

NORWAY

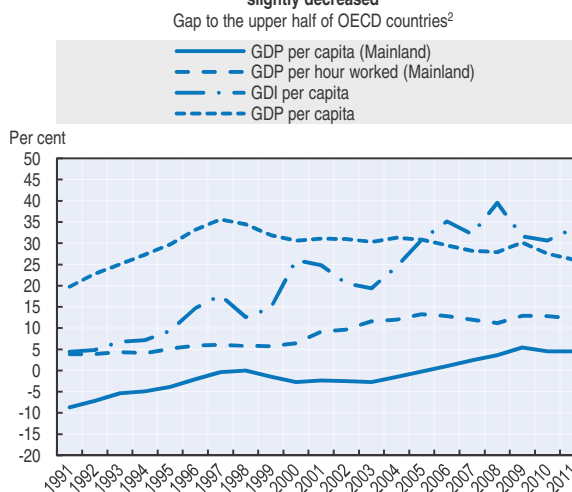
- The large positive gaps in mainland and total GDP per capita relative to leading OECD countries have slightly fallen. For the mainland economy, the contribution of labour productivity to income growth has declined somewhat, through both lower capital intensity and multifactor productivity growth, while an increasing employment rate has raised labour utilisation.
- The government took some important measures that could lower the inflows into sickness and disability. By contrast, relatively little has been done in the areas of product market competition, agricultural support, secondary education and the tax system.
- Pursuing reform of the sickness and disability benefit schemes would increase labour utilisation, while a stronger performance in secondary education would foster human capital accumulation. Raising product market competition, reducing agricultural support and improving the design of capital taxation would boost labour productivity.
- In addition to improving the allocation of capital, removing the current tax discrimination of rental relative to owner-occupied housing would be suitable to lower income inequality, as the less well-off tend to rent and hence are likely to bear a significant fraction of the tax due on rental housing.

Growth performance indicators

A. Average annual trend growth rates


Per cent			
		2001-06	2006-11
Potential GDP per capita		2.1	1.4
Potential labour utilisation		0.3	0.1
of which:	Labour force participation rate	0.3	0.2
	Employment rate ¹	0.0	0.1
Potential labour productivity		1.8	1.3
of which:	Capital intensity	0.6	0.8
	Labour efficiency	1.1	0.3
Human capital		0.2	0.2

B. The positive gaps in GDP per capita and productivity have slightly decreased



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). GDP per capita (Mainland) 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.

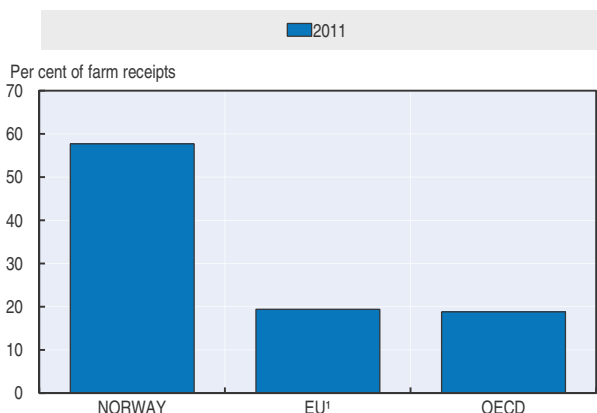
Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

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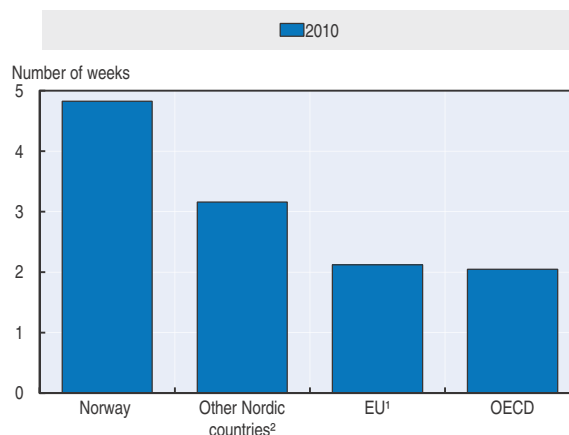
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Policy indicators

A. Producer support to agriculture is very high




B. The number of weeks per employee lost due to sickness is high



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

2. Average of Denmark, Finland and Sweden.

Source: OECD, Producer and Consumer Support Estimates Database; OECD (2013), *Mental Health and Work: Denmark* (forthcoming).

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Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Reform disability and sickness benefit schemes. High levels of sickness absence and disability benefit recipients reduce labour utilisation.

Actions taken: In July 2011, measures to better monitor sick leave were introduced, with provision for sanctions against the employee, employer and doctor for failure to follow up.

Recommendations: Tighten access to sickness and disability schemes, with stronger enforcement of back-to-work plans and independent checks of GPs' assessments. If such action does not lower take-up, reduce the replacement rate for long-term sickness absence and shift more costs onto employers.

Increase product market competition. Public ownership and entry barriers reduce competition and may result in lower productivity growth.

Actions taken: State ownership in Norsk Hydro ASA, a global supplier of aluminium, was reduced. Some (backward) measures increased barriers to entry: exemptions allowing booksellers to set fixed prices for fiction and educational books were extended to 2014.

Recommendations: Reduce public ownership and entry barriers in some services, notably in retail by lowering the costs of licences needed to engage in commercial activity and avoiding using environmental concerns to protect incumbents from entrants. Ensure that the market power of the partially publicly-owned former telecom monopoly does not hinder entry.

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Reduce producer support to agriculture. The heavy protection of the agricultural sector encourages inefficient use of resources.

Actions taken: Some import restrictions have been relaxed as of January 2012 due to an agreement with the European Union, effectively lowering the protection of domestic products.

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 PISA scores, are poor considering the high expenditure level.

Actions taken: No action to encourage reduction in school numbers, although some small schools are closing. In 2011, the support for teachers' continuous professional development was improved.

Recommendations: Reduce the number of schools to benefit from scale economies. Raise school and teacher accountability through wider use of performance information. Include school performance measures as a criterion in assessing school principals. Improve teacher training and career structures.

Improve the efficiency of the tax structure. The tax system distorts capital allocation and puts very high effective tax rates on some asset classes.

Actions taken: The 2013 budget proposes to increase the tax-assessed value of second homes and commercial property in the wealth tax from 40% to 50% of the market value. This implies a small reduction of the favourable tax treatment of real estate but also an increase in the overall tax on capital.

Recommendations: Align the taxation of different asset classes, in particular reduce the implicit tax subsidy for owner-occupied housing. Investigate the impact of the combination of wealth and capital income taxes on effective tax rates, on tax avoidance/evasion and on incentives to save and invest.

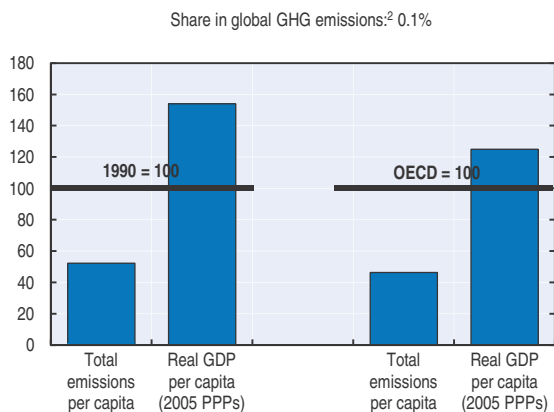
Previous Going for Growth recommendations no longer considered a priority

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

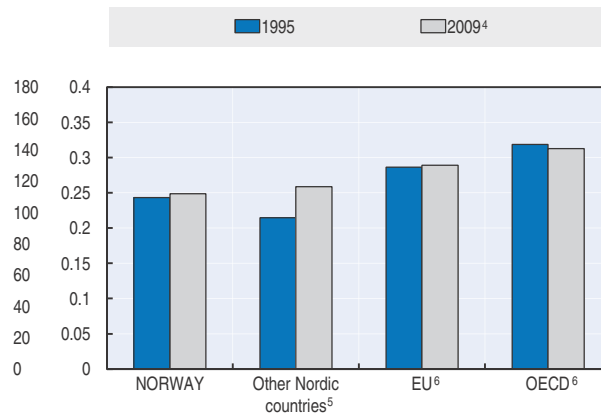
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Other dimensions of well being: Performance indicators

A. Emissions per capita are below the 1990 level and OECD average
Average 2006-10¹




B. Income inequality³ remains below the OECD average
Gini coefficient



1. Total GHG emissions including LULUCF in CO₂ 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. Data refer to 2010 for Norway.
5. Average of Denmark, Finland and Sweden.
6. EU is the average of 21 EU countries members of the OECD. For 1995, EU and OECD averages exclude Estonia, Iceland, Korea, Poland, Slovak Republic, Slovenia and Switzerland.

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).

StatLink  <http://dx.doi.org/10.1787/888932777473>