

OECD EXPERTS MEETING ON BUSINESS SERVICES



TOWARDS A SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

OECD Headquarters
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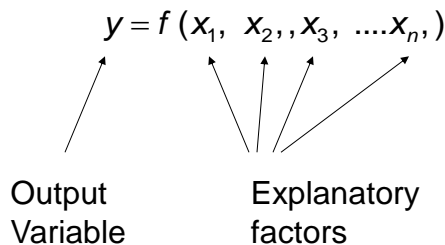


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Model based analysis



- Want: Findings based on evidence (*Quantitative*)
- Generic form of Model:



- all variables/factors are measurable on *quantitative scales*



What are Indices good for? 1

Typical variables of interest:

GDP [m€]

Productivity [Value Added (€) / Hours worked]

of Employees

Years of Schooling

Participation Rate = Active workforce
= (# empl. + # unempl.) / population)

etc.

BUT, what about Rules, Regulations => **Institutional Factors ... ?**

These are an integral part of socio-economic system, and vary a lot between countries



What are Indices good for? 2

Institutional Factors are ...

- many and varied
- complex, containing subfactors, conditionalities, exceptions, . . .

However, We may be able to separate out factors covering:

- 1) Fields = broad named areas, of interest
- 2) Identify (sub-) factors, conditions that are associated with more/less intensity of field in question
- 3) Group related fields together, based on relative „importance“ into a measure => Index !



Example: Liberal Professions

- Subset of Professional Services:
 - **Accountants&Auditors, Lawyers&Notaries, Architects&Engineers, Retail Pharmacists**
- Special Characteristic: Self-regulation by Prof. Bodies („Kammern“, etc.)
- BASIC IDEA OF SCALE:
 - highly restrictive → „middling“ → relatively open / liberal
- Two broad categories of regulation
 - 1) Market Entry 2) Market Conduct
- Note: IHS study doesn't focus on trade issues !
- Trade: „barriers behind the borders“

Example: Market Entry - Fields and Coding



	Category/Variables	Coding	Scale	Weighting1	Weighting2
ER	Entry regulation (general)	ERLC*0.40+ ERED*0.40+ ERQT*0.20	0 to 6		
ERLC	Licensing Number of exclusive and shared exclusive tasks	0 = 0 1 = 1.5 2 = 3 3 = 4.5 4 or more = 6	0 to 6		40%
ERED	Requirements in education/does only apply in cases of licensing; if no licensing: "0"	ERED1*0.30+ ERED2*0.40+ ERED3*0.20+ ERED4*0.10	0to6		40%
→ ERED1	Duration of special education/university or other higher degree	0 to ? 6 years	0 to 6	30%	
→ ERED2	Duration compulsory practising	0 to ? 6 years	0 to 6	40%	
→ ERED3	Number of professional exams	(0 to ? 3)*2	0 to 6	20%	
→ ERED4	Number of entry routes to profession (inv. scale)	(0 = 4 or more routes; 1=3 routes; 2=2 routes; 3=1 route)*2	0 to 6	10%	
ERQT	Quotas/economic needs test	0=no 6=yes	0 or 6		20%

Relevant for Pharamcists, Notaries... somewhere (Cf. Overall Index Values Slide)



Market Conduct Regulation(s)

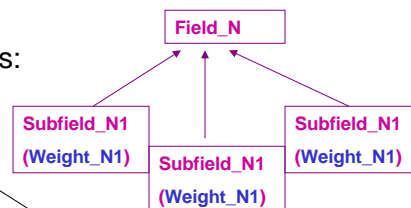
- regulation of prices and fees (fixed prices, minimum and/or maximum prices etc.),
- regulation of advertising and marketing,
- regulation of location and diversification (geographical restrictions on offering services, restrictions on establishing branch offices),
- restrictions on interprofessional co-operation,
- restrictions on forms of business (e.g. whether incorporation is allowed and under what preconditions),
- other regulations (regulations on continuing education, rules on specialisation or a certain kind of indemnity insurance etc.).



Tree Diagram : Coding, Weighting

Judgement: Subjective! 3 kinds:

- 1) Selection of relevant Fields
- 2) Assigning values on Scales (Coding)
- 3) Judging Importance of factors (Weighting)



ALSO:

- Sensitivity,
- Random weights
- ("optimal" weights)

Scale of 0-6 is used throughout; also for each subfield

Market Conduct



	Category/Variables	Coding	Scale	Weight-ing 1	Weight-ing 2
CR	Conduct Regulation (general)	MCPR*0.25+ MCAD*0.15+ MCLOC*0.15+ MCDIV*0.20+ MCIC*0.25	0 to 6		
MCPR	Regulations on prices and fees	0 = no regulations 1 = non binding reference prices on some services 2 = non binding reference prices on all services 3 = maximum prices on some services 4 = maximum prices on all services 5 = minimum prices on some services 6 = minimum prices on all services	0 to 6		25%
MCAD	Regulations on advertising	0 = no spec. regulations 2 = some forms forbidden (like comparative price advertising, direct mailing etc.) 4 = most forms are forbidden (advertising only in very narrow margins allowed) 6 = all forms of advertising are forbidden	0 to 6		15%
MCLOC	Regulations on location	0 = location not restricted 6 = location restricted	0 to 6		15%
MCDIV	Regulations on diversification	0 = no specific regulations 3 = diversification under specific preconditions allowed (branch office head is a professional, maximum number of branch offices etc.) 6 = diversification not allowed in any case	0 to 6		20%
MCIC	Regulations on form of business and interprofessional co-operation (general)	MCIC1*0.5+ MCIC2*0.5	0 to 6		25%
MCIC1	MCIC1 Regulations on form of business	0 = all forms (incl. incorporation allowed in any case) 2 = partnership allowed, incorporation only allowed in specific cases (regulations on ownership etc.) 5 = incorporation forbidden in any case 6 = partnership and incorporation forbidden in any case; only sole practitioners etc. allowed.	0 to 6	50%	
MCIC2	MCIC2 Regulations on interprofessional co-operation	0 = all forms allowed 3= with all professions but no incorporation; or only with comparable professions in all forms allowed etc. 4,5 = only with comparable professions and no incorporation 6=generally forbidden	0 to 6	50%	

Example of Coding judgement



MCPR	Regulations on prices and fees	0 = no regulations 1 = non binding reference prices on some services 2 = non binding reference prices on all services 3 = maximum prices on some services 4 = maximum prices on all services 5 = minimum prices on some services 6 = minimum prices on all services	0 to 6	25%
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▪ Non-binding reference prices may lead to some restriction on competition (Insiders know, but are consumers as informed?)

▪ Minimum prices is most restrictive regime
Competition on price is limited the most

▪ Maximum price setting is more restrictive than non-binding reference prices, but can also serve consumer protection interests (thus less restrictive than Minimum Price setting)

Scale
always used here

Weight
chosen by considered judgement

Accountancy Services Data: Scope of Activities



Country	Profession	XX = Exercise reserved; X= Activity exercised, but not reserved											
		Statutory audit	Non-statutory audit	Audit of mergers and contributions in kind	Public sector audit	Accounting and bookkeeping	Insolvency practice	Tax advice	Tax representation	Management consultancy	Investment advice	Legal advice and representation	Expert witness in accounting
Austria	Beideter Wirtschaftsprüfer	XX	X	XX	XX	XX	X	XX	XX	X	X	XX	X
	Beideter Steuerberater	X			XX	XX		XX	XX	X	X	XX	X
Belgium	Reviseur d'Entreprise	XX	XX	XX	XX	XX	X	X	X	X	X	XX	XX
Denmark	State Authorised Public Accountant	XX	X	X	X	X	X	X	X	X	X	X	X
	Registered Public Accountant	XX	X	X	X	X	X	X	X	X	X	X	X
Finland	KHT	XX	X	XX	X			X	X	X	X	X	X
	HTM	XX	X	XX	X			X	X	X	X	X	X
France	Expert Comptable (Chartered Accountant)	X		XX		XX		XX	XX	X	X	XX	X
Germany	Commissaire aux comptes (Statutory Auditor)	XX	X	XX	XX	X	X	XX	XX	X	X	XX	XX
	Vereidigter Buchprüfer (Sworn Auditor)	XX	X	XX	X	X	X	XX	XX	X	X	XX	XX
	Steuerberater (Tax Adviser)	X			X	X	X	XX	XX	X	X	XX	XX
Greece	Orkoton Elekton (Certified Public Accountant)	XX	X	XX	X	X	X	X	X	X	X	XX	XX (?)
	Dottore Commercialista (Certified Public Accountant)	XX	X	X	XX	X	X	X	XX	X	X	X	X
Italy	Regioniere Peritp Commerciale (Accountant)	XX	X	X	XX	X	X	X	XX	X	X	X	X
	Register Accountant (Public Accountant)	XX	X	XX	XX	X	X	X	X	X	X	X	X
Netherlands	Accountant Administrative Consultant (Public Accountant)	XX	X	XX	XX	X	X	X	X	X	X	X	X
	Administrateur (Bokkkeeper)					X		X	X	X	X	X	X
Portugal	Belasting-adviseur (Tax adviser)					X		X	X	X	X	X	X
	Statutory Auditor	XX	X	XX				X	X	X	X	X	X
Spain	Auditores da cuenatas (Accounting Auditor)	X	XX	X	X	X	X	X	X	X	X	X	X
Sweden	Auktorisered revisor (Authorised Public Accountant)	XX	X	XX	X			X	X	X	X	X	X
	Godkänd revisor (Approved Public Accountant)	XX	X	XX	X			X	X	X	X	X	X
United Kingdom	Revisor (Accountant)	X			X	X		X	X	X	X	X	X
	Chartered Accountant	X			X	X		X	X	X	X	X	X
Kingdom	Certified Accountant	X			X	X		X	X	X	X	X	X
	Registered Auditor	XX	X	XX	X	X		X	X	X	X	X	X
Luxembourg	Management Accountant	X					XX	X	X	X	X	X	X
	Insolvency Practitioner						XX	X	X	X	X	X	X
Ireland	Expert Comptable (Tax adviser)	X				XX		X	X(X)	X	XX	X?	X?
	Reviseur d'Enterprises	XX	X	XX	X?	XX	X	X	X(X)	X	XX	X?	X?
Ireland	Chartered Accountant	XX	X	XX	X	X	X	X	X	X	X	X	X
	Certified Accountant	XX	X	XX	X	X	X	X	X	X	X	X	X
	Tax Consultant/Taxation Practitioner					X		X	X	X	X	X	X

Accountancy Services Data: Education – Different Countries/Systems



Country	Profession	University degree (years)	Higher education (years)	Practice (years)	Professional exam	Number of "entrance roads" to profession
Austria	Beideter Wirtschaftsprüfer	U 4	5	3	Y (2)	2
	Beideter Steuerberater	U 4	3	3	Y (1)	2
Belgium	Reviseur d'Entreprise	U 4	3	3	Y (2)	n.a.
Denmark	State Authorised Public Accountant	U 5	3	3	Y (2)	1
	Registered Public Accountant	U 4	2	2	N	1
Finland	KHT Approved Auditor	U 4-5	3	3	Y (1)	2
	HTM Approved Auditor	U 3	3	3	Y (1)	2
France	Expert Comptable (Chartered Accountant)	U 7	3	3	Y (1)	1
	commissaire aux comptes (Statutory Auditor)	U 7	3	3	Y (1)	1
Germany	Wirtschaftsprüfer (Business Controller)	(U 4)	min. 3	3	Y (1)	3
	Vereidigter Buchprüfer (Sworn Auditor)	(U 4)	min. 5	3	Y (1)	2
	Steuerberater (Tax Adviser)	(U4)	min. 3	3	Y (1)	3
Greece	Orkoton Elekton (Certified Public Accountant)	U 4	8	3	Y (1) (?)	1
	Dottore Commercialista (Certified Public Accountant)	U4	3	3	Y (3)	1
Italy	Regioniere Peritp Commerciale (Accountant)	Umin3	3	3	Y (1)	1
	Register Accountant (Public Accountant)	U 4+3	3	3	Y (1)	1
Netherlands	Accountant Administrative Consultant (Public Accountant)	HE +6	2	2	Y (2)	2
	Administrateur (Bokkkeeper)	(U4)	0	0	N	2
Portugal	Belasting-adviseur (Tax adviser)	(U4)	0	0	N	2
	Statutory Auditor	U 5	3	3	Y (1)	1
Spain	Auditores da cuenatas (Accounting Auditor)	U 3	3 or 8 (no U)	3	Y (2)	2
	Auktorisered revisor (Authorised Public Accountant)	U 4	5	5	Y (1)	1
Sweden	Godkänd revisor (Approved Public Accountant)	U 3	3	3	Y (1)	1
	Revisor (Accountant)	U 3 - 4	0	0	N	1
United Kingdom	Chartered Accountant	(U 3 - 4)	3 or 4	3	Y (2)	3
	Certified Accountant	(U 3 - 4)	3	3	Y (1-3)	4
Luxembourg	Registered Auditor	Cha A/Ce A	CH A+2/Ce A+2	3	N (but Cha A/Ce A)	7
	Public Finance Accountant	Y	Y	3	Y	1
Ireland	Management Accountant	(U 3-4)	3	3	Y (1: 3 parts)	1
	Insolvency Practitioner	(U 3-4)	CH A+3/Ce A+3	3	Y (1 Special)	several
Luxembourg	Expert Comptable (Tax adviser)	U (3)	3	3	N	1
	Reviseur d'Enterprises	U (4), HE	3 or more (HE)	3	Y (2)	2
Ireland	Chartered Accountant	U (3-4), others	3,5 (with U)	3	Y (min 2) + 2 (RA)	4
	Certified Accountant	U (3-4), others	3	3	Y (1-3) + 2 (RA)	4
	Tax Consultant/Tax Practitioner	HE, several	0	0	Y (3 parts)	several

Accountancy Services Data: Conduct Regulations summarised



Studies

Country	Profession	Regulation of prices			Advertising forbidden?			Reg. on location	Reg. on generalisation	Incorp. licen.	Interprof. co-operation forbidden?			Comp. indem. insurance?	Comp. liab. cover?
		min. price	Max. price	reference price	all	most	some				any	except geogr.	with spec. lic. post.		
Austria	Beideater Wirtschaftsprüfer	N	N	Y	N	N?	Y	N	(N)	N	N	N	Y	Y	Y
	Beideater Steuerberater	N	N	Y	N	N?	Y	N	(N)	N	N	N	Y	Y	Y
Belgium	Chartered Accountant, reviseur d'entreprises	N	N	N	N?	Y?	Y?	N?	N?	N?	N	Y?	Y	Y?	Y
Denmark	State Authorised Public Accountant	N	N	(N)	N	N	N	N	(Y)	N	N	N	N	N	N
	Registered Public Accountant	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Finland	MHT	N	N	N	N	N	Y?	N?	N?	N	N	(N)	N	(N)	Y
	HTM	N	N	N	N	N	Y?	N?	N?	N	N	(N)	N	(N)	Y
France	Expert Comptable (Chartered Accountant)	N	N	(N)	N	Y?	Y	N?	(N)?	(N)	N	(N)	(N)	(N)	Y
	Commissaire aux comptes (Statutory Auditor)	N	N	(Y)	N	Y?	Y	N?	(N)?	(N)	N	(N)	(N)	(N)	Y
Germany	Wirtschaftsprüfer (Business Controller)	(N)	(N)	(N)	N	Y	Y	N	(N)	N	N	(N)	N	N	Y
	Vereidigter Buchprüfer (Sworn Auditor)	(N)	(N)	(N)	N	Y	Y	N	(N)	N	N	(N)	N	N	Y
	Steuerberater (Tax Adviser)	Y	Y	N	N	N	N	N	(Y)	N	N	N	N	N	Y
Greece	Orkoton Elekton (Certified Public Accountant)	(Y)	N	N	N	N	N	N	N	N	N	N	N	N	Y
Italy	Dottori Commercialisti (Certified Public Accountant)	N	N	Y	N	N	Y	N	N	Y	N	Y	Y	Y	Y
	Registrierte Perito Commerciali (Accountant)	N	N	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y
Netherlands	Register Accountant (Public Accountant)	N	N	(Y)	N	N	N	(Y)	N	N	N	(N)	N	Y	N
	Accountant Administratieve Consultant (Public Accountant)	N	N	(Y)	N	N	(Y)	N	N	N	N	(N)	N	Y	N
	Administrateur (Boekhouder)	N	N	(Y)	N	N	N	N	N	N	N	N	N	N	n.a.
	Beleidsadviseur (Tax adviser)	N	N	(Y)	N	N	N	N	N	N	N	N	N	Y	n.a.
Portugal	Statutory Auditor; Revisor Oficial de Contas	(Y)	(Y)	(N)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	Audidores de cuentas (Accounting Auditor)	N	N	Y	N	Y	Y	N	N	N	N	N?	(N)?	(N)?	Y
Sweden	Autoriserad revisor (Authorised Public Accountant)	N	N	N	N	N	N?	N	N	N	N	(N)	N	(N)	Y
	Godkänd revisor (Approved Public Accountant)	N	N	N	N	N	N?	N	N	N	N	(N)	N	(N)	Y
United Kingdom	Chartered Accountant	N	N	(Y)	N	N	(Y)	N	N	N	N	N	N	N	Y
	Certified Accountant	N	N	(Y)	N	N	(Y)	N	N	N	N	N	N	N	Y
	Registered Auditor	N	N	Y	N	N	(Y)	N	N	N	N	N	N	N	Y
	Management Accountant	N	N	N	N	N	(Y)	N	N	N	N	N	N	N	Y
	Insolvency Practitioner	N	N	N	N	N	(Y)	N	N	N	N	N	N	(Y)	Y
Luxembourg	Expert Comptable (Tax adviser)	N	N	N	N	Y?	Y?	N	N	N	N	N	N	(Y)	n.a.
	Revisueur d'Enterprises	N	N	N	N	Y?	Y?	N	N	N	N	N	N	N	n.a.
Ireland	Chartered Accountant/Certified Accountant/RA	N	N	N	N	N	(Y)	N	N	N	N	N	N	N	Y
	Tax Consultant / Taxation Practitioner	N	N	N	N	N	N?	N	N	N	N	N	N	N?	N?

Composition of Regulation Indices - Accountants



Studies

Accountants	Market entry								Market conduct								Total
	ER	ERLC	ERED	ERED 1	ERED 2	ERED 3	ERED 4	ERQT	MCR	MCPR	MCAD	MCLOC	MCDIV	MCIC	MCIC 1	MCIC 2	
Austria	4.2	6.0	4.4	4.0	5.0	4.0	4.0	0.0	2.0	2.0	2.0	0.0	3.0	2.5	2.0	3.0	6.2
Belgium	3.9	6.0	3.8	4.0	3.0	4.0	6.0	0.0	2.4	0.0	4.0	0.0	3.0	4.8	5.0	4.5	6.3
Denmark	2.2	1.5	4.1	5.0	3.0	4.0	6.0	0.0	0.6	0.0	0.0	0.0	3.0	0.0	0.0	0.0	2.8
Finland	2.6	3.0	3.6	4.0	3.0	4.0	4.0	0.0	0.9	0.0	2.0	0.0	0.0	2.5	2.0	3.0	3.5
France	4.0	6.0	4.0	6.0	3.0	2.0	6.0	0.0	1.8	0.0	4.0	0.0	3.0	2.5	2.0	3.0	5.8
Germany	3.6	6.0	3.0	4.0	3.0	2.0	2.0	0.0	2.5	5.0	4.0	0.0	0.0	2.5	2.0	3.0	6.1
Greece	3.6	4.5	4.6	4.0	6.0	2.0	6.0	0.0	1.5	5.0	0.0	0.0	0.0	1.0	2.0	0.0	5.1
Ireland	2.7	3.0	3.7	3.0	5.0	4.0	0.0	0.0	0.3	0.0	2.0	0.0	0.0	0.0	0.0	0.0	3.0
Italy	3.2	4.5	3.4	4.0	3.0	2.0	6.0	0.0	1.9	2.0	2.0	0.0	0.0	4.5	6.0	3.0	5.1
Luxembourg	3.8	6.0	3.6	4.0	3.0	4.0	4.0	0.0	1.2	0.0	4.0	0.0	0.0	2.5	2.0	3.0	5.0
Netherlands	3.1	4.5	3.2	4.0	3.0	2.0	4.0	0.0	1.4	2.0	2.0	0.0	0.0	2.5	2.0	3.0	4.5
Portugal	2.7	3.0	3.7	5.0	3.0	2.0	6.0	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	1.9	1.5	3.3	3.0	3.0	4.0	4.0	0.0	1.5	1.0	4.0	0.0	0.0	2.5	2.0	3.0	3.4
Sweden	2.4	2.0	4.0	4.0	5.0	1.0	6.0	0.0	0.9	0.0	2.0	0.0	0.0	2.5	2.0	3.0	3.3
United Kingdom	2.7	3.0	3.7	3.0	5.0	4.0	0.0	0.0	0.3	0.0	2.0	0.0	0.0	0.0	0.0	0.0	3.0

Source: IHS questionnaires 2002 and other sources

- ER: Entry regulation
- ERLC: Entry regulation - Licensing
- ERED: Entry regulation - Requirements in education
- ERED 1: Entry regulation - Duration of special education; University or other higher degree
- ERED 2: Entry regulation - Duration of compulsory practise
- ERED 3: Entry regulation - Number of professional exams
- ERED 4: Entry regulation - Number of entry routes to profession
- ERQT: Entry regulation - Quotas/Economic needs test

MCR: Market conduct regulation

- MCPR: Market conduct regulation - Regulation on prices and fees
- MCAD: Market conduct regulation - Regulation on advertising
- MCLOC: Market conduct regulation - Regulations on location
- MCDIV: Market conduct regulation - Regulations on diversification
- MCIC: Market conduct regulation - Regulations on form of business and inter-professional co-operation
- MCIC 1: Market conduct regulation - Regulations on form of business
- MCIC 2: Market conduct regulation - Regulations on inter-professional co-operation

Accountants (Auditors): IHS regulation indices



Scale [0-6] + Scale [0-6] = Scale [0-12]

Most regulated

	Market Entry	Conduct	Total	Rank
Belgium	3.9	2.4	6.3	1
Austria	4.2	2.0	6.2	2
Germany	3.6	2.5	6.1	3
France	4.0	1.8	5.8	4
Greece	3.6	1.5	5.1	5
Italy	3.2	1.9	5.1	5
Luxembourg	3.8	1.2	5.0	6
Netherlands	3.1	1.4	4.5	7
Finland	2.6	0.9	3.5	8
Spain	1.9	1.5	3.4	9
Sweden	2.4	0.9	3.3	10
Ireland	2.7	0.3	3.0	11
UK	2.7	0.3	3.0	11
Denmark	2.2	0.6	2.8	12
Portugal	2.7	n.a.	n.a.	n.a.

Least Regulated

Trade-off Considerations

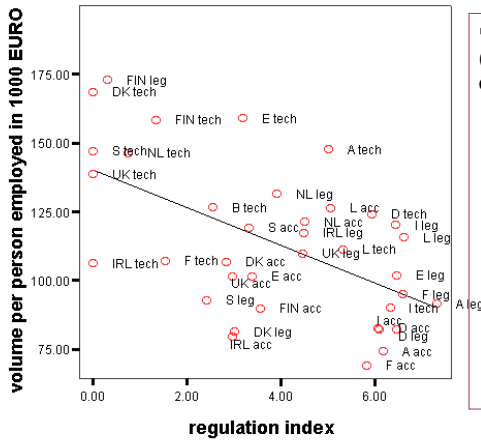


- An index encapsulates essential information, BUT..
- some information is lost => REDUCTIVE
- Benefit: makes systems COMPARABLE
- Trade-off between:
 - manageability and accuracy
- **Aim:** Index captures maximum possible valid content on a quantitative scale to enable cross-comparison between countries/systems

What are Indices good for? 3

IHS Liberal Professions Study

Productivity vs. Regulation index (legal+accountancy+technical)



- Higher Volume per employed person ('Productivity') associated with lower degrees of regulation (index)
 - Conjecture: decrease in regulation in a highly regulated profession can lead to increase in branch volume of business -i.e. *cet. paribus* - to a rise in productivity
 - Example: Spain after 1997
- BROAD INDICATION..... (Excessive)
Regulation stifles Development