



## SPRING 2010 REFORM BAROMETER - NORWAY

### 1. SUMMARY TABLE

<u>Norway</u>				<u>Rank among 29 **</u>			<u>Relative Gap</u>	
	2008	2009	Change	2008	2009	Change	EU 5 top performers 2009	Gap to EU 5 top performers 2009
GDP per capita (Purchasing Power Parity - PPP)	44861	42861	-4.5%	2	2	0	LU, IE, NL, AT, BE	26%
GDP per capita (€ at 2000 prices)	46035	44581	-3.2%	2	1	1	LU, DK, SE, IE, UK	30%
Labour Utilisation (Annual hours worked per capita)	735	714	-2.8%	20	21	-1	CY, SI, GR, CZ, PL	-19%
Annual hours worked per person employed	1422	1422	0.0%	28	27	1	GR, HU, PL, SI, CZ	-29%
Employment as % of labour force (100-unemployment rate)	97.5	95.2	-2.3	1	3	-2	NL, DK, AT, CY, LU	0
Labour participation (labour force as % of active population)	80.0	79.6	-0.5	3	4	-1	NL, DK, SE, DE, UK	2
Dependency ratio (working age population as % of total population)	66.3	66.3	0.1	24	23	1	SK, PL, CY, CZ, RO	-7
Labour Productivity (GDP per hour worked, in PPP)	57.5	56.5	-1.7%	1	1	0	LU, BE, NL, FR, DE	31%
Labour Productivity (GDP per hour worked, € at 2000 prices)	59.0	58.8	-0.4%	2	2	0	LU, SE, BE, DK, FR	24%
Capital deepening (capital stock per hour worked)*	6.0	6.1	1.7%	2	2	0	IE, FR, LU, AT, SE	5%
Total Factor Productivity (level of economic efficiency per hour worked)*	9.8	9.6	-2.0%	2	2	0	LU, UK, DK, SE, BE	11%
Corporate Investment (private investment excluding non-residential, % GDP)	17.7	18.2	0.5	1	1	0	BE, RO, AT, DK, SK	5.1
Current Account Balance (as % GDP)	19.5	9.5	-9.9	1	1	0	LU, SE, LV, DE, EE	3.2
Export market share measured in volume relative to main 35 trading partners (from 2000)	-20.5	-16.0	4.4	28	27	1	RO, LT, HU, CZ, PL	-70.8
Labour Costs relative to main 35 trading partners (from 2000)	17.9	18.1	0.2	24	23	1	DE, PL, AT, SE, GR	25.2
Public Debt (as % GDP)*1	49.8	62.3	12.5	18	18	0	EE, LU, BG, RO, LT	44.4
Net lending/net borrowing of general government (as % GDP) *2	18.8	7.9	-10.9	1	1	0	BG, DK, SE, LU, FI	9.9
Required budgetary adjustment related to ageing (%GDP)	N/A	N/A	N/A	N/A	N/A	N/A	PL, EE, HU, BG, SE	N/A
Public Investment (as % total public expenditure)	8.5	8.5	0.0	12	12	0	BG, RO, EE, CZ, PL	-7.9
Tax burden (as % GDP)	42.0	42.0	0.0	22	24	-2	LV, RO, IE, SK, LT	14.1

**Note:** Labour utilisation and productivity are a product of its sub-components.

\* Rank refers to EU15 \*\* EU 27, Norway and Switzerland

Source : European Commission, Eurostat

A methodological note can be found in the report or [here](#).

\*1 Norway central government is a net creditor, controlling the second largest sovereign wealth fund in the world as well as other assets. The sovereign wealth fund, called the Government Pension Fund Global, alone exceeds 100 percent of GDP. Public debt in Norway is mostly owed by local governments and municipalities around the country. While not in need of borrowing money, the central government still regularly issues Treasury bills and government bonds to improve market liquidity, to ease market pricing and offer pension funds a safe place to invest. Furthermore, the central government has issued some new bonds after the financial crises to increase liquidity in the banking system, much of this as part of an arrangement whereby banks can exchange safe, but today illiquid residential mortgage-backed bonds for highly liquid government securities. This has inflated both sides of the balance sheets by increasing both government debt and government-held assets, without affecting Norway's positive net asset position. Norway's credit ranking remains one of the highest in the world, together with such countries as Switzerland and Luxembourg.

\*2 The budget surplus has been reduced due to reduced tax income, a decrease in petroleum prices and an expansive fiscal policy. Temporary fiscal stimulus has been required during the current economic downturn, but the Government now need to get the growth in public consumption spending under control and once again stick to the Fiscal Rule.

## 2. PRIORITIES FOR REFORM: ANSWERS FROM NHO (NORWAY)

	1. Priority areas	2. Concrete Recommendations	3. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	<b>Orientation and sustainability of public finances</b>	The government should return to the Fiscal Rule as soon as possible, by decreasing the growth in public consumption spending	X	
Priority 2	<b>Making work-pay: interplay of tax and benefit system</b>	Increase zero rate income brackets for wage income to stimulate work incentives. Reduce the use of early retirement schemes. Take active steps to reduce sick leave and the growth in the number of recipients of disability pension.	X	
Priority 3	<b>Specific labour supply measures for older workers</b>	Reduce the use of early retirement schemes. Make it more beneficial for older workers to continue working, also in the public sector	X	
Priority 4	<b>Wage bargaining and wage-setting policies</b>	Wage growth should not exceed that of major trading partners		X
Priority 5	<b>R&amp;D and innovation</b>	Government should improve its R&D incentive scheme for companies and also allow companies to deduct costs to its own R&D when they arise, rather than over time.		X