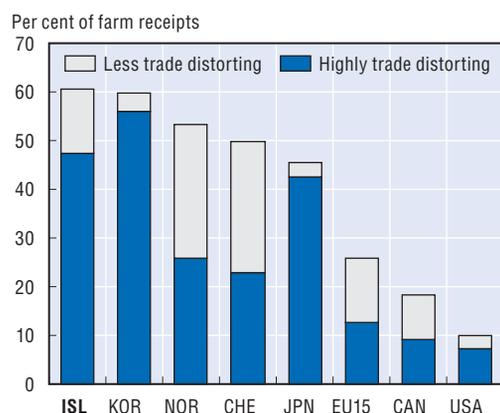
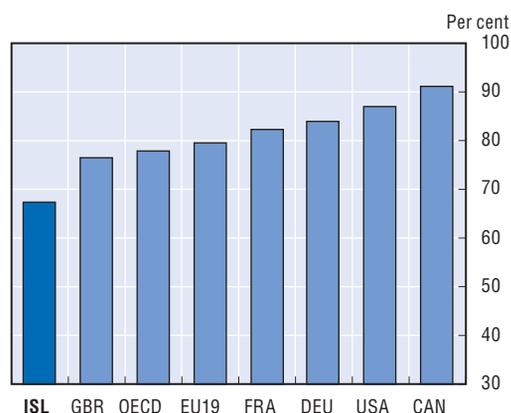
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	2.9	2.5	3.3
Labour utilisation	0.3	0.3	0.3
of which: Employment rate	0.5	0.4	0.6
Average hours	-0.3	-0.2	-0.3
Labour productivity	2.6	2.2	3.0
of which: Capital intensity	0.7	0.2	1.2
Multifactor productivity	1.9	2.0	1.8

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

A. The gap in GDP per capita narrowed until recently¹

B. Employment rates are very high, 2007

C. Agricultural support is very high, 2007
Producer support estimateD. Upper-secondary education attainment is lagging, 2006
Percentage of population aged 25-34

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, Producer and Consumer Support Estimates Database; Chart D: OECD (2008), Education at a Glance.

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