

## ICELAND

- The income gap vis-à-vis leading OECD economies has grown in recent years owing to relatively weak growth in employment and hours worked. The gap in GDP per capita reflects relatively low labour productivity. Employment rates and average hours worked are high.
- There has been no progress on the policy priorities identified in the 2011 issue of *Going for Growth*.
- Reducing barriers to product market competition, including by lowering entry barriers in the electricity and fisheries sectors and reducing agricultural protection, as well as increasing public sector efficiency would increase productivity. Similarly, improving education outcomes would foster human capital accumulation and productivity.
- In addition to boosting productivity, reducing producer support to agriculture would lower food prices, disproportionately benefiting lower-income households. Moreover, improving the performance of the education system, especially where it is weakest would help reduce income inequality.

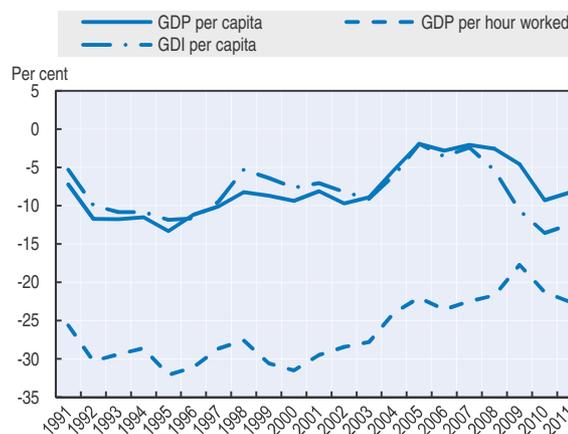
### Growth performance indicators

A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	2.1	0.8
Potential labour utilisation	-0.1	-0.7
of which:		
Labour force participation rate	0.0	-0.4
Employment rate <sup>1</sup>	-0.1	-0.3
Potential labour productivity	2.2	1.5
of which:		
Capital intensity	1.3	0.7
Labour efficiency	0.3	0.2
Human capital	0.6	0.6

B. The gap in GDP per capita has widened in recent years  
Gap to the upper half of OECD countries<sup>2</sup>



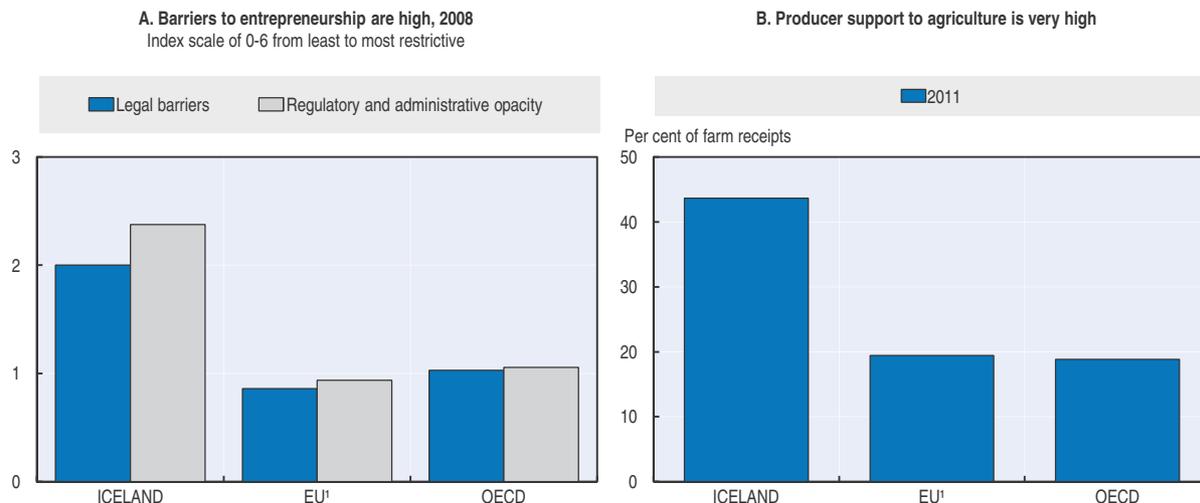
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

StatLink  <http://dx.doi.org/10.1787/888932776751>

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## Policy indicators



1. Average of 21 EU countries members of the OECD.

Source: OECD, Product Market Regulation and Producer and Consumer Support Estimates Databases.

StatLink <http://dx.doi.org/10.1787/888932776770>

## Identifying Going for Growth 2013 priorities

### Priorities supported by indicators

**Reduce barriers to product market competition.** Regulatory opacity and legal barriers to entry, restrain entrepreneurship, competition and productivity growth.

**Actions taken:** No action taken.

**Recommendations:** Review and reduce the number of licences and permits required and use plain language in regulations. Reduce legal barriers to entry in the electricity, air-transport and airport, and seaport sectors.

**Lower ownership restrictions for domestic and foreign firms.** Restrictions on domestic private and/or foreign ownership inhibit competition in the electricity and fisheries sectors, weakening investment and productivity growth.

**Actions taken:** No action taken.

**Recommendations:** Reduce foreign ownership restrictions in the electricity and fisheries sectors. Divest the National Power Company's generation activities, which benefit from a cost-of-capital advantage conferred by government ownership, to create a competitive market in electricity generation.

**Reduce producer support to agriculture.** Agricultural producer support is high, burdening consumers and taxpayers and weighing on productivity.

**Actions taken:** No action taken.

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

**ICELAND****Other key priorities**

**Increase public sector efficiency.** Inadequate performance information undermines programme management and productivity.

**Actions taken:** No action taken.

**Recommendations:** Introduce performance indicators for government programmes to identify and correct programmes that are not meeting their objectives. Strengthen conflict of interest disclosure.

**Improve education outcomes.** Below OECD average achievement in reading and science and low efficiency of the education system reduce productivity.

**Actions taken:** No action taken.

**Recommendations:** Strengthen school accountability for education outcomes. Adjust curricula to improve performance in reading and mathematics. Raise teacher quality in rural areas. Increase effective teaching time and student-teacher ratios to increase efficiency.

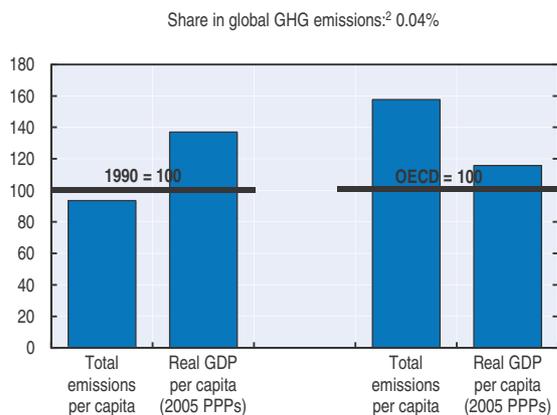
**Previous Going for Growth recommendations no longer considered a priority**

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

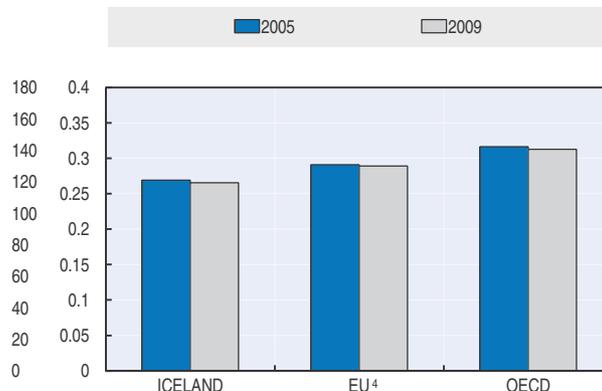
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## Other dimensions of well-being: Performance indicators

A. Emissions per capita are below the 1990 level but above OECD average  
OECD average  
Average 2006-10<sup>1</sup>



B. Income inequality<sup>3</sup> has decreased marginally  
Gini coefficient



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

StatLink  <http://dx.doi.org/10.1787/888932776789>