

Brosio, Giorgio

**Working Paper**

## The regulation of professions in Italy

Nota di Lavoro, No. 36.1997

**Provided in Cooperation with:**

Fondazione Eni Enrico Mattei (FEEM)

*Suggested Citation:* Brosio, Giorgio (1997) : The regulation of professions in Italy, Nota di Lavoro, No. 36.1997, Fondazione Eni Enrico Mattei (FEEM), Milano

This Version is available at:

<https://hdl.handle.net/10419/154800>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

## **The regulation of professions in Italy.**

Giorgio Brosio\*

\*Dipartimento di Economia

Via Po 53, Torino

Conference on *Pressure Groups, Self-Regulation and Collective Decision-Making*,

Milano, Fondazione Eni, Enrico Mattei, January 10, 1997

## 1. Introduction.

This paper deals with the regulation of professions in Italy. Professions have entered a period of considerable turbulence. The number of licensed professionals is quite high and is rapidly increasing. The number of publicly regulated professions is rather large, and the intensity of their regulation is also one of the highest in the world. “New professions” are emerging, which ask for public regulation, or more regulation, if they already have some. In other words, professions in Italy are extremely popular among present, and even more so potential members.

On the other hand, some of the current practices of the professions are increasingly questioned by customers and their associations. Two years ago the Italian Antitrust Commission started a review of professional practices and regulations. Professional councils have reacted rather angrily, denying the Antitrust Commission the right to intervene, since “professions cannot be judged with the petty logic of the market”. The Italian Parliament and the executive seem to be torn between the two opposite forces of clients (especially business firms), on the one hand, who ask for less regulation, and of professionals, present and potential, on the other.

Most countries have already faced, or are still facing, this kind of situation and have reacted by initiating a deregulation movement and by taking some steps towards the liberalisation of professional markets. Most of the present Italian regulations are clearly outdated and it is easy to ascribe many of features of the present regulatory system and professional practice to the advantage of the professionals. At the same time, one has to recognize that some of rules may also yield benefits for clients, that some of these regulations dissipate part of the rents that professionals could extract from them and that pure scrapping of regulations could not solve in itself some of the problems connected with the demand for professional services.

## **2. Defining the professions and their regulation.**

Professions are occupations that are publicly regulated or self-regulated.

The extent of this regulation varies from profession to profession and from country to country. An occupation may be considered as a set of tasks done by a homogeneous class of workers. The number of occupations in any country depends on the degree of diversity of the output of the country and on the degree of specialization in work. Many occupations may be entered freely. In this case, one has only to acquire the skills necessary to perform the tasks of the occupation and to offer his/her own services in the market. Most free entry occupations are performed by dependent workers. In other words, the exchange of the product of these occupations with the final consumer is mediated by a third party that takes at least a share of the responsibility for the product.

There are at least three forms of regulation for non-free-entry occupations. In the strongest form of regulation - usually called licensing - the law defines the tasks and the functions of the occupation. It also prescribes that these tasks and functions may not be legally performed except by those to whom the state has conferred a licence, and defines the procedures for the acquisition of the licence. These procedures consist of the passing of an examination for those who have the proper qualifications to be admitted to the examination (usually a school diploma or university degree, and some years of previous work as a trainee in the profession). In many cases the law grants a self-regulatory power to these professions.

In a second, weaker form - usually called certification - the law permits any person to offer his/her services in the occupation, but prescribes that only those who have qualified by examination may use the title of the occupation when the services are offered to the public. Alpine guides or ski instructors may be examples of this category<sup>1</sup>. In a third, even weaker form the law permits any person to offer services and to perform the relevant tasks, but the state administers an examination periodically and certifies those

who have passed. This may be the case of car repairers. The difference between the second and the third form of regulation is that, in the latter, professionals are free to choose their level of human capital and thus, presumably, the quality level of their services.

### 3. Professions in the social sciences.

Professions enjoy a mixed, and possibly decreasing reputation in the social sciences. Their social function is frequently questioned and considered to be much less important and commendable than the one professionals expect. At the same time a replacement is hard to find, and scholars find it difficult to deny all merits to existing institutions.

Let us start with philosophers: according to Walzer (1983, pp. 155-56): *The main purpose of professional organization is to make a particular body of knowledge the exclusive possession of a particular body of men (more recently, of women too) This is an effort undertaken by the office holders on their behalf. Their motives are, in part, material; they aim to limit their numbers so that they can command high fees and salaries. But there is more than money at stake when groups of office holders lay claim to professional status. Status itself is at stake...* At the same time, however, Walzer feels he has to recognize that professional organization : *is....much more than that; it is an ethical code, a social bond, a pattern of mutual regulation and self-discipline.*

Sociology has - or, at least, had - more sympathetic feelings towards the professions. In the good old days of functionalism Tawney claimed (1948, pp.94-95) that: *(Professionals) may, as in the case of the successful doctor, grow rich; but the meaning of their profession, both for themselves and for the public, is not that they make money, but that they make health, or safety, or knowledge, or good government, or good law, ....(Professions uphold) as the criterion of success the end for which the profession, whatever it may be, is carried on, and (subordinate) the inclination, appetites, and*

---

<sup>1</sup> In Italy Alpine guides enjoy the first form of regulation: that is, they are subject to licensing.

*ambitions of individuals to the rules of an organization which has as its object to promote the performance of function.*

Many contemporary sociologists are less prepared to take the altruistic ideologies of professions at face value, preferring to argue that professionals are privileged groups that clearly do not subordinate their interests to the common good (see Sacks, 1995, especially Chapter 1, for a review of these positions).

The strongest critique of the professions comes traditionally - within the social sciences - from economists. They have tended to see the professions as organizations collectively rigging the market in their favour and at the expense of the wider public. But many economists recognize at the same time that the observation of rents does not provide enough evidence to rule out the hypothesis that some of the present regulations may also provide benefits to consumers.

#### **4. The process of professionalization.**

Most of these mixed feelings about professions derive from the process with which most of the present-day regulated professions have been created: that is, from the process of professionalization. This process shows deep similarities across countries and epochs and is the combination of different stages, the number of which can differ from profession to profession. One may interpret this process in different ways. An unsympathetic view could see the process simply as a shift from occupations to offices to professional fiefs. Let us follow it.

The first stage of this process is the creation of a body of (relatively abstract) knowledge susceptible of practical application ("professional knowledge"). The creation of professional knowledge is usually the work of a group of *ante-litteram* professionals. However able this group may be in championing the dissemination of this paradigm and however persuasive it may be in carrying through this task, the simple existence of new

professional knowledge does not guarantee the birth of a profession. A market at least has to be created.

We thus come to the second stage - the creation of a market - that is a highly complex one and may vary from case to case, through different steps. A first is the standardization of the knowledge. Professions produce mostly intangible goods, which are inextricably linked to the person and the personality of the producers. It follows that the producers themselves have to be produced (Larson, 1997, pag. 14). In other words, the professionals have to be adequately trained to provide recognizably distinct services. Since education and vocational training are everywhere a public or publicly regulated activity, this is the stage when the simple occupation is transformed into a profession in the sense that training for it becomes regulated, albeit at a minimum level. During this same stage, the standardization of professional products is accompanied by measures designed to eliminate the competition with more or less standardized products. In other words, consumer loyalty is enhanced by monopoly practices. To introduce these practices professionals and their representatives are bound to solicit state protection against other competitors.

The stage that follows is the transformation of a profession into an office; that is, into a position in which the political community takes an interest, intervening in the process by choosing the person who holds it, or by regulating the procedures for the appointment. This stage derives almost inevitably from the second one. Once the protection against competitors has been offered by the state, public determination of licensing procedures and standards for professional practice is deemed to be the compensation that the political community has to receive from the concession of monopoly rents to professions. Clearly, professionals or, still better, professional associations, are the main actors of this professionalization process. They are also seconded by those social and economic groups, such as teachers and professors, that thrive on the development of the professions, and also by some categories of public servants.

The last stage - which in most countries concerns only a small number of professions - is the transformation of a professional office into a professional fief. This stage usually starts with the devolution of state controls on standards and licensing procedures to the very same professions. That is, it starts with self-regulation, but ends up with strong barriers to entry into the profession and even, in some cases, into intra-family transmission of professional positions (as, in Italy, notaries' offices and pharmacies).

As argued before, this process of professionalization may also be viewed - at least in the case of some professions - in a different, less negative way. As Arrow pointed out in the case of the regulation of the medical profession: *No doubt, restriction on entry is desirable from the point of view of the existing physicians, but the public pressure needed to achieve the restriction must come from deeper sources.* (Arrow, 1963 p.967). In other words, while regulation is mainly driven by the professions themselves, who claim at the same time that the public interest and their clients' interest come before everything else, there is something more in the same process. Professions are not only barriers to entry, monopoly rents, and exploitation of informational asymmetries. They are also a system that claims to use professional ethical codes and self-regulation to solve problems created by market failures.

Let us consider one of the two typical cases of market failure in the professional services: the information problem. What is at issue here - take, as Arrow does, the case of medical services - is the fact that consumers frequently do not have the ability to judge the value for them of the services offered by the (professionals') market. To solve his client's problem, the professional has to apply his specialized knowledge : a) to identify the precise nature of the problem; b) to determine the best way of dealing with it; and, c) to provide the specialized services required for its solution. Problems a) and b) require an adequate level of professional knowledge on the part of the physician, which customers may be incapable of checking. Hence the need for some form of certification, or of licensing.



Solving problem c) may be more difficult and may thus require a more intense regulation. Thus, most of the problems within the professional/ client relationship derive from the pecuniary interest the professional has to advise his client to buy his/her own services. Due to his lack of information, the client has to trust the professional that his (the client's) interests will be given priority, even when the pecuniary interest of the professional is at stake. At which points the need of a third party able to impose self-restraint on professionals intervenes. It may be the state itself, but regulating the quality of professional services may require the hiring of experts to assist in the task. The self-discipline solution, that is the delegation of regulatory powers to the professions themselves, is clearly favoured by the professionals themselves, but it is facilitated by the gravity of information problems; that is, by the high costs of error and of collecting information<sup>2</sup>.

## **5. The Italian system of regulation.**

Italy has a typical, traditional system of regulation for professionals which, in some cases, dates from the last century. This system varies somewhat between different professions, but its main features are basically the same. It is constitutionally guaranteed<sup>3</sup>, and it is based on certification. It envisages that only individuals licensed after attaining prescribed educational and training standards are legally permitted to offer the relevant services. More precisely, the system is based on the following building blocks : a) the definition of the tasks totally, or partially, reserved to each professional group; b) the imposition of minimum educational standards; c) the specification of the conditions of access to the profession: a public examination and (in some cases) a period of training; d) the recognition by the state of the representative, self-governing bodies of the various professions (the "Orders") and the delegation to them of a wide range of responsibilities, such as the elaboration of ethical codes and the sanctioning of their members.

---

<sup>2</sup> Miller (1985), who advocates self-regulation, maintains that self-regulation takes advantage of the fact that professionals have better knowledge of the facts of their profession and, secondly, that self-regulation is a flexible system and, thirdly, that it is a cheaper system than public regulation.

<sup>3</sup> Article 33 of the Constitution prescribes licensure, through a publicly organized examination, for the exercising of professional activities.

Table 1 .

**Italy. Membership of Professional Orders, 1986-1995.**

	1986		1993		1995		1996		Δ1996/ 1995
	N	%	N.	%	N.	%	N.	%	
Stockbrokers	219	0.02	156	0.01	142	0.01	142	0.01	-32,4
Agronomists	8.500	0.9	13.047	0.99	13.641	0.99	14.133	0.99	66.2
Agricultural technicians	10.000	1.1	15.915	1,21	15.967	1,16	15.967	1.12	59.6
Architects	41.000	4.6	64.541	4,91	68.461	4,99	70.763	4.96	72.6
Actuaries	455	0.05	552	0,04	629	0,05	629	0.04	38.2
Lawyers	48.300	5.4	67.690	5,15	70.413	5,13	70.413	4.94	45.8
Biologists	25.200	2.8	38.451	2,93	39.963	2,91	40.775	2.86	61.8
Chemists	9.800	1.1	8.946	0,68	8.946	0,65	9.074	0.64	-7.5
Labour consultants	15.600	1.7	16.631	1,27	16.631	1,21	17.153	1.20	9.9
Pharmacists	51.000	5.6	55.746	4,25	55.746	4,06	57.207	4.01	12.2
Geologists	5.400	0.6	9.102	0,69	10.105	0,74	10.811	0.76	101.5
Land surveyors	79.600	8.8	82.037	6,25	83.548	6,09	85.548	5.86	7.4
Journalists	34.700	3.8	56.529	4,30	58.662	4,28	72.214	5.07	108.1
Nurses	128.000	14.2	244.299	18,60	268.796	19,6	290.049	20.35	126.6
Engineers	84.600	9.4	109.039	8,30	115.662	8,43	121.625	9.53	43.7
Medical doctors	248.800	27.7	304.631	23,20	308.440	22,49	312.170	21.90	25.5
Notaries	4.900	0.5	4.479	0,34	4.490	0,33	4.870	0.34	-0.6
Odontologists	n.a.		32.922	2,51	33.843	2,47	33.843	2.37	
Midwives	16.500	1.8	15.846	1,21	15.846	1,16	15.483	1.09	-6.2
Agrarian experts	10.000	1.1	24.106	1,84	24.134	1,76	24.125	1.69	141.2
Industrial experts	25.000	2.8	46.985	3,58	47.430	3,46	47.644	3.34	90.5
Psychologists							21.000		
Accountants	17.000	1.9	31.396	2,39	34.093	2,49	36.054	2.53	112.1
Customs experts	n.a		2.600	0,20	2.600	0,19	2.360	0.17	
Radiologists	14.000	1.5	18.827	1,43	19.261	1,40	20.054	1.41	43.1
Veterinaries	12.600	1.4	17.015	1,30	17.074	1,24	17.345	1.22	37.6
<b>Total</b>	<b>899.174</b>	<b>100.0</b>	<b>1.313.183</b>	<b>100,0</b>	<b>1.371.643</b>	<b>100,0</b>	<b>1.425.471</b>	<b>100.0</b>	<b>58.5</b>

Sources: Il Sole/24 ORE ,various issues and Tousjin (1987)

Professional fees are proposed by these bodies and introduced by law. In addition, as in the traditional model of regulation, advertising by professionals is strictly forbidden, and ownership is restricted in the sense that only professionals can share the profits of a professional activity.

The present regulation seems to be quite attractive to present and potential professionals, since a group of more than 50 “new” professions is exerting pressure on parliament to obtain the same status.(Some basic data about them are presented in table 2). Most of these professions presently enjoy a system of certification: the law permits any person to offer his/or her services in the occupation, but prescribes that only those who have satisfied particular educational and training requirements may legally qualify as “proper” professionals, when they offer their services to the public. For example,

anybody may guide a group of people to the top of Mont Blanc, but only a certified “Alpine guide” may qualify himself as such.

Table 2

**Associations of Professionals Enjoying a Limited Degree of Public Recognition.**

Main area of activity	Membership		Share of members who are also members of other officially recognized professions
Health care professions	57.568		67
Business consultancy	21.946		43
Technical professions	8.578		39
Total	98.092		56

Source: CNEL, *Le associazioni delle professioni non riconosciute*. Roma, 1994.

This system applies, with minor modifications, to every officially recognized profession. There are presently almost thirty of them, as listed in table 1, which shows the evolution of their membership from 1986 to 1996. For most of the officially recognized professions listed in the table, the link between the traditional arguments in defence of the regulation of professions - namely information asymmetry and externalities - seems to be rather tenuous. In other words, over the years new professions have been able to obtain from the state a system of recognition and regulation, that goes beyond economic rationale.

The rate of increase of professionals during the last decade - 58 per cent from 1986 to 1996 - is another indication of the attractiveness for professionals of the present system of regulation. During the same period total employment practically stagnated. To be more precise, the numbers here refer to licensed professionals. A large share of them are dependent workers - such as physicians working in the National Health System, or lawyers employed by banks and insurance companies. Another possibly large, but not easily quantifiable share consists of unemployed people. Thus, for many young university graduates being a member of a profession is something that improves their C.V. and hence their employment prospects. The number of licensed professionals gives only an

approximate idea of the economic importance of this sector, partly because some of these members are not active professionals. partly because it should be supplemented by information about the persons, such as para-professionals and/or clerical workers, employed by professional services firms. In our case, this number is rather small, since most of Italian professional service firms are extremely small partnerships; and most Italian professionals still preferring to work on their own.

The existence of a perceived link between professional license, on the one hand and employment prospects, however nebulous they may be, on the other, is demonstrated by the regional distribution of professionals shown in table 3. The incidence of professionals on the total population is almost the same in every geographic area, whereas the demand for professional services is clearly related to the income generated in these areas. Roughly speaking, in backward regions professions seems to play a role quite similar to that of public sector employment. That is, they tend to be over-represented with respect to the demand for their services.

Table 3  
**Incidence of Professionals by main geographical Areas. 1992.**

	Number of Professionals	Share of Professionals	Share of GDP	Share of Population
North-West	310.508	24.6	32.9	26.4
North-East	243.549	19.3	21.5	18.3
Central Italy	263.285	20.9	20.4	19.1
Southern Italy	442.994	35.1	25.2	36.1
<b>Italy</b>	<b>1.260.336</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Istat and Il Sole/24Ore

As mentioned in the previous paragraphs, one of the main tenets of the economic analysis of the professions is that the final effect of regulation is to improve the economic conditions of their members. This is quite difficult to verify, as many analyses of other countries have shown<sup>4</sup>. In fact, one has to separate the income attributable to professionals' human capital from that resulting from the extraction of rents.

<sup>4</sup> See Van den Bergh (1997) and the literature he quotes.

Table 4 reports the self-assessed income of a number of professions in 1992. I have to remind the reader that professionals have - just as other self-employed income earners do - more opportunities of evading income tax (and VAT too), especially when their customers are private individuals. In other words, self-assessed income in general underestimates taxpayers' real economic conditions. Moreover, potential and actual tax-evasion is highly variable both between and within professions. The data reported in table 4 show a wide dispersion of incomes. Only notaries - the most disciplined and regulated profession (where, moreover, tax-evasion is rather difficult) - have a self-assessed income well above the others. One has to remark also that income seems to be highly correlated with schooling. Professions which require a university degree, such as business consultants, physicians and engineers have a much higher average income, than professions requiring only a high school certificate.

Traditional and rather crowded professions, such as lawyers and architects, are situated in-between. Here the difficulty of controlling access exerts a depressing impact on incomes. In general, however, even after taking into account tax-evasion, these data on incomes seem to be rather incompatible with a view of professions as large rent creating mechanisms.

This seems to be due, to a large extent, to imperfect control on entrance. Clearly, a large percentage increase in the membership of professions over a short period means that entrance filtering is rather weak. The main explanation of this phenomenon seems to be the local - that is, regional/provincial - character of professional councils, which play a basic role in the administration of entrance examinations<sup>5</sup>. As in any other unitary state, professionals who obtain licensure in a province, or a region, may thereafter operate everywhere. Due to the decentralized system of examinations, every local professional council feels that the impact at the national level - that is, over the whole profession - of its decisions will be minimal. In other words, every local council is confronted with the typical collective action problem. At the local level, severity may be rather low, because selection committees have to accommodate friends, colleagues and family relationships. At

the national level this may end up with an excessive number of new admissions. Another explanation, advanced by Bortolotti and Fiorentini (1997), is that severity is lower in those areas where income prospects for new professionals is lower. In fact, they found a strong correlation between the income of professionals and approval rates at entrance examination.

Table 4

**Italy. Self-Assessed Income of Professional Groups. 1992.**

	Number of taxpayers	Total Income (000 lire)	Professional Income (000 lire)	Professional Income as % of Total Income
Lawyers	50.001	71.223	52.093	73.1
Notaries	4.240	304.301	288.386	78.5
Business Consult.	16.503	108.435	72.767	67.1
Accountants	19.707	66.709	50.672	76.0
Labour consult.	9.163	73.157	56.972	77.9
Agronomists	1.203	40.178	28.465	70.8
Agricultural experts	1.228	28.706	22.448	78.2
Architects	29.585	50.840	38.323	75.4
Engineers	24.414	89.693	64.099	71.5
Land surveyors	41.608	35.750	28.708	80.3
Industrial experts	5.777	53.638	41.013	76.5
Medical doctors	46.605	77.966	69.907	89.7
Surgeons	5.653	84.999	65.784	77.4
Odontologists	25.901	62.424	47.125	75.5
Ostetricians	180	46.622	36.339	77.9
Nurses	1.530	36.507	22.683	62.1
Physiotherapists	3.171	28.503	20.039	70.3
Veterinaries	4.864	23.911	18.902	79.1
Psychologists	2.008	28.043	23.093	82.3

Source: see table 1.

This is confirmed by the results of entrance examinations (see Table 5). In general, the share of successful candidates is extremely high. For example, it is 100 per cent for odontiatrists, it is over 90 per cent of medical doctors, over 80 per cent for chemists and approximately 50 per cent in the case of lawyers.

<sup>5</sup> Thus, professional councils appoint most of the members of the examination committees.

Table 5

**Results of entrance examinations for a group of professions. 1994,1995.**

	% of successful candidates	
	1994	1995
Chemists	87.8	90.6
Geologists	52.0	51.8
Biologists	91.5	89.2
Pharmacists	87.5	94.0
Medical Doctors	97.2	97.8
Odontoiatrists	100.0	100.0
Engineers	91.1	89.4
Architects	38.7	36.3
Agronomists	68.0	62.7
Veterinaries	96.6	98.1
Business Consultants	18.1	19.1
Psychologists	74.4	77.5
Actuarians	71.8	70.3
Lawyers	46.9	46.9

Source: Il Sole/24 Ore 4/3/97

Only a few, tightly organized professions, like business consultants, are able to control entrance. Here, the share of successful candidates is very low (less than 20 per cent), but even here it varies substantially between different geographical areas (see table 5). In general, the share is higher in the North and lower in the Centre and the South (see Fiorentini, 1995, for a discussion of this issue).

The control of entrance is, however, one of the main problems for most professions. Since their control power on entrance examinations is presently rather low, they are asking to increase the length of professional apprenticeship in a professional firm, required upon admission to entrance examinations. For many of the traditional professions the actual minimum length is two years. Business consultants recently managed to increase this number to three, and lawyers are pressing parliament to do the same for them. While professions stress the increase in human capital and thus in the quality of their services deriving from longer professional apprenticeship, experts and consumers' associations prefer to point out that its main effects will be

Table 6  
**Results of entrance examinations for lawyers. 1994, 1995**

	<b>1995</b>		<b>1994</b>	
	N. of Applications	N. of Successful Candidates	%	%
	A	B	A/B	A/B
Ancona	407	139	34.2	62.8
Bari	1175	886	75.4	61.9
Bologna	1346	454	33.7	36.6
Brescia	519	125	24.1	28.1
Cagliari	605	262	43.3	14.1
Caltanissetta	137	65	47.4	78.1
Catania	704	283	40.2	54.3
Catanzaro	1673	1581	94.5	80.7
Florence	1009	500	49.6	43.4
Genoa	627	201	32.1	36
L'Aquila	749	161	21.5	47.8
Lecce	1084	493	45.5	38.6
Messina	315	175	55.6	62
Milan	1621	593	36.6	48.9
Palermo	702	215	30.6	59.5
Perugia	326	82	25.2	23.9
Potenza	305	200	65.6	68.9
Reggio C.	389	345	88.7	94.3
Rome	2669	1110	41.6	30.6
Salerno	644	362	56.2	42.3
Turin	892	236	26.5	24.1
Trento	165	59	35.8	34.7
Trieste	314	203	64.6	23.9
Venice	1004	360	35.9	30.3
<b>Italy</b>	<b>19381</b>	<b>9090</b>	<b>46.9</b>	<b>46.9</b>

Source: Il Sole/24 Ore 21/1/97

an increase in captive, cheap labour available to present professional firms, on the one hand, and a restriction on the supply of services, on the other, and this will increase professionals' rent.

The current regulation system prohibits the competent performance of tasks by those who are not licensed for the task, but does not provide effective sanctions against licensed, but incompetent performance of those tasks. Given the system of self-regulation, sanctioning is devolved to professional orders. Even if evidence on this issue is rather scanty, available information shows that this self-enforcing, sanctioning activity is extremely low.



Table 7

**Results of entrance examinations for business consultants. 1994, 1995.**

	2nd session 1994		1st session 1995	
	N.of Applications	% Share of Successful Candidates	N.of Applications	% Share of Successful Candidates
Bologna	796	11,3	360	10,5
Cagliari	258	10,4	28	7,5
Catania	544	35,1	520	18,6
Cosenza	881	16,4	573	16,4
Milan-Bocconi	549	22,0	280	12,5
Milan-Cattolica	449	5,7	311	13,8
Turin	462	14,7	282	17,3
Venice	341	13,4	248	18,5
Verona	223	29,5	198	1,5

Source: see table 1.

Table 8 shows some data referring to the legal profession. Out of a total membership of more than 70,000 persons, cases brought before the “Order” are a few dozen a year. Sanctions are fewer than 20 on average. There are two possible explanations. The first is that lawyers do in fact have a fairly high standard of ethical professional conduct. The second is that the Order’s jurisdiction is rather lenient towards its members.

Table 8

**Self -Disciplinary Activity of the National Order of Lawyers.**

	1991	1992	1993	1994
admonitions	8	6	6	10
censures	13	5	2	7
suspensions	3	3	9	4
evictions	1	1	1	1

Source: Il Sole /24ORE 14/1/97

Moreover, most of the sanctioning has to rely on victim-initiated complaints, whereas independent practice review is almost inexistent. In other words, professional bodies seem rather reluctant to review and to sanction their members, possibly on the assumption (false, but very popular in this country) that sanctioning would bring in negative advertising for the profession and damage the relationship of trust between professionals and clients.

Finally, some professions clearly thrive on the public sector's inefficiency. As in many other countries, there seems to be a substantial amount of collusion between judges and lawyers. For example, judges' productivity tends to be measured from the number of cases assigned to them. Thus, judges tend to split big cases into many smaller ones, increasing the number of effective clients for lawyers. A similar practice seems to take place on the lawyers' side. Also the medical professions seem to exploit, to a considerable extent, the inefficiencies of public health supply.

## **6. Conclusions: options for reform.**

In recent years in many countries a deregulation movement for the professions has emerged. Politicians and the general public have become increasingly aware that excessive regulation and self-regulation of the professions promote the interests of professionals instead of benefiting their clients or the general public. The market for professional services has been partly liberalized, first by applying the rules of competition law to the professions; secondly, by reducing the monopoly powers of some professions and, thirdly, by searching for alternatives to the current practice of self-regulation. For example certification is proposed as a substitute to licensing.

None of this has happened in Italy, which maintains its very traditional system of professional regulation. This system seems to be, on average, fairly beneficial to professionals, since new professions are queuing at Parliament's gates to have the same system of public recognition and regulation for themselves. Whereas there is widespread opposition from customers' associations against maintaining and extending the present system, the government could be tempted to satisfy new demands, simply because the enlargement of professions may be seen as a way of easing unemployment, that is a perennial national problem.

The present level of regulation, based on licensing, is clearly excessive for most of the professions. This means that for most of the present cases market failures - both in terms

of information asymmetries and externalities - do not require and/or justify the introduction of both rigid and unified educational standards and professional apprenticeship. This is particularly true for those professionals, such as accountants or industrial experts, whose customers are business firms, that are supposed to be experienced enough to face most of the market failure problems.

For most of the professions, licensing should be substituted by a weaker certification system, operated by professional associations, that should lose their public law status. Under this certification system nobody would be allowed to call himself an accountant member of a certain association of accountants without having satisfied the conditions - education, previous on-the-job experience, and completion of an examination, or some combination of the three required by this same association. Competition between these associations, which would have a private character, could perform many of the functions, like control on malpractice and sanctioning which are currently delegated to the appropriate Orders. In fact, it is no longer true - at least for most of the professions - that output regulation is an inherently difficult task for professional services. Every professional association should be at the present time technically able to monitor and review the professional activities of its members to ensure that they conform to the standards it has established. In other words, regulation should be based on imposed disclosure of information on every professional, instead of prior approval to new entrants in the profession. For some professions, like the medical one, where information asymmetry is huge, certification could be combined with licensing, in the sense that the government could introduce minimum professional requirements for those who wish to call themselves medical doctors. But then doctors would be free to join, if they want, the association of medical doctors they prefer.

Other regulations, like restrictions on ownership, are totally outdated. Their main effect today is to inhibit the modernization of the professions. Since most other countries have lifted those regulations, the Italian professions are unable to face the competition coming from the professional services firms of these countries. Also restrictions on advertising should be seriously reconsidered as has happened in other countries already.

Advertising may in fact help curing the informational asymmetry that surrounds professional activities.

## References.

Arrow K.A., *Uncertainty and the Welfare Economics of Medical Care*, American Economic Review, Vol. 53, 1963.

Bortolotti B., Fiorentini G., *Barriers to Entry and the Self-Regulating Profession*, paper presented to this Conference.

Fiorentini, G., *Un analisi economica dell entrata nelle professioni protette*, 1995 mimeo.

Larson, M. S. *The Rise of Professionalism. A Sociological Analysis*, University of California Press, Berkeley, 1997.

Miller, J.C., *The FTC and Voluntary Standards: Maximizing the Net Benefits of Self-Regulation*, The Cato Journal, 1985, Vol. 4.

Saks, M., *Professions and the Public Interest. Medical Power, Altruism and Alternative Medicine*, Routledge, London, 1995.

Shaw, G.B., *The Socialist Criticism of the Medical Profession*, in “Transactions of the Medico-Legal Society”, Vol. 6, 1908-1909.

Tawney, R.H., *The Acquisitive Society*, New York, Harcourt Brace and World, 1948.

Tousjin, W., *Le libere professioni in Italia*, Il Mulino, Bologna, 1987.

Van der Bergh, R., *Self-Regulation of the Medical and Legal Professions: Remaining Barriers to Competition and EC Law*, paper presented to this Conference.

Walzer, M., *Spheres of Justice. A Defence of Pluralism and Equality*, Basic Books, New York, 1983.

**Technical Abstract.**

The paper deals with the regulation of professions in Italy. It is a very traditional system of regulation based on inputs control. This regulation is clearly excessive for most of the professions. In fact, market failures - both in terms of information asymmetries and externalities - do not require and/or justify the present licensing system.

Rahter, for most of the professions, licensing should be substituted by a weaker certification system, operated by professional associations, that should lose their public law status. Competition between these associations, which would have a private character, could perform many of the functions, like control on malpractice and sanctioning which are currently delegated to the appropriate Orders. In fact, it is no longer true - at least for most of the professions - that output regulation is an inherently difficult task for professional services.

#### **Non technical abstract.**

The paper deals with the regulation of professions in Italy. Professions have entered a period of considerable turbulence. The number of licensed professionals is quite high and is rapidly increasing. The number of publicly regulated professions is rather large, and the intensity of their regulation is also one of the highest in the world. "New professions" are emerging, which ask for public regulation, or more regulation, if they already have some.

The present level of regulation, based on licensing, is clearly excessive for most of the professions. This means that for most of the present cases market failures - both in terms of information asymmetries and externalities - do not require and/or justify the introduction of both rigid and unified educational standards and professional apprenticeship.

For most of the professions, licensing should be substituted by a weaker certification system, operated by professional associations, that should lose their public law status. Under this certification system nobody would be allowed to call himself a lawyer member of a certain association of lawyers without having satisfied the conditions - education, previous on-the-job experience, and completion of an examination, or some combination of the three required by this same association. Competition between these associations, which would have a private character, could perform many of the functions,

like control on malpractice and sanctioning which are currently delegated to the appropriate Orders. In fact, it is no longer true - at least for most of the professions - that output regulation is an inherently difficult task for professional services. Every professional association should be at the present time technically able to monitor and review the professional activities of its members to ensure that they conform to the standards it has established.

Other regulations, like restrictions on ownership, are totally outdated. Their main effect today is to inhibit the modernization of the professions. Since most other countries have lifted those regulations, the Italian professions are unable to face the competition coming from the professional services firms of these countries. Also restrictions on advertising should be seriously reconsidered as has happened in other countries already. Advertising may in fact help curing the informational asymmetry that surrounds professional activities.

Keywords : regulation, professions.

JEL : L44: Antitrust policy and public enterprise, non-profit institutions and professional organizations.