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Summary of Discussion of the Roundtable on Competition and Regulation in the Care Industry

Annex to the Summary Record of the 78th Meeting of Working Party No. 2

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This document prepared by the OECD Secretariat is a detailed summary of discussion of the Roundtable on Competition and regulation in the care industry, held by Working Party 2 on 4 December 2024.

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Summary of Discussion of the Roundtable on Competition and Regulation in the Care Industry

1. Introduction by the Chair

On December 4th 2024, Working Party No. 2 of the OECD Competition Committee held a Hearing on Competition and Regulation in the Care Industry, chaired by Professor Alberto Heimler.

The Chair introduced the discussion and explained that it would be organised around two main areas. The first would cover long-term care while the second would cover childcare. Those two areas differ from an economic perspective, reflecting demand from distinct groups such as older people, disabled individuals, and children. The Chair mentioned that each group has specific needs, necessitating a different approach. For instance, children grow up and leave the system annually, resembling an educational cycle. Consequently, supply is more naturally replenished, reducing the likelihood of persistent shortages. In contrast, long-term care for older and disabled people involves more complex supply-demand dynamics, leading to potential shortages for individuals seeking care. The Chair observed that this situation could result in the rationing of services and market power abuses exploiting the economic dependency of buyers. The Chair also explained that unlike the hospitality industry, which manages capacity based on average demand and allows bookings in advance, the long-term care sector must accommodate peak demand, aligning more closely with industries like electricity, where capacity must meet maximum usage levels to prevent system failures. Hospitals and long-term care facilities share this challenge, often requiring government regulation and provision of services.

Service quality is difficult to assess, exacerbated by the fact that the decision-maker is not always the service recipient. This is especially relevant for children and, in many cases, older people and disabled. Moreover, the Chair mentioned that the ability to switch providers is also limited and barriers to market entry vary across the care sub-sectors. He explained that childcare and certain levels of disability care may not require highly specialised skills, though authorisation processes can be restrictive. In publicly funded long-term care systems, entry can be particularly difficult as governments often ration supply to control expenditure. The Chair noted that this rationing can lead to inefficiencies and unmet demand.

Care services generate positive externalities by alleviating the caregiving burden on families, enabling increased workforce participation, particularly among women. Effective long-term care also reduces hospital admissions, optimising healthcare resources. The Chair stated that market power concerns arise due to the difficulty of switching providers and consumers' dependency on limited numbers of suppliers. He also added that digital platforms could potentially enhance market transparency and facilitate better matching of demand and supply, resembling their role in other service industries. He noted that antitrust authorities lack experience in the care industry. However, he mentioned that the potential for market power exploitation and service rationing suggests that competition issues could warrant future enforcement actions.

The Chair indicated that after the presentation of the background note, three guest speakers would contribute to the hearing: **Allan Fels**, former chairman of the Australian Competition & Consumer Commission (ACCC) and Professorial Fellow at the University of Melbourne Law School, who would present his paper on the care industry, **Martin Hackmann**,

Associate Professor of Economics at UCLA, who would discuss the barriers to competition in the long term care using examples from different countries, and **Katrine Løken**, Professor of Economics at the Norwegian School of Economics, who would describe the situation of the child care services in Norway. The OECD Directorate for Employment, Labour and Social Affairs (ELS) would give a presentation about the provision of long-term care services, their funding and regulation. Similarly, the OECD Directorate for Education and Skills (EDU) would discuss these issues for childcare services. Additionally, representatives from Australia and France would present findings from a market study and a merger case in childcare services respectively.

2. Care for Older People and Disabled People

First, **the Chair** gave the floor to the **Secretariat** to present the background paper.

The Secretariat emphasised the importance of these services, not only for the well-being and prospects of children and those in need of long-term care, but also for the well-being and work opportunities of caregivers, who are often women. However, the Secretariat noted that these sectors often face significant challenges, including limited capacity, high costs, and quality concerns, as highlighted in recent news coverage. The background paper primarily focuses on making policies more pro-competitive, rather than introducing competition into the sector, given the already substantial presence of private suppliers. The paper draws from existing literature and reports by competition authorities to examine demand and supply aspects, market failures, equity considerations, and regulatory frameworks and concludes with recommendations for competition advocacy.

The Secretariat underscored two key points. First, while there are similarities between childcare and long-term care, significant differences exist both between the two sectors and across jurisdictions, making general conclusions difficult. Second, government funding and regulation could play a substantial role in shaping both demand and supply. For instance, consumer behaviour could vary depending on whether individuals pay the full price of services, which influences decisions such as prolonging stays in nursing homes or seeking better-quality childcare services.

On the demand side, the paper stresses the importance of supporting informed decision-making, particularly given consumer lock-in and limited switching in these markets. Access to information is considered vital, including transparency regarding subsidies and quality standards. However, the Secretariat also noted that making information available is insufficient.

On the supply side, the paper considers ways to encourage market entry. Regulation, while intended to ensure quality, may not always be effective. For instance, instead of hiring qualified staff, there is a tendency to employ lower-wage staff while still complying with requirements on the minimum number of staff, questioning whether such requirements focus too heavily on inputs rather than ensuring quality outputs. The Secretariat also suggested that regulation could be more flexible and tailored to the specific nature of services provided. For example, different staffing needs may apply to rehabilitation services compared to assisted living facilities. Additionally, the Secretariat emphasised that incumbents should not have the power to block new entrants, as observed in certain cases within the United States (US) healthcare sector. The Secretariat concluded by acknowledging that different models exist across countries. As governments consider reforms to improve access, affordability, and quality, competition authorities have a clear role in providing advice on the development of these policies.

The Chair thanked the Secretariat and gave the floor to **Allan Fels**.

Professor Fels noted that, when considering care in its broadest sense, including health, housing, homelessness, employment, education, child and family protection, and even prisons, such services account for approximately 20% of GDP in many countries. Despite the sector's considerable economic importance, competition is often neglected, suppressed, or misdirected. The Speaker stated that he would focus on the role of competition and consumer choice in these sectors, asking whether greater reliance on these mechanisms would be feasible, or if the nature of care limits their applicability. Furthermore, he emphasised that the care sector is vast and diverse, containing numerous sub-markets, often local. For instance, within disability services alone, a national scheme may encompass at least 50 different types of disabilities, each with unique characteristics.

Professor Fels highlighted several key features of the sector. The first characteristic was that it is highly labour-intensive, with a workforce that is predominantly female and low-paid. He noted that monopsony power, particularly on the part of governments, is prevalent in the sector and observed a possible link between this monopsony and low wages. Second, the sector has limited potential for capital-labour substitution, which constrains productivity gains compared to other industries. However, he commented that given the sector's growing size and economic significance, enhancing productivity remains a pressing concern. This could involve improving output, quality, and safety, as well as reducing costs where feasible. Third, for Professor Fels, a further defining characteristic of the sector was the heterogeneity of both demand and supply, combined with the localised nature of markets, raising substantial challenges regarding the effective matching of supply and demand.

Additionally, Professor Fels addressed several policy challenges associated with the care sector. First, he emphasised that policymaking in this field focuses on ensuring the availability and equitable provision of care. Second, unlike other sectors, aged care and disability services were not primarily viewed as worthwhile investments but rather as essential support services. Third, he contended that another unique policy backdrop also exists due to income smoothing policies over a lifetime, where individuals pay taxes during their prime working years and receive government support in youth and old age. Fourth, time-consistent preference issues were viewed as another challenge, as younger individuals may underinvest in their future care needs, while older individuals may deprioritise the education of younger generations. The expert noted that coordination across policy domains, such as health, housing, education, and employment, was also essential, particularly in areas like disability care.

On the demand side, the Speaker stated that the government can play a pivotal role in driving demand, though individuals still exercise some choice, especially with the introduction of personal budgets. He contended that demand is highly heterogeneous, influenced by factors such as individuals' medical conditions, geographic location, and personal preferences etc.

On the supply side, providers are equally heterogeneous, all operating within localised markets with varying quality. Professor Fels made five observations regarding the supply side. First, he stressed that quality and safety are paramount in this sector, warning that unchecked competition could undermine these standards, as consumers often lack adequate information, face high switching costs, and, in some cases, have limited decision-making capacity. This necessitates intermediaries such as family members, agents, or navigators, introducing complexity to the functioning of the market. Second, he also mentioned that although the role of government is important, a large part of the provision is privately conducted and that there is controversy over whether not-for-profit and profit providers deliver higher quality services. Professor Fels suggested that for-profit providers can produce better results if the market is properly designed. Third, he was surprised to find

that beyond competition restrictions at the top of the labour market, there were also anti-competitive arrangements at the bottom of the pyramid, affecting the lowest-paid jobs. Fourth, he contended that when integrating competition choice in policy, one has to deal with existing systems, not with a blank sheet. Fifth, the Speaker affirmed that governments play a multifaceted role as funders and providers. Funding arrangements have shifted from traditional block funding towards demand-driven models that aim to enhance consumer choice and competitive supply. However, he noted that funding design strongly influences incentives.

Furthermore, Professor Fels presented a case study related to Australia's aged care sector. Due to budgetary limitations, government funding for aged care was capped, resulting in restricted access. He highlighted that providers operate with high occupancy levels and minimal threat of displacement, reducing the pressure to improve efficiency. Consumers, often seeking care urgently and preferring local options, face high switching costs, giving providers significant market power. In response, the Speaker emphasised that government regulations attempted to address poor performance; however, enforcement was challenging given the absence of alternative care options.

The Speaker also examined the shift from supply-driven models to consumer-choice funding methods in aged care and disability services. Recently, personal budgets, cash grants, and vouchers have gained prominence, empowering consumers to choose services. He explained that personal budgets were particularly welcomed by individuals with disabilities, enhancing their autonomy and improving care satisfaction. However, evidence suggested that personal budgets had mixed success in achieving their objectives, with choice sometimes leading to lower standards of care due to poor consumer information, switching costs, and limited provider options. According to Professor Fels, personal budgets were also costly to administer and raised concerns about "cream-skimming."

Last, the Speaker emphasised the importance of market stewardship instead of direct government provision, to promote choice and competition, while acknowledging the barriers to competition in some care markets, such as "thin" markets. He suggested that regulatory interventions are necessary but must balance competition with quality and safety. The expert mentioned that his paper, distributed by the OECD for the roundtable, discussed an additional case study concerning Australia's National Disability Insurance Scheme (NDIS). The NDIS adopted a demand-driven model, allocating separate budgets to eligible participants. Yet, Professor Fels highlighted that the government stepped in trying to cut back on the exercise of open choice and competition. Although leading to escalating costs, he noted that this approach enhanced participant autonomy and contrasted it with the example about his first example, which was about the aged care sector in Australia.

The Chair thanked Professor Fels and added that the paper submitted by the Speaker is available online on the OECD ONE platform. Next, he gave the floor to the OECD Directorate for Employment, Labour and Social Affairs, Health Division.

The Directorate for Employment, Labour and Social Affairs (ELS) first described the range of services of long-term care (e.g., medical, personal) and eligibility criteria. Eligibility for such care is generally determined by established criteria, often involving an assessment to evaluate a person's needs and determine whether they qualify for benefits and services. Long-term care systems are predominantly publicly funded, with financing structures varying across countries. For example, in France and Sweden, there are tax-based funding mechanisms. Other countries, such as Japan, Korea and Slovenia, have opted for compulsory long-term care insurance schemes. China has implemented pilot-long term care insurance programmes in several major cities. Regardless of the funding model, care recipients often face out-of-pocket costs, due to the high expense of professional care. For

a person aged over 65 with a median income, paying for over 40 hours of weekly care would be unaffordable without public support.

The ELS Directorate further presented four major policy considerations. First, affordability was a primary concern, as the cost of care often exceeds individuals' financial capacity, even with public subsidies. Out-of-pocket expenses can push care recipients below the relative poverty threshold (i.e., 50% of the median income) even though fees are heavily regulated, either by national or local authorities. Evidence on the impact of fees suggests that lower fees do not consistently reduce supply, though higher prices are generally associated with better quality of care. Second, ownership patterns reflected a strong presence of private providers, accounting for 70% of the sector across OECD countries, with 40% of those being for-profit. However, private actors do not necessarily lead to greater competition due to strict regulations. Research suggested that while private providers can improve cost efficiency, the financialisation of the sector may undermine quality in the absence of quality regulation. Third, staff shortages were also a structural challenge, despite low entry barriers and minimal qualification requirements in many countries, particularly for home-based personal carers. Wage stagnation was flagged as a key issue, driven by limited productivity gains in the sector. However, wage increases alone have not consistently led to improved staffing levels. The example of New Zealand illustrated the issue, as providers reduced care supply following a mandated wage increase, which was not accompanied by sufficient public funding adjustments.

The ELS Directorate highlighted that migration was often viewed as a potential solution, yet few countries have successfully addressed shortages through this approach, with language barriers and political sensitivities posing significant obstacles. For instance, he mentioned the situation in Germany, where registering as a personal care worker requires certain language proficiency. In addition, in Canada and Israel, there is a special recruitment visa in place. Fourth, he focused on quality assurance as a critical issue, where higher prices tended to align with better quality outcomes. The majority of OECD countries have enforced minimum staffing requirements. However, proof of their effectiveness was mixed. The ELS Directorate suggested that safety concerns are particularly pressing, given the risk of abuse, assault and injuries in facilities where residents may lack regular family oversight. For instance, he mentioned that some countries have mandated CCTV installation in nursing homes following abuse scandals. Also, he stated that patient-reported outcomes (PROMs) and experiences are often neglected. The UK Care Quality Commission exemplified an approach that incorporates recipient feedback into public quality reporting, yet evidence on its impact on decision-making is inadequate.

The Chair thanked the ELS Directorate and commented on one of the slides just presented. In Greece, for example, the cost of care appeared to be exactly equal to the median income, compared to Italy, where the cost was shown to be six times the median income. The Chair expressed curiosity about this apparent discrepancy and wondered how it is possible that, in Greece, the cost aligned precisely with the median income.

The ELS Directorate clarified that the analysis focused on a scenario requiring about 40 hours of care, which he described as one of the most severe cases for a care resident. Given its high cost, the study aimed to break down expenses by assessing the hourly cost of different types of care. He said that, for instance, the hourly cost of specific services such as bathing assistance and supported eating was calculated separately. He noted that the study estimated 16 hours of care for certain support needs, while 24 hours were required for other types of personal and life assistance support. The total cost was then determined by multiplying these required hours by their respective unit costs.

The Chair invited **Martin Hackmann** to give his presentation.

Professor Hackmann addressed barriers to competition in the long-term care sector. He highlighted the pressing demographic changes in OECD countries, particularly the doubling of the population aged 85 and older, which will substantially increase the demand for long-term care services and place a growing strain on public finances. The Speaker emphasised that fostering competition and enhancing allocative efficiency in the long-term care market would be crucial to controlling cost growth while ensuring acceptable care standards.

He identified three key issues that create barriers to competition: information asymmetries, access limitations, which concern the demand side, and supply-side price regulations. For the first issue, Professor Hackmann mentioned adverse selection in private long-term care insurance markets, where individuals with greater care needs are more likely to purchase insurance, driving up costs. That issue partly explained the underdevelopment of private long-term care insurance in countries like the US and Germany, largely because of these effects. Then, he identified a second information imbalance that lies between patients and care providers, as providers often possess more knowledge about care needs, which can lead to supplier-induced demand, where unnecessary services are recommended. In order to mitigate this risk, some countries, such as Germany and the Netherlands, employed independent assessors to evaluate care needs, though this has not been standard practice in the US.

Furthermore, the expert stated that patients often face difficulties in assessing and comparing the quality of long-term care providers. In response, the US introduced the Nursing Home Compare system, assigning up to five-star ratings to facilities based on inspections, staffing levels, and quality outcomes. The Nursing Home Compare System is operated by the Centers for Medicare and Medicaid Services (CMS). While the introduction of star ratings in 2008 improved user engagement, the Speaker suggested that personalised recommendations, based on generative Artificial Intelligence (AI) should be added to improve the above system. He acknowledged that certain metrics, such as staffing ratings, were self-reported, leading to instances of data manipulation by nursing homes. Despite concerns, the system has since shifted to payroll data to enhance accuracy.

In addition, Professor Hackmann underscored that information interventions, such as quality report cards, are vital to enhancing market transparency, but their design and implementation require ongoing refinement to ensure the data is both accurate and meaningful. He suggested that technological advances, including personalised tools driven by AI, could further improve information accessibility and decision-making for patients. Nonetheless, he concluded that addressing information asymmetries remains a central challenge to fostering effective competition and ensuring high-quality care in the long-term care sector.

Professor Hackmann emphasised that even in the context of full information, effective competition requires the existence of genuine provider choice. Hence, he delved into the second issue, access barriers that restrict choice, reduce competition, and allow inefficient, low-quality providers to prevail. For instance, in the US, policy has historically favoured institutional care provided in nursing homes, with average occupancy rates below 80%. However, Professor Hackmann stated that there were significant access barriers to outpatient and home-based services. These are often more cost-effective, but almost all states have waitlists for such care, limiting competition between institutional and community-based providers.

On the contrary, Germany undertook a major long-term care reform in 1995, expanding access to outpatient services and cash benefits. However, the speaker mentioned that capacity issues have emerged in nursing homes. A survey conducted by Professor Hackmann's research team revealed that approximately 80% of nursing homes in Germany

operate at full capacity and maintain waitlists. This environment heightened concerns about “cream skimming,” whereby private providers prioritise admitting less costly, more profitable patients while avoiding needy and sick patients. The Speaker mentioned that such practices are particularly problematic in systems with flat reimbursement rates. Policy choices have contributed to capacity constraints in Germany. Certain states, including Bavaria, mandated that a fixed share of nursing home accommodations be single rooms. This requirement forced facilities to convert double rooms into single rooms, reducing overall bed capacity and exacerbating access limitations. Professor Hackmann questioned the economic rationale for such mandates, suggesting that while single rooms are often preferred, such decisions might better be left to market forces rather than imposed by regulation.

The Speaker then turned to address the third issue, supply-side price regulations. He noted that both revenue streams and input costs have been heavily regulated, particularly as many long-term care services are provided by private, often for-profit entities whose continued operation depends on maintaining profitability. In the US, approximately 80% of patients rely on Medicaid or Medicare, which set reimbursement rates. The design of these reimbursement systems is crucial for competition and quality. Historically, retrospective reimbursement models incentivised providers to inflate costs. At the moment, reforms have shifted towards prospective payment systems, which alter incentives and may better promote efficiency and quality improvements.

Moreover, the expert discussed the role of reimbursement rates and labour regulations in the long-term care sector, highlighting key challenges in ensuring quality and efficiency. He noted that in the US, Medicaid reimbursement rates are often considered too low, limiting the staffing levels and quality that nursing homes can afford. Even if rates increased, only about 50% of additional funds would typically be passed on to consumers as quality improvements, with the rest retained as profits, especially in less competitive, rural markets.

Last, the Speaker emphasised that informed consumers are a crucial parameter, as for-profit providers only raise quality if revenues increase. On the cost side, wage regulations, such as collective bargaining agreements in countries like Germany and Denmark, aim to improve job attractiveness but can reduce employer flexibility. He referenced a Danish nurse shortage in 1994, which worsened due to rigid wage policies, ultimately resulting in higher patient mortality. These wage regulations limited the ability of employers and nursing homes to adapt to local market conditions. In contrast, Professor Hackmann suggested that immigration policies could help address staffing shortages. To sum up, he implied that, with ageing populations and slow productivity growth, it is vital to promote competition, improve consumer information, and design reimbursement models that encourage quality investment. He also concluded that policies limiting capacity, like single-room mandates in Germany and outpatient care restrictions in the US, require careful reconsideration.

The Chair thanked Professor Hackmann and gave the floor to **Italy** that had raised the flag to ask questions, before moving on to the next part of the discussion, i.e., childcare.

Italy expressed appreciation for the previous presentations and noted that the long-term care sector has received limited attention in the country, aside from some regulatory and funding-related advocacy interventions. Italy raised two questions. First, the delegate inquired about the presence of monopsony power in the long-term care labour market, asking whether buyer power is driving low wages, capacity issues, and high prices. The delegate also asked whether non-compete clauses are common, potentially limiting staff mobility and reinforcing buyer power, which could be a target for competition authorities. Second, Italy asked about market concentration trends, seeking to understand whether there

has been increasing consolidation into provider chains or whether ownership structures have remained fragmented.

The Chair thanked Italy for the questions and gave the floor to **Allan Fels** to answer on government monopsony.

Professor Fels replied that he is not aware of many non-compete arrangements in Australia. Regarding monopsony, he cited that it is considered significant in driving low wages in the sector, while there is also a broader gender dimension.

Professor Hackmann intervened by noting that monopsony power is recognised as important in healthcare, particularly for hospitals, but its role in long-term care may be more limited due to lower market concentration. He noted that the US has approximately 15 000 nursing homes, with around 50% owned by chains, while the rest operate as smaller entities. While some chains may exert power, he described the sector as more fragmented compared to hospitals, limiting monopsony influence in labour markets.

The ELS Directorate highlighted work by Tito Boeri and co-authors on non-compete clauses. The research flagged concerns over the disproportionate application of non-competes, raising the question of whether it is economically rational to have them in place. The Secretariat also reported the ongoing collaboration among the OECD Directorate for Employment, Labour and Social Affairs (ELS), the Directorate for Financial and Enterprise Affairs (DAF) and the Economics Department on this matter.

Turning to government monopsony in long-term care, the ELS Directorate noted that while there is ample information and existing research on concentration effects in broader healthcare sectors, there is a lack of substantial evidence and analysis specific to the care sector. The Secretariat acknowledged the need for further investigation into whether market concentration impacts quality, pricing, or patient outcomes in this field and expressed openness to conducting such studies with support from Member States.

3. Childcare

The Chair thanked the speaker and gave the floor to the OECD Directorate for Education and Skills, Early Childhood and School Division to introduce the topic of childcare.

The Directorate for Education and Skills (EDU) noted that advances in neuroscience research have demonstrated that children are active learners from birth, and therefore education should be combined with care. She stated that early childhood education and care policies were a long-term investment, with evidence showing positive impacts on children's education, future labour market participation, reduced crime rates. The sector is highly complex, showing large variations in how it is organised. Some countries placed responsibility for children aged 0-3 with Ministries of Social Affairs, while services for children aged 3-5 fell under Ministries of Education, such as Canada and France. Germany integrated all systems under a single Ministry. Responsibilities are often shared across national, regional, and local governments, leading to heterogeneous approaches to funding, quality standards, and workforce issues. The sector encompasses a variety of different services and different settings, such as centre-based settings, home-based care, before- and after-school programmes, public providers, private non-profits, for-profits, and, in some cases, large provider chains. No single governance type is superior.

The EDU Directorate also discussed several persistent challenges in the sector. First, public funding has remained insufficient in many countries, particularly for children under the age of three, with significant disparities in access, affordability and quality. Second, the growing reliance on private provision has led to increased costs for parents in many

countries, alongside concerns about quality. Third, there is a notable lack of data, especially regarding enrolment rates, making it difficult to monitor the sector. Fourth, staff shortages also pose a challenge, and are driven by low wages, poor working conditions, and the perceived low status of jobs within the sector.

The workforce is predominantly female, and positions are often demanding with limited financial remuneration, resulting in high turnover rates and undermining the sector's capacity to expand and improve quality. In response to these challenges, quality assurance has become a key area of policy focus and countries are increasingly working towards more comprehensive regulatory systems, extending quality standards across all types of provisions. The EDU Directorate also noted a shift from traditional monitoring of structural aspects, such as staff-child ratios, towards assessing process quality, which emphasises the quality of interactions between staff and children. However, the involvement of multiple oversight bodies can create administrative burdens, particularly for smaller providers. Governments have also been seeking to align public investment with quality improvements, such as linking funding to better staff qualifications. At the same time, the speaker recognised that monitoring alone is not sufficient. Policymakers should emphasise combining quality inspections with training and professional development.

The Chair thanked the EDU Directorate for the presentation and asked to clarify whether, in countries with private childcare providers, the funding is entirely private.

The speaker responded that in some countries, public funding covers half of the expenses for children aged 0-3, whereas in others, such as Ireland, funding is entirely private.

The Chair thanked the EDU Directorate for the overview of the childcare sector and gave the floor to **Katrine Løken**, to share the situation in Norway which is a leading country in the field of childcare policy.

Professor Løken noted that approximately half of childcare services are publicly provided in Norway, while the other half are private, though all receive government subsidies. After a significant reform in the early 2000s that expanded childcare, leading to 94% enrolment among children aged one to five, strict regulations ensure affordability through capped maximum fees, currently at around EUR 200 per month, with reduced fees for low-income and immigrant families. There is a broad political consensus on implementing a maximum price, with some parties even advocating for a system without any fees at all.

Furthermore, Professor Løken added that private providers operate within a regulated framework. On the quality side, minimum standards are established by the government, mainly focusing on structural aspects such as staff-to-child ratios. While public and private providers generally meet these requirements, process quality (as defined in the previous presentation) remains moderate, leaving room for competition to improve the situation. Also, she reported that the funding system is primarily determined by enrolment, with subsidies of approximately EUR 3 000 per child under three years old and about half that amount for children aged over three. Additional funding is available for children with special needs.

Norway employs an online centralised admission portal, administered by municipalities, to enhance accessibility. Professor Løken explained that this system prevents childcare centres from selecting children, unlike in Germany, where recent studies highlight discrimination in the application process. However, parents in Norway still face challenges in assessing quality differences between providers due to a lack of an information portal. One major issue was also the lower participation rates among immigrant families, possibly due to application barriers. To address this, the speaker observed that policymakers have shifted from an opt-in to an opt-out model to improve accessibility.

The quality of childcare services was also a central topic, with emphasis placed on the critical role of staff. Like many other countries, the expert explained that Norway faces significant recruitment challenges, which are further worsened by low wages. She also stated that maintaining and improving staff quality remains a pressing concern. Additionally, she observed that the limited number of institutions dedicated to training childcare workers could restrict both the quality and innovation in professional development. Furthermore, for the speaker, the system provides insufficient incentives for continuous training.

To conclude, Professor Løken affirmed that in the 2000s, the increase in private providers contributed to a large-scale expansion, ultimately achieving full coverage of childcare services. Regulation could be maintained but adjusted to enable private providers to scale up operations effectively. She admitted that the centralised admission system has played a crucial role in preventing discrimination and mitigating information gaps, which are primary concerns in some other countries. Finally, enhancing training programmes for staff was identified as a key opportunity to further improve the overall quality of childcare services.

The Chair thanked **Professor Løken** and further asked her to clarify if the subsidy is EUR 3 000 per year and if it is higher than the maximum price.

Professor Løken explained that the subsidy is EUR 3 000 per month, making the system in Norway highly subsidised.

The Chair admitted that in that case, the room for price competition is limited. Next, he invited **Australia** to present their market studies on childcare.

Australia stated that in 2023 the Australian Competition and Consumer Commission (ACCC) conducted a childcare market study in response to a government directive aimed at improving accessibility and affordability. The study examined demand, supply, and competition within the sector, which receives AUD 3.3 billion in government subsidies each quarter. Childcare is a significant component of the economy, with the health and education sector contributing 13.4% to national output, surpassing mining at 12.2% and finance at 7.5%.

The delegate emphasised the childcare sector's crucial role in the economy and its connection to equality of opportunity, particularly through improved educational outcomes, workforce participation, especially for mothers, and fair remuneration for caregivers. The investigation, which was initiated in October 2022 and concluded in December 2023, examined how demand, supply, and competition influenced the accessibility and affordability of childcare. Australia observed that affordability was a primary concern, particularly for lower-income families, despite significant government subsidies as out-of-pocket expenses remained disproportionately high. However, the delegate explained that once affordability concerns were addressed, middle- and higher-income families prioritised availability and quality, often relying on word-of-mouth recommendations. Australia also observed that parents valued the proximity of the facilities to home or work, becoming less concerned about the price once they could afford childcare. Parents would also take educator-child relationships, and centre conditions into consideration.

The study found that childcare fees had risen faster than both inflation and wages, with 49% of providers privately owned and private equity investment increasing against the backdrop of stable government funding. The delegate outlined some key conclusions. First, the lowest-income households had the highest share of out-of-pocket expenses. The study found that in those households, many mothers either stayed out of the workforce because childcare was too expensive or relied on grandparents or other informal care arrangements. However, market forces alone did not guarantee fair and equal access to childcare. Second,

the lowest-income households spent between 4% and 17% of their disposable income on childcare, compared to 2% to 9% for the highest-income households. Third, Australia explained that higher-income urban areas had greater choice and competition, while lower-income and remote regions, including First Nations communities, faced lower enrolment rates and fewer services. Children with disabilities or complex needs had limited access, and the youngest age groups requiring a higher staff ratio, experienced the highest unmet demand.

The study recommended a tiered approach. In underserved areas, additional supply-side funding and government oversight were proposed. In unserved regions, direct government provision, tenders, or price controls were recommended. Australia concluded that a one-size-fits-all approach would be ineffective. Last, the delegate mentioned the Starting Blocks website, which provided childcare quality ratings and subsidy calculations but lacked real-time updates and out-of-pocket cost estimates. Consequently, most parents would still rely more on word-of-mouth recommendations.

The Chair thanked Australia and asked whether demand-side subsidies are fixed.

Australia replied that the subsidies start on a minimum level and the maximum amount is given to lower-income families, up to AUD 350 000 per year.

The Chair thanked Australia and invited **France** to take the floor.

France noted that in 2021, the Grandir Group pursued the acquisition of Crèche Aptitude, Pro'Formance and Nemo Marlin, which collectively operated around 300 preschools under the "Les Petits Chaperons Rouges" brand and partnered with 1 400 additional preschools. At the time, Grandir managed approximately 400 preschools with 1 600 partner institutions, marking its entry into new areas.

France explained that childcare for children under three years old is structured into three categories: maternal assistants, early childhood establishments (Établissements d'Accueil du Jeunes Enfants, EAJEs), and home-based childcare providers. The delegate observed that EAJEs, which may accommodate children up to six years old, are subject to specific regulations regarding staffing, medical oversight, and facility standards. Maternal assistants can work with EAJEs, operate under an approval system valid for five to ten years, and account for most childcare service providers in France. The home-based childcare sector, which lacks regulatory oversight, was largely excluded from the analysis due to limited available data.

At the time of the merger, the funding of EAJEs came from different sources, including the PSU (Prestation de Service Unique), investment programmes (PIAJE), and third-party reservations by private or public employers. Additionally, some parents received subsidies like "Choice of Childcare" benefits or tax credits for non-subsidised childcare services.

As for access to childcare facilities, there are two different types of modalities: public EAJEs allocated places through local councils, while private facilities handled reservations directly. Some large employers reserved spaces for employees' children. Maternal assistants, however, had an open-access system based on parental choice. The cost of childcare depended on funding mechanisms: PSU-funded EAJEs used a national pricing scale based on household income and the number of children, while private childcare centres set their prices freely, influenced by reimbursement levels. The delegate stated that comparing childcare costs was complex due to multiple factors, including third-party contributions and differing care structures.

France noted that two main criteria influenced families' choices: proximity and continuity of care until the child entered school. Parents generally preferred childcare facilities over maternal assistants, although a significant number of available places existed with maternal

assistants. The delegate explained that the competition authority's analysis focused on private childcare operators and third-party funders that reserved places for employees' children. France identified three sub-markets based on reservation contracts: national-level reservations, local-level reservations, and public sector bookings made by municipalities to supplement their public childcare offerings. The analysis also covered the market for the management of public childcare facilities, which municipalities could delegate to private operators, and the direct market of childcare, where you have the childcare facilities and the maternal assistance. For direct childcare services, the market was segmented into childcare facilities (EAJE) and maternal assistants, as these two options operated under distinct structures and are strictly regulated for young children. While both met the same childcare needs, their organisational models and cost structures differed significantly. The delegate affirmed that a localised market definition was used, considering that families sought childcare options within a 12- to 15-minute travel radius.

The competition analysis revealed that the Grandir Group's acquisition of Crèche Aptitude, Pro'Formance and Nemo Marlin resulted in market overlap. However, competition risks remained low, as market shares did not exceed 25% in the overlapping areas, and in some additional areas, competitor presence mitigated potential concerns.

4. Conclusion

The Chair thanked the delegate for the presentation, highlighting that France is a unique example, where major suppliers operate at a national level. To sum up, while care sector markets experience asymmetries rather than outright failures, regulation and government involvement remain necessary. However, this does not preclude competition, as evidenced in the presentations. The Chair underscored the importance of consumer information, particularly through quality indicators and government rating systems, such as the US platform for long-term care facilities. Ensuring transparency enhances consumer decision-making and maximises benefits. Additionally, the Chair highlighted the Australian approach of categorising markets into served, underserved, and unserved areas as a potential framework for optimising service provision, drawing parallels to government-funded digital infrastructure projects. The Chair concluded by thanking delegates, speakers, OECD representatives, and academic contributors.