

## NORWAY

Norway has maintained its productivity lead (including in the non-petroleum sector) over most OECD countries, and labour utilisation is also high. Structural reform in the following areas would contribute to further increase economic performance.

### Priorities supported by indicators

#### **Reform disability and sickness benefit schemes**

Unemployment is low but the number on sick-leave and disability benefit recipients is well above the level implied by health indicators, reducing labour supply.

**Actions taken:** No action taken. Since 2008, employers and employees are supposed to plan for re-entry of workers on sick leave or disability pensions, but workers still tend to respond rationally to a generous system by reducing labour supply.

**Recommendations:** Require applications for disability pensions to be assessed and periodically reviewed by doctors independent of applicants and their employers and/or reduce replacement rates. With due allowance for the constraints of their disability, subject the partially disabled to the same conditionality as unemployment benefit recipients.

#### **Increase product market competition**

Barriers to entry and public ownership reduce competition and may result in lower productivity growth.

**Actions taken:** Some small backward measures were taken in 2010: the exemption of certain books from price maintenance prohibition was extended for four years, even though higher educational books will be subject to free pricing from 2011. New controls on retail outlets to limit their environmental impact were introduced.

**Recommendations:** Reduce legal barriers to entry in some services, notably retail and post, and ensure that the significant market power of the partially publicly-owned former telecom monopoly does not hinder new entry. Ensure that environmental concerns are genuine, and are not used to protect incumbents from new entrants. Reduce public ownership, seeking other ways to secure public interest objectives in industries such as finance and petroleum.

#### **Reduce producer support to agriculture**

The Norwegian agricultural sector, though small, is one of the most heavily protected in the OECD, encouraging inefficient use of resources.

**Actions taken:** No action taken.

**Recommendations:** Progressively cut price support and import restrictions to bring domestic food prices more in line with international levels. Where support is for regional, social or environmental purposes, use more targeted and transparent policies, cutting the link with agricultural output.

### Other key priorities

#### **Strengthen performance in secondary education**

Educational outcomes, as measured by international student test (PISA) scores, are poor considering the high level of expenditure.

**Actions taken:** From 2009, candidates for teacher training must meet more stringent entry requirements. Municipalities must prepare reports using national indicators, but not including publicising information on school performance.

**Recommendations:** Reduce the number of schools to benefit from scale and scope economies, and focus more on the needs of the children of migrants. Increase school and teacher accountability through wider use of performance information including value added indicators. Include such measures of school performance as a criterion in assessment of school principals. Improve teacher training and career structures.

#### **Improve the efficiency of the tax structure**

High marginal income tax rates and low residential property taxation distort incentives for labour supply and saving.

**Actions taken:** No recent action on income tax. The discount applied to real estate in the wealth tax is to be reduced from 2010, but not eliminated.

**Recommendations:** Reduce marginal income tax rates and shift the composition of tax revenue towards consumption and property taxes (based on market values).

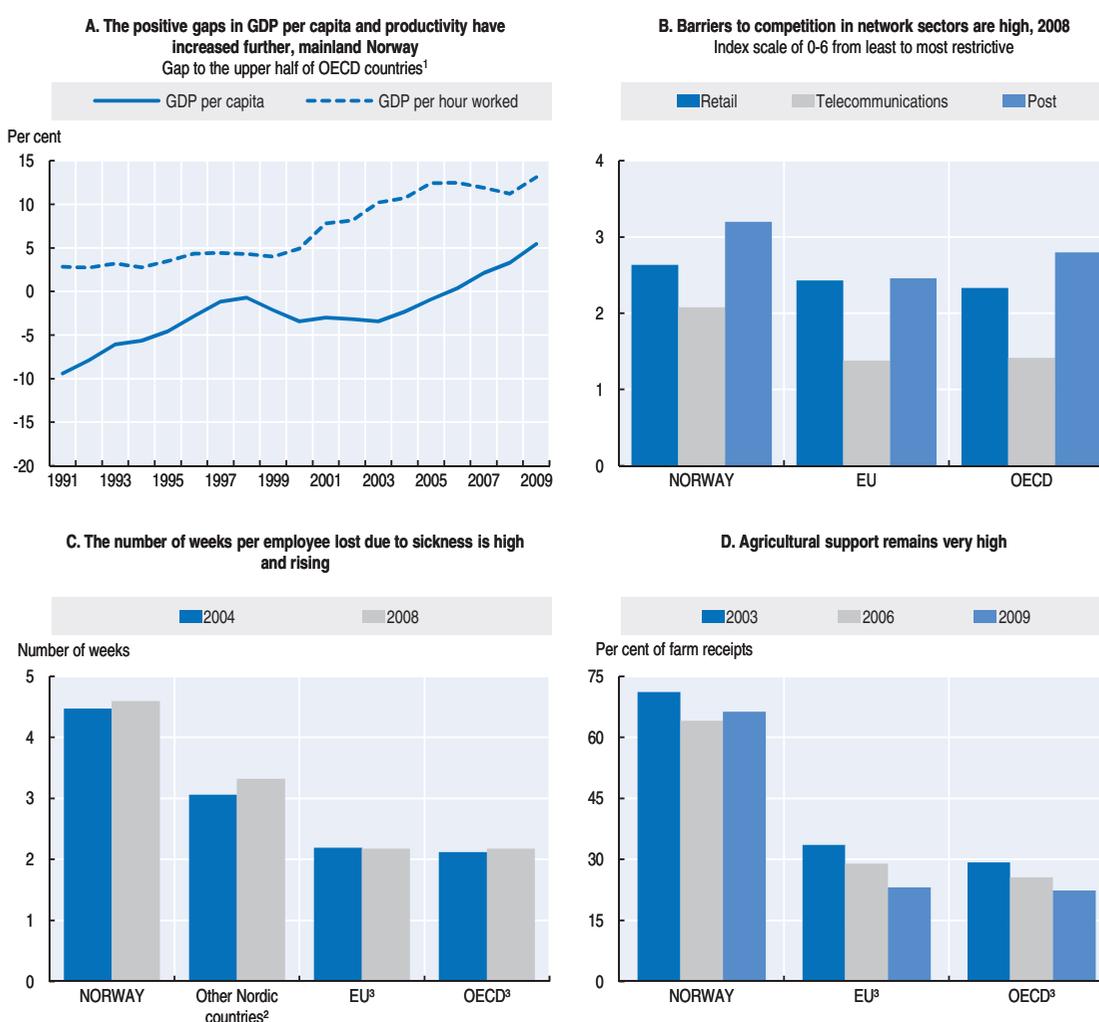
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## Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	2.5	2.0	3.0
Labour utilisation	0.1	-0.2	0.4
of which: Employment rate	0.3	0.3	0.4
Average hours	-0.2	-0.5	0.0
Labour productivity	2.4	2.1	2.7
of which: Capital intensity	0.4	0.3	0.5
Multifactor productivity	2.0	1.9	2.2

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). Data refer to GDP mainland Norway which excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on the financial assets the petroleum fund holds abroad are not included.
2. Average of Denmark, Finland and Sweden.
3. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, Product Market Regulation Database; Chart C: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*; Chart D: OECD, *Producer and Consumer Support Estimates Database*.

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