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Executive summary 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 Executive Summary by the OECD Secretariat contains the key findings from the roundtable on Competition and Regulation in the Care Industry held during the 78th meeting of Working Party 2 on 4 December 2024.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

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Executive summary of the Roundtable on Competition and Regulation in the Care Industry

By the Secretariat¹

On 4 December 2024, Working Party No. 2 on Competition and Regulation held a roundtable to discuss the topic of competition and regulation in the care industry. Considering the background note prepared by the OECD Secretariat, the written contributions, as well as the discussion by delegates and expert panellists, the following key points emerged:

1. Policy objectives go beyond addressing market failures to incorporate equity considerations such as providing good quality and affordable care to all

The care industry was defined in the session as encompassing a set of paid services provided to young children ('childcare') and to those requiring long-term care, such as older people, people with disabilities and people with long-term illnesses including mental health ('long-term care'). Both types of services integrate additional components: childcare combines education and care, while long-term care combines healthcare and care.

Government intervention plays a central role in regulating, providing, and funding care services. It is essential for addressing market failures and achieving equity objectives. However, the extent and nature of government involvement vary significantly across countries.

The availability, affordability, and quality of services has several economic and social repercussions. In childcare, government policies aim at ensuring equal opportunities, while in long-term care they aim at guaranteeing affordable and good quality treatments. The accessibility and availability of good quality services has a positive impact on families' well-being, as well as greater opportunities for labour market participation, income and career progression. Effective long-term care, to the extent that it reduces patient admissions to healthcare facilities, can enhance the efficiency of healthcare resources.

2. Supply is heterogenous, shaped by a variety of settings and provider types, and faces severe labour shortages

There are different types of services, depending on the locations where they are provided, and consequently of services providers. In long-term care, a distinction is made between services provided in residential facilities for people who cannot live on their own, facilities for short-term nursing and rehabilitation, and in-home care. In childcare, services can include centre base daycare, provided at licensed facilities, or regulated, home-based daycare.

Another characteristic of the care services sector is the coexistence of public and private providers, including both for-profit and not-for-profit organizations. Informal care provided by family members also plays a significant role. Evidence on whether not-for-profit providers deliver higher-quality services than for-profit providers is mixed, with outcomes varying according to factors such as debt levels, competitive pressures, and regulatory frameworks. While the entry of private suppliers may enhance cost efficiency,

¹ This executive summary does not necessarily represent the consensus view of the Working Party participants. It does however identify key points from the discussion at the Roundtable, including the views of the expert panellists and the participants' oral and written contributions.

the increased presence of private equity and financial investors in the market can raise concerns about service quality.

The sector is labour intensive, with a predominant female workforce. Despite the importance of labour, the industry is associated with poor working conditions and low wages. Additionally, high turnover rates and staff shortages are a structural challenge, which also leads to increased difficulty for suppliers to enter the market or expand. Given the low level of automation feasible in the sector, migrant labour can be identified as a potential solution to address staff shortages. However, language barriers and political sensitivities pose obstacles, and few countries have achieved successful results following this approach. Restrictions on the labour market, such as strict professional licensing requirements, may affect supply.

3. On the demand side, quality and affordability remain central concerns and individuals frequently face challenges in making well-informed and optimal decisions

The quality and safety of care are critical in the provider's choice. Individuals often have poor information before experiencing the service and face difficulties in assessing and comparing the quality of providers. Therefore, informed decision-making is challenging as consumers. Moreover, the individual that selects the service provider is typically not the same individual who receives long-term care or childcare services.

Affordability is an issue that public funding does not seem to have been able to address in several countries. For example, long-term care recipients often face out-of-pocket costs regardless of the funding model, due to the high cost of professional care.

Among the factors influencing demand, proximity to home is another important consideration in selecting providers. While for childcare this is always a prominent consideration, in long-term care this is especially the case when people move to care homes and wish to remain close to their families.

Especially in the case of long-term care, the ability to make optimal choices is further hampered by consumers' vulnerability. The high personal costs involved, in fact, tend to lower the likelihood of switching, often making the initial decision final.

4. Markets tend to be local and require targeted policy and regulatory interventions

Suppliers compete in local markets, which can be very different based on numbers of competitors and other market characteristics. This raises substantial challenges for the effective matching of supply and demand, especially in rural or low-income areas where there are fewer suppliers, or markets targeting specific needs, such as for certain types of disabilities.

It also makes uniform approaches to policy and regulation unsuitable for such different markets. In areas where families do not have access to services at all, there may be the need for direct government provision, tenders to identify providers or price controls, as a market study of childcare services found. In underserved markets, stronger government oversight and additional funding may be needed.

5. Competition authorities can advocate to tackle regulatory barriers to competition and to improve the availability and quality of information

The experts discussed opportunities for an increased role of competition authorities in the sector, particularly to address information imbalances. Some countries already release information on the quality of providers so that consumers can benefit from clearer information on the assessment and comparison of providers.

Information interventions have led to better informed choices, but challenges remain. Experience has shown that rating systems, despite providing more information on inspection results, staffing levels and quality outcomes, may suffer from issues with the accuracy and reliability of the data. The design of indicators and their implementation require ongoing refinement to ensure their accuracy. Moreover, the experts discussed the importance of consumer reported outcomes and experiences which, however, are often disregarded in formal quality indicators. Technological advances could enable personalised recommendations and further improve access to information and decision making.

In some countries, regulation may create barriers to the entry and expansion of suppliers. For example, restrictive regulations in long-term care include a requirement for a fixed share of rooms to be single rooms, access barriers to outpatient and home-based services and requirements for prospective new entrants to prove that the market needs an additional provider.

6. Achieving high-quality care services remains challenging and will require a comprehensive approach

Increased competitive pressure can provide incentives to suppliers to improve quality. However, for competition to deliver these benefits, the market must be well designed, and regulation properly enforced. For example, competition heavily relies on the ability of consumers to compare alternative suppliers and on the effectiveness of regulation to prevent a “race to the bottom”. While there is not convincing evidence for childcare services, research shows that better access to information for long-term care consumers leads to improved quality and lower prices.

Regulation, while intended to ensure quality, may not always be effective. For instance, requirements on the minimum number of staff may have the unintended consequence that service providers employ lower-wage staff instead of hiring qualified staff, while still complying with formal requirements. More generally, there is a question of whether there is too much emphasis on inputs rather than ensuring high-quality outputs.

The debate in the childcare sector can be instructive for how regulation can be improved. There is an ongoing shift from a traditional monitoring of structural aspects, such as staff-child ratios, towards assessing process quality, which emphasises the quality of interactions between staff and children. Governments have also been seeking to align public investment with quality improvements, such as linking funding to better staff qualifications.