



Hacettepe University Graduate School of Social Sciences

Department of Economics

**COMPETITION POLICY AND GENDER IN TURKIYE: FROM  
THE PERSPECTIVE OF CHILDCARE SERVICES**

Berkay KURDOGLU

Master's Thesis

Ankara, 2025



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Berkay KURDOĞLU tarafından hazırlanan ‘‘Competition Policy and Gender in Turkiye: From The Perspective of Childcare Services’’ başlıklı bu alıřma, 24.06.2025 tarihinde yapılan savunma sınavı sonucunda başarılı bulunarak jürimiz tarafından Master tezi olarak kabul edilmiştir.

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*Berkay KURDOđLU*

## **DEDICATION (OPTIONAL)**

*This study is dedicated to those who have the courage to follow their hearts in pursuit of the virtues, goals, ambitions, and principles they believe in — and to those who are prepared to embrace them.*

## **ACKNOWLEDGEMENTS**

The views and opinions expressed in this study are those of the author and are not binding on the Turkish Competition Authority.

## ABSTRACT

KURDOGLU, Berkay. *Competition Policy and Gender in Türkiye: From the Perspective of Childcare Services*, Master's Thesis, Ankara, 2025.

In recent years, the intersection of competition policy and gender equality has gained significant momentum among national competition authorities and international organizations. Numerous academic and institutional studies have already established that competition policy can be an effective tool to address gender inequality and broader macroeconomic challenges without compromising its core objectives. This renewed attention presents an opportunity to enhance the effectiveness and reach of competition policy by adopting a more holistic perspective, modernizing economic tools, and engaging more directly with pressing societal issues. This study seeks to contribute to this evolving field by examining how competition policy can influence gender dynamics, with a specific focus on the role of childcare services in Türkiye. It adopts a deductive narrative, beginning with the theoretical and policy-level connections between competition policy and gender, and progressively narrowing the focus to the childcare sector, culminating in several policy design recommendations along with an empirical methodology that may serve as an exemplary practical application for competition authorities. Adopting a multidisciplinary approach, this thesis applies catchment area analyses to determine and assess localized competition in childcare services in order to construct a spatial analysis of market conditions and capture local competition dynamics, which ultimately determine the quality and price of childcare services. The premise underlines the crucial differences between traditional geographic market definitions and localized market definition approaches, and offer valuable insights into the methodological understanding of local markets. Ultimately, the thesis provides policymakers with both conceptual insights and practical tools for designing competition policies that not only enhance consumer welfare and economic efficiency but also contribute to a more equitable society.

### Keywords

Competition policy, Gender equality, Childcare services, Catchment area

## ÖZET

KURDOĞLU, Berkay. *Rekabet Politikası ve Toplumsal Cinsiyet İlişkisine Türkiye'deki Çocuk Bakım Hizmetleri Perspektifinden Bir Bakış*, Yüksek Lisans Tezi, Ankara, 2025.

Son yıllarda rekabet politikası ile toplumsal cinsiyet arasındaki karşılıklı ilişki, ulusal rekabet otoriteleri ile uluslararası kuruluşların ajandalarında önemli bir yer tutmaya başlamıştır. Nitekim halihazırda bu ulusal ve uluslararası kurumlar ile birçok akademisyen, rekabet politikasının tüketici refahının korunması ve artırılması gibi temel hedeflerinden ödün vermeden cinsiyet eşitsizliği ve kadının işgücüne katılımı gibi sosyal ve makroekonomik sorunlarla mücadelede etkin bir araç olabileceğini ortaya koyacak çalışmalar gerçekleştirmiştir. Bu gelişmeler, rekabet politikasının etkinliğini ve etki alanını daha bütüncül bir perspektifle genişletme, ekonomik araçlarını modernize etme ve güncel toplumsal sorunlara daha doğrudan katkıda bulunma fırsatını da beraberinde getirmektedir. İlgili çalışma, rekabet politikasının toplumsal cinsiyet dinamikleri üzerindeki etkisini, Türkiye'deki çocuk bakım hizmetleri özelinde inceleyerek gelişmekte olan bu literatüre katkı sunmayı amaçlamaktadır. Çalışma, rekabet politikası ve toplumsal cinsiyet arasındaki teorik ve politika düzeyindeki ilişkilere odaklanarak başlayıp aşamalı olarak çocuk bakım sektörüne doğru yoğunlaşmakta ve rekabet otoriteleri tarafından örnek alınabilecek ampirik bir yöntemin tanıtılması akabinde çeşitli politika önerileriyle sonlanmaktadır. Elde edilen sonuçlar, yerel pazar tanımının beraberinde getirebileceği kritik farklılıklar ve avantajları vurgulamakta ve yerel pazarların metodolojik olarak anlaşılmasına yönelik önemli içgörüler sunmaktadır. Nihayetinde bu tez, politika yapıcılara, tüketici refahı ve ekonomik etkinliği artırmanın yanında daha adil ve eşitlikçi bir toplum yaratmaya katkı sağlayacak rekabet politikaları tasarlamak için kavramsal öngörüler ve uygulamaya dönük araçlar sunmayı hedeflemektedir.

### **Anahtar Sözcükler**

Rekabet politikası, Cinsiyet, Çocuk bakım hizmetleri, Yakalama alanı, Coğrafi pazar

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## ABBREVIATIONS

CMA	Competition and Markets Authority (The United Kingdom)
GIS	Geographic Information Systems
SSNIP	Small but Significant and Non-transitory Increase in Price
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
U.S.	United States
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ITU	International Telecommunication Union
SIEC/SLC	Significant Impediment to Effective Competition
TFEU	Treaty on the Functioning of the European Union
JFTC	Japan Fair Trade Commission
ACCC	Australian Competition and Consumer Commission
GUPPI	Gross Upward Pricing Pressure Index
ECE / ECEC	Early Childhood Education and Care
MoNE	Ministry of National Education (Turkey)
TCA	Turkish Competition Authority
NGOs	Non-governmental Organizations
HHI	Herfindahl–Hirschman Index

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## INTRODUCTION

In recent years, the role of gender in competition policy has been widely debated among both national competition authorities, especially due to the dedicated efforts of the Canadian Competition Bureau, and international organizations such as the Organisation for Economic Co-operation and Development (OECD). This emerging global-scale attention has incentivized an unexpectedly fast-growing body of institutional and academic literature related to competition policy and gender, along with its practical implications in the context of competition law and economics. According to the limited but comprehensive studies conducted so far, competition policy has a natural and effective potential role to play in addressing gender inequality without compromising its core objectives. Furthermore, it can be argued that the scope and effectiveness of competition policy could be broadened and enhanced by adopting a gender lens. This reciprocal relationship underscores a critical opportunity for national authorities to expand the impact and relevance of competition policy by integrating more comprehensive socio-economic perspectives, modernizing their analytical tools, and proactively engaging with urgent societal challenges, while simultaneously contributing to efforts to tackle gender inequality. In doing so, competition policy may also create novel channels to support macroeconomic indicators, such as female labour force participation.

Building upon this premise, the thesis aims to explore practical avenues for integrating gender considerations into competition policy, to examine the prospective use of economic analysis and empirical tools, and to call attention to the opportunities for more effective policy design. In this context, and in order to highlight the cross-cutting nature and implications of competition policy and gender dynamics, the thesis investigates their interplay, focusing specifically on the childcare services sector. Additionally, this study is designed to provide a foundation for developing an economic understanding of how gender considerations can be incorporated into competition law cases and proposes an empirical methodology that could offer a more nuanced perspective on competition dynamics in local markets such as childcare services.

Ultimately, the study aspires to offer policymakers practical insights and overarching policy strategies for creating conceptual frameworks that not only improve consumer welfare but also safeguard well-functioning competitive dynamics and promote gender equality.

The study is structured as follows: Chapter 1 explores the reciprocal relationship between competition policy and gender, providing an extensive overview of theoretical concepts, policy frameworks, proposed toolkits, and relevant international examples that illustrate how gender perspectives can be integrated into competition policy. Chapter 2 narrows the focus specifically to the childcare services sector. It identifies and critically analyses key market characteristics, including market structures, entry barriers, regulatory environments, and prevalent anti-competitive practices in childcare provision, as well as the economic rationale behind competition policy interventions tailored to this sector. To support the background, Chapter 3 outlines an empirical application of isochrone and catchment area analysis methodologies to assess localized competition dynamics, particularly in childcare markets. By constructing a spatial analysis of competitive dynamics in the local markets, including childcare, the approach highlights crucial differences between traditional geographic market definitions, generally based on city, district, or neighbourhood boundaries, and more refined, functionally relevant local market assessments. Overall, the thesis discusses the integration and significance of the empirical results, offering policy recommendations, methodological contributions, and suggestions for future research.

In no uncertain terms, the study empirically bolsters the widely accepted premise that competition policy can meaningfully contribute to reducing gender inequality. Reciprocally, incorporating gender considerations into competition analysis can significantly enhance its effectiveness, even while primarily aiming to restrict anti-competitive practices and safeguard the welfare of consumers and workers. Moreover, beyond its other mechanisms, by levelling the playing field in the childcare sector and fostering a more competitive environment, competition policy may positively influence female labour force participation and, consequently, the macroeconomic performance of an economy.

# **CHAPTER 1**

## **THEORETICAL FOUNDATIONS OF GENDER IN ECONOMICS**

### **AND COMPETITION**

The connection between economics, particularly from the competition policy dimension, and gender may not seem obvious at first glance. However, a closer look at their interplay reflects a broader shift in thinking about societal welfare, one that extends beyond the interests of only consumers or producers. Traditionally, competition law and policy are designed to tackle anti-competitive practices, remove market barriers, incentivize innovation, and ultimately promote open and fair markets where businesses compete on merit and consumers benefit from better choices and lower prices. At their core, these policies aim to level the playing field by ensuring that no firm gains an unfair advantage or abuses its market power.

Over time, a growing number of policymakers and researchers have begun to ask a broader question: can competition policy also help build a more inclusive economy? And if so, how does gender fit into that picture? In other words, the debate has shifted toward the question of whether competition policy should remain focused exclusively on its traditional objectives, such as promoting efficiency and consumer welfare, or whether it can also play a meaningful role in addressing broader societal challenges, including inequality and social exclusion.

Recently, these questions have begun to be answered by a growing number of competition authorities, international platforms, think tanks, industry experts, and academics. By considering how marginalized consumers in the economy or society may be affected differently or burdened with heavier economic costs than consumers with greater financial power, policymakers can create an opportunity to enhance efficiency while

simultaneously addressing pressing societal challenges. This mutually beneficial approach is increasingly referred to as the "*double dividend*<sup>1</sup>."

In light of this evolving perspective, a number of national and international actors have begun to explore concrete ways to integrate gender considerations into the framework of competition policy. This has given rise to a sharpening body of initiatives, studies, and policy reforms aimed at examining how competition law and enforcement practices interact with gender dynamics in markets.

Historically, competition policy was treated as "gender-neutral" or "gender-blind," overlooking the fact that market power and antitrust interventions can affect different groups in distinct ways. By the late 2010s, however, scholars and advocates began calling for a gender-aware approach to competition enforcement, arguing that applying a gender lens can advance equality without compromising core competition goals. In 2018, the OECD published one of its seminal papers titled "Competition Policy and Gender", which provides a primer on the natural role of gender in the competition framework and vice versa. It also built a structure of practical applications in order to develop a holistic understanding of the interconnected relationship between gender and competition.

*"... (this is) the opportunity for competition authorities to contribute meaningfully to the fight for gender equality, identified as the fifth of the United Nations (UN)' Sustainable Development Goals. This can be pursued without compromising the consumer welfare focus of many authorities; in fact, adopting a gender lens may support the achievement of their efficiency-based objectives. For those authorities that operate under broader public interest mandates, the inclusion of gender considerations naturally aligns with their decision-making frameworks"* (OECD, 2018, p. 3).

As noted above, the OECD carefully underscores that integrating a gender lens into competition policy does not necessarily conflict with traditional efficiency or consumer welfare aims. On the contrary, such an approach can enhance the effectiveness of competition enforcement by revealing market dynamics that disproportionately affect

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<sup>1</sup> The first dividend is the standard efficiency gain from fixing a market failure (more competition leading to better services and lower prices), and the second dividend is the boost to gender equality and inclusive growth (more women able to work, invest, or start businesses thanks to reduced care burdens).

different segments of society. Moreover, for authorities operating under public interest mandates, gender considerations should be perceived as a natural extension of their responsibilities<sup>2</sup>. This perspective marks an important step toward reframing competition policy as not only a tool for market efficiency but also a potential instrument for inclusive and equitable economic development.

In Canada, the Competition Bureau's use of a Gender-Based Analysis Plus (GBA, 2018) to assess how trade-agreement competition chapters impacted women spurred a broader examination of the relationship between competition policy and gender, aligning the agency's work with domestic priorities and international commitments (such as the UN Sustainable Development Goals on gender equality). Furthermore, a major milestone in this process was marked in the same year, when the Canadian Competition Bureau collaborated with the OECD to launch the *Gender Inclusive Competition Policy* project. This initiative sought to explore how gender-sensitive approaches could help refine market analysis and better identify how competitive outcomes may vary across demographic groups. The project solicited new research and ultimately selected seven innovative studies, which were presented at an OECD workshop in early 2021. These studies, which are undertaken by academics, practitioners, and agencies across the globe, provide empirical evidence of gendered patterns in markets and competition, examining issues from consumer behavior and market access disparities to the influence of gender diversity on cartel conduct and enforcement priorities.

Building on these findings, the OECD developed a *Gender Inclusive Competition Policy Toolkit*, released in 2023, to guide competition authorities worldwide in integrating gender considerations into their analysis, enforcement decisions, and advocacy efforts. Similarly, the European Commission (EC) has implemented policies to promote gender equality within research and innovation sectors. Under the Horizon Europe (2021-2027) programme, the EC mandates that participating institutions develop and implement *Gender Equality Plans* as a criterion for funding eligibility. These plans require organizations to address workplace biases and integrate gender dimensions into research,

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<sup>2</sup> For instance, South Africa Competition Tribunal started to take initiative in this direction. South Africa's post-apartheid competition law, for instance, included public-interest provisions aimed at empowering historically disadvantaged persons, implicitly opening the door to gender-equity considerations in merger review and enforcement.

aiming to dismantle structural barriers such as the "motherhood penalty" and paternalistic hiring practices that hinder women's competitiveness in high-stakes sectors. Since then, incorporating gender considerations into competition policy has become an emerging trend, and today the grasp of its importance is actively spreading among competition authorities, international organizations, academics, and advocacy groups in shaping a more inclusive approach to competition policy.

The following sections attempt to delve deeper into the burgeoning conceptual framework that underpins the relationship between economics, competition policy, and gender, introduce the OECD's *Gender Inclusive Competition Policy Toolkit* as a practical guide for implementation, and provide a suggestive perspective to explore real-world applications that demonstrate how these ideas can be put into practice by competition authorities.

### **1.1. THE ROLE OF GENDER IN ECONOMICS**

Women's role in the economy has long been marked and highlighted by significant disparities and disproportionate participation and outcomes compared to men. According to numerous studies, women exhibit lower labor force participation rates and earn lower wages, and they are about twice as likely as men to be employed in informal or precarious sectors. Estimates suggest that these gender gaps inflict a sizable economic cost on women, individually forgoing tens of thousands of dollars in potential earnings over their lifetimes. According to the OECD (2023A), the average gender wage gap across OECD countries was 11.5 percent. This means that women working full-time earned about 89 percent of the median pay received by men working full-time. Compared to 2010, when the gap was 14 percent, this represents only a small reduction over more than a decade. Consequently, women have less purchasing power in the marketplace and come under more challenging economic strain, which is further aggravated by the fact that they often pay higher prices for certain goods marketed to them<sup>3</sup>. Even the concept of gender itself has a profound impact on societal expectations and gender roles on women's economic decisions. Such gender-based differences in economic status and consumer experience

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<sup>3</sup> This phenomenon, commonly known as the "pink tax," refers to the observed premium on products targeted at female consumers (e.g., personal care or hygiene items), resulting in women frequently paying more for equivalent goods than men.

highlight a reciprocal relationship: gender dynamics shape economic outcomes, and economic structures in turn have differential impacts on gender groups.

Imagine a woman hesitating to apply for a promotion, not because she lacks skill, but because she has been subtly conditioned to believe leadership is “not her place.” This can be translated into the premise suggested by Akerlof and Kranton’s seminal work: women may systematically avoid competitive career paths or wage negotiations due to internalized societal expectations that frame assertiveness as incongruent with femininity. Akerlof and Kranton’s (2000) formalizes the interplay between social identity and decision-making, offering a microeconomic framework to analyse gendered disparities in competitive contexts. By integrating identity into utility functions, they theorize that individuals derive utility not only from material outcomes but also from adherence to socially prescribed norms, including gender roles.

Empirical studies corroborate this, demonstrating that women often exhibit preferences for non-competitive compensation structures (e.g., piece-rate pay) compared to men, a divergence attributed to confidence gaps and social conditioning rather than inherent ability (Niederle & Vesterlund, 2007; Leibbrandt & List, 2015). This theoretical lens underscores how competitive environments shaped by institutional and cultural forces redefine inequities, challenging neoclassical assumptions of gender-neutral rationality. Inevitably, they argued that our sense of identity, primarily molded by societal expectations like gender roles, profoundly determines our choices, almost like an invisible hand guiding decisions.

In her groundbreaking book *Understanding the Gender Gap: An Economic History of American Women* (1990), Claudia Goldin meticulously traces the evolution of women's labor force participation in the United States (U.S.) from the late 18th century to the late 20th century. Challenging the prevailing notion that women's employment advances were primarily a response to social revolutions. Goldin argues that long-term economic progress played a significant role. She highlights how social norms, legal constraints, and institutional structures have historically limited women's economic roles. For instance, she discusses how marriage bars and societal expectations discouraged married women from working, thereby shaping their economic decisions and reinforcing gender disparities in the workplace.

In her influential article *A Grand Gender Convergence: Its Last Chapter* (2014), Goldin examines the narrowing gender gap in labor force participation and earnings, noting significant progress over the past century. However, she identifies the remaining barriers to full equality, particularly the structure of work that often demands long, inflexible hours. Goldin introduces the concept of "greedy work," where jobs that require extensive time commitments and offer high compensation create a trade-off that often penalizes women seeking work-life balance. She posits that achieving true gender equality in the labor market requires a re-evaluation of work structures to allow for greater flexibility and balance between career and family life.

In her another book *Career and Family: Women's Century-Long Journey Toward Equity* (2021), Goldin delves into the persistent challenges college-educated women face in balancing career aspirations with family responsibilities. She emphasizes that despite increased educational attainment and labor force participation, women continue to encounter systemic obstacles rooted in societal expectations and workplace structures that influence their economic choices. Goldin argues that choices are shaped by the constraints created by society, technology, legal frameworks, and personal expectations, challenging the oversimplified belief that the gender gap is solely about personal choice

Besides the micro-level examination of individual behaviour and identity, there is also literature spanning the macroeconomic implications of gender inequality, particularly through the labor market channel. For instance, Cuberes and Teignier (2011) present a model illustrating how gender-based restrictions in labor markets lead to significant inefficiencies in a macroeconomic setting. By simulating scenarios where women are excluded from managerial positions or the labor force entirely, their findings indicate substantial losses in aggregate productivity and income per capita. For instance, the model predicts that excluding women from managerial roles could reduce output per worker by approximately 25%, while complete exclusion from the labor force might lead to a 40% decline in income per capita. These results underscore the economic cost of underutilizing female talent and highlight the necessity of inclusive labor policies to enhance overall economic performance.

Complementing this theoretical framework, the International Monetary Fund (IMF) Working Paper titled *Gender Inequality and Economic Growth: Evidence from Industry-Level Data* provides empirical evidence on the positive *correlation* between gender equality and economic growth. The study analyzes industry-level data across various countries and finds that industries with higher female employment shares tend to experience faster growth in value-added and labor productivity, particularly in countries with lower gender inequality. This suggests that reducing gender disparities enables more efficient allocation of labor resources, thereby, fostering economic development (Bertay, et. al, 2020).

Further enriching this discourse, Seguino's (2000) research offers a feminist macroeconomic perspective on the relationship between gender inequality and economic growth. In this study, she examines how gender disparities in wages and employment can influence export-led growth strategies and argues that while suppressing female wages may initially boost competitiveness, it ultimately hampers sustainable economic growth by limiting domestic demand and perpetuating income inequality. Consequently, she advocates for macroeconomic policies that promote gender equity, such as public investment in social infrastructure and labor market reforms, to achieve more inclusive and robust economic development.

Building on Seguino's (2000) feminist macroeconomic lens, the National Bureau of Economic Research's *Gender in the Economy Program* in the U.S., directed by Claudia Goldin, Jessica Goldberg and Claudia Olivetti, extends her critique of short-term growth strategies by grounding gender disparities in empirical and historical context. The program's interdisciplinary research reveals how systemic barriers such as occupational segregation and unequal access to skill-building opportunities reinforce the very wage suppression Seguino identifies as counterproductive to sustainable development. For example, the aforementioned Goldin's historical analyses demonstrate that gendered norms relegating women to low-paid "pink-collar" roles not only limited their earnings but also constrained aggregate demand, as underpaid female workers had reduced purchasing power to fuel domestic markets.

Seguino (2012) also demonstrates how social infrastructure policies, like subsidized childcare, can elevate women's labor participation, which ultimately drives productivity. In parallel, theories on workplace diversity suggest that as women enter high-skill, male-dominated sectors, firms are prompted to adopt technological innovations, which can be termed as a '*technology-gender feedback loop*.' This loop not only boosts aggregate productivity but also helps reallocate female talent into higher-value roles, reducing wage inequality. Her model underscores a critical paradox: while gender equality in labor markets drives long-term growth, entrenched biases slow the pace of technological adaptation, creating friction in realizing these gains.

Peters et al. (2024) apply a similar theoretical framework to India's decline in female labor force participation amid rapid urbanization and GDP growth. Using household labor supply models and time-use data, she identifies two key drivers of this trend:

1. **Spousal income effects:** Urbanization correlates with higher male wages, reducing the marginal utility of women's paid work in households prioritizing social status over dual incomes. This aligns with findings that wealthier urban families often withdraw women from the labor force as a signaling mechanism to convey affluence.
2. **Labor market distortions:** Urban labor markets depress women's wages below their marginal productivity due to occupational segregation (e.g., relegation to informal domestic roles) and employer biases, such as paternalistic discrimination in hiring for night shifts or hazardous jobs

In line with the critiques aforementioned, Schneebaum (2015) calls for recognizing gender as a central, not peripheral, element of economic analysis. Schneebaum further bridges theory and lived experience by contrasting neoclassical efficiency narratives with feminist insights into care labor, where models like those of Akerlof and Kranton (2000) show that identity, including gender roles, deeply shapes behavior and economic outcomes. Together, their contributions remind us that gender-blind models not only miss key analytical dimensions but can also justify policies that undermine both individual well-being and the resilience of entire economies, thus overwhelming outcomes of

overlooking gender in economic modelling, which often leads to misguided policy conclusions.

In light of the economic roots of gender presented, it becomes increasingly important to examine how gender considerations can be integrated not just into general economic theory, but also more specifically into the frameworks and tools of competition policy. Since gender-blindness in macroeconomic modelling distorts development strategies, optimal policy decisions and labour allocation, similar oversights can be foreseen in competition policy as well.

## **1.2. THE RELATIONSHIP BETWEEN COMPETITION AND GENDER**

Traditional competition analyses largely treated markets as gender-neutral, typically not accounting for the disparities in gender (or race) in their models. In general, consumers were viewed as a homogeneous mass defined by their willingness-to-pay and rational preferences, and firms as profit-maximizing entities devoid of demographic characteristics. Under this paradigm, any consideration of gender shall be perceived as absent, implicitly assuming that men and women participate in and benefit from markets identically. However, this gender-blind approach has come under an overhaul due to the vast criticism of inefficiency and non-inclusiveness.

Scholars and policymakers now recognize that failing to consider how market power and competition affect different groups can lead to blind spots for both the nature of competition and the well-being of the entire society. To put it differently, if competition enforcement ignores whether certain communities (for example, women, or other marginalized groups) are disproportionately harmed by anti-competitive conduct, it may inadvertently reinforce existing inequalities. Therefore, a *one-size-fits-all* approach could miss instances where women, due to their socio-economic position, suffer greater harm from monopolistic pricing or exclusionary practices than men. Addressing this analytical gap is vital to prevent competition policy from reinforcing inequality and instead align it with broader fairness and inclusion goals.

Reflecting this shift in perspective, recent years have seen increasing efforts to integrate gender considerations into the theories and practice of competition policy. For instance, Hubbard (2017) characterizes the gender glass ceiling as “just another cartel,<sup>4</sup>” drawing attention to how informal yet persistent exclusionary practices can mirror the anti-competitive behaviour typically scrutinized by competition authorities. Similarly, Pike (2018) argues that gender-based restrictions may function as de facto anticompetitive regulations, and suggests that agencies could play a more impactful role by focusing their investigative efforts on markets where women are disproportionately disadvantaged. Santacreu-Vasut and Pike (2019) also developed the main framework, where competition policy can contribute meaningfully to levelling the playing field, promoting fairness while still pursuing its central goal of minimizing anticompetitive rents and protecting consumer and worker welfare. Within this framework, they frame gender inequality not just as a socially pressing issue but also as a distortion of market competition itself.

The underlying premise of Santacreu-Vasut and Pike (2019) is that competition policy can contribute to the fight against gender inequality even while pursuing its traditional mandate of tackling anti-competitive practices and protecting consumer welfare (double dividend). This emerging theoretical framework formalizes the two-way interaction between gender and competition, which posits a bi-directional relationship: *competition policy can influence gender equality, and gender dynamics can influence how competition in markets plays out*. On one side of this relationship, promoting robust competition is seen as a tool to improve gender outcomes. For example, intensifying competition in labor and product markets may help reduce certain forms of discrimination. Classic economic theory, dating back to Gary Becker’s work on discrimination (1957, 1971), suggests that in a perfectly competitive market, discrimination is costly and unsustainable. Firms or employers that let biases (such as a preference for hiring men over equally qualified women) override profit maximization will incur higher costs or miss out on talent, and they will eventually be outcompeted by more unbiased, efficient firms. In this idealized scenario, competitive pressures punish discriminatory behavior: a company that refuses

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<sup>4</sup> This analogy suggests that a small, closed group (in this case, a male-dominated leadership circle) can behave like a cartel by informally colluding to exclude others (women) from top positions, thereby preserving economic rents and power among themselves.

to hire women, or pays them less than their marginal productivity, would lose in the long run to a rival that hires or promotes talent regardless of gender.

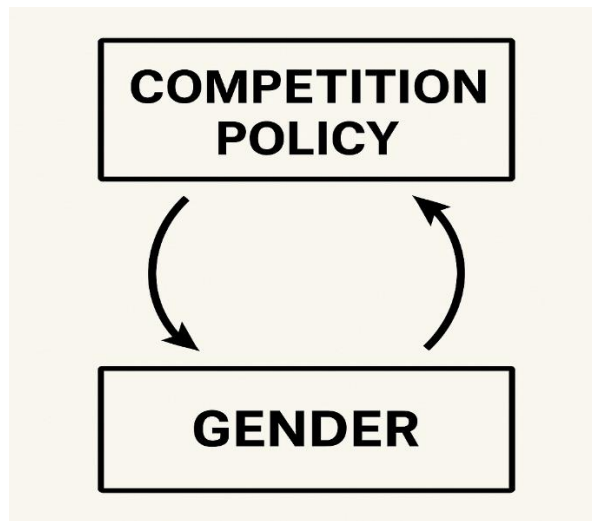


Figure 1.1. Bilateral Relationship between Competition and Gender

Santacreu-Vasut and Pike (2019)

Competition, in theory, should drive out agents who harbor costly gender biases, thereby diminishing gender disparities over time. This forms one theoretical foundation for linking competition to gender equity: strong competition can erode the “rents” that allow discrimination to persist. Yet, the corrective power of competition against discrimination hinges on certain conditions. One crucial assumption is that prejudices are not so pervasive as to distort the market itself. If all or most employers or consumers hold a similar bias, competition may not eliminate the discriminatory outcome because there is no unbiased competitor to take advantage of the inefficiency. In fact, competition could even amplify inequality under some circumstances.

Recent research cautions that when firms cater to prejudiced consumer preferences, competition without any checks can exacerbate gender discrimination. For instance, if consumers systematically prefer products made or sold by men, a company that tries to employ more women or feature women prominently might lose customers to a competitor pandering to the bias. In such cases, each firm, in an attempt to capture the market, might implement discriminatory practices (e.g., using only male sales representatives) to appeal to biased customers, resulting in a collectively worse outcome for women. Thus, while

Becker's theory highlights competition as a force for equality, later analyses recognize that market competition alone does not automatically guarantee fair outcomes in the presence of deep-rooted societal biases. Additional interventions (such as anti-discrimination laws or consumer protection rules) may be needed to ensure that competitive markets deliver equitable results when preferences or norms are skewed. The interplay here is complex: competition tends to equalize outcomes when actors have differing behaviors (some biased, some not), but if bias is uniform or if the market rewards bias, the invisible hand may falter in curbing discrimination.

Another cornerstone of (perfect) competition theory is the notion of free entry and exit. In reality, gender-based barriers often violate or fly under this condition. Across many economies, women face higher hurdles to starting and growing businesses. These range from overt legal restrictions (historically, laws in some jurisdictions barred women from owning property, signing contracts, or accessing finance without a male guarantor) to subtler institutional biases (such as bank lending practices that disproportionately deem women entrepreneurs less credit-worthy). Such "hidden disincentives and restrictions" can significantly hinder women's access to certain professions, markets, or services. The impact of these barriers is twofold: they directly harm the excluded group (women who are denied opportunities) and they undermine market competition and efficiency at large. By preventing capable women from entering the market, these constraints waste a pool of entrepreneurial or professional talent and innovation that could have increased overall economic output. Moreover, when women are kept out, the competitors who remain (often men) face less pressure to perform. Incumbent firms can more easily maintain market power and charge higher prices if half the population is effectively constrained from offering alternative products or services.

In an illustrative analysis, the OECD (2018) notes that markets might still appear to be competitive in such scenarios. For example, one might still see multiple male-run firms operating, but this appearance is deceptive. If less efficient male entrepreneurs are filling gaps left by excluded female entrants, those markets are operating below their true competitive potential. The absence of potentially more efficient female rivals means the remaining firms face a weaker competitive constraint, which can allow them to exercise greater market power (by degrading quality or raising prices) than they would under

genuinely free entry. This aligns with a general theoretical insight: gender inequality (in the form of entry barriers or unequal access) leads to smaller, less efficient, and less competitive markets, where resources are misallocated and consumers ultimately face higher prices or reduced innovation.

Gender dynamics also intersect with classical forms of market failure like price discrimination. In theory, firms with market power will segment consumers and charge different prices if they can, a practice known as third-degree price discrimination. Gender can be one obvious basis for segmentation. If men and women exhibit systematically different demand elasticities or purchasing habits in a given market, profit-maximizing firms may try to exploit those differences. In practice, explicit gender-based pricing (charging individual women more than men for the same product) is relatively rare or regulated against in many jurisdictions. However, companies often achieve similar ends through product differentiation and marketing. The pink tax is a paradigmatic example: essentially substitutable products (such as razors, deodorants, or clothing) are differentiated by branding or design for women versus men, and the female-oriented versions frequently carry higher price tags. From an economic standpoint, this implies that firms believe female consumers either have a higher willingness-to-pay for certain goods or a lower propensity to switch to “male” versions, allowing a price premium to be sustained. Over time, such pricing patterns mean women pay more as consumers even as they earn less as workers, a compounding effect that can exacerbate overall inequality.

Further deepening this approach, Stoyadinova (2021) makes a compelling case for moving beyond the aggregate metrics that dominate traditional competition assessments. Her work emphasizes the value of intersectional analysis and disaggregated data in uncovering how different groups experience markets in vastly different ways. She challenges enforcers to ask not just whether a market is functioning, but for whom it is functioning and at what cost. Stoyadinova's insights are particularly noticeable in drawing attention to markets such as care services, where pricing structures, access constraints, and regulatory gaps often disproportionately affect women. By surfacing these overlooked dynamics, she positions gender-inclusive analysis as essential to understanding the full spectrum of competitive harm.

Cartels and collusion also have important gender dimensions, both in their effects and their formation. The consumer harm from cartels (which typically raise prices and restrict output) may not be distributed evenly across society. If women and men differ in consumption patterns, a cartel in a particular industry could disproportionately burden one gender. Consider a cartel among producers of a basic household necessity: since women in many societies shoulder a greater share of household shopping and have, on average, lower incomes, inflated prices on essential goods can exact a higher welfare toll on female consumers. When all consumers face a cartel overcharge, those with less earning power and more responsibility for purchasing necessities (roles in which women often find themselves) will experience greater difficulty or sacrifice in coping with the price hike. Thus, anti-competitive practices might reinforce existing gender inequalities in spending power and welfare and should be subjected to an additional litigation burden. If competition enforcers focus solely on aggregate consumer welfare without disaggregating impacts, they might underappreciate how severely certain groups (e.g. low-income women) are affected. Many industry professionals and academics argue that competition policy should broaden its analytical scope to identify these disparate impacts, thereby preventing “unchecked market power” from exacerbating gender-based harm in society. This perspective does not imply that cartels are somehow legal if they only hurt women but rather that recognizing the heightened harm to disadvantaged groups can strengthen the case for vigorous enforcement and tailored remedies (for example, prioritizing busting cartels in sectors like childcare products or food staples that are crucial in women’s consumption baskets).

Beyond impact, there is an intriguing question of whether gender diversity (or the lack thereof) plays a role in the propensity for firms to engage in collusion. Traditional cartels are clandestine agreements usually formed in small, tight-knit circles of executives or industry players. Research in organizational behavior suggests that homogeneous groups where participants share similar backgrounds, networks, and demographic characteristics may find it easier to build the trust and repeated interactions required to sustain a cartel. In contrast, more diverse groups might have less cohesion or find collusive coordination

more difficult<sup>5</sup>. In many industries, especially historically male-dominated ones, the top executives or the circles in which deals are struck have been predominantly male. This “old boys” network can facilitate informal agreements, whether it is allocating markets, fixing prices, or excluding outsiders, in ways that might be less feasible in a more gender-diverse leadership environment. Consequently, some competition authorities have started to consider the composition of industries and companies as a factor in cartel risk assessment. A striking illustration of this thinking is the metaphor that the corporate glass ceiling is itself a form of cartel: a self-reinforcing cabal of male executives effectively colluding to keep women out and thereby maintain their own economic advantages.

As part of modern competition policy discourse, there are calls for compliance and antitrust advocacy efforts to include discussions about diversity. By highlighting that “repeated interactions among homogenous groups” increase the risk of cartel behavior, regulators can encourage firms to foster internal diversity as a bulwark against collusion, or at least be alert to collusion risks in environments lacking diversity. This does not mean that simply adding women to a cartel-prone industry will automatically prevent collusion. However, a diversity lens provides another investigative tool: enforcers might scrutinize industries that are both highly concentrated and homogenous, or use the lack of diversity as a clue in cartel detection (for example, examining whether social networks among a male-only trade association facilitated a price-fixing scheme). At a minimum, recognizing the gendered aspect of collusion networks helps broaden the theoretical foundation of why competition policy and gender issues intersect.

All of these strands, from entry barriers and discrimination to pricing and collusion, point to a deeper theoretical synergy between competition and gender. The “bi-directional” relationship highlighted by Santacreu-Vasut and Pike (2019) encapsulates this: competitive markets tend to promote gender equality, and greater gender equality (in terms of participation and opportunity) tends to make markets more competitive and efficient. This insight aligns with a growing body of economic literature on inclusive growth.

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<sup>5</sup> The OECD Toolkit (2023) explicitly notes that “*cartels are more likely to form in homogenous groups with repeated formal or informal interactions*”

When women are empowered to contribute fully in markets, either as entrepreneurs, workers, or informed consumers, the effective pool of competitors and the level of aggregate demand both increase, bolstering competition and innovation. Conversely, when half the population is constrained, the economy operates below potential – fewer competitors, fewer ideas, less pressure on incumbents. Competition policy thus has a role to play in addressing gender inequality, not out of social engineering, but to remove inefficiencies and market distortions that arise from gender-based obstacles. A clear example lies in sectors commonly referred to as the “care economy,” such as childcare, elder care, and other domestic services<sup>6</sup>. Competition authorities, therefore, should recognize this linkage, advocate pro-competitive reforms in such sectors to reach a double dividend. As Kovacic (2021) argues, embedding gender into competition policy requires leadership commitment, cultural change within agencies, and evidence-based mechanisms such as assessing gender diversity in decision-making teams, reviewing past enforcement decisions for gender impacts, and identifying barriers that disproportionately affect women-led businesses. By systematically incorporating gender analysis into case selection, resource allocation, and market studies, authorities can better address structural inequalities while fulfilling their core mandate of promoting competition. This framework positions gender inclusion not as an ancillary social goal but as a principle that can strengthen enforcement outcomes and contribute to broader economic welfare, given that the conditions required for the textbook model of competition, containing unbiased decision-making and open access, are compromised by gender-based discrimination and barriers, thereby distorting market outcomes and calling for regulatory interventions.

It brings to light additional evidence and dimensions of harm that a traditional analysis might miss, thereby leading to more finely tuned policy design and interventions. Likewise, understanding the role of gender might signal an elevated risk of collusion, anti-competitive mergers or other anticompetitive conducts could inform where agencies direct their investigative efforts.

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<sup>6</sup> These services have a pronounced gender dimension: women are often the primary caregivers in families, and their ability to engage in formal employment is directly affected by the availability and cost of care. If childcare is scarce or unaffordable due to a lack of competition or regulatory failures, many women are effectively priced out of the labor market, or must reduce their working hours.

In conclusion, the theoretical foundations linking competition and gender rest on the recognition that market institutions and outcomes are not gender-neutral by default. Gender norms and inequalities can distort who enters markets, how goods are priced, who colludes, and ultimately who wins and loses from economic activity. Classical economic theory provides a starting point by suggesting that more competition tends to reduce arbitrary discrimination and expand opportunities, but real-world frictions remind us that this process is neither automatic nor universal. At this point, modern competition policy theory, informed by gender-disaggregated evidence, argues for a more inclusive analytical framework that identifies and corrects gender-driven market distortions as part of its mission to promote competition. This enriched framework does not change the objective of competition enforcement; rather, it sharpens it, aligning the efficiency goals of competition with broader equity goals.

The evolving academic literature, recently extending real-life applications and guiding policy toolkit on gender and competition, thus provides a strong theoretical and practical basis for why and how gender considerations can be woven into the fabric of competition law and economics, to the benefit of both market performance and social dynamics.

### **1.3. INTEGRATING GENDER INTO COMPETITION ENFORCEMENT**

At its foundation, competition law is designed to protect the functioning of markets by addressing conducts that undermine competition on merits; however, the framework of it can substantially alter across nations. One key pillar is the prohibition of cartels and collusive practices, which involve coordinated actions between firms, such as price-fixing or market-sharing, that restrict competition to the detriment of consumers. Another central area is the control of abuse of dominance, where powerful undertakings in the market (“*dominant position*”) harness their market power to exclude or discriminate against competitors or exploit consumers unfairly. A third pillar concerns the oversight of mergers and acquisitions, ensuring that the concentration does not lead to a *significant impediment of effective competition* in the relevant market or a substantial part of it<sup>7</sup>. Finally, competition advocacy plays a preventive and educational role, promoting pro-

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<sup>7</sup> This approach is formally known as the *Significant Impediment to Effective Competition* (SIEC) test, which serves as the primary analytical framework for merger control in the EU, the UK, Türkiye and several other jurisdictions.

competitive regulations and raising awareness about the benefits of competition in public policy through improving and co-designing regulations, efforts to remove market barriers, publishing sector reports and inquires, academic studies and seminal and workshops.

In light of brief explanation of the main pillars of competition enforcement, this chapter aims to turn to the practical question of how gender considerations can be systematically incorporated into competition law enforcement. Integrating a gender perspective into the competition policy allows competition agencies to sharpen its ability to recognize how different groups and consumers are affected by market dynamics and anti-competitive conducts. Therefore, there is a vital chance to re-design competition enforcement to become more inclusive, effective and holistic for the sake of every individual in the society. On top of that, by adopting a gender dimension, competition policy might address not only consumer welfare concerns but also broader public interests.

The following sections will explore how each of these pillars offers opportunities to integrate a gender lens either by refining existing enforcement tools or by expanding the scope of analysis to better reflect the varied ways that market practices impact women and other underrepresented groups<sup>8</sup>.

### **1.3.1. Cartels & Collusions**

Cartels and collusion represent two main forms of anti-competitive behavior that distort market competition, though they differ in formality and intent. While, a cartel is an explicit, coordinated agreement among competitors such as fixing prices, limiting supply, or rigging bids to maximize collective profits at the expense of consumers and competitors, collusion represents a broader term, encompasses both explicit agreements (like cartels) and tacit "concurrences of mind," where firms align behavior without direct communication, such as parallel pricing or market-sharing through inferred signals. However, on the paper, their economic consequences are considered to be uniform; only the legal approach and standard of proof differ.

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<sup>8</sup> For foundational insights into the structural incorporation of gender perspectives into competition policy, see the pioneering work of Santacreu-Vasut and Pike (2019).

As Becker (1957, 1971) suggested, even the traditional gender-blind enforcement of the competition principle may help reduce gender inequality, especially for levelling the playing field for women in specific markets by safeguarding them from cartels and collusions, primarily, in childcare, infrastructure, labour, and finance. In turn, increasing inclusiveness and more balanced social settings in the markets might give birth a “*boomerang effect*”, meaning curbing the tendency to anti-competitive conduct and bolstering female labour participation, which prevents macroeconomic losses.

In practice, this can be achieved by means of four practical strategies: (1) a sectoral proactive approach that focuses enforcement on gender-relevant markets, (2) gender-sensitive legal fines that reflect disparate harms to women, (3) gender-inclusive damage estimation methods that also consider the additional impacts on women, and (4) whistleblowing and compliance initiatives attuned to gender dynamics.

(1) Ensuring that markets and sectors offering alternatives to services traditionally carried out by women function efficiently and competitively is essential to supporting women’s active participation in the economy. Furthermore, the protection of well-functioning market dynamics for the sectors regarded as essential for women’s education, economic participation, and entrepreneurship is vital in order to sustain both micro- and macro-economic balance. These facts are boldly emphasized by the OECD (2018), implying the importance of competitiveness in markets, which directly affects women’s economic engagement and sector-specific gender analysis to prioritize enforcement in markets where collusion entrenches gender inequities.

According to recent literature, there are four sectors that are pivotal in shaping women's economic participation and susceptible to market distortions that can exacerbate gender inequalities, namely child and elderly care, (micro) finance, infrastructure, and the labour market.

- **Child and Elder Care Services:** The availability and affordability of care services are one of the most critical determinants of women's ability to engage in the workforce. Women often bear the primary responsibility for caregiving, with global data showing they perform nearly three-quarters of unpaid care work (ILO, 2019) and according to Miranda (2011) women, on average, spend nearly twice

as much time each day on unpaid labour compared to men, which in turn restricts their ability to engage in paid employment within the formal economy. Similarly, Alon et al. (2025) highlight that flexible work arrangements and childcare provision are among the main nonwage amenities that shape these preferences. Shifts in the priorities of women have also contributed to reducing the gender earnings gap. Hence, cartels in the care industry could lead to higher prices, limited choices, or reduced quality, disproportionately affecting women who rely on affordable and accessible services to participate in the labour market.

- **Financial Sectors:** As Santacreu-Vasut and Pike (2019) put clearly, access to finance plays a critical role in supporting educational attainment, enhancing female labor force participation, and fostering entrepreneurial development. However, a persistent gender gap exists in start-up financing across various contexts (Greenberg & Mollick, 2016; Breschi et al., 2018), and more broadly, women remain less financially included than men in many countries, with the disparity being especially pronounced in developing economies (World Bank, 2018). The same report notes that women are less likely to have bank accounts, with a persistent gender gap of 9 percentage points in emerging markets since 2011, and female-owned businesses account for 33% or \$1.5 trillion of the SME finance gap. Cartels in finance, thus, could limit access to credit, loans, or other financial services, increase costs, or lower their representation in markets resulting disproportionately impact on women entrepreneurs and low-income households and further marginalizing women who already face systemic barriers, such as unequal access to collateral, insurance and higher interest rates (IMF, 2018).
- **Infrastructure:** Transportation, energy, and water supply are foundational for daily life, but poor infrastructure often disproportionately burdens women (ITU, 2017). Since the use of infrastructure differs across genders, with women often relying more on public transport, walking, and off-peak travel due to their dual roles in paid and unpaid work (Braeden et al., 2018), safety features like lighting and secure transport become essential to enable women's mobility, particularly at night (World Bank, 2018). Inadequate infrastructure can thus be a major barrier to women's labour force participation. If cartels were to form in these essential services, there could be worrying repercussions such as inflation in prices,

unequal access, limiting mobility, and ultimately putting further strain on women's economic independence and ability to work in the formal economy.

- **Labour Market:** Labor markets are increasingly recognized as critical arenas for competition law enforcement, particularly concerning gender equality. A Pew Research Center study shows that in 2022, women in the U.S. earned only 82 cents for every dollar men earned, a gap that has barely closed in the past two decades. Similar results have been obtained in Europe, while in 2021, the gender pay gap across the EU stood at 12.7%, indicating that women earned, on average, 12.7% less per hour than men, a joint study by the ILO and TÜİK found that, on average, women in Türkiye earn **15.6% less** than men in 2021<sup>9</sup>. OECD (2023A) has underlined this persistent wage disparity, which has shown minimal improvement over the past decade, and highlighted concerns about employer monopsony power, where a single buyer (employer) has significant control over the labor market, which can suppress wages and working conditions<sup>10</sup>. Labour cartels, such as those fixing salaries or sharing information on terms and conditions, could widen the disparities in wages between men and women, particularly in sectors where women are overrepresented, such as childcare, healthcare, and education. The competition authorities have already commenced to answer this call, as over the past three years, competition authorities across Europe, the United Kingdom, Canada, Türkiye, and China have increasingly prioritized antitrust enforcement within labor markets.

By channelling intensified enforcement efforts on these gender-relevant sectors, where cartels can disproportionately impact women's economic opportunities, competition authorities can play a more active role in addressing structural inequalities and fostering inclusive market conditions that benefit society as a whole. To operationalize this approach, competition authorities should act with greater vigilance by launching **ex officio investigations, conducting market inquiries, publishing sector-specific**

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<sup>9</sup> According to the same joint study the gender wage gap is more pronounced in the private sector (**15.3%**) compared to the public sector (**5.1%**)

<sup>10</sup> Even in labour markets without high concentration or pure monopsony, firms can effectively exercise monopsony-like power through anticompetitive practices such as wage-fixing or no-poaching agreements, which restrict worker mobility and suppress wages (Naidu & Posner, 2018).

**reports, and developing sector-targeted screening tools** that help detect collusive risks in sectors with significant gender implications.

(2) Secondly, by calibrating legal fines to cartel cases in accordance with their usually hidden impact on society, including women or other groups such as disadvantaged individuals, patients, children, or elderly people, competition agencies might further deter formations of collusive schemes before they operate in the markets. In other words, when cartels or bid-rigging schemes disproportionately harm women or other disadvantaged groups, competition authorities could consider adjusting penalties to account for this disparate impact.

As noted by Long (2019), ensuring equality should not be deemed separate from maximizing (protecting) welfare, but a necessary condition for it. Similarly, the OECD (2023B) implies that competition authorities may take into account the gender of those disproportionately affected by anticompetitive conduct. Although, under the traditional approach, fines are chiefly determined by factors like the volume of commerce affected, the duration of the infringement, and the need for deterrence, by introducing “gender weighting” into this calculus, the agencies can effectively treat harm to a disadvantaged or disproportionately affected group as an aggravating factor in setting the fine. For example, if a price-fixing cartel targets a product or service predominantly purchased by women, such as certain household goods, childcare services, or specific healthcare products that are vital for the patients, the social damage may extend beyond consumer welfare loss and deepen the sense of social injustice.

(3) A third proposal advanced in this study is closely linked to the previous point and reflects its counterpart on the consumer side, integration of a gender perspective into damage estimation methodologies related to anticompetitive conduct and subsequent litigation. Traditional cartel damage assessments typically focus on aggregate harm, such as estimating average overcharges borne by consumers or income losses suffered by suppliers. However, incorporating a gender lens entails refining these approaches to account for the differential impacts of such conduct across demographic groups, particularly in markets where purchasing or employment patterns are distinctly gendered. In practice, this may involve disaggregating data to assess how price distortions affect female versus male consumers, or how wage suppression from collusive employer

behavior affects gendered segments of the workforce. For example, if a cartel fixed prices in sectors such as early childhood education, diapers, sanitary products, or baby formula, or if employers entered into an agreement related to maternity care benefits, it is plausible that women (as primary purchasers or beneficiaries in many households) would bear a disproportionate share of the economic harm. Similarly, collusion in public procurement for transportation infrastructure or specific vaccines for women to avoid cancer-threatening diseases like HPV could have unequal consequences.

By measuring these differential outcomes, authorities and courts can gain a more accurate picture of cartel harm. Indeed, data show that men and women often participate in markets differently, and failing to recognize these patterns comes along with the risk of overlooking pockets of harm and underestimating total damages.

(4) Lastly, the gender dimension can enhance compliance programs and whistleblowing, helping to understand differences in firms' compliance with competition law and improving cartel detection and prevention (Pike, 2018). Research indicates that men and women may behave differently when confronted with unethical or illegal business practices, and women are less involved in cartels, possibly due to a lower propensity to collude or exclusion from male-dominated networks, which in turn affects cartel detection.

A key insight from Feldman and Lobel (2010) is that female employees have reported violations to law enforcement at higher rates than their male counterparts in cases of financial fraud and environmental wrongdoing. Abate and Brunelle (2022) found that in a sample of 50 cartel decisions in France (2010-2021), only 1.6% of core coalition members were women, often in minor roles, highlighting male-dominated *boys' clubs* facilitating collusion.

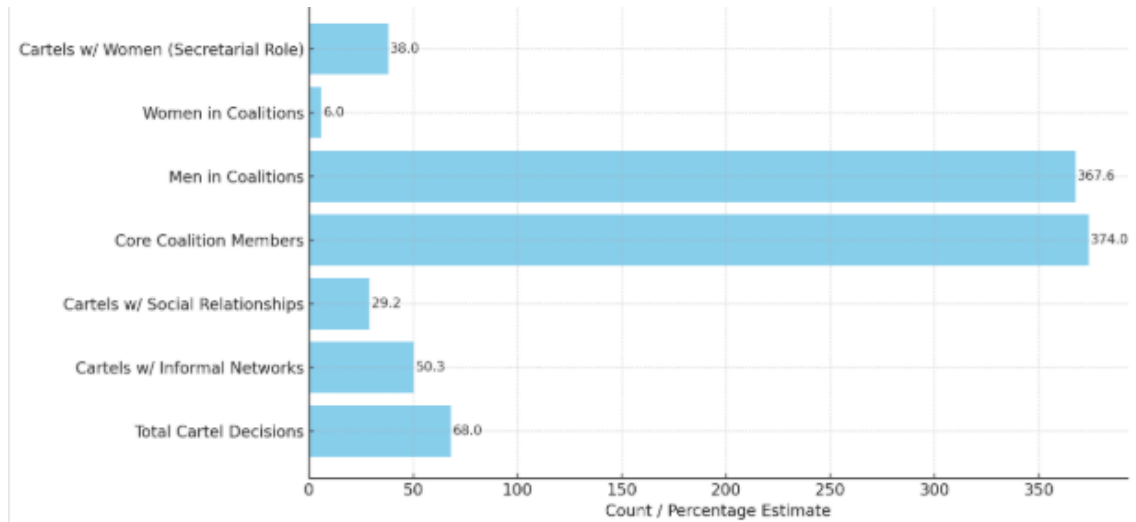


Figure 1.2. Gender Composition and Network Characteristics in Cartel Cases

Abate and Brunelle (2022)

Such findings imply that Agencies should train their case handlers to be aware of potential gender biases in evaluating informants. Additionally, given that women may prefer external reporting, competition authorities can strengthen direct whistleblower reward programs (like the U.S. DoJ's whistleblower provision or similar programs in other jurisdictions) to incentivize individuals to bypass possibly unsupportive corporate hierarchies.

Leniency programs (where a cartel member confesses in exchange for immunity) could also be more widely communicated within firms, not just at the CEO level. Often, the decision to seek leniency is made by top (male) executives. If those executives are deeply involved in the cartel, they may delay or avoid confessing. Nevertheless, if mid-level managers or legal/compliance staff (among whom there may be women who oppose the cartel) are empowered to trigger internal leniency discussions, a firm is more likely to come forward. The OECD has noted that because women are sometimes *outsiders to the clubs* that facilitate collusion, they might be less complicit and thus more inclined to report, given the chance. By understanding and leveraging how gender dynamics operate, from women's propensity to report wrongdoing to the cartel-mitigating effects of diverse

teams, competition authorities and businesses can create a more robust anti-cartel regime<sup>11</sup>.

### 1.3.2. Abuse of Dominant Position

Another critical area where competition policy intersects with gender is the conduct of dominant firm behavior. While abuse of dominance provisions traditionally aims to prevent market distortions and exclusionary practices, they can also serve as a valuable framework for addressing subtler, yet significant, forms of harm that disproportionately affect women. Integrating a gender perspective into abuse of dominance enforcement can uncover important yet often overlooked forms of market harm. It highlights how practices such as gender-based discriminatory pricing, algorithmic bias by dominant digital platforms, monopsony power in labor markets, and restricted access to essential services may disproportionately disadvantage women. By recognizing these dynamics, competition authorities can better assess harm and design remedies that enhance both efficiency and equity.

One way a dominant firm may abuse its market power is through **discriminatory pricing practices** that exploit differences in price sensitivity (demand elasticity) between male and female consumers<sup>12</sup>. Research indicates that women may exhibit lower price elasticity for certain products, such as personal care items, healthcare services, or childcare, due to social norms, caregiving responsibilities, or limited substitutes. For example, women are more likely to purchase menstrual hygiene products, which have few alternatives, making their demand relatively inelastic. This fact has already been documented from many cases, including the U.S. Government Accountability Office’s

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<sup>11</sup> This approach aligns with OECD (2018) recommendations to design more effective compliance tools by “recognizing differences” in how men and women might respond to leniency or violations.

<sup>12</sup> In competition law, price discrimination refers to a range of practices where a firm charges different prices to different buyers for the same product or service without an objective justification. While such pricing can be common in many markets, it raises competition concerns primarily when used by a dominant firm to exclude rivals or distort downstream competition. Authorities typically focus on cases where discriminatory pricing limits market entry or reduces competitive pressure, especially in markets with high entry barriers or economies of scale. Notably, the European Court of Justice in *MEO v. Autoridade da Concorrência* (C-525/16) clarified that price discrimination by a dominant firm is only abusive when it is intended to distort competition and capable of doing so—reinforcing an effect-based approach to enforcement. Though economic theory acknowledges potential efficiency gains from price discrimination (like solving “commitment problem”), competition law remains cautious when such practices harm the competitive process.

study in 2018 that revealed 5 out of 10 personal care product categories (e.g., deodorants, shaving products) women paid significantly higher average prices than men for equivalent products in the USA. Similarly, Duesterhaus et al. (2011) document the pink tax in personal care products, finding that women pay up to 13% more for similar items.

In economic terms, if one gender or specific consumer group exhibits a more inelastic demand for a product or service, meaning their purchasing quantity is less responsive to price changes, a profit-maximizing monopolist can charge that group a higher price and a lower price to a more elastic group. By doing so, the dominant firm can compensate its losses from less price-sensitive consumers through profits gained from more price-sensitive consumers. From a gender perspective, such exploitation means women bear a disproportionate financial burden, effectively transferring wealth to the dominant firm. This can exacerbate existing gender inequalities, especially since women, on average, have lower incomes and greater unpaid care responsibilities in many societies.

In markets like insurance or credit, gender-based pricing differentials (e.g., higher auto insurance premiums for men, or higher subprime mortgage rates for women borrowers in certain segments) have also raised fairness concerns. However, when a firm with dominant market power engages in intentional price differentiation by gender without cost justification, competition enforcers may view it as an exploitative abuse. Under EU law, for instance, Article 102 Treaty on the Functioning of the European Union (TFEU) prohibits a dominant firm from “directly or indirectly imposing unfair purchase or selling prices” or “applying dissimilar conditions to equivalent transactions” that place certain customers at a disadvantage

Historically, competition authorities have been reluctant to investigate pure price discrimination among consumer groups absent harm to the competitive process in the market. Yet, persistent gender-based price disparities may indicate that certain markets are failing to serve women or other underrepresented consumer groups effectively. In such cases, market studies can also help identify whether structural barriers, exclusionary conduct, or demand-side exploitation are contributing to these outcomes and whether corrective action is needed (Santacreu-Vasut and Pike 2019).

In today's digital economy, dominance by tech platforms and **the use of algorithmic decision-making** introduce new risks of gender-discriminatory outcomes. Dominant e-commerce and online advertising platforms often employ personalization algorithms to target content, ads, recommendations, or even prices to individual users. While ostensibly "neutral," these algorithms can learn from historical data that contain biases or proxy variables for gender, resulting in algorithmic bias<sup>13</sup>. For example, a prominent study carried out by Lambrecht and Tucker (2019) showed that an ad for STEM (Science, Technology, Engineering and Math) career opportunities on Facebook was delivered to significantly more men than women. Relatedly, Amazon discontinued an experimental AI recruitment tool after discovering it systematically favoured male candidates (Dastin, 2018). The outcome is fewer women saw an employment opportunity in a high-paying field, *de facto* reinforcing gender inequality.

A dominant firm's algorithms might also personalize prices based on data that correlates with gender (e.g., offering higher prices or poorer service terms to a user profile algorithmically associated with being female) if that profile is deemed less price-sensitive. This is essentially high-tech price discrimination and could amplify the aforementioned discriminatory concerns. Moreover, algorithmic bias can have exclusionary effects that harm competition in a gendered way. For example, if a dominant gig-economy platform's search algorithm favors male service providers (perhaps due to biased customer rating metrics), female providers may be systematically less visible and lose business, which might be considered a form of discriminatory refusal to supply access to the platform's customer base. Likewise, a dominant online marketplace might use a biased credit-scoring or reputation algorithm that makes it harder for women-owned small businesses to succeed on the platform.

However, competition authorities and regulatory bodies around the globe are beginning to grapple with these issues. EU competition authorities have recognized that the "special responsibility" of dominant firms may extend to ensuring their algorithmic systems do

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<sup>13</sup> This practice has been noted in studies on algorithmic bias, where data-driven pricing can reinforce existing inequalities, see Ezrahi and Stucke (2016).

not distort market outcomes or exclude certain groups. There is growing advocacy for antitrust scrutiny of algorithm-driven abuses, especially as artificial intelligence becomes a tool for entrenched market power. From this perspective, competition agencies should keep their commitment strong towards unfair practices in digital platforms and pay special attention due to their potential to worsen social biases.

Abuse of dominance is not limited to the seller side, it also occurs when a firm has **monopsony power** as a buyer<sup>14</sup>. Monopsony can enable conduct that disproportionately harms women. In labor markets, a dominant employer, as in the case of cartel and collusion, can *depress wages and degrade working conditions*, inducing an exploitative outcome most acute for groups with fewer outside options. Like Manning (2003), who illustrates that monopsony power in labor markets can lead to wage suppression, particularly affecting female-dominated sectors, countless study in labor economics show that women often have higher effective costs of changing jobs and thus lower labor supply elasticity to any given employer, due to factors like family care responsibilities, discrimination, or limited mobility. As Sharma (2023) clearly indicates that disparities in monopsony power between genders contribute to an %18 wage gap among workers with equivalent productivity, accounting for approximately half of the overall observed gender wage gap in Brassil. The same study also brings forth the fact that women employees are substantially less likely than men to quit when their wages are cut, giving employers greater wage-setting power over women and contributing to a sizable gender pay gap not explained by productivity. This is also supported by Ghilarducci and Farmand (2022), claiming that gender operates as a monopsony factor in labor market models, as women are often assumed to have a highly inelastic labor supply due to stronger ties to family responsibilities and household location decisions. This reduced geographic mobility, influenced by caregiving duties and spouses' employment choices, limits their ability to respond to alternative job offers, thereby increasing their vulnerability to monopsonistic exploitation.

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<sup>14</sup> A dominant buyer facing many sellers, such as an employer in a labor market or a large purchaser in a supplier market.

In other words, employers can profit by underpaying women relative to men because women face higher barriers to switching jobs, a phenomenon termed “*monopsonistic discrimination*”, which might be a substantial factor behind the overall gender wage gap as Barth and Dale-Olsen (2009) highlighted<sup>15</sup>. This dynamic links directly to competition policy: a dominant employer abusing its monopsony power effectively exploits workers constrained choices, and women end up with systematically lower wages and opportunities.

Monopsony power can also harm female entrepreneurs and suppliers. Consider a dominant buyer such as a major retail chain or platform that procures goods from many small producers. If many of those producers happen to be women-owned businesses (for example, in handicrafts, agriculture, or services), the abuse of buyer power, like dictating unreasonably low purchase prices or late payment terms, will disproportionately impact those female suppliers. This was recognized in South Africa’s recent competition law reforms, which explicitly address abuse of buyer power toward small and historically disadvantaged suppliers. South Africa’s law now prohibits dominant firms from “*avoiding purchasing*” from smaller suppliers or imposing unfair terms on them, specifically to protect businesses owned by historically disadvantaged persons (a category that includes women).

The underlying idea is that a dominant buyer should not be allowed to refuse to deal or set onerous conditions purely to exploit its bargaining leverage over vulnerable suppliers. By integrating a gender lens, competition enforcers can identify when seemingly neutral conduct actually excludes female-owned firms that cannot meet the volume or delivery requirements of the dominant buyer. In such cases, intervention (through abuse of dominance enforcement or advocacy) can help ensure more inclusive supply chains. Indeed, promoting competition on the buying side (for example, encouraging multiple procurement channels or strengthening bargaining cooperatives) can empower female producers and mitigate the unequal power dynamics that monopsony creates.

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<sup>15</sup> They found that 70–90% of the gender wage gap among low-educated workers, and 20–70% among high-educated workers, can be attributed to differences in labor market frictions in Norway. These disparities reflect lower wage elasticity of labor supply among women, giving employers greater monopsony power over female workers

As a broader economic justification than competition concerns, reducing monopsony power has been linked to narrowing the gender wage gap and enabling more women to enter formal, higher-paid employment. Thus, addressing monopsony abuses is a clear example of how a gender-informed competition policy can deliver both fairer outcomes and improved efficiency by better allocating talent and resources.

Another gendered dimension of dominance involves access to essential services, infrastructures or inputs. As in the case of physical infrastructure, recent evidence highlights the continued gender disparity in access to and use of digital infrastructure, especially in low-income countries (ITU, 2017). When a firm (the monopolist or dominant firm) controls a resource or network that others *must* use (an essential facility or a critical input), denying or degrading access to it or charging excessive prices can be an abuse of dominance, especially when the market is being protected by the strong economies of scale and scope, sunk costs and legal barriers. If the effects of such denial fall unevenly across gender lines, it raises particular concern. For instance, consider a dominant provider of digital financial services (such as mobile payment systems in a developing economy). If that firm sets high fees or onerous terms for small accounts, it might disproportionately exclude women, who in many contexts are more likely to be unbanked or maintain lower-balance accounts. A dominant mobile money platform that does not invest in agent networks in rural areas, or that requires documentation that many women lack, could effectively deny women access to digital finance, impeding their economic participation. Similarly, in healthcare, if a dominant hospital network or pharmaceutical firm restricts access or sets prices too high for services primarily used by women, such as contraceptive supplies or menopause treatments, female consumers suffer most. In public transport, a monopolist transit provider that cuts routes or raises fares for certain off-peak hours could hurt women disproportionately because women often rely more on public transportation and have travel patterns that include off-peak trips (due to flexible or part-time work and caregiving duties).

In many jurisdictions, practices of refusal to supply or excessive pricing by dominant firms may constitute an abuse when lacking objective justification. While traditionally assessed through a competition lens, integrating a gender perspective might allow authorities to recognize when such conduct disproportionately affects women. Although

competition rules prohibit these types of abusive practices done by the dominant firm, the impact on gendered groups is rarely examined explicitly. By adopting an inclusive, effects-based approach -one that evaluates not only the economic impact on the market but also the disproportionate harm to women or other disadvantaged groups- and imposing remedies that promote fair access and more equitable market participation, competition authorities can gain a more nuanced understanding of potentially unlawful conduct, execute multi-dimensional investigations, and support social inclusion.

### 1.3.3. Defining Relevant Markets

In a traditional merger review, competition authorities follow a structured analysis to determine whether a deal is likely to significantly harm effective competition in the relevant market. Defining the relevant market is typically the first and one of the most important steps. This involves identifying the *product market* (the range of products or services that consumers see as substitutes for each other) and the *geographic market* (the area over which consumers can practically switch suppliers). By defining the relevant product and geographic market, authorities determine where competition occurs and who the competitors are. Therefore, defining the relevant market correctly is essential not only for merger assessments but also for identifying and substantiating abuse of dominance cases, as both rely on understanding the boundaries within which market power is exercised and its potential impact<sup>16</sup>.

For example, a merger between two hospitals might be assessed within the market for general inpatient hospital services in a specific city rather than a broader region. Suppose the relevant geographic market is defined narrowly, such as at the city level. In that case, the merging firms may account for a larger combined market share, significantly amplifying their apparent market power. This narrower definition can lead to a higher post-merger concentration, as measured by tools like the Herfindahl–Hirschman Index (HHI), and raise red flags about potential anti-competitive effects. Conversely, a broader market definition could dilute their share and blur localized harms, highlighting how market definition critically shapes enforcement outcomes.

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<sup>16</sup> In cartel and collusion cases, generally the focus is on the coordinated behavior itself, which is presumed to harm competition regardless of the individual firms' market shares or power .

The most widely accepted methodology to delineate a relevant market is the Small but Significant and Non-transitory Increase in Price (SSNIP), which assesses whether a hypothetical monopolist could profitably impose a price increase, thus revealing the boundaries of substitutable products based on consumer price sensitivity. In addition to price elasticity, authorities often consider qualitative factors such as product characteristics, intended use, functionality, and consumer preferences. However, as Stoyadinova (2021) notes that most competition analyses “*do not consider how marginalized consumers or businesses...may be impacted differently,*” and filling this gap can prevent antitrust enforcement from inadvertently perpetuating inequality.

Santacreu-Vasut and Pike (2019) clearly indicate that, when it comes to gendered consumer products or services, relevant characteristics often extend beyond physical features to include symbolic or identity-based meanings. Indeed, in many industries, products or services are explicitly or subtly segmented by gender, meaning that men and women may not actually be in the same relevant market because they use different products or have different preferences. For example, sectors like toys, clothing, personal care products, healthcare services, dry cleaning, haircuts, insurance, and financial products often exhibit *gendered* segmentation (OECD, 2023B)<sup>17</sup>.

In this case, if one company targets primarily female consumers and other targets male consumers, competition between them might be limited. Consequently, it may be more accurate to treat the products as in separate relevant markets (or at least separate sub-markets) defined along gender lines. If women and men exhibit strongly different substitution patterns, it might imply there are effectively two markets where previously one broad market was assumed. In such a case, market shares should be calculated separately for the female and male segments. For instance, if two companies making baby products merge, and if marketing research shows that mostly women purchase certain baby-care items while men purchase other types, regulators might define a market for (say) baby diapers (purchased predominantly by mothers), distinct from a market for

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<sup>17</sup> A classic case is personal care: a merger between two deodorant (or perfume) manufacturers might need to consider women’s deodorants and men’s deodorants as separate relevant product markets if most consumers stick within their gender-specific category. Similarly, in healthcare, a merger of two clinics might affect the market for maternity care, which essentially serves female patients, differently than other general services.

another product line. An analysis that lumps all consumers together could dilute or hide a potential competition problem affecting primarily women. Empirical evidence underscores the importance of this approach. In a series of surveys reviewed by Oxera (2021), researchers found notable gender-based differences in terms of substitutability, price sensitivity, and switching tendencies across diverse sectors. For example, in the holiday travel market, women were found to have a lower degree of substitutability for packaged holidays compared to men, since they were less likely to mix-and-match components of a vacation on their own, relying instead on pre-packaged deals.

The important takeaways from the appropriate definition of the relevant markets are to pinpoint where actual competition takes place. This is both highly relevant for abuse of dominance cases and merger and acquisitions, the situations where the calculation of market power is essential. By incorporating gender-specific factors into the market definition, competition authorities can more accurately determine whether a firm holds dominant power and whether its conduct, such as imposing unfair terms, charging excessive prices, or restricting access to essential services predominantly used by women, constitutes an abuse, and make merger control more effective and equitable.

#### **1.3.4. Mergers & Acquisitions**

When it comes to market concentration, a typical merger is expected to lead to higher prices or reduced choices, and these effects can fall unevenly on different consumer groups. For example, a merger between two producers of women's shampoo, for instance, might allow the post-merger firm to segment the market more aggressively and raise prices on female-specific products. The OECD (2023B) has emphasized how a gendered merger analysis can uncover such harms, which might otherwise be overlooked.

Non-price effects must also be considered. If a merger results in reduced product variety or the discontinuation of offerings serving niche female markets, women could experience a decline in the quality or availability of goods. In healthcare, for instance, post-merger rationalization has led to reduced access to women's health services, such as reproductive care. In digital markets, mergers may weaken platform safety features that disproportionately benefit women. For example, if a woman-centric rideshare platform is

acquired and its safety options (like female drivers for female passengers) are removed, this would diminish service quality for female users.

Labor market effects also carry gendered implications. Mergers in female-dominated sectors like healthcare or retail may exacerbate monopsony power, leading to wage suppression or deteriorated working conditions for women. Research conducted by the Kaiser Family Foundation in 2022 shows that post-merger wage declines, such as a 7% drop in nurses' wages, can disproportionately affect women. This is particularly problematic as female workers often exhibit lower geographic and occupational mobility, increasing their vulnerability to employer concentration (Santacreu-Vasut & Pike, 2019). While merger review has traditionally focused on consumer prices, jurisdictions like the U.S. are beginning to incorporate labor market impacts into their antitrust assessments. From a gender perspective, this underscores the need to evaluate mergers in terms of their effects on female workers' wages, job availability, and employment conditions.

Moreover, merger impacts extend to women-owned businesses. If a merger increases buyer power and leads to stricter procurement terms, women-led SMEs may find it harder to access markets (OECD, 2023B). Consider a merger where a large online platform acquires one catering primarily to female entrepreneurs (e.g., Etsy): changes in platform algorithms, fees, or contract terms post-merger could force many women-led microbusinesses to exit.

As mentioned before, within this study, a growing body of research suggests that female representation in corporate leadership may reduce the likelihood of anti-competitive behavior. Many empirical studies have found that women are generally less inclined to engage in collusion or unethical practices, and that gender-diverse boards are associated with improved compliance outcomes (Baum et al., 2022; Wahid, 2019; Boulu-Reshef & Monnier-Schlumberger, 2019; García et al., 2024). In light of this, competition authorities may also consider post-merger board composition as an indicator of future firm conduct, with higher female participation potentially serving as a soft compliance-enhancing factor.

Lastly, the post-merger composition of corporate governance can also influence competitive behavior. Empirical research has suggested that greater gender diversity on boards is associated with a reduced likelihood of collusion and unethical conduct (Brunelle & Abate, 2021). If a merger results in increased female representation in decision-making, it might lower the risks of tacit coordination and promote more responsible market behavior. Hence, considering the gender balance of executive leadership post-merger could be a relevant factor in predicting future conduct and potential market outcomes.

### **1.3.5. Competition Advocacy**

Even if the competition authorities may not directly engage in regulations, legal frameworks outside of their remit, and market structures closely related to gender, they are still able to pursue advocacy and supportive objectives to contribute efforts against gender inequalities. The gist of the idea of competition advocacy lies in proactive measures by competition authorities to promote laws, regulations, and practices that foster competitive and fair markets. While authorities typically refrain from direct interventions into gender equality matters out of the competition policy window, their advocacy role allows them to indirectly influence gender-sensitive market outcomes. Thus, by identifying and addressing structural (market) barriers that disproportionately disadvantage women, competition advocacy can effectively support both gender equity and overall market efficiency (OECD, 2023B; Vassos & Creighton, 2021). Mainly, this can be done through sector inquiries and reports, implementing screening tools, advocacy on designing gender-supportive legislative frameworks, which give birth to economic repercussions, raising awareness, and establishing clear and direct communication channels with other public institutions, non-governmental organizations, and think-tanks.

Removing market barriers should be the core focus of competition advocacy, particularly in sectors crucial to gender equality. Many women face disproportionately greater obstacles due to regulatory complexity, restrictive licensing, or access barriers to essential services such as childcare, healthcare, financial services, and digital infrastructure (Santacreu-Vasut & Pike, 2019). For example, the imbalance in the healthcare sector, such as the persistent shortage of female doctors despite high demand from patients, can also be mitigated through competition advocacy by eliminating unnecessary restrictions

on medical training, licensing, and hospital entry practices, thus enabling greater diversity and meeting gender-specific demands (OECD, 2024).

Sector-specific reports are one of the most influential and effective advocacy tools for authorities to thoroughly analyze competitive conditions and market functioning. Such reports reveal structural issues like market concentration, entry barriers, and price distortions, which can disproportionately harm women. The South African Competition Commission's Health Market Inquiry in 2016 clearly exemplifies this approach, identifying significant barriers to entry and a lack of price transparency, greatly affecting vulnerable groups, including women. By recommending reforms such as regulatory transparency, fair pricing standards, and increased market accessibility, the Commission indirectly addressed (gender) inequalities, improving healthcare access and affordability for women who often rely more heavily on healthcare services.

Another great example in this context was carried out by Japan's Fair-Trade Commission (JFTC), which published the study report on the childcare sector in 2014 and consistently conducted advocacy efforts to reduce overly restrictive entry regulations in the childcare market<sup>18</sup>. By removing these regulatory hurdles, JFTC not only aims at promoting competitive market dynamics but also expands women's workforce participation by improving childcare affordability and availability. Recently, the OECD (2024) has also offered a comprehensive sector inquiry into the care industry, highlighting substantial entry barriers and regulatory inefficiencies limiting competition, subsequently restricting childcare affordability and availability, an issue significantly impacting women's labor force participation. The research sheds light on how competition and regulatory frameworks influence the performance and consumer outcomes in the care sector, specifically focusing on early childhood education and long-term care services and underlines that these services are fundamental for economic progress and social welfare, particularly considering demographic shifts and their broad effects on other economic factors like female workforce participation. The study successfully assesses the ways in which competition and regulation can enhance quality, shape market dynamics, and

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<sup>18</sup> One interesting point The JFTC study noted that is where childcare is unavailable or unaffordable, women are disproportionately forced to exit employment, a pattern starkly observed during the COVID-19 "she-cession" when day-care closures pushed many women out of work

tackle market imperfections and equity issues within the sector. It ultimately provides insights into the potential roles that competition authorities might adopt. Likewise, Australia's Competition and Consumer Commission (ACCC) conducted a market study identifying similar competition concerns, notably highlighting the relationship between market concentration, limited access, and high childcare costs. In parallel with this study's premise, ACCC's findings emphasized how enhanced competition could lower childcare prices, indirectly facilitating greater economic participation for women, who mainly bear caregiving responsibilities (ACCC, 2023).

Another field where competition advocacy can be crucial is designing and recommending legislative and regulatory frameworks explicitly supportive of gender equality, which in turn positively affects competition conditions in the markets. For instance, competition authorities could advocate simplifying the complex licensing requirements that disproportionately deter women-owned startups in sectors such as small-scale agriculture or artisanal manufacturing, thereby directly facilitating women's entry into formal economic activities. Additionally, authorities might recommend policies mandating greater transparency in public procurement processes, enabling more equitable participation of women-led businesses in government contracts, similar to South Africa's procurement rules, which actively include historically disadvantaged groups.

Encouraging transparent and fair lending practices in financial markets, as demonstrated by advocacy efforts that address gender gaps in access to venture capital, can significantly empower women entrepreneurs who often face higher obstacles in securing startup funding. Moreover, authorities could promote inclusive labor market legislation by supporting reforms for flexible working arrangements and parental leave policies, following (successful) Scandinavian models that substantially increased women's participation in the workforce. Such gender-sensitive advocacy not only influences policymakers but also produces tangible economic and competitive outcomes by boosting female labor force participation, diversity, and stimulating entrepreneurship, ultimately increasing market entry, spurring competition, and fostering inclusive economic growth (Vassos & Creighton, 2021; OECD, 2023B).

In order to place a stable and efficient competition advocacy policy, creating and maintaining clear, direct, and ongoing communication channels with a diverse array of stakeholders, including public institutions, non-governmental organizations (NGOs), and specialized think-tanks, is vital. By doing so, the competition authority might regularly collaborate with NGOs advocating for women’s financial inclusion, thereby gaining firsthand insights into regulatory barriers that restrict female entrepreneurs’ access to credit or capital. Similarly, engaging directly with academic think-tanks could help authorities detect persistent sectoral problems and develop innovative and grounded solutions tailored specifically to deal with those problems, like infrastructure, digital environment, childcare, or healthcare, and essentially provide a more holistic approach. Canada's Competition Bureau exemplifies such collaborative advocacy by routinely partnering with gender-focused organizations, resulting in evidence-based regulatory recommendations, such as gender-sensitive digital market frameworks or inclusive procurement practices<sup>19</sup>. Likewise, the OECD actively promotes these direct communication strategies globally, recommending that competition agencies convene regular stakeholder forums or advisory panels that specifically address gender dimensions. By fostering continuous dialogue with informed stakeholders, competition authorities not only deepen their understanding of market dynamics but also enhance the legitimacy, inclusivity, and effectiveness of their policy recommendations.

In essence, these suggestive and not limited structured advocacy measures may enable competition authorities to proactively and indirectly foster gender-inclusive market conditions, thus aiding in removing market barriers and promoting competitive market outcomes not only for consumer welfare but also to broader societal equity.

### **1.3.6. OECD’s Gender Inclusive Competition Policy Toolkit**

Upon completing this main chapter, this study also briefly summarizes the OECD’s Gender Inclusive Toolkit (*Toolkit*) for gender inclusive competition policy enforcement. The *Toolkit* is essentially a comprehensive checklist of ten practical ways competition

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<sup>19</sup> In Canada, the Competition Bureau’s “Delivering Choice” broadband study (2019) was an effort to identify whether Canadians were fully benefiting from competition in internet services. By gathering data on different consumer groups, the Bureau underscored the importance of inclusive Access, an area where continued advocacy is informing telecom policy.

authorities can apply a gender perspective in enforcement and policy. It covers the full spectrum of competition policy functions, from case analysis and investigative techniques to agency priorities and advocacy, highlighting where gender biases or gaps may arise and how to address them<sup>20</sup>.

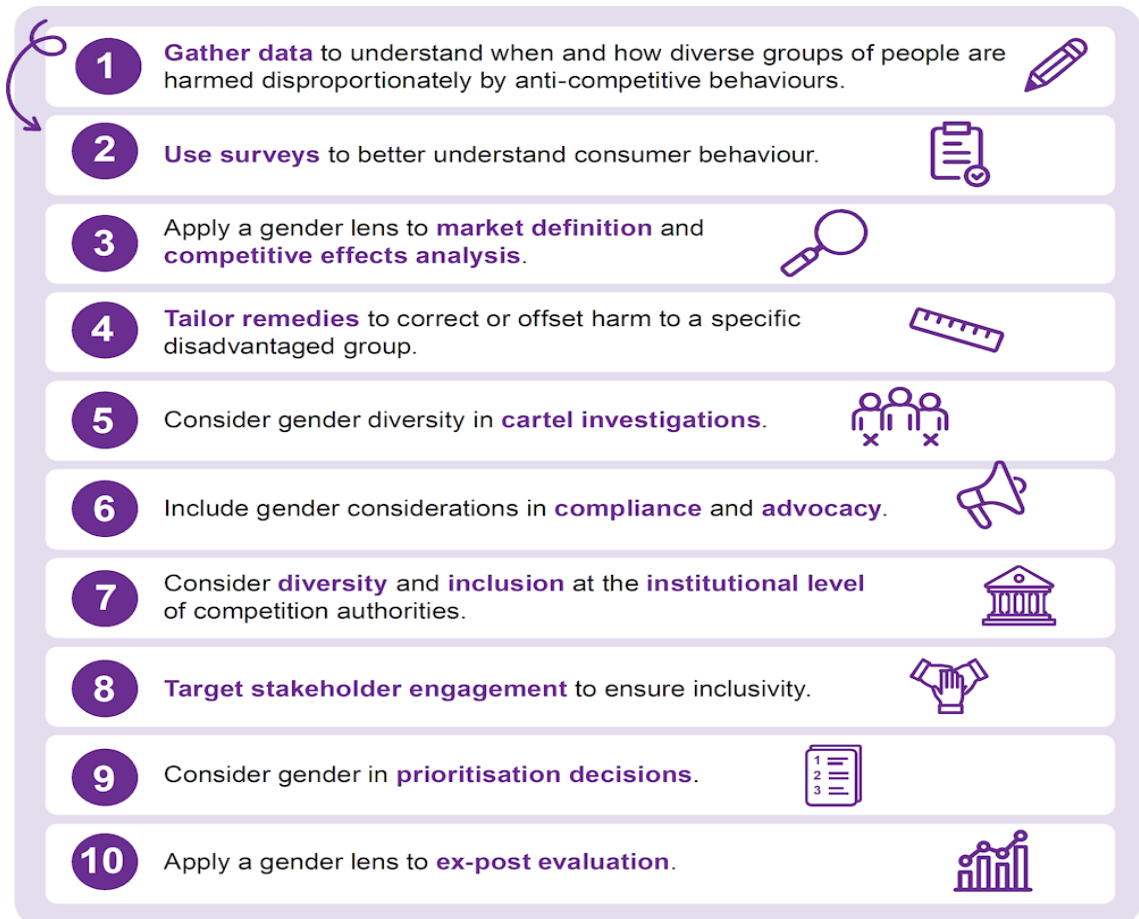


Figure 1.3. OECD's Gender Inclusive Toolkit  
OECD (2023B)

A core theme is improving the empirical foundation of competition analysis. Authorities are urged to collect and utilize disaggregated data to detect when and how certain groups (for example, women consumers or women-led businesses) may be disproportionately harmed by anti-competitive practices. Traditionally, competition investigations might assume a “neutral” average consumer; by contrast, the *Toolkit* recommends gathering

<sup>20</sup> Noting that many of the ideas and recommendations proposed by the *Toolkit* have already been evaluated throughout this study, and therefore, readers may notice some natural intersections between these concepts and the earlier chapters.

gender-specific data (and other demographic data) to reveal differential effects. For instance, if evidence shows that women pay systematically higher prices in a given market (pink tax); this could signal a competition problem affecting a particular demographic.

The use of surveys is another methodological tool emphasized by the OECD, given that surveys can uncover differences in consumer preferences, purchasing patterns, or switching behavior between genders. Such insights may help refine market definitions and theories of harm by confirming whether observed effects in a market are truly gender-driven or due to other factors. The *Toolkit* thus embeds data-driven approaches to counteract potential biases in analysis, although it also notes practical limits: privacy laws and data availability may constrain what information can be gathered, and any new data collection needs to balance analytical benefits against burden and efficiency considerations. These cautions reflect a critical understanding that while better data are vital for diagnosing gender disparities, competition agencies must operationalize this within real-world resource constraints.

Another key recommendation in the *Toolkit* involves applying a gender lens to substantive competition analysis and remedies. Considering gender during market definition, competitive effects analysis, and remedy design helps competition authorities understand how anti-competitive practices may impact different groups unequally. For example, a merger in the retail sector might affect female and male consumers differently if their purchasing patterns diverge, leading to higher prices or reduced choice for one group. The *Toolkit* stresses that this approach does not replace the consumer welfare standard but complements it by revealing the distribution of harm more precisely. A more granular analysis can lead to better-informed and fairer remedies that address or offset harm to disadvantaged groups such as ensuring continued service for an underserved demographic or imposing behavioral conditions that mitigate the negative effects of a merger on specific consumers.

The *Toolkit* also highlights enforcement strategies and internal practices that may perpetuate gender biases. In cartel enforcement, for example, collusion often thrives within insular male-dominated networks, sometimes described as old boys' clubs. Such homogeneity can facilitate trust and information sharing among competitors, enabling collusion. Recognizing these dynamics allows competition authorities to investigate more

effectively by examining the social context in which collusion occurs. During investigations, authorities might inquire into how information is exchanged during trade association meetings and whether such settings exclude certain groups. Beyond detection, the *Toolkit* encourages competition authorities to integrate gender considerations into compliance and advocacy efforts as mentioned in the previous chapter. The *Toolkit* exemplify this by suggesting that for many industries with a significant gender imbalance at the executive level might be more prone to collusive behavior, so authorities may encourage more inclusive practices to reduce these risks. Advising firms to diversify participation in industry meetings, rather than relying on the same homogenous group, can also disrupt the networks that foster collusion.

In addition, it focuses on the design and internal practices of competition authorities themselves. It advocates for increased diversity and inclusion within agencies, highlighting that decision-making benefits from a wider range of perspectives, which can improve problem identification and reduce blind spots. This idea mirrors corporate governance research showing that diverse boards lead to better oversight. The *Toolkit* frames diversity as a functional tool for enforcement rather than merely a matter of equity. Alongside internal diversity, the *Toolkit* promotes inclusive stakeholder engagement. Competition authorities often engage with businesses, industry groups, and consumers during investigations and policy development. The OECD recommends including voices that represent different gender perspectives to better understand market dynamics and identify potential gender-based harms.<sup>21</sup>

The *Toolkit* also encourages authorities to integrate gender considerations into case prioritization and ex-post evaluations. Prioritizing cases where women-owned businesses or female consumers face systemic barriers, such as exclusionary practices by dominant firms, helps agencies address competition concerns while advancing gender inclusion. Although some jurisdictions, like South Africa, explicitly incorporate public interest factors into competition analysis, most agencies must align gender considerations with existing legal frameworks centered on consumer welfare and efficiency.

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<sup>21</sup> For example, consulting women's business networks can reveal market distortions that disproportionately affect female consumers or entrepreneurs. This inclusive approach enhances the legitimacy and transparency of policy-making while aligning competition policy with broader societal equity goals.

Ex-post evaluations are presented as a key mechanism for providing feedback. Reviewing past decisions and market studies through a gender lens helps identify unintended negative outcomes for certain groups and refine future enforcement strategies. Although competition authorities have experience conducting ex-post reviews, evaluating differential impacts by gender remains relatively novel. Demonstrating that considering gender yields better outcomes can strengthen the case for integrating these practices.

In sum, the *Toolkit* offers a practical, evidence-based roadmap for integrating gender considerations into competition enforcement. It emphasizes that a gender lens enhances analytical accuracy and strengthens enforcement rather than undermining core objectives like consumer welfare. While challenges such as data limitations, legal frameworks, and institutional mindsets remain, the *Toolkit* shows that competition policy and gender need not be separate spheres.

## CHAPTER 2

### COMPETITION POLICY FROM A CHILDCARE PERSPECTIVE

The care industry represents the intersection of a wide range of policy implications that utterly shape every aspect of social and economic order. However, within the scope of this study, the impact of the availability, affordability, and quality of childcare services on female labour participation is regarded as a main focal point, along with the evolving role of competition enforcement and its effectiveness and reach without compromising its core duties and objectives.

Today, competition in the provision of childcare services has emerged as a subject of global policy importance, given the sector's dual significance for efficient markets and social well-being. Across both developed and developing economies, the quality, availability, and affordability of childcare significantly shape household welfare and labour market dynamics. Yet, despite its pivotal societal role, childcare still remains a sector often characterized by fragmented supply structures, limited consumer information, and geographical disparities, factors that collectively challenge the emergence of well-functioning, competitive markets across various types of countries.

International policy forums have increasingly emphasized and called for attention to this sector; for example, an OECD roundtable in 2024 explored how enhancing competition could drive better quality and outcomes in childcare markets while addressing typical market failures and equity concerns. Ensuring that childcare services are accessible, high quality, and affordable has become a paramount goal, raising the question of how competition policy can contribute to achieving these outcomes. Thus, one of the main reasons why the childcare sector has drawn increasing policy attention is its critical role in advancing gender equality regarding the availability and quality of childcare services significantly shape the labour market participation decisions of parents, particularly mothers (OECD, 2024).

In many countries, women remain the primary caregivers within households, and gaps in access to affordable and reliable childcare often act as structural barriers to their full-time employment. International studies have repeatedly shown that expanding access to Early Childhood Education and Care (ECE or ECEC) services is essential to fostering sustained female participation in the formal workforce (OECD, 2018; OECD, 2024).

In this regard, childcare provision functions not only as a matter of social infrastructure but also as a fundamental enabler of equitable economic development. High childcare fees or shortages in supply tend to disproportionately affect women, especially those from lower-income backgrounds or single-parent households, often compelling them to reduce their working hours or withdraw from employment entirely (OECD, 2022). For this reason, ensuring the efficient functioning and equitable distribution of childcare services is now increasingly recognized not just as a matter of family welfare, but also as an essential condition for inclusive growth, enhanced productivity, and well-balanced labour markets (OECD, 2024).

This chapter seeks to explore how competition policy frameworks can be adapted and orchestrated to address the unique features of the childcare industry. It begins with a conceptual examination of the market structure, supply-demand dynamics, and systemic inefficiencies frequently observed in this sector. The second section within this chapter shifts the focus to the case of Türkiye, mapping out the national characteristics of childcare provision, institutional arrangements, and spatial disparities in access. This contextualization is key to understanding where and how market distortions manifest within the Turkish context. The final section examines the relevance and application of competition enforcement tools in confronting the issues identified. By evaluating the remit of competition enforcement in areas such as advocacy, labour market design and functionality, strict monitoring for any collusive behaviour, and the particular importance of local market dynamics to ensure effective merger control, and strategic engagements, that can be analysed in the context of abuse of dominance. Therefore, the chapter is aimed at illustrating how traditional competition instruments can generate inclusive outcomes when adapted to sector-specific realities. In doing so, it also contributes to the broader policy dialogue on the potential for a double dividend, where competitive markets not only improve efficiency but also promote social equity.

## **2.1. THE NATURE OF MARKET DYNAMICS IN THE CHILDCARE INDUSTRY**

The childcare industry exhibits a wide range of distinctive market dynamics shaped by the participants from both the demand and supply sides, and structural characteristics along with specific market failures. In many countries, childcare operates in a quasi-market where private providers, public institutions, and informal caregivers all play roles under conditions of localized competition and strict regulations. Therefore, to fully grasp the complex nature of market dynamics in childcare, there are crucial aspects that must be underlined.

### **2.1.1. The Demand-Side Perspective in Childcare Markets**

Childcare markets can be described by several unique characteristics of both demand and supply in this sector. On the demand side, the need for childcare arises from parents' participation in the labor force, their income and preferences regarding ECE. In the short term, demand tends to be relatively inelastic, particularly when parents are required to work and no other family member or informal caregiver is available to meet the child's needs. In such cases, parents require some form of childcare regardless of its cost, although they may shift between formal and informal options depending on availability and affordability.

Several studies have demonstrated that as household income increases, the price elasticity of demand for childcare services tends to decrease, particularly when families place a higher value on the educational and developmental quality of care. Higher-income families are generally more inclined to treat childcare not merely as a form of supervision but as an investment in their child's early education and cognitive development. As Blau (2001) emphasizes, these families exhibit lower sensitivity to price changes when the services offered include advanced learning opportunities and structured pedagogical content. Similarly, Hofferth and Wissoker (1992) find that wealthier households prioritize quality over cost, especially when selecting among formal care providers. This preference is echoed in the findings of Cleveland and Krashinsky (2004), who report that higher-income parents are more likely to choose non-profit or high-quality institutions that offer enriched educational experiences. Del Boca, Locatelli, and Vuri (2005) also highlight that

rising income levels are positively correlated with the use of formal care, reinforcing the notion that the demand for quality care becomes more inelastic as income grows.

However, along with the level of family income, demand is also highly sensitive to cultural norms: in environments where childcare is unaffordable or not trusted families may withdraw from the formal market (e.g., one parent, often the mother, exiting the workforce to provide care at home, or reliance on relatives). Thus, while there is a fundamental need for childcare services, many families face a rationing decision, in which they can only demand as much childcare as they can afford. This leads to the paradox observed in many countries: from a societal perspective, more childcare (especially quality early education) is desired, but at market prices many families' private demand is lower than optimal<sup>22</sup>. Additionally, the timing of demand is constrained by children's ages: demand is highest for ages 0–5 (pre-school years) and drops sharply once public schooling begins, meaning the market deals with a relatively short consumer lifecycle. Parents of infants and toddlers generally have the greatest difficulty, because care for the very young is both expensive (requiring low caregiver-child ratios) and in some places less available, which can reduce effective demand if parents simply give up on finding a viable option.

The degree of elasticity is further mediated by local market characteristics, such as the availability and quality of providers in a given area. Noailly & Visser (2009) and Bassok et al. (2016) show that high-quality childcare options are disproportionately concentrated in affluent neighbourhoods, while economically disadvantaged areas often face a shortage of formal care or contend with under-resourced and lower-quality services. Therefore, the higher purchasing power in the region, the more facilities and options the families residing in the region have. This geographic imbalance creates structural barriers that amplify the repercussions of income-related demand patterns. Even when lower-income families value quality, their ability to respond to price changes is limited by the scarcity of accessible high-quality alternatives in their local markets given that the proximity to

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<sup>22</sup> This distinction in childcare preferences and price sensitivity between income groups can lead to significant repercussions in terms of educational inequality and long-term social mobility. When higher-income families access formal, high-quality care with enriched educational components while lower-income families rely on more affordable but often lower-quality or informal options, a gap emerges in early cognitive and socio-emotional development. Over time, this gap can translate into disparities in school readiness, academic performance, and even future labor market outcomes.

home from the facility plays a key role in selection processes of childcare decisions (OECD, 2024).

Another central feature in childcare services is asymmetric information, in which parents are not able to evaluate the true quality of services before they decide. Childcare quality is multifaceted and often difficult for parents to observe directly, especially the nuanced “process quality” of caregiver-child interactions, pedagogy, and safety practices. Providers naturally know more about the true quality of care than consumers do, leading to a classic information asymmetry problem. Studies in the U.S. have demonstrated that parents struggle to assess childcare quality accurately; for example, parents do not fully utilize available information and frequently misjudge quality, resulting in a market prone to adverse selection where high-quality providers are not sufficiently rewarded and average quality remains low (Mocan, 2007). Even in highly regulated systems with public quality ratings, many quality aspects remain opaque to parents, reinforcing the information gap (Camehl et al., 2018). Parents tend to rely on observable but imperfect proxies such as facility appearance, retention of staff, child-to-staff ratios, educational content of early childhood care, transportation opportunities, or word-of-mouth reputation, which may not reflect true developmental quality, thereby hampering informed decision-making (ACCC, 2023). Indeed, evidence from multiple countries suggests that many parents are “poorly informed consumers” of early childhood services and may not be able to distinguish between high and low-quality childcare (Akgunduz and Plantega, 2014 & Burns et al., 2022).

In practice, decisions are often driven by pragmatic constraints like location, cost, and availability and structural aspects such as minimum staff qualifications rather than by detailed quality comparisons including the educational content of early childhood care, child’s interactions with other children and staff and educational and professional competency of staff in terms of appropriate interaction and guiding with the children. Therefore, in contrast with the structural evaluation, trustworthy quality indicators are hard to obtain or interpret. As a result, parents’ ability to search around for the best care is limited by uncertainty, which can dampen competitive pressure on providers to improve quality and may create a “*race to the bottom*” type competition, in which providers, especially for-profits, might compete by undercutting each other’s fees, which

forces cost-cutting measures that degrade quality (e.g. hiring less qualified staff or increasing child-to-teacher ratios) (Akgunduz and Plantenga, 2014)

Some governments have introduced public rating systems or audits to reduce information asymmetry, particularly the U.S. and the U.K., but the impact on parental choices has been mixed. For instance, a study in Canada found that providing additional quality information only influenced the choices of lower-income, less-educated parents, suggesting that informational interventions help most where baseline knowledge is lowest (Burns et al., 2022). Overall, asymmetric information remains a fundamental market failure in childcare, undermining parents' capacity to make fully informed, quality-driven choices.

Another major demand-side factor (barrier) is the presence of high switching costs, which create a form of parental lock-in once a childcare arrangement is made. Unlike many consumer services that can be changed with relative ease, switching a child's daycare or preschool involves considerable frictions. Emotional and developmental factors make parents reluctant to move children between providers: young children form attachments to caregivers and peers, and disrupting these relationships can be distressing for the child and family. Research on early childhood development shows that instability in care arrangements can harm children's sense of security and behavior, especially for infants and toddlers (Cryer & Burchinal, 1997).

Parents internalize these risks, so even if they suspect a better provider exists, they may stick with the current arrangement to avoid uprooting their child's routine and emotional bonds. This emotional cost is compounded by logistical frictions. Childcare is often deeply intertwined with a family's daily schedule, the location of the center relative to home or work, the synchronization of drop-off and pick-up times, and the convenience of having siblings in the same facility are all crucial considerations. Switching providers might mean a longer commute, misaligned schedules, or separating siblings, imposing real stresses on already time-pressed parents. Furthermore, institutional and financial hurdles frequently deter switching. Many childcare centres require advance enrolment, deposits or registration fees, and notice periods for withdrawal; parents who leave may forfeit fees or have to pay double during transition periods. In markets with excess demand, desirable centres often have waitlists, so a dissatisfied parent cannot instantly

move their child to a top-rated alternative even if they want to. These factors create a lock-in effect: daycares effectively gain local market power over enrolled families, since parents face non-trivial costs and frictions in changing providers. Thus, it is evident that childcare choices tend to be “sticky”, once an arrangement is in place, families rarely switch unless absolutely necessary, which in turn chills the competitive pressure on providers to maintain high quality or lower prices for current clients (Brown, 2019).

Some providers even exploit this dynamic strategically: for instance, they might offer discounts for infants knowing that once the child (and perhaps siblings) are in the program, the parents will likely remain as the child grows, allowing the centre to recoup profits later (Brown, 2019). To be sure, the lock-in is not permanent which limits how aggressively a provider can raise prices or slack on quality without losing future clientele. Nonetheless, within the early childhood period, high switching costs significantly reduce parental mobility between providers, effectively weakening the functioning of a consumer-choice driven market.

Childcare decisions are also associated with preference heterogeneity: parents do not all seek the same qualities in childcare, which makes the notion of a singular “best” provider subjective and implies differentiated market structure. Some families prioritize educational curriculum and school readiness, while others emphasize a warm, home-like environment that mirrors familial care (Burns et al., 2022). This heterogeneity means that matching between parent preferences and available providers does not necessarily hold, especially when the nearby facilities are not fit for one family but might be acceptable to another. It also means signals of quality can be interpreted differently: for example, a highly academic program might impress one parent but worry another who prefers play-based learning. When coupled with limited supply in many areas, preference diversity leads to many parents settling for a “second-best” or even “third-best” option that meets some of their needs but not all, simply because the ideal combination is unavailable or unaffordable.

Another pervasive issue is time and search costs. Choosing a childcare provider is a complex and time-intensive process, ideally involving research through a range of options, centre visits, interviews with staff, and checking references or inspection reports and ultimately bargaining for the annual fee if it is an option. In practice, this leads to

bounded rationality and heuristic decision-making: parents commonly rely on personal networks and word-of-mouth recommendations, or they choose the first provider that seems “good enough” within their limited search radius, rather than surveying the entire market. The cognitive overload of weighing many dimensions, such as safety, cost, convenience, curriculum, under time pressure can result in simplifying strategies and sometimes status quo bias, once an acceptable arrangement is found, parents tend to stick with it and may avoid revisiting the decision unless forced to. Behavioral biases thus play a role; for instance, there is often a status quo or *inertia bias* (staying with a familiar caregiver even if better options exist, due to uncertainty and effort of switching) and potentially *present bias* (overvaluing immediate convenience or cost savings over long-term developmental quality).

Cultural and social norms also shape demand patterns. In some communities or countries, there is a strong expectation of parental or family care for infants, which can make parents reluctant to use formal childcare or only comfortable using providers that align with their cultural practices. Trust is a crucial factor. Surveys find that many parents prefer a known relative or informal caregiver not just for cost or flexibility, but also because of trust and fear of safety issues in formal care settings (Rutter & Evans, 2012). However, it remains unclear to what extent the availability of informal care affects the competitive behavior of facility-based providers, particularly in terms of pricing strategies (OECD, 2024).

### **2.1.2. The Supply-Side Perspective in Childcare Markets**

The supply side of childcare is another dimension shaping market dynamics and nature of competition, involving a diverse mix of providers and a complex competitive landscape. Providers usually include for-profit businesses, non-profit organizations, and public/government/municipality centres, each bringing different motivations and constraints. In many countries, direct public provision of childcare is limited compared to other services like primary education, resulting in private providers (both commercial and community-based) filling much of the gap. Over the past decades, the role of private provision has particularly grown, for example, the share of 3–5 year olds attending private childcare or preschool has increased in most OECD countries, expanding access where state services could not meet demand (OECD, 2024).

Non-profit providers (such as community centers or church-affiliated nurseries) often operate with social or educational missions and may receive indirect support (e.g. subsidized space or charitable funding). For-profit providers range from small, owner-operated day-care centres to larger chains, though the industry remains highly fragmented comprised mainly of small single-site operators in most markets. Even in the U.S., the top 10 for-profit chains account for only a single-digit percentage of enrolment, indicating the dominance of small providers (U.S. Treasury, 2021). This fragmentation reflects the fact that most providers struggle to achieve economies of scale or significant profits, and many “struggle to make ends meet”. Notably, roughly one-third of licensed childcare facilities in the U.S. are operated by non-profits or public entities, underscoring the substantial role of non-commercial actors alongside businesses in this sector. Overall, virtually all communities see a combination of public, non-profit, and for-profit providers coexisting and competing in the childcare market.

The nature of competition in childcare services tends to be localized and often based on price and convenience rather than not easily observable quality differences. As indicated before, childcare is inherently a local service. Geographic proximity is therefore one of the most important factors in choosing a childcare provider. This means each provider mainly competes with other centres in the same vicinity or area. Local market conditions (such as neighbourhood demographics and incomes) strongly influence supply and competition. These disparities lead to so-called “*childcare deserts*”, where the number of young children far exceeds the available licensed childcare slots.

Given the localized market dynamics and difficulty in evaluating quality of service in childcare, providers might have limited market incentive to compete by offering superior (but costlier) quality, especially if higher quality would necessitate charging higher fees that price-sensitive parents might not pay. Instead, competition often focuses on price, accessibility, and hours of service. According to International Finance Corporation (2017), childcare costs consume a large share of income for parents virtually everywhere, and many will opt for the provider that they can afford over one that might subjectively seem higher-quality but is more expensive.

Providers may also compete on convenience factors. For instance, offering longer hours, flexible drop-in schedules, or sibling discounts. By contrast, competing on quality (e.g. hiring more qualified teachers or adopting an enriched curriculum) is risky in a market where parents either cannot gauge or comprehend those differences or are unwilling to pay a premium for them. As a result, market competition alone does not tend to drive quality upward in childcare; in fact, without regulation, there is a risk of the race to the bottom where some for-profit providers cut corners on quality to reduce costs, knowing that many consumers are focused on price and basic adequacy over excellence. This dynamic is why government interventions, such as minimum quality standards, accreditation systems, and subsidies, are often introduced to ensure quality does not suffer due to market pressures.

Ownership structure also plays a role in competitive behavior and quality. Recent market studies have found systematic differences between for-profit and non-profit providers in childcare markets. Non-profit centers, which do not have to distribute profits to owners, often allocate more resources to factors that enhance quality (such as better caregiver training, lower child-to-staff ratios, or higher wages to reduce turnover) and may be more mission-driven towards educational outcomes. Akgunduz and Plantenga (2014) and van Eijkel et al. (2023) document lower observed quality in for-profit daycare in Europe, and in the U.S., non-profit centers have been found to hire more educated staff and achieve better developmental outcomes for children, on average, than their for-profit counterparts. Similar patterns appear in elder care: Hackmann (2019) noted that U.S. for-profit nursing homes had poorer quality indicators than non-profit counterparts.

By contrast, for-profit providers operate under profit motivations that can create pressure to minimize costs. For example, an Australian inquiry in 2023 found that for-profit daycare providers had higher profit margins, charged higher fees, and raised prices more frequently than non-profits (ACCC, 2023). At the same time, the for-profit sector has been the primary source of new supply in many countries to meet the excessive and ever-growing demand. Quality outcomes, however, often tilt in favor of non-profits.

These differences underscore the fact that the market cannot be deemed as homogenous and it is important to note that for-profit providers play a major role in supply and often dominate in terms of number of facilities. In many countries, the expansion of childcare

provision has largely been driven by the private sector (both small businesses and larger chains); especially in contexts where public funding does not fully meet demand.

The presence of a large informal childcare services operating alongside formal providers can also be deemed as a distinctive feature in this sector. Informal childcare includes care by relatives (e.g. grandparents, older siblings), friends and neighbours, or unlicensed home-based caregivers (babysitters or nannies paid under the table). In many societies, informal caregivers account for a significant share of child caring, particularly for very young children (infants and toddlers) or during hours when formal care is unavailable or unaffordable. Globally, a noticeable portion of childcare is provided by unpaid family members. For example, an analysis of 31 low- and middle-income countries found that in the absence of formal services, the *primary caregivers for children under 6 are usually family members (especially mothers), performing this work unpaid* (ILO, 2018). Even in high-income countries, informal care is common. One recent estimate in the UK and USA found roughly 17% of adults are providing unpaid care for a child or dependent relative in their family network (Bell & Lemmon, 2024). This indicates that the prevalence of informal childcare may directly or indirectly affects the formal childcare market, serving as a kind of *shadow supply* that can limit demand for formal services.

### **2.1.3. The Structural Characteristics of Childcare Markets**

Another crucial aspect of the childcare is associated with the level of (skilled) labor supply. Childcare services are extremely labor-intensive and unlike some industries, there is limited scope for automation. This means that staffing is both the biggest input to production and the biggest cost for providers (more or less 50–70% of a childcare centre's expenses are wages and benefits). A distinguishing feature of this labor market is the apparent paradox of oversupply and undersupply of qualified labor. On one hand, there is no shortage of individuals willing to work in childcare, since the job, usually, does not strictly require advanced qualifications in many cases and historically has been an accessible occupation for women seeking employment, especially at early stages of their careers.

In many countries, childcare jobs are low-status and low-paid, which attracts a large pool of workers who have limited alternative job opportunities or a personal passion for caregiving despite the low pay. The result may imply that supply of labor tends to outstrip the demand for high-skilled (and thus higher-paid) labor in this sector. Consequently, this may create a low-wage equilibrium in the industry. For example, in the U.S. the median wage for childcare workers lies in the bottom 5% of all occupations and childcare and other care workers worldwide often endure poor working conditions (ILO, 2018). In other words, many childcare workers earn so little that they qualify for welfare or need other jobs to supplement their income, underscoring how the sector effectively subsidizes its labor costs through societal inequality (U.S. Treasury, 2021). This situation, where workers are underpaid and readily replaced, means that high-skilled labor is not in strong demand, even if there are educators with advanced training, only few providers can pay the salaries those individuals, leading to a *mismatch*: well-qualified teachers either leave for better-paying jobs or never enter the childcare field to begin with. Thus, on the other hand, the ironic outcome is that high-skilled labor can be under-utilized (supply exceeding the sector's effective demand), while at the same time classrooms may suffer from having not enough experienced staff willing to work at the low wage. This is a classic case of market failure, where without public intervention the sector is prone to equilibrate at low wages and low quality, particularly in the under-developed or low-income communities. In short, there is a significant imbalance between families need childcare and providers want to offer it, but a lack of workers (stemming largely from low pay, limited career opportunities and prestige, and poor job conditions) constrains the supply of services.

In the Covid-19 pandemic, this problem was even worse. For instance, even as of 2023, the childcare sector in the U.S. was still tens of thousands of workers below its pre-pandemic employment level, in contrast to most other sectors that have recovered jobs lost in 2020. At the same time, demand for childcare remains high, job postings for childcare workers have been well above pre-2020 levels, reflecting many unfilled positions.

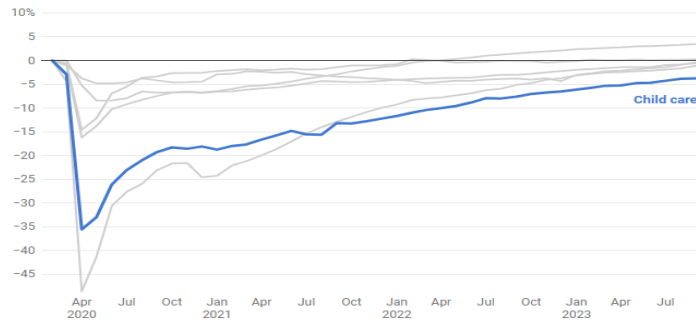


Figure 2.1. Change in Employment in Childcare in the U.S. after the Pandemic (%)  
 Khattar and Coffey (2023)

Figure 2.1. portrays that the pace of job recovery in the child care sector has lagged behind other industries that were significantly impacted by the pandemic, such as retail trade and leisure and hospitality. By September 2023, employment in leisure and hospitality had nearly returned to pre-pandemic levels, remaining just 1.09 percent below its February 2020 figure. In contrast, the childcare sector still trailed behind, with employment levels 3.75 percent lower than those recorded in February 2020.

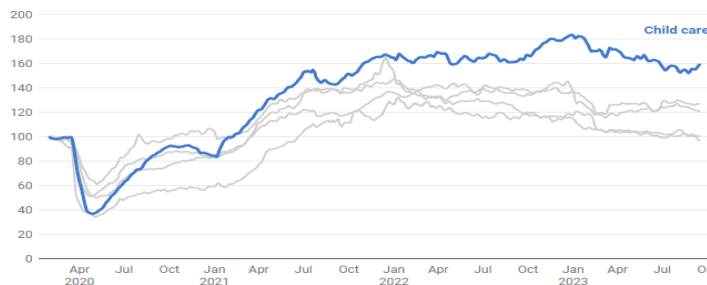


Figure 2.2. Change in Demand in Childcare in the U.S. after the Pandemic (%)  
 Khattar and Coffey (2023)

At the same time, the need for childcare workers continues to be strong (see Figure 2.2.). As early as January 2021, the number of job advertisements for childcare positions on Indeed had already returned to pre-Covid levels and has consistently remained above that benchmark. By September 2023, listings for childcare roles were over 50 percent higher than they had been before the pandemic. This surge in job postings for childcare stands out, especially when compared to other sectors affected by the pandemic, such as retail and sales, where the increase has been far less pronounced.

The overall, there is strong connection between quantity & quality of care and the labor market dynamics and these market characteristics and failures highlights the need for targeted public policy mechanisms that simultaneously address both sides of the childcare equation. Therefore, current regulatory frameworks across many countries in childcare shape not only the cost structure and operating conditions for providers but also influence parents' trust, affordability and willingness to enrol their children. Therefore, regulations play a dual and imperative role by setting minimum standards for providers like staff-child ratios, caregiver qualifications, educational curriculum, the size and specifications of the facility or safety measures, which are designed to achieve minimum standard of service quality, but also impose compliance costs that may reduce the number of market participants or raise fees (Blau, 2001; OECD, 2024). Similarly, public subsidies and tax systems exert influence on both sides. When directed toward families, subsidies can lower the effective price of childcare and stimulate demand, particularly among low-income households, by cutting “out-of-pocket” expenditures (Cascio, 2009). When targeted at providers, subsidies may enhance financial viability, encourage quality improvements, or expand capacity in underserved areas. Relatedly, public investment in childcare infrastructure like constructing centres in underserved areas can lower geographic access barriers for families while simultaneously enabling providers to expand in markets that were previously unprofitable. Nevertheless, these policy tools require delicate calibration in order to level the playing field in childcare sector so as to avoid marginalization or fending off for-profit rivals out of the market by leveraging public funds or resources to subsidize costs to offer economically unfeasible prices.

Moreover, macroeconomic shocks and fiscal cycles influence both availability and affordability of care. In downturns, declining family incomes may reduce demand for paid care, while public budget cuts can shrink subsidies and deter supply investment. In contrast, pro-family policy climates and economic expansions often align with broader access and quality improvements (Havnes & Mogstad, 2011).

Structural trends such as urbanization, changing household structures, and shifting fertility patterns also contribute to dynamic and sometimes unequal childcare outcomes. Rising maternal labor force participation increases demand and can strain systems where supply has not kept pace. Conversely, population aging and declining birth rates in some

regions may reduce provider viability, especially in rural areas where child populations are sparse. Altogether, the intersection of these economic and policy-related drivers illustrates that the supply and demand of childcare do not operate in isolation but are continuously shaped by regulatory design, fiscal support, labor market conditions, and macro-level demographic pressures.

In conclusion, the childcare sector is marked by a web of interdependent market characteristics that make it particularly susceptible to market imperfections and broader societal constraints, from the rigidities of inelastic demand and the limitations imposed by household budgets to the fragmented, geographically uneven, and often undersupplied structure of provision. The effect of high switching costs, asymmetric information, labor market mismatches, and preference heterogeneity further undermines the capacity of parents to function as fully informed consumers and restricts providers' incentives to improve quality or innovate. These conditions result in weakened competitive pressure and exacerbate adverse selection and moral hazard problems, particularly when providers prioritize cost-minimization over service quality and parents as decision makers cannot accurately assess the degree of service quality, unlike the structural aspects of providers. As a result, competition in the childcare market often centers on price and convenience rather than quality in a highly localized market structure.

## **2.2. AN OVERVIEW OF CHILDCARE INDUSTRY IN TURKIYE**

Historically, ECEC was not regarded as a central focus on Türkiye's social policy agenda. It was long presumed that young children would be cared for within the family, primarily by mothers (Buğra and Yakut-Cakar, 2010). This familialist approach meant that formal childcare services remained underdeveloped up until the 20th century. Until the 2000s, public provision of daycare was minimal and largely limited to a small number of state-run crèches (nurseries), pre-kindergartens and pre-schools. For example, government-operated workplace crèches in public institutions were gradually reduced – from 497 such facilities in 2008 to only 56 by 2016 – reflecting a retrenchment of state involvement in direct childcare services (Genel-İş, 2018). Instead, childcare responsibilities have traditionally rested upon women's primary role as domestic care providers, contributing to low female labor force participation (Buğra and Yakut-Cakar, 2010). In the early 2000s, as women's employment slowly rose and the benefits of early education gained

recognition, policymakers began to acknowledge the need for expanding childcare options. Still, Türkiye's policy evolution has been gradual. Constitutional and legal reforms in the 2000s affirmed gender equality and introduced measures like extended maternity leave and flexible work for mothers, yet a comprehensive childcare entitlement was absent. It was not until recently that ECEC expansion has become a social and economic priority, marking a significant policy shift toward viewing childcare not just as a private family matter but as a public concern linked to both child development and women's economic participation.

### **2.2.1. Legal and Institutional Framework**

In Türkiye, the provision of childcare services is divided by age group and overseen by multiple institutions. Pre-primary education (ages approximately 3–5) falls under the authority of the Ministry of National Education (MoNE). Although preschool attendance is not mandatory, MoNE determines the curriculum and quality standards for kindergartens and nursery classes serving children aged 36 months up to the start of primary school. Most public preschools are affiliated with primary schools and typically offer part-day educational programs for five-year-olds, occasionally extending to four-year-olds. Private preschools also operate under MoNE's regulatory framework and are required to implement the national early childhood curriculum.

Meanwhile, childcare for younger children (ages 0–3) is historically and administratively managed by the Ministry of Family and Social Services. These day-care centres and crèches are licensed by social services authorities and must adhere to strict regulations regarding physical conditions, caregiver qualifications, and facility infrastructure. For instance, facilities are required to be located on the ground floor, include outdoor gardens with a minimum of 2 m<sup>2</sup> per child, provide at least 2 m<sup>2</sup> of indoor space and 6 m<sup>3</sup> of air volume per child, and offer specialized rooms such as those for sleeping and nursing infants.

Türkiye's labor legislation also addresses employer-supported childcare, albeit to a limited extent. According to a 2013 regulation under the Occupational Health and Safety Law, workplaces employing 150 or more women are required to provide a childcare centre for children aged 0–6, and those with over 100 female employees must establish a

breastfeeding or nursing room. These employer-provided childcare services must be free of charge and comply with government standards. However, since the threshold only considers the number of female employees and given that most enterprises in Türkiye are small, the regulation applies to fewer than 1% of businesses nationwide (Genel-İş, 2018). In addition, enforcement is weak, and many employers either stay below the threshold or outsource childcare services to avoid compliance. As a result, employer-supported childcare remains rare in practice.

Overall, Türkiye’s formal childcare system can be characterized as a regulated mix of public and private provision, with fragmented governance across ministries. MoNE operates most public preschools, which are generally part-time and focused on five-year-olds. Private providers, including independent day-care centres and preschools, complement this supply, especially for younger age groups and full-day care, though they face a burdensome licensing environment and finding high-skilled labor. Municipalities and NGOs contribute marginally and at very limited extend in terms of geographic coverage through sporadic day-care projects or “neighbourhood crèches” in metropolitan areas like Ankara the capital, Istanbul and Izmir<sup>23</sup>.

In summary, while Türkiye’s legal and institutional architecture acknowledges the need for childcare and prescribes specific standards, it has historically lacked a universal, comprehensive framework. Recent years, however, have witnessed a policy shift toward recognizing childcare as both a developmental right for children and a structural necessity for enabling women’s participation in the labor market—reflected in increased public investments and ongoing efforts to integrate one year of preschool into the compulsory education system.

### **2.2.2. Supply, Demand and Market Characteristics**

Despite some recent progress, there remains a clear mismatch and imbalance between the supply of formal childcare services and the level of need in Türkiye.

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<sup>23</sup> A more recent development is the involvement of the Presidency of Religious Affairs in preschool provision by launching low-cost preschool programs for children aged 4–6, often within Qur’an course centers. These operate outside MoNE’s formal framework and have generated public debate and backlash regarding oversight, curriculum, and the secular character of early education (Koçer, 2019).

On the one hand, enrolment data (Figure 2.3.) show the extent of this gap. In the mid-2010s, less than one-third of children aged 3–5 were enrolled in a centre-based early childhood education program, around 29–33%, which is far below the OECD average of 80–90% for the same age group (World Bank, 2015; OECD, 2024). In 2014, Türkiye’s pre-primary enrolment rate stood at just 29%, compared to 81% in OECD countries, meaning that roughly 2.7 million children aged 3–5 were not attending any formal early education or care program (World Bank, 2015).

In many urban and rural regions, this gap was especially evident: provinces like Istanbul had tens of thousands of children without access to services, and even less populated areas showed a significant unmet need. According to World Bank estimates in 2015, more than 42,000 new childcare centres would be needed nationwide to reach OECD-average enrolment levels.

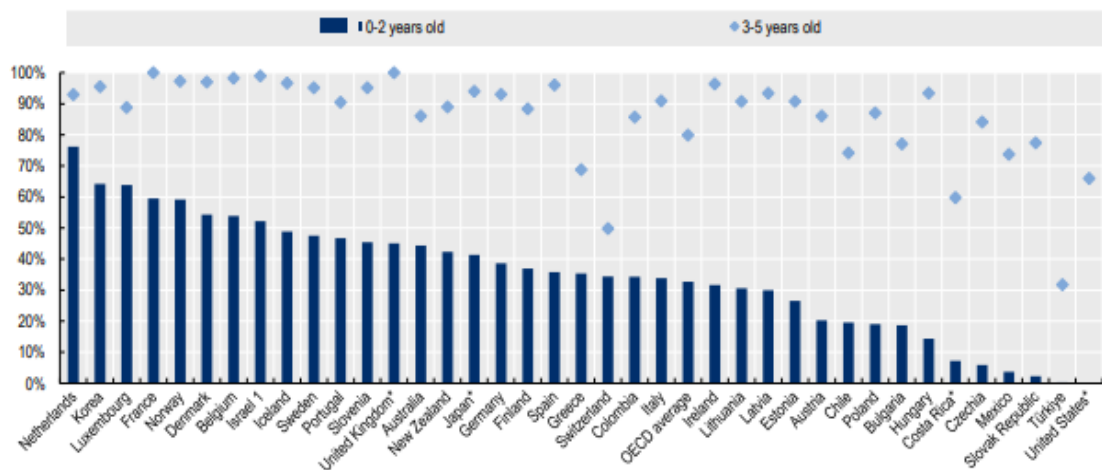


Figure 2.3. Enrolment in Early Childhood and Education and Care<sup>24</sup>

OECD (2024)

On the other hand, enrolment rates in ECEC for children aged 0 to 2 remain also significantly low in Türkiye compared to other OECD countries. While the OECD average enrolment rate for this age group is 36%, Türkiye lags far behind, with participation levels falling below 1% the lowest across the OECD. In contrast, countries

<sup>24</sup> Percent of children aged 0-2 and 3-5 enrolled in ECEC services and pre-primary education and primary schools, for detailed info. See OECD (2024).

such as Korea and the Netherlands report enrolment rates exceeding 60%, and participation is also high in several Nordic countries like Denmark and Norway, as well as in Belgium, France, Israel, and Luxembourg, where over half of children aged 0–2 are in formal care. Thereby, Türkiye’s position on the far end of this spectrum highlights a persistent service gap not just in infant and toddler care but also for children aged 3–5, reflecting both limited public provision and underdeveloped market capacity.

Until recently, the number of formal childcare centres was quite low relative to the size of the child population and most infant and toddler care was provided by private centres. Public sector provision was limited, mostly consisting of part-day preschool classes for five-year-olds. However, recent policy initiatives have started to change this trend. The MoNE’s *Early Childhood Education Campaign*, launched in 2021–2022, led to a rapid increase in the number of public kindergartens, from 2,782 at the start of 2022 to 6,004 by February 2023 (Özer et. al., 2023). This expansion included new preschool buildings, the conversion of unused village schools into early education centers, and the addition of preschool classrooms to existing schools. Over the longer term, progress is also visible: from the early 2000s to 2021, the number of pre-primary institutions more than tripled, from roughly 8,200 to 36,650 (OECD, 2023).

These unified efforts have produced results, especially for five-year-olds. By the 2022/23 school year, the net enrolment rate for this age group had climbed to 85%, up from around 60–65% only a few years prior (TÜİK, 2023; UNICEF, 2023). However, participation remains much lower for younger children. In 2022, only 41% of four-year-olds and 17% of three-year-olds were enrolled in any form of ECE (Erken Çocukluk Eğitimi Platformu, 2023).

This limited supply presents in several ways. First, the number of centres is insufficient, especially for full-day care. Even in large urban districts, options are limited. For example, in 2015, Istanbul’s Beyoğlu district, one of most crowded areas in Istanbul with more than 20,000 children under six, had only four licensed centres, with space for about 200 children (World Bank, 2015). Barriers include high real estate costs, zoning restrictions and legal requirements for gardens and specialized rooms (Buğra and Yakut-Cakar, 2010). Second, many centres, particularly run by municipalities or NGO, offer

only part-day programs. According to surveys, fewer than one in four childcare centres are open for full working days, and many close during summer breaks.

In rural and low-income areas, the situation is even more constrained. Families often have no formal centre nearby. National surveys also show that in around 86–87% of households with preschool-age children, the mother is the main daytime caregiver (Genel-İş, 2018; Antonopoulos et al., 2020). Grandparents assist in about 7% of households, and only 1–2% of families hire private, mostly unregistered, nannies or babysitters (Antonopoulos et al., 2020). Overall, formal early education and care services reach only a small part of the population. A 2018–2019 study found that just 2.8% of households with young children used any formal care. Even among working mothers, 80% rely on informal solutions, mainly relatives, while only 20% use a kindergarten, day-care centre, or paid caregiver (Antonopoulos et al., 2020).

To conclude, the childcare market in Türkiye is shaped by a fragmented and localized structure, where the distribution of facilities and access to services vary widely across regions. Supply remains heavily concentrated in higher-income urban areas, while many low-income or rural districts suffer from severe shortages. Regulatory barriers and conditions such as requirements for outdoor space and strict facility standards raise the cost of entry and limit the number of providers, particularly in dense city centers. Demand, especially among working mothers, who still serve, as the primary caregiver in households is largely inelastic due to the lack of informal alternatives, family or individual budget constraints, their pre-described role within cultural norms or time flexibility.

As a result, competition often remains local and weak, with families facing limited choices, high prices, and considerable switching costs given the diverse characteristics of providers in terms of educational content and program, pricing and fee, location and convenience, facility and amenities, health and safety protocols and transportation options. Together, these factors likely result in a market that struggles to equilibrate efficiently, hindering and chilling the female labour participation, especially after the maternal leave, leaving many families underserved and reinforcing both geographic and socioeconomic disparities in early childhood care.

### 2.2.3. Cost, Affordability and Labor Force Implications

The economic dynamics of the childcare sector in Türkiye are profoundly shaped by localized and weak competition, high service costs, limited public funding, and affordability challenges, particularly for low- and middle-income families. The price of private nursery or preschool services often represents a significant share of household income, sometimes equalling or exceeding the monthly minimum wage for full-day care. Due to the limited scope of public provision, especially for children under the age of five, and the absence of a sufficient childcare subsidy, most families rely on out-of-pocket spending. This creates persistent disparities in access. Among the wealthiest households, about 60% of children attend formal care; among the poorest, this figure drops to only 17%, with virtually no enrollment in the lowest deciles (Antonopoulos et al., 2020; World Bank, 2015).

Like other countries, providers operating in Türkiye also face high fixed costs due to regulatory requirements such as low child-to-staff ratios, qualified personnel, and minimum facility standards. These financial barriers particularly limit expansion into low-income areas and discourage small-scale or home-based providers without sufficient public incentivization. In contrast, in high-income or urban areas, families typically have access to a wider range of options, both in terms of quality and type of care, leading to product or service differentiation at a considerable extent and causing significant disparities in access to ECEC in community.

Public financing for early care in Türkiye remains limited, though recent efforts have aimed to bridge the affordability gap. Pilot projects funded by the EU between 2015 and 2017 offered subsidies to working mothers to cover childcare expenses or paid stipends to grandparents providing informal care. Since 2022, free half-day public preschool has been extended to 4- and 5-year-olds in many provinces, easing cost barriers at least partially. However, these programs do not seem to address the lack of coverage for children under age three or the demand for full-day care, which is essential for working parents.

In a recent policy announcement, it has announced that mothers employed in public institutions will be granted the right to work half-days while still receiving full pay during the early years of their child's life. This move, framed as a family-friendly labor policy, reflects a growing recognition of the tension between caregiving responsibilities and formal employment, particularly for women. While such measures aim to support maternal employment and work-life balance, they may also reinforce gendered expectations that childcare remains primarily a mother's responsibility. Moreover, critics argue that without complementary investments in accessible and affordable childcare services, part-time work schemes risk becoming a substitute rather than a supplement to structural childcare reform. (Gökmen, 2022).

The affordability gap is a major obstacle to women's employment in Türkiye, particularly in low-income areas. For many women, especially those with lower education, the potential income from work barely makes ends meet and offsets the cost of formal childcare (Memiş & Kongar, 2020). As one study found, “for most women, the gap between earnings and childcare expenses is too low to justify workforce entry<sup>25</sup>”, leaving women financially vulnerable and limited their career path. Nonetheless, the empirical literature on the relationship between childcare provision and parental employment yields inconclusive results. Although a substantial body of recent research identifies a significant and positive effect of childcare availability on women's labor supply (see Bauernschuster & Schlotter, 2015; Martínez & Perticará, 2017), several other studies fail to detect such impacts (e.g., Cascio, 2009; Havnes & Mogstad, 2011). Comprehensive reviews by Blau and Currie (2006) as well as Akgunduz and Plantega (2018) highlight considerable heterogeneity in the estimated elasticity of maternal employment with respect to childcare costs. These discrepancies are largely attributed to variations in the demographic composition of study samples, methodological approaches, and institutional or national contexts. Evidence from middle-income countries also remains mixed. For instance, Berlinski et. al. (2011) report that access to childcare positively influences women's labor force participation and working hours in Argentina, whereas Li (2017)

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<sup>25</sup> This creates significant hidden demand parents who would use childcare if it were more affordable but are effectively priced out of the market. (See World Bank, 2015)

documents no measurable effect among urban women in China but finds positive impact on women's labor force participation provided by grandparents.

Türkiye's female labor force participation rate remains around 30–34%, one of the lowest among OECD countries (OECD, 2023A). One in three non-working women cites childcare responsibilities as the primary barrier to entering the workforce (World Bank, 2015). Multiple studies suggest that expanding childcare access especially through subsidies, tax credits, and public centres could significantly increase women's employment, especially in developing countries like Türkiye (OECD, 2023A). Modelling exercises in Türkiye estimate that reaching OECD-average enrolment rates would allow hundreds of thousands of women to join the labor market and continue their professional progress after the childbirth (Antonopoulos et al., 2020). Childcare expansion, thus, would also generate jobs in the care economy itself, primarily benefiting women.

Moreover, Türkiye consistently ranks among the lowest-performing countries in the OECD when it comes to gender equality in the workplace, as captured by The Economist's Glass-Ceiling Index. This composite index evaluates a range of indicators including female labor force participation, childcare affordability and access, parental leave policies, and representation in leadership positions. In 2023, Türkiye was once again positioned in the bottom 20% of the index, alongside countries such as Japan, South Korea, and Switzerland (The Economist, 2024). This placement reflects structural challenges in both work and care systems. Low availability of affordable childcare services and traditional gender roles continue to constrain women's ability to enter and remain in the workforce. Unfortunately, compared to Scandinavian countries, which consistently lead the index due to inclusive labor policies, high-quality childcare provision, and cultural norms supportive of gender equality, Türkiye's institutional and social framework remains underdeveloped.

As a result, childcare is increasingly seen not only as a social support mechanism but also as an *economic enabler* (World Bank, 2023). Moving forward, Türkiye's policy agenda must focus on expanding infrastructure, subsidizing care for low-income families, and supporting both public and private providers. This will be essential for closing the affordability gap, reducing inequality in access, and supporting both early childhood development and women's labor force participation. Without such commitment,

childcare might remain a service accessible mainly to affluent families, rather than a universal right and in light of information provided it would not be wrong to put forward that the role of competition policy becomes increasingly relevant and important to level the playing field, safeguard the integrity of competition in these market, remove the market barriers and pro-actively advocate for well-functioning market dynamics.

### 2.3. THE ROLE OF COMPETITION ENFORCEMENT IN CHILDCARE

Competition enforcement can help prevent market concentration in areas by the oversight of local mergers or acquisitions, address exclusionary or exploitative practices, monitoring suspicious pricing behaviours and patterns in order to cope with any potential collusion or cooperation among providers, encourage market entries and advocate for promoting pro-competitive legislations or regulatory design to spur competition in childcare services, substantiating both more inclusive social and economic order and improved effectiveness and reach of global competition enforcement. Therefore, strengthening competition in childcare markets can support expand supply, improve affordability and quality, limit exorbitant prices and thereby support more mothers in staying employed, ultimately contributing greater availability of childcare services and higher female labor force participation. By keeping the main emphasis on local market dynamics and definition, this study examines four key strategies in this regard:

- **Strict monitoring and cartel enforcement in childcare markets** to prevent price-fixing or collusion that drives up fees and limits competition among providers.
- **Ensuring competitive labor markets** to pro-actively engage with and avoid anti-competitive practices (like no-poach or wage-fixing) that harm not only whole dynamics of sectors in an economy but also childcare workers/staff/educators and service quality.
- **Defining local markets via isochrone (travel-time) analysis** to delineate and capture the *localized* nature of childcare competition and address local market power (abuse of dominance) and to ensure the effective oversight of mergers and acquisitions.
- **Advocacy for pro-competitive market design** to remove unnecessary entry barriers or distortions in regulations, while upholding essential quality standards.

This list, by its nature, is not exhaustive and can be broadened by using different lens and perspectives. Each of these approaches and their main insight to equip competition enforcement with adequate tools and notions is discussed below.

### **2.3.1. Strict Monitoring to Prevent Collusion and Price-Fixing in Childcare Markets**

Competition enforcement in the childcare sector starts with active oversight to detect and prevent collusion among providers. Since childcare services often constitute a major expense for families, any price-fixing behavior can directly increase their financial burden. Competition laws explicitly prohibit agreements among day-care centres or preschools to fix fees, allocate markets, or limit service availability.

A notable example occurred in Malaysia, where 22 childcare centres were investigated by the national competition authority for collectively agreeing to raise prices through their trade association, resulting substantially distorted competition in the Kuala Lumpur and Selangor markets. While not specifically about childcare, in Finland the national competition authority has launched investigations into the eldercare sector, raiding multiple care home operators amid concerns of collusion. The investigations aim to uncover agreements on prices or capacity limits among competing providers, underscoring that markets for personal care services can be vulnerable to anti-competitive coordination. Furthermore, many competition agencies now prioritize preventive advocacy. For instance, in the U.S., regulators warned that even casual information sharing about fees among childcare providers could amount to unlawful coordination (Copeland, 2011).

By aligning one of the core duties of competition enforcement with safeguarding childcare sector and levelling the playing field through strict monitoring over market using empirical and behavioral screening methodology and impose aggravated fines in the case of collusive behaviors, the competition authorities can proactively enhance affordability, trust, and ultimately participation in childcare markets.

### 2.3.2. Safeguarding Competition in Labor Markets

Labor market competition has become a new frontier in antitrust enforcement and there is growing recognition that healthy competition in labour markets is crucial for well-functioning market design and productivity, given that labour is a critical input for almost every industry.

Since competition authorities have come to understand that monopsony power, where a few employers dominate hiring and can suppress wages, is the mirror image of monopoly power on the buyer side of markets, agreements among employers not to hire each other's employees (no-poach pacts) or to fix wages have been viewed as serious antitrust violations in many jurisdictions. Therefore, authorities are increasingly investigating and penalizing wage-fixing cartels and no-hire agreements, and merger reviews are beginning to consider how mergers could affect labour market concentration and worker pay (Marinescu & Hovenkamp, 2019). Even common practices like non-compete clauses subjected to strict scrutiny considering the risk of restricting workers mobility. The underlying principle is that a competitive labour market ensures workers are rewarded fairly by market forces, which not only improves incomes but can also spur productivity and innovation (as firms invest in training or technology when they must compete for talent).

As discussed above, the childcare sector vividly illustrates the interplay between labour market competition and market outcomes for consumers. Childcare is a labor-intensive service industry, thus, the quality and availability of childcare depend heavily on the workers (teachers, caregivers) who provide it. However, childcare workers have historically been undervalued and underpaid, earning some of the lowest wages of any occupation. Such low wages are a symptom of a market that has failed to reward these workers, and they make it difficult for childcare providers to attract and retain high-skilled and versatile staff. This has led to chronic workforce shortages in the industry.

With an effective and pro-active competition policy framework, competition in labour market can be significantly improved by preventing any collusive wage suppression or removing (structural) barriers that keep wages low, amounting to alleviate staffing shortages over time and support balancing optimal conditions in the job market. In

economic terms, easing the labour supply constraint in an economy, and ultimately childcare sector, lowers entry barriers and encourages competition. This can lead to not only more availability but also potentially lower costs or better quality for consumers, as providers compete to offer the most attractive services. In contrast, when labour is in short supply (as is the case when wages are held below competitive levels or at minimum level), providers face little pressure to improve because the fundamental problem is lack of capacity. Thus, ensuring a competitive labour market is a crucial step toward a healthier, more competitive childcare sector where providers cater to serve parents' needs and fit the bill in this sector.

Even though, the benefits extend beyond the childcare industry itself, childcare is directly affects parents' ability to work and the expected pay-offs would be particularly different from other sectors. When childcare is accessible and affordable more parents, especially mothers, might be encouraged to participate at the greater extent in the labour force. Conversely, if childcare is scarce or too expensive (often a result of low supply and little competition), parents are likely forced to reduce work hours or drop out of the workforce. The availability of childcare services thus has a strong influence on labour market participation and household income (OECD, 2024).

Improving childcare access boosts parents' employment and career progression, promoting greater gender equity and economic inclusion (OECD, 2024). In this way, a competitive childcare market supported by a robust workforce creates a positive feedback loop: it enables more parents to work, which enlarges the labour pool and can further stimulate competition and productivity in the general economy and childcare sector.

Moreover, a stronger and more competitive labor market in the childcare sector not only improves service quality and wages but also reduces the prevalence of informal, unregulated care arrangements. In many countries, including Türkiye, informal childcare remains widespread due to cost and accessibility barriers. However, informal care often operates outside legal oversight, which can undermine both child safety and labor protections, while also leading to significant losses in tax revenue and social security contributions. By strengthening formal employment opportunities and enforcing competition in the labor market, policymakers can help shift caregiving work from the informal to the formal economy. This transition enhances transparency, ensures

compliance with quality standards, and promotes sustainable sectoral growth, reinforcing the functioning of childcare markets and their role in supporting women's employment.

To summarize, below are key ways that strong labour market competition and enforcement can benefit childcare:

**Attracting and Retaining Educators:** When employers must compete for workers, childcare providers are expected to push to offer higher wages and better conditions. This helps attract new childcare workers, retain experienced staff, and foster the integration of workers/caregivers from the informal economy, addressing the chronic labour shortages in the sector. More caregivers that are available mean providers can serve more families and even new providers can enter the market.

**Expanding Childcare Supply:** With a larger workforce, the supply of childcare slots increases. More day-care centres, preschools, and home-based providers can open or expand, especially in areas that were previously childcare deserts with insufficient services. An expanded supply creates a more competitive marketplace, preventing any single provider from wielding local monopoly power over prices or quality.

**Improving Service Quality:** In a competitive labour market, childcare employers will compete not just to hire workers but also to keep them. This incentivizes providers to invest in training, professional development, and better working conditions. A more supported and stable workforce is likely to deliver higher-quality care, which in turn pressures other providers to improve their services to stay competitive and improves the early-education process of young minds.

**Greater Affordability for Families:** Over time, increasing the supply and efficiency of childcare can help check the rise of childcare costs. When multiple providers operate in a community, parents have alternatives and providers are less able to charge exorbitant or prohibitive prices. While childcare will likely remain a significant expense, a more competitive market, combined with smart public investment, can make it more affordable than a constrained market where desperate parents bid up prices for scarce slots.

**Enhanced Economic Participation:** Perhaps most importantly, competitive labour and childcare markets reinforce each other to support broader economic participation. As childcare becomes more accessible, more parents can enter the workforce or work full-time, which boosts labour market competition in general. This greater labour force participation particularly empowers women, who often shoulder caregiving responsibilities. In turn, a larger, more diverse workforce further fuels innovation and competition across industries.

In short, investing in fair competition in labour markets and in the childcare sector produces a virtuous cycle of economic and social benefits.

### **2.3.3. Competition Analysis in Local Childcare Services**

The nature of competition in childcare is prominently shaped by local dynamics, calling for more microscopic lenses than the common analytical practices can offer to define relevant geographic and relevant.

Families usually prefer daycare and preschool options near their home or workplace. Daily drop-offs and pick-ups are constrained by time and convenience, meaning that parents are unlikely to travel long distances for care. Therefore, when analyzing competition in this sector, the relevant geographic market tends to be quite narrow. Research shows that in urban settings, effective childcare markets can span only a few hundred meters. For instance, a study from Vienna found that beyond a 500-meter distance, the likelihood that parents will use a particular childcare centre decreases sharply (Pennerstorfer & Pennerstorfer, 2019, 2021). This highlights how proximity is one of the central factors in parental choice.

This approach allows a more accurate assessment of local concentration and dominance. In merger reviews, isochrone analysis helps determine whether a transaction would leave families in a certain area with limited or no alternative providers. For example, if two large operators each run centres within the same isochrone, a merger may result in a local monopoly, even if other parts of the city remain competitive. In such cases, competition authorities may impose conditions such as divestments to preserve local choice (Oxera, 2021).

It can also help identify circumstances where a single provider in a local childcare market may be abusing its dominant position. For instance, if a provider controls nearly all facilities within a 10-minute travel zone or if there are no readily available rivals within a reasonable travel distance, it may use this market power to impose excessively high fees, lower service quality, or block entry by competitors. This could occur through practices such as exclusive contracts with landlords or rebate schemes offered to families that lock them in, allowing the provider to recoup losses later.

Therefore, detecting these local monopolistic behaviors is crucial, as affected families may have no practical alternatives. Isochrone analysis thus supports more targeted enforcement by revealing when dominance becomes discriminatory or exploitative in geographically confined childcare markets.

Beyond mergers and abuse of dominance instances, localized market definition also improves the effectiveness of cartel detection. While providers may not coordinate prices nationally, local-level collusion, including explicit or tacit agreements not to undercut each other in a specific district, can go unnoticed without granular analysis. By focusing on occupancy rates, fee patterns, and provider distribution within travel-time zones, enforcers can better detect anticompetitive behavior at the local level.

In this context, defining childcare markets through isochrone/catchment area analysis aligns with the nature of competition in this sector. This method is especially important for all services where convenience and proximity are key, such as childcare. Indeed, the third chapter of this thesis aims to offer introductory application of isochrone analysis to empirically define local childcare market, illustrating how this tool can substantially change the outlook of competition in the market compared to other alternative geographic market definitions to support targeted and effective competition enforcement.

#### **2.3.4. Advocacy in Childcare for Pro-Competitive Market Design**

Competition authorities can also play a pivotal advocacy role in shaping childcare markets to be more competitive, transparent, affordable, and high-quality. By advising governments or responsible public bodies on regulatory reforms that foster entry of new providers, promote innovation, and maintain quality standards, competition agencies can

contribute to designing pro-competitive market frameworks that lower entry barriers for childcare providers. In many jurisdictions, would-be entrants encounter licensing rules, strict zoning laws, and high facility standards (like minimum space or garden size requirements) that, while intended for safety and quality, can overshoot actual needs and protect incumbents (OECD, 2023). Such barriers may limit capacity and concentrate providers only in wealthy neighbourhoods where high fees are sustainable.

Competition authorities frequently recommend streamlining these regulations, ensuring necessary health and safety standards without imposing excessive costs that deter new centres<sup>26</sup>. For example, Korea’s competition agency recently advised easing rigid floor-space mandates for daycare facilities to reduce startup costs. Likewise, competition officials may oppose “needs tests” that require proving a shortage before opening a new nursery, as these rules empower existing operators to veto newcomers. By advocating for simpler licensing and flexible planning rules, authorities seek to enable more providers to enter the market, especially in underserved areas. Increasing entry and rivalry is not an end in itself but a means to improve affordability and access. Greater competition puts pressure on providers to offer lower fees or better value services. Competition authorities can bolster this effect by scrutinizing how government funding and subsidies are structured in childcare. They often review pricing regulations or subsidy schemes to ensure these do not inadvertently stifle competition (OECD, 2023).

In some OECD countries, generous childcare subsidies have led to providers raising prices, diluting the affordability benefits for parents (ACCC, 2023). To counter such dynamics, competition agencies urge careful policy design: for instance, the CMA recommended that public funding for elder care be based on realistic costs so that more providers can viably operate without charging exorbitant co-payments in the U.K. (CMA, 2017).

Competition advocacy also highlights gaps where market forces fall short and inadequate like rural or low-income areas that private childcare centres avoid due to low profitability. The ACCC childcare inquiry advised government to identify and support “under-served or unserved markets” rather than relying solely on competition to reach those areas

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<sup>26</sup> For detailed information, please see OECD (2023).

(ACCC, 2023). In this advisory role, competition authorities encourage funding models (vouchers, grants, or targeted public provision) that expand access while still allowing parents' choice among multiple providers, keeping an element of competitive pressure to contain costs.

While promoting competition, authorities are equally concerned with safeguarding quality in childcare. Effective competition should not come at the expense of care standards. An academic rationale for opening childcare markets is that private providers, competing for enrolments, will strive to offer better quality and efficiency than a monopoly public system (Eurofound, 2020). Indeed, some evidence links competition to quality gains. For example, a study in the Netherlands found higher childcare quality in areas with more nearby centres, suggesting providers improved standards to attract families (Akgündüz and Plantenga, 2013). However, other research cautions that when profit-driven provision expands rapidly, it can create new challenges for equitable access and consistent quality (OECD, 2024). Competition authorities therefore advocate a balanced approach: maintain robust minimum quality regulations and monitoring even as entry barriers are lowered (OECD, 2024). They support policies to establish clear, nationwide quality benchmarks for childcare and to enforce essential requirements like safety, caregiver qualifications, and child-to-staff ratios. For instance, the OECD has recommended that countries define core quality standards (e.g. curriculum guidelines, staff training requirements) and ensure regulators have authority to sanction providers that fail to meet them (OECD, 2022). Competition agencies endorse such measures as they create a level playing field where providers compete on enhancing quality and efficiency, not by cutting corners. Some jurisdictions have even tied public funding to quality improvements like Ireland and Luxembourg, for example, offer additional subsidies to providers that meet higher quality tiers, incentivizing competition in quality (OECD, 2023). By driving these best practices, competition authorities convey that a pro-competitive childcare market must still put children's well-being first.

Another vital advocacy theme is improving information and consumer choice. Childcare is a classic case of imperfect information as discussed before. Therefore, competition authorities can influence regulation to mitigate these information problems. They often call for transparency initiatives such as quality rating systems (OECD, 2023). For

example, a competition authority might urge the creation of an online portal where families can compare local childcare centres on metrics like staff qualifications, group sizes, safety infractions, and prices. By empowering consumers to make informed choices, such measures force providers to compete more actively on quality and cost. In the U.S., posting nursing home ratings has spurred facilities to improve to avoid losing clients, and a similar logic can apply to day-care centres (Yang, Yong and Scott, 2021).

Competition agencies also highlight the importance of reducing switching costs, simplifying enrolment processes or timing, so that dissatisfied parents can more readily move their child to a different provider, which in turn pressures centres to perform better (ACCC, 2023). Advocacy for information transparency complements the push for entry and standards, making the childcare market more responsive and accountable to families' needs. Real-world examples from OECD countries illustrate how competition authority advocacy can lead to tangible reforms. In Sweden, authorities have repeatedly raised concerns about excessive local building regulations that drive up childcare costs, contributing to national efforts to standardize rules and lower unnecessary technical requirements for new centres (Swedish Competition Authority, 2018).

In the U.K., the competition regulator's study of care homes brought attention to funding shortfalls and resulted in recommendations now informing how childcare subsidies might be better calibrated (CMA, 2017). The ACCC's recent childcare market inquiry not only documented problems of high fees and workforce shortages, but also prompted a policy debate on capping fee increases and boosting educator supply, aligning with several of its pro-competition recommendations (ACCC, 2023). These cases show that when competition agencies engage in policy advocacy through market studies, advisory opinions, or contributions to law reform they can help design more competitive market frameworks that ultimately benefit consumers.

In Türkiye, the need for competition-focused advocacy in childcare can be quite beneficial. The Turkish childcare sector today faces high entry barriers and stark supply gaps. Strict regulations dictate that private nurseries must have large physical premises (including outdoor space) and adhere to burdensome zoning and building codes, which makes opening new centres prohibitively expensive in many areas. These rules, combined with licensing bureaucracy, mean that private providers cluster mainly in affluent urban

districts where parents can afford high tuition, while low-income and rural areas remain largely devoid of formal childcare options. Public provision for children under age 5 is very limited, only a few percent of Turkish children under 3 are enrolled in any formal care, one of the lowest rates in the OECD. This imbalance exacerbates inequality, as many families outside wealthy neighbourhoods lack access to affordable daycare and preschool. Therefore, The Turkish Competition Authority (TCA) can leverage its advocacy role to nudge reforms and help addressing these structural issues in collaboration with other agencies. One recommendation is to work with the education and social services ministries to overhaul restrictive regulations: for example, easing minimum facility size and outdoor space requirements in dense cities, or allowing suitably safe apartment-based childcare centres and licensed home daycare providers. Tailoring licensing criteria to actual quality needs rather than one-size-fits-all rules would enable smaller, community-based nurseries to enter the market.

Another advocacy avenue in Türkiye is encouraging greater public and municipal involvement to complement private supply. Supporting initiatives for local municipalities to establish childcare facilities in underserved districts (drawing inspiration from recent reforms in France that empower municipalities in early childhood provision) may substantially ease the demand and supply imbalance. Such public options, if implemented in a competitively neutral way, can expand access without crowding out private providers. For instance, by analyzing the under-supplied areas or the areas, where there is lack of efficient competition, the authority can encourage to increase the number of public care centres, that could focus on age groups or neighbourhoods the private sector ignores or does not suffice to cater to the demand.

Additionally, by profoundly mapping the demand and supply structure, the Authority can advise on funding mechanisms like targeted subsidies or vouchers for childcare collaborating with fiscal authorities. Doing so, they could design subsidies that follow the child (allowing parents to choose any qualified provider) which creates competition for those funds and incentivizes providers to improve affordability and quality. Crucially, the agency's advocacy should stress that lowering entry barriers and increasing supply must go hand-in-hand with solid quality oversight. They would work alongside child welfare regulators to ensure that any regulatory relaxation (say, smaller center size) is paired with

rigorous inspection regimes and staff qualification requirements so that service quality is not compromised. Therefore, by acting as a policy advocate, the TCA can help build a coalition for childcare market reforms via engaging ministries, local authorities, and industry stakeholders around the goals of more entry, greater capacity in less-privileged areas, and innovative models. These efforts, informed by OECD best practices, could substantially improve affordability, access, and quality of childcare in Türkiye over time, demonstrating the powerful role that competition-focused advocacy can play in social.

In conclusion, competition authorities have moved beyond traditional enforcement roles to become key advocates for pro-competitive policy frameworks in wide-range of sectors, including childcare. Their expertise in market dynamics allows them to identify where ill-designed regulations or market failures are inflating costs and limiting choice for families. Through research, recommendations, and inter-agency dialogue, they help craft solutions: lowering unjustified entry barriers, advising on subsidy and pricing policies, and promoting transparency and quality standards.

By persistently advocating for competition principles, emphasizing free entry, informed consumers, and efficient regulations, within a broader social policy context, competition authorities can contribute to childcare systems that better serve parents and children alike (OECD, 2023; ACCC, 2023).

## CHAPTER 3

### LOCAL MARKET ANALYSIS VIA ISOCHRONES FOR CHILDCARE COMPETITION

Local market definition plays a critical role in assessing competitive dynamics in sectors where consumer choice is geographically constrained and local market dynamics significantly shape the competitive landscape. In such markets, national, regional, or even more granular market definitions can overlook localized concentration or dominance. This is particularly relevant for services such as childcare, groceries, fuel stations, hospitals, pubs, gyms, and pharmacies, where consumers typically choose providers based on proximity. The EC’s revised Market Definition Notice (2023) explicitly acknowledges that, in some cases, the relevant geographic market can be based on “*catchment areas*” around suppliers or customers, defined by a maximum travel distance or time

To account for this, competition authorities increasingly rely on *isochrone analysis* or *time-distance analysis*, a method that delineates catchment areas based on travel time by walking, biking, or driving. The CMA has consistently employed isochrone-based techniques in a wide range of retail merger assessments, including *Celesio/Sainsbury (2016)*, *Ladbrokes/Coral (2016)*, and *Asda/Sainsbury (2019)*, in order to delineate realistic travel-time catchment areas and to measure the extent of competitive overlap in local markets. Comparable approaches are also found at the other national level: for example, the Dutch Competition Authority in *Jumbo/Emte (2018)* and the Belgian Competition Authority in *Ahold/Delhaize (2016)* relied on similar local market definitions when evaluating retail concentration. In Türkiye, the TCA adopted an isochrone framework in the *PO/BP (2024)* merger to delineate local fuel retailing markets, acknowledging that the relevant competitive area could be as limited as a 3–5 kilometre radius depending on the urban configuration. At the EU level, the EC has likewise drawn on isochrone and catchment area methodologies across different sectors. In *MOL/Lotos Paliwa (2022)* and *MOL/OMV Slovenija (2023)*, drive-time isochrones of 10–15 minutes were applied around fuel stations to assess the intensity of local

competition, while in *Delta/Air France-KLM/Virgin Atlantic (2019)* the Commission used airport isochrone maps to capture realistic substitution patterns in air transport. In industries with less geographically constrained demand, the Commission has relied on plant or customer-based catchment areas, as in *Ball/Rexam (2016)* and *Cargill/ADM Chocolate (2015)*, where circular catchments were drawn around production sites to evaluate overlaps and market shares. Similarly, in *HeidelbergCement/Schwenk/Cemex (2017)* the Commission used catchments representing approximately 90 percent of deliveries to define markets more accurately. These examples illustrate that isochrone and catchment area analyses have become established tools in competition assessments across jurisdictions, providing a flexible means of reflecting actual consumer behaviour and competitive interactions in localised markets.

Local market definition via isochrone/catchment analysis is especially pertinent to services like childcare. Childcare is a quintessentially local service: parents generally seek providers close to home or work, and are unwilling to travel long distances for daily drop-offs and pickups. This inherent localized demand makes travel-time dimension a crucial factor in competition between childcare providers. Indeed, markets for early childcare are geographically very restricted and narrow.

As mentioned studies of Pennerstorfer & Pennerstorfer (2019) and (2021) indicate that the effective local market for a daycare is only about a 500-meter radius; beyond that distance, the likelihood of parents using that daycare drops off dramatically. In other words, most families choose a nursery within a few blocks of home (or along their commute), confirming that even a 5 or 10-minute travel radius might be too large in dense urban areas for childcare services. This aligns with common sense: the burden of twice-daily drop-off/pick-up means convenience is paramount, and parents often prefer the nearest safe option. Another study in the U.S. found that the median home-to-childcare distance was on the order of only a couple of miles (and median travel time around 10–15 minutes) (Blumenberg, 2024). Such empirical findings reinforce why using isochrone analysis for childcare is appropriate, mirroring the way the market functions and competitive dynamics.

On the downside, this technique is highly sensitive to methodological choices such as the selected travel mode (car, walk, public transport), time thresholds (e.g., 10 vs. 15 minutes), and the underlying traffic or road network data. Even small adjustments in these inputs can significantly alter the shape and reach of the catchment area, which in turn affects conclusions about market overlap and concentration. For example, a 10-minute drive in central Ankara may cover a far smaller area than in suburban districts due to congestion and road density. Additionally, traditional isochrone methods typically center the analysis around the provider location, which may not reflect how parents actually choose childcare services.

Whilst the childcare market has a number of distinctive features that may alleviate the methodological problems and sensitivity issues, isochrone tools must be applied with caution, sensitivity, and robustness checks, validated by behavioral insights, and complemented by local context.

### **3.1. METHODOLOGICAL BASIS OF ISOCHRONE ANALYSIS**

An *isochrone* is essentially a contour line on a map connecting points reachable in the same travel time. In competition analysis, this means drawing a boundary around a location (such as a store, factory or facility) such that every point on the boundary is, say, 10 minutes away from that location by car (Desai, 2008). The area inside this contour is often called a *catchment area*, which represents the geographic zone from which a retail outlet attracts a given proportion of its customers. Usually, in order to avoid outliers and their marginal effect, an 80% catchment refers to the area encompassing 80% of the outlet's clientele. In practice, this is often approximated using a circular boundary. For instance, if customer data show that 80% reside within a 5-kilometer radius, then a circle of that size is used to represent the catchment<sup>27</sup>. These approximations can be refined using case-specific insights, such as the presence of natural or infrastructural travel barriers like rivers or bridges connecting the two-sides of area regarding the existing road

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<sup>27</sup> According to the CMA's guidelines, geographic market boundaries can be approximated by defining catchment areas that include the nearest 80% of customers. Typically, customer distances rise sharply beyond a certain point (80%), which may indicate anomalies and outliers in the data, such as individuals temporarily visiting or working in the area rather than residing there. These outliers can distort the definition of the catchment area if not carefully addressed.

network. Additionally, visualizing the distance profile can help detect a more accurate radius.

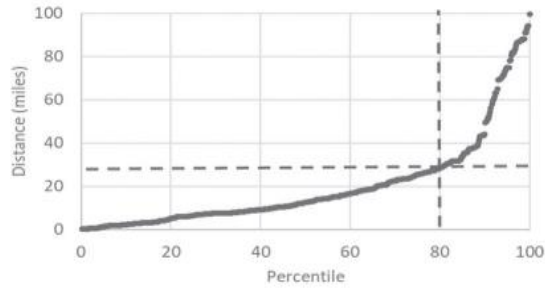


Figure 3.1. Distant Profile Analysis

Wirth and Punton (2020)

Where the catchment zones of different outlets intersect, it typically suggests that these outlets serve overlapping customer bases and may function as substitutes or rivals for at least a portion of consumers. In other words, if the typical customer is willing to drive 15 minutes for a service, an isochrone delineating the 15-minute drive-time radius around the store approximates its local market area. This approach is distinct from a simple circular radius because it accounts for actual road networks and travel speeds; real-world isochrones are often irregularly shaped, stretching further along fast roads or highways and contracting in congested directions.

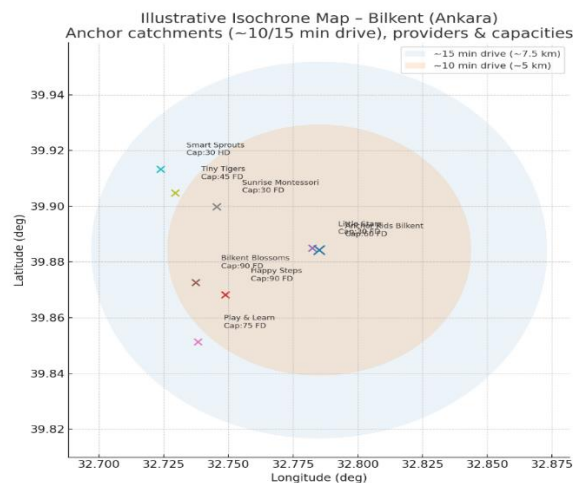


Figure 3.2. Catchment Areas for Childcare Providers in Ankara (Bilkent)

By using a number of mapping software and transport data, it can be generated these travel-time contours taking into account road types, speed limits, urban vs. rural conditions, and even time-of-day effects on traffic.

The rationale for using isochrones in geographic market definition is supported for markets, sectors, or industries in which distance or travel time is a key determinant of competition. Especially for retail outlets and local services, consumers generally prefer nearer options and are only willing to travel so far for a substitute. Therefore, isochrone analysis provides an empirical way to capture this *willingness to travel* and translate it into a market boundary. Although specifics vary by case, isochrone analysis typically follows a few common steps when generating catchment area(s):

- ∇ **Select Anchor Points:** Identify the focal locations for analysis. Generally, the merging firms' outlets or facilities. Each of these will serve as a center for drawing an isochrone. In a merger, usually the target firm's sites are used as anchors, and one checks which of the acquiring firm's sites fall within the same vicinity and vice versa.
  
- ∇ **Determine the Travel-Time Threshold:** Decide on the appropriate travel time (or distance) that delineates the local market. This choice is crucial: it should reflect how far the *average customer* is willing to go for the product/service in question. The threshold often depends on the nature of the product. For everyday goods or high-frequency services, a shorter time (e.g., 5-10 minutes) might be used, whereas for infrequent or specialized services (like cinemas or specialty healthcare), a longer time (20-30 minutes or more) might be justified. Consumer surveys, loyalty card data showing typical customer origins, the merging firms' own analysis of their "catchment," stakeholders or rivals' views, or even on-site experiment (e.g., officials driving around to gauge travel convenience) serve as particularly useful evidence to the decision (CMA, 2017). For instance, in UK cinema merger cases, the Authority settled on a 20-minute drive-time as the local market radius, but also tested a 30-minute isochrone as a sensitivity check to see if conclusions would change with a slightly broader market definition. Thus,

testing alternative isochrones (shorter or longer) is vital for a sensitivity check and robust results<sup>28</sup>.

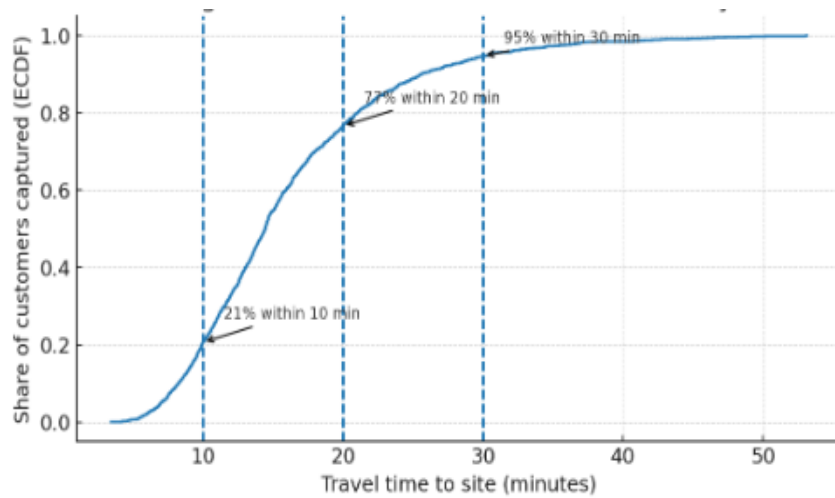


Figure 3.3. Travel-Time Thresholds and Sensitivity Check

- ∇ **Identify Overlaps and Competitors:** After establishing the isochrone around the focal site, the next step is to map out the locations of nearby competitors or the other merging firm's outlets. Any provider located within the isochrone boundary is considered to be part of the same local market, as it falls within the realistic reach of customers. When examining two merging entities, it becomes crucial to check whether one party's isochrone overlaps with the location or catchment of the other. Such an overlap indicates that the outlets serve overlapping customer areas, meaning families within that shared zone could realistically choose between the two. In merger reviews, this type of geographic intersection often signals a potential reduction in local competition if the firms were to combine. In contrast, in the absence of any overlap, the outlets may operate in different markets with minimal competitive interaction. Regulators also commonly assess how many rivals are present within a given catchment. For instance, if a supermarket currently has three competitors within a 10-minute drive and a merger would reduce that number to one or two, the likelihood of anticompetitive effects increases accordingly.

<sup>28</sup> See *Odeon/UCI (2017)* and *Blackstone/CineUK (2005)*.

- ∇ **Consider Borderline Cases and Population Centres:** Geography can asymmetrically or diametrically affect the conditions of the given area. Sometimes two stores' catchment areas might just *nearly* touch but not overlap, yet there could be a town in between from which consumers can reach either store in roughly equal time. In such cases, a strict isochrone overlap test might falsely suggest no competition, whereas in reality, the in-between population has a choice. To handle this, it is useful to draw an isochrone centered on the *population* cluster (rather than on a store) to see which stores lie within that population's travel-time radius. This "*population-centred isochrone*" helps identify if the two stores are both viable options for that community.

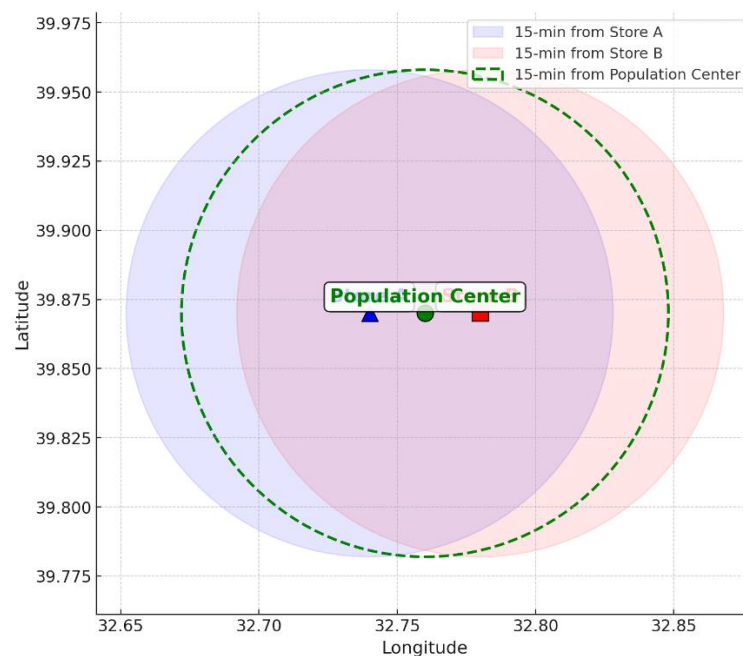


Figure 3.4. Population-Recentered Isochrone Analysis

For instance, in Figure 3.4 illustration, Store A on the west side and Store B on the east side, with a population cluster situated between them. The 15-minute store-centred isochrones do not overlap, which would ordinarily suggest separate local markets. However, the population cluster is about 15 minutes from both stores. When drawing a population-centred 15-minute isochrone around that cluster (as in the figure), both stores fall within reach of those residents.

This indicates a shared customer base and therefore competitive interaction for that population, even though the stores' own catchments didn't initially overlap. In practice, authorities use this kind of population-recentring to avoid blind spots and to ensure that small but relevant pockets of consumers with access to both firms are accounted for in market definition.

- ▽ **Finalize Geographic Market Boundaries:** Using the above information, the final step will be to outline the relevant local markets. In practice, this might mean saying “the relevant geographic market is approximately a 15-minute drive-time radius around the merging supermarkets, childcare facility or city centre in Town X,” and including all competing stores within that area as part of the market.

### 3.1.1. Evaluation of Isochrone Analysis

#### 3.1.1.1. Limitations, Boundaries and Possible Biases

While isochrone analysis is a powerful yet simple tool, it is not without shortcomings and practical hurdles. By design, it simplifies complex reality into a binary “inside the contour vs. outside the contour” division. Several limitations and potential biases of this approach have been noted in both academic literature and case practice.

A standard isochrone assumes a certain travel-time cutoff for *all customers*, but real consumer behavior can vary widely. Some customers will not travel even the “average” distance (due to lack of car, mobility issues, strong preference for nearby options), whereas others might routinely travel further. By picking, say, a 15-minute drive-time radius, one implicitly assumes all consumers within 15 minutes consider the firms as options, and none beyond 15 minutes do. This can misdefine the market if consumers' true behavior deviates from the assumption. For example, Oxera (2020) illustrates a scenario in food retail: suppose a large supermarket is located at the very edge of a 10-minute catchment area, while two smaller grocery stores sit closer together near the center of that area. A traditional catchment analysis might compute market shares based on the entire 10-minute area and conclude the big supermarket has a huge share, ostensibly exerting a strong constraint on the smaller stores. But in reality, those small stores might cater to a very local subset of customers (e.g. people who walk a few minutes) and do not

draw from the far side where the big store is located. The larger supermarket's presence at the fringe of the catchment might not discipline the small stores as much as the raw catchment share suggests, because many of the small stores' customers won't travel that far. In other words, isochrone-defined markets can overstate competitive overlap by assuming all points within the contour are equally contested. The CMA encountered this issue in a hospital merger case (*Circle/BMI*): it remarked that market shares based on catchment areas were a *weak indicator* of actual competitive constraints, since they did not reflect where patients actually came from. In that case, simple catchment shares implied two hospitals competed broadly, but patient-origin data showed the competitive interaction was more limited, leading the CMA to downplay the weight of those catchment-based market shares.

An isochrone usually draws a neat boundary, but within that boundary there can be sparsely populated zones and densely populated ones, areas that are right next door to the store and areas that are 15 minutes away. Classic isochrone analysis tends to treat the whole area as one market in a homogenous way, implicitly giving equal importance to all parts of it. This may clearly represent an oversimplification. If half of an isochrone's area is empty fields or uninhabited, then including that area in a market share calculation dilutes the meaningful part of the market. Conversely, a densely populated corner just outside the isochrone might actually contribute many customers, yet it gets excluded entirely if it lies just beyond the arbitrary cutoff. In practice, this can bias analysis. For example, population heterogeneity across the catchment is often ignored: a store's catchment might include both a town centre (lots of customers who might walk short distances) and a rural periphery (few customers, who might drive longer distances). A uniform 10-minute ring doesn't capture the fact that the store likely relies far more on the town centre population. Additionally, geographic barriers inside the contour can fragment a catchment, underscoring that treating distance, *as the only factor* can be too crude; other real-world frictions (rivers, mountains, traffic congestion, etc.) and the uneven distribution of customers can undermine the one-size-fits-all contour.

Isochrone analysis often uses a single travel mode (typically driving by car) and a single threshold, which might not represent all consumers. In many local markets, some consumers walk or use public transport, others drive; some are time-sensitive (e.g. parents

rushing to pick up kids, who won't drive 20 minutes out of their way), others are price-sensitive and will travel further for a deal. By focusing on an "average" travel time, we risk ignoring these differences. A 10-minute drive catchment for a supermarket might be irrelevant to a non-driving urban resident who only considers walking distance grocery options. Similarly, a 3-mile catchment for a nursery school might be fine for parents with cars but meaningless for those who must rely on a 15-minute walking radius. In competition terms, this introduces bias if one firm's customer base is systematically different (e.g. one gym's clients are mostly nearby pedestrians, while another's are commuters driving from farther away). A uniform isochrone might overstate the competitive interaction between such firms or overlook that one effectively has a smaller *true* market due to its clientele's characteristics. Moreover, consumer preferences other than distance such as quality, price, or unique services are not captured by *unfiltered* or *unweighted* isochrones. Two stores within 10 minutes might not truly be substitutes if one is a high-end specialty store and the other a discount outlet; yet a simple catchment would count them as competitors. The CMA's analysis in the *Sainsbury's/Asda (2019)* supermarkets merger acknowledged this: stores were weighted not just by proximity but also by their brand and size, because a nearby discounter isn't as strong a substitute for a large superstore, for example. A plain isochrone that treated all within 10 minutes as equal would have failed to reflect these preference-driven differences in competitive strength.

Because isochrone methods impose a hard cutoff (e.g. 15 minutes), there's always the risk that the market definition is sensitive to that choice. If one chose 10 minutes versus 15 minutes, the set of competitors included can change markedly. This can lead to arbitrariness or manipulation. For instance, parties to a merger might argue for a shorter catchment to exclude certain rivals, or a longer one to include more rivals, depending on what suits their case. Authorities try to mitigate this by choosing thresholds based on data (for instance, covering 80% of customers' typical travel distance, as is commonly done) and by doing sensitivity analysis at +/- a few minutes or kilometres. Still, the fact remains that any rigid contour will create edge cases: a competitor at 16 minutes away is treated as "out of market" while one at 14 minutes is "in," which can be a problematic and subjective. Additionally, if there are outlier customers who travel extremely far, including them would make the isochrone unrealistically large; excluding them (say by using the 80th percentile of distance) is sensible but introduces a somewhat subjective element

(why 80%, not 70% or 90%?). The EC notes this issue in its guidance. If one took 100% of customers one would often get “implausibly large” catchments due to outliers, so it’s more practical to use a threshold like 70%, 80%, or 90% of customers’ travel distance to define the contour (EC, 2023). The choice of percentile, however, must be justified case-by-case, and different choices can yield different market definitions.

Another conceptual issue is the *binary treatment* of competition within and outside the isochrone. Providers located just outside the threshold are excluded from the analysis, even though they may still be considered by some users—particularly if they offer better prices or services. Conversely, facilities just inside the boundary are assumed to fully constrain competitive behavior, which may not reflect real user preferences. This binary fallacy oversimplifies the competitive landscape by drawing hard geographic lines around what is often a continuum of choice.

In summary, while isochrone analysis offers a clear framework for delineating local markets, it abstracts away a lot of detail. It assumes homogeneity of customers and geography within a boundary that is often drawn as a circle or irregular polygon. The reality of local competition can be more granular: it matters exactly where people live, how they travel, and what alternatives they consider. A catchment area is a blunt instrument that may misrepresent competitive dynamics if used in isolation. As a result, refinements and complementary approaches to address these limitations are widely seemed to be necessary.

### 3.1.1.2. Refinements and Practical Solutions

#### 3.1.1.2.1. Weighted Catchment Analysis

To overcome and mitigate the biases that may directly influence the delineation of catchment area(s), several measures and improvements to basic isochrone analysis might have been employed.

One straightforward alteration is to *weight competitors by distance (or time)* rather than treating all inside the circle equally. Instead of a binary in/out of market classification, this approach assigns higher competitive weight to closer rivals and lower weight to those nearer the edge of the catchment. For example, a store 1 minute away from the focal store

might be nearly a perfect substitute, whereas a store 14 minutes away (still within a 15-min isochrone) might exert a weaker constraint and competitive pressure. By weighting, like the nearer store as 1.0 and the far-edge store as 0.2 (based on some decreasing function of distance), one can calculate an *effective competitive influence*. Oxera (2020) refers to this as the “weighted share of shops” method, noting that it provides a more nuanced picture than a raw count of competitors in the area. In practice, the CMA has employed such weighting schemes. A notable example is the *Sainsbury’s/Asda (2019)* merger analysis, where the CMA weighted competitor stores not only by proximity but also by their characteristics (e.g. big supermarkets vs. small convenience stores, and by brand segment) to better reflect the actual competitive pressure on each focal store<sup>29</sup>. By computing market share or concentration indices with these weights, the authority gets a continuum measure of competition intensity, rather than a sharp cutoff. This helps reduce the “*cliff-edge*” problem of isochrones and accounts for intra-catchment heterogeneity to some extent<sup>30</sup>.

#### 3.1.1.2.2. Use of Population and Customer Distribution Data

Another alternative pathway is to incorporate the spatial distribution of customers directly into the analysis, rather than assuming an even distribution within a contour. If data on customer origins is available (for instance, postal codes of customers, patient addresses for hospitals, etc.), one can map those points and see how the customer base overlaps or not between two firms. This is sometimes called a *demand-centered* approach. Instead of defining the market purely by geography, one defines it by where customers actually come from. For instance, in the CMA’s *Circle/BMI (2019)* hospitals merger, the analysis looked at overlapping postcodes from which the two hospitals drew patients, revealing that in some areas they competed for the same patients, while in others their patient catchments were distinct (hence the earlier-mentioned conclusion that catchment area shares alone were misleading). It demonstrates a hypothetical map showing patient dots: one scenario had a fully intermixed distribution of two hospitals’ patients in the overlap area (indicating strong competition); another scenario showed a clear geographic split

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<sup>29</sup> This multi-factor weighting acknowledges that a nearby large Tesco might matter more than a distant small independent grocer, even if both fall within the 10-minute radius.

<sup>30</sup> A problem refers to the abrupt inclusion or exclusion of competitors based solely on whether they fall just inside or outside the defined travel-time or distance threshold.

(indicating the two hospitals effectively served different halves of a city). By aggregating customers at, say, the postcode or district level, one can identify the true catchment of each provider and how much those catchments intersect. If two stores' catchments (as defined by actual customers) overlap heavily, that's a strong indication they are in the same market; if not, even an overlapping isochrone might not imply real competition.

This demand-driven analysis essentially re-centers the concept of catchment on the customer clusters: for any given population center, one can check which suppliers are accessible and effectively define local markets around where people live (or work), rather than where suppliers are located. The EC's guidance reflects this idea as well by suggesting that catchment areas should be *representative of purchasing patterns of most customers*, and can be determined from the actual distribution of customer distances/travel times (EC, 2023). In practice, authorities sometimes draw catchment areas to cover, say, 80% of a store's customers (leaving out far-flung outliers). This ensures the contour is based on real consumer behavior. Moreover, by examining who those customers also patronize, one can refine the market definition further (a technique related to "*customer diversion analysis*").

#### 3.1.1.2.3. Population-Weighted or Recentered Isochrones

Building on the idea of demand-centric analysis, one specific technique (mentioned earlier) is the *population-centred isochrone*. If two competing outlets are some distance apart, instead of just drawing around each outlet, drawing an isochrone around a relevant population cluster to see which outlets fall within that travel time for that population. In other words, instead of defining markets by drawing boundaries around provider locations, the analysis starts from population clusters, such as residential areas or workplace hubs, and identifies which suppliers are realistically accessible to those people. In this framework, the "anchor" point for market definition is the population center itself, rather than the facilities of the acquiring or acquired firms.

For instance, if a significant town lies between two stores, an isochrone drawn from that town can reveal whether both stores compete for that town's residents. More generally, one could integrate population density into the catchment: e.g., rather than a flat 10 km radius, consider the radius in each direction until it encompasses X number of people.

This would naturally extend further into sparsely populated directions and shrink in densely populated directions, ensuring effectively weighting the geographic market by where people reside in.

Some analysts have proposed gravity models or “*floating catchment*” methods (used in spatial accessibility research) that account for population distribution in defining service areas (Luo & Wang, 2003; Delamater, 2013). In competition cases, a simpler approach has been to acknowledge when a small, isolated population might be underserved post-merger even if it is at the fringe of a larger market. The UK Competition Commission in a grocery inquiry, for instance, considered whether even a town of 5,000 people could constitute a relevant local market if that town had very limited alternatives. The Commission also used a population-centering exercise to ensure that small communities “at the margins” were not ignored by a broad catchment that might otherwise be centered on larger cities (EC, 2023). This reflects a policy choice: competition law usually cares about all consumers, so even if only a small pocket of the population is affected (e.g. one village that loses its second supermarket and is left with a monopoly), authorities might still be concerned, even though a coarse isochrone might lump that village into a bigger city market where competition seems fine.

Thus, tools like population-centered isochrones help reveal such situations and have been used when authorities want to be cautious about *pockets of market power* that a broad analysis might mask.

#### 3.1.1.2.4. Multi-Mode and Time-of-Day Analysis

A more technical refinement is to consider different transport modes or timing for isochrones. For example, in urban areas, one might define a catchment in terms of a 15-minute walk rather than drive, if most customers are on foot. Alternatively, consider public transit travel times if relevant. Additionally, travel times can vary by time of day (commuting hour vs midday), which might matter for certain services (a daycare pickup at 5pm might have slower traffic than mid-morning drop-off). Advanced programs allow for these nuances. While not commonly seen in published decisions, these could be employed in detailed analyses or in specific sectors, (e.g. local bus competition might consider walking catchments to stops, etc.).

#### 3.1.1.2.5. Combining Isochrones with Other Evidence and Empirical Methods

Combining results from isochrones with other evidence of competitive interaction, for instance, switching data (do customers actually switch between these local options?), pricing patterns (do outlets in closer proximity constrain each other's prices more?), or qualitative evidence from market participants, may yield more robust and conclusive findings. For example, in the context of local gasoline markets in Spain, Perdiguero and Borrell (2012) applied isochrone methods to measure competitive effects on price. Using geographic information systems, they tested how market definitions based on 5–6 minute travel-time isochrones captured local substitutability among petrol stations. Their SSNIP-based modelling found that prices were more responsive to the entry of nearby competitors, implying that only very close rivals meaningfully discipline pricing. The study effectively integrated catchment analysis into an econometric framework for pricing equilibrium and hypothetical monopoly simulations.

*In Sainsbury's/Asda (2019)*, the CMA conducted customer surveys in 150 stores to measure diversion ratios between the merging parties. The results were used to weight competing stores within a 15-minute catchment by factors such as distance, brand, and store size. The weighted results were fed into a Gross Upward Pricing Pressure Index (GUPPI) model to estimate pricing pressure post-merger

Additionally, theoretical contributions by Bishop (2008) reaffirm that isochrone-based definitions are critical for realistically bounded geographic markets, especially when used in merger screening or concentration mapping. Bishop emphasizes the importance of travel-time catchments for competition policy and shows how they can be combined with data on customer origins or consumption patterns to improve accuracy. Therefore, isochrone results are versatile by their nature and can be utilized in a wide range of applications for competition analysis.

#### 3.1.1.3. Competition Assessment within the Catchment Area

Competition assessment within a catchment area involves evaluating how undertakings interact and compete within a defined geographic zone or in the catchment area(s). This analysis helps determine the level of competition, identify any anti-competitive patterns, and ensure no single firm unfairly abuses the local market. Key aspects include filtering,

if overlapping service areas too many to assess (to gauge competitive density), monitoring for anomalies that might signal collusion, assessing the impact of mergers and acquisitions on local competition, and checking for any abuse of dominance in the area.

#### 3.1.1.3.1. Filtering Overlaps in the Catchment Area

In circumstances where there are too many overlaps in the local market, it might not be feasible to assess all relevant geographic markets; thereby, further analysis might focus on the areas that most likely give rise to competition concerns or the closest, and most directly overlapping competitors, since those pose the strongest competitive constraint on each other<sup>31</sup>. A suitable filter should capture the closeness of competition between the rivals while minimising false positives (Type I errors). In practice, however, the choice of filter is often shaped by data availability.

**Overlap Thresholds:** It's common to set a threshold for what constitutes a meaningful overlap. For instance, only competitors within a certain distance or travel time might be considered direct competitors. If dozens of providers technically overlap but some are on the fringes of the catchment, analysts might filter out those fringe competitors to concentrate on the core competitive area (EC, 2008). This ensures the assessment remains focused on truly overlapping services rather than every possible provider in a broad region.

**Market Segmentation:** Sometimes overlaps are filtered by segment if the catchment covers distinct sub-markets. For example, if assessing competition for childcare services, overlaps might be considered separately for different age groups or service types.

**Competitive Intensity Indicator:** A high number of overlapping competitors can indicate intense competition, which typically benefits consumers through lower prices or better quality offerings. Conversely, if very few or no overlaps are found (meaning one provider's catchment is largely uncontested), it could indicate a local monopoly or weak competition in that area, warranting further scrutiny. Market shares and concentration indicators like Concentration Ratio(s) and HHI are usually deemed to be useful, yet

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<sup>31</sup> In contrast, the CMA pinpointed only seven geographic areas where the parties' operations overlapped and carried out a *separate* competition assessment for each of those areas in the *David Lloyd/Virgin Active* (2017) case.

criticized for being static in displaying the intensity of competition. Given that, the CMA's *Retail Mergers Commentary* notes that three main concentration metrics can be applied as filters: **fascia count**, **store count**, and **market share** (CMA, 2017 & Wirth and Punton, 2020).

A fascia count measures the number of distinct competing brands (fascia) present in a local area, regardless of the number of outlets each operates. This metric is most relevant where branding is a key driver of customer choice and stores of the same fascia are relatively homogenous in quality and offer. For instance, in *Martin McColl/Co-operative (2017)* the CMA applied a four-to-three fascia filter; areas failing the filter were those where the merger would reduce the number of fascia from four to three or fewer. In some markets, a more cautious five-to-four fascia threshold has been adopted to capture higher concentration risk. Fascia-based analysis is especially valuable where the competitive constraint comes primarily from the presence of rival brands rather than the sheer number of outlets.

Store count is more relevant when branding is less visible or important, and competition is determined by the physical presence of outlets. In *Greene King/Spirit (2015)*, the CMA used a pub count filter, flagging areas where the merging parties together held more than 35% of local pubs and where the merger increased that share by at least 5%.

Market share filters can provide a more precise picture. In *Cygnets/CAS (2017)* and *CareTech/Cambian (2019)*, the CMA assessed shares based on the number of beds in a local area for care home services, drawing from publicly available datasets. In *CareTech/Cambian*, a lower 30% share threshold was adopted due to uncertainty over bed numbers, avoiding an understatement of market shares. Moreover, where simple fascia or store counts fail to reflect true competitive constraints, weighting adjustments can be applied. As alluded before, this may involve giving lower weight to competitors that exert weaker competitive pressure (*Ladbrokes/Coral (2016)* applied a 0.9 weighting to independent betting offices) or weighting outlets by proximity (*Celesio/Sainsbury's (2016)* weighted store counts by distance within catchments).

### 3.1.1.3.2. Cartel Screening

Effective monitoring of market conditions within the catchment area is crucial to detecting any anomalies that might flag collusion among competitors. Within a local catchment, collusion might be spotted through certain data patterns, which can raise red flags:

**Price Parallelism and Stability:** If competing businesses or facilities in the catchment repeatedly change prices at the same time and by similar percentages, or if prices remain inexplicably stable or high for long periods despite input cost fluctuations, it may indicate a collusive behaviour (Harrington, 2008). While some price similarity can be due to common costs, unusually synchronized pricing beyond what market conditions warrant could be an anomaly. Yet, in literature, there is a vast range of tools that can be beneficial to capture suspicious patterns in the markets.

**Market Share Allocation:** An abnormal stability in market shares over time is another warning sign. If each competitor in the catchment maintains almost the exact same share of customers or revenue every year, it might suggest they are adhering to a silent agreement not to poach each other's customers. A novel method might be identified as *the dynamic (time-variant) isochrone analysis*. By tracking and monitoring catchment areas over multiple periods, one can observe whether the radius of a firm's market coverage stabilises after a certain point, and whether the same holds true for its rivals.

**Bid-Rigging Clues:** In contexts where businesses bid for contracts (for example, local government tenders within the region), monitoring can reveal collusion anomalies like *bid rotation* (competitors taking turns winning) or *suspiciously close bid amounts*. Such patterns often flag bid-rigging cartels (Levenstein & Suslow, 2011).

### 3.1.1.3.3. Merger Analysis in the Catchment

Mergers and acquisitions can significantly alter the competitive landscape within a catchment area. When two firms that were previously competitors in the same catchment decide to merge (or when one acquires the other), the number of independent competitors in that local market reduces, potentially increasing market power for the merged entity.

Competition authorities analyze such transactions carefully to prevent the creation of local monopolies or a substantial lessening of competition.

Once the initial filtering stage is completed, the remaining overlap areas are subject to a more detailed competition analysis. At this stage, competition authorities typically address two key questions: **(i)** how strong is the rivalry between the merging parties in each overlap area, and **(ii)** what degree of competitive constraint remains from other players within the same catchment. As Wirth and Punton (2020) clearly shed light on the main roadways to highlight the crucial aspects of mergers in local markets, provided that assessing competition cases must be case-by-case due to its complexity, yet, there are common methodological grounds for analyzing unilateral effects in many different types of mergers.

Usually, the initial step in assessing competition within a catchment starts with evaluating the local market conditions. This involves examining buyer power and the ability of customers to switch between providers, the presence of legal, geographic, or cost-based barriers to entry or expansion, and the extent of switching costs, particularly between the merging parties. Authorities might also consider the nature of the product or service (homogeneous or differentiated), the stability of demand, entry and exit rates over the past decade, the degree of excess capacity, and any history of coordination or collusion in the sector. Additional factors include innovation dynamics, the role of network effects, seasonality in demand, and the presence of capacity constraints or exclusive contracts that could limit competition.

Second step typically involves calculating refined market shares and related concentration ratios like delta HHI within the catchment to see whether they exceed certain thresholds. Nonetheless, this should be combined with sensitivity checks, such as flexing isochrone boundaries or redefining competitor sets, as in *Cygnnet/CAS (2017)*, where the CMA tested whether adding rivals or adjusting weights materially altered the results.

Then, similar to other types of merger assessment, potential unilateral effects (the ability of the merged firm to raise prices, reduce quality, or limit innovation without coordinating with rivals) and coordinated effects (the increased likelihood of tacit or explicit collusion post-merger) are analysed, drawing on both structural and behavioural evidence.

At this stage, customer surveys and diversion ratios are particularly valuable when overlap areas remain contested. In *David Lloyd/Virgin Active (2017)*, member surveys in three localities revealed high diversion ratios in Clearview and Brighton, leading to a finding of an SLC in those areas. Impact studies and merger simulations, if they are possible to conduct, can provide another layer of evidence. In *Cygnnet/CAS (2017)*, the CMA reviewed the effect on patient volumes and fees at a Cygnnet facility following the entry of a CAS hospital nearby, concluding that the competitive interaction between the two sites was weaker than initially assumed. Similarly, in *Poundland/99p Stores (2015)*, the CMA used store opening/closure data to estimate revenue effects and identify which competitors exerted the most significant constraints. Price pressure tests can also support spotlighting potential harm. For example, in *Cineworld/City Screen Limited (2013)* decision, the Authority calculated the GUPPI using diversion ratios from customer surveys and gross margin data to answer the extent of prospective price increases. In certain cases, price or margin–concentration analysis may be used to explore local pricing dynamics. In *Sports Direct/JJB Sports (2010)*, the CC examined whether local variations in quality, range, and service (QRS) aligned with competitive intensity, but found no direct link<sup>32</sup>. Where bidding processes dominate, a **bidding market analysis** can be appropriate. In *Menzies/Airline Services Ltd (2019)*, the CMA reviewed tender data for airport services, focusing on how often both parties bid for the same contracts and the frequency of two-firm bidder scenarios. Finally, the analysis considers any prospective efficiency gains, such as cost reductions, quality improvements, or innovation benefits, weighing their likelihood, magnitude, and the extent to which they would be passed on to consumers.

The choice of analytical tools and the depth of assessment are shaped by the severity and magnitude of competition concerns and the number of overlaps surviving the initial filter. Overly cautious filters can generate an unmanageable number of cases for detailed analysis at Phase 1, making it harder to apply resource-intensive methods. In such situations, Phase 2 investigations can lead to more proportionate and accurate outcomes.

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<sup>32</sup> It is important to note that in price-concentration analysis, the “endogeneity” problem is expected due to the bilateral relationship between prices and market concentration. Therefore, commonly, it requires suitable instrumental variables to address this issue.

#### 3.1.1.3.4. Abuse of Dominance within the Catchment

In local competition analysis, abuse of dominance assessments focus on whether a firm with substantial market power, expected to be within a narrowly defined geographic area, has engaged in conduct that harms or restricts competition or consumers. A firm may be dominant due to high market shares, legal exclusivity, geographic isolation, or control over key infrastructure. In small catchment areas, dominance can be amplified where entry barriers are significant, switching options are limited, the goods or services provided are seen as essential, and, therefore, customers are highly dependent on the incumbent provider.

Abuses in a local market context may be *exploitative* or *exclusionary*. Exploitative abuses include excessive pricing, particularly when the firm is the sole legally authorised provider. For example, a local port operator with an exclusive concession that increases docking fees substantially above competitive benchmarks has been found abusive in several national cases. Exclusionary abuses involve strategies aimed at foreclosing rivals. In a local retail context, this could include a dominant supermarket securing long-term exclusive leases in a shopping district, preventing competitors from obtaining nearby premises. Other examples include selective refusal to supply, such as a dominant wholesale distributor refusing to serve independent outlets within its catchment or predatory pricing targeted at rival stores in overlapping isochrones until they exit the market.

Competition authorities might also consider more subtle conduct in local markets, including tying or bundling. For example, parents enrolling their child in a local (dominant) childcare facility could be offered a 50% discount on fees, but only if they also commit to sending the child to the same provider's later-stage education facility. While attractive to parents in the short term, such a practice can foreclose competition by locking in future demand, raising rivals' customer acquisition costs, and limiting parental choice in the local market.

Detecting abuse of dominance requires careful analysis, because some aggressive behaviors can also have pro-competitive justifications. Therefore, competition authorities typically should look at evidence of intent (internal documents showing an aim to

eliminate competition) and effect (whether rivals are in fact exiting or deterred) in the local competition context.

### **3.2. LOCAL COMPETITION ANALYSIS OF CHILDCARE IN TURKIYE**

Assessing local competition in Türkiye's childcare market requires an approach that reflects both the structural characteristics of the sector and the realities of geographic accessibility. Unlike markets with dense provider networks, childcare in Türkiye is generally characterized by low supply relative to a large base of potential demand. Formal centre-based childcare and preschool enrolment remains very low. This implies that in many localities there are few or no childcare facilities at all, limiting direct competition among providers. Indeed, the market is often a "seller's market" where existing providers face little rivalry and many families have no alternative but to rely on family care (EBRD, 2023). Thus, any local competition analysis needs to account for the prevalent scenario of unmet demand and sparse supply.

One methodological approach is to adopt demand-recentering in the analysis, essentially focusing on where the childcare needs (demand) are highest, rather than only where current providers are. Because formal facilities are not widespread, mapping concentrations of young children and working mothers can highlight areas of latent demand that lack sufficient providers. In practice, this means calculating metrics such as the number of children per childcare center in each area or the distance families must travel to reach the nearest center. For example, in a dense Istanbul district (Beyoğlu) with about 20,000 children under five, there were only a handful of childcare centers with a combined capacity of roughly 200, underscoring a vast unmet need in that locality (Aran et. al., 2016). By recentering the analysis on demand hotspots, it can be identified that locales where a new entrant would face little existing competition but significant potential clientele. This demand-focused lens is appropriate in Türkiye's context of generally low facility density, ensuring that competition (or lack thereof) is evaluated in terms of how well local demand is being served.

Türkiye's childcare landscape includes both public and private providers, which differ in capacity, service scope, and target clientele. Public childcare options (primarily preschools under the MoNE) are largely limited to part-day programs for 5-year-olds, often attached to primary schools, and they tend to have lower fees or be free. Private day-care centres and preschools, on the other hand, offer full-day care for a broader age range (0-6 years) with diverse curricula, but charge fees and are concentrated in urban areas (World Bank, 2015; EBRD, 2023). Given these distinctions, a private centre in a locality likely competes more directly for children of working families than a public preschool does. A public preschool may absorb some local demand for early education, but its limited hours and age coverage mean it is not a full substitute for private full-day care, especially for infants and toddlers. Therefore, in assessing local competition, one might assign greater weight to nearby private facilities and somewhat less to none weight to public ones. This weighted approach reflects the competitive landscape more realistically. For instance, a neighbourhood with one private day-care and one public kindergarten is not "two equivalent competitors" in the market, since the private center's services overlap more with other private centres than with the half-day public program (Aran et al., 2016). Adjusting for these weights ensures that competition intensity measures account for the service type and capacity of each provider.

A comprehensive competition analysis or market study must also consider the stark urban–rural differences in Turkey's childcare provision. In urban centers, especially the more affluent western provinces and major cities (Istanbul, Ankara, İzmir, etc.), private childcare has a much larger presence, which creates pockets of true competition among multiple providers. Istanbul is a case in point: around 2014 nearly 47% of that city's childcare facilities were privately run, compared to only 15% private providers nationwide (Aran et al., 2016). In such urban districts, parents with sufficient means might find several private preschools and day-cares vying for enrolment, leading providers to differentiate their services and prices. By contrast, in many rural or less-developed regions, formal childcare is provided almost exclusively by the public sector. Small towns and villages often have at most a public preschool class (and sometimes not even that for younger ages), meaning families in these areas have either one minimal option or none. Consequently, the nature of "competition" differs by locale: in cities, there may be competitive dynamics (price, quality, and service competition among centers), whereas

in rural areas, the issue is the absence of competition due to the lack of alternative providers. Any nationwide analysis should distinguish these contexts. For example, a “competition index” of childcare providers per child would show high concentration (low competition) in vast swathes of the country where a single facility monopolizes the local market, versus more moderate concentration in a few urban districts with multiple private centres. Acknowledging the urban–rural gap is crucial, as it affects both the strategy for new childcare investments and the interpretation of competitive pressure. It also highlights that expanding supply in underserved areas is a bigger concern than oversupply.

Another aspect of local competition in Turkish childcare is the high degree of product differentiation. Childcare services are not homogeneous; providers differentiate themselves by age group focus, pedagogical approach, quality of facilities, hours of operation, and price point. For instance, some private nurseries specialize in infant care, others emphasize bilingual early learning, while many public preschool classes offer a standard curriculum for a few hours a day. These differences mean that not every provider is a perfect substitute for another, even when they operate in the same vicinity. From a competition analysis standpoint, this requires a nuanced view: a new high-end bilingual day-care entering a district might not directly compete for the exact same customers as a low-cost municipal preschool or a half-day public kindergarten, and vice versa. Parents segment themselves by what they can afford and what services they need (extended hours, specific educational quality, etc.).

In Turkey, given the regulatory-driven cost structure, private centres often target middle- and upper-income families with higher-quality or niche services, whereas lower-income families either use public options or none at all (Aran et al., 2016). Thus, when evaluating local competition, one should identify which providers serve the same segment. Competition is most intense among providers with similar offerings (e.g. several private centres in an affluent neighbourhood will closely compete on quality and fees to attract the same pool of clients). In contrast, a free public preschool might have a long waiting list of local children regardless of nearby private competitors, because it caters to a different segment. Recognizing this product differentiation in the Turkish childcare market allows the analysis to account for parallel “sub-markets” within the local area.

Effectively, it means analyzing not just the number of centres in an area, but the alignment of their services with various segments of demand.

Capacity and the pivotality problem deserve special emphasis in the Turkish childcare context. Even where multiple providers exist within a reasonable travel time, local competition may be illusory if most operate at or near full capacity. A provider becomes *pivotal* when its capacity is essential to meet local demand, meaning that if it were to raise prices, reduce quality, or exit, parents would have no realistic alternative without facing significant travel time or cost increases. This is particularly critical in dense urban areas where public facilities have long waiting lists, and in semi-rural districts where private entry is limited. A merger between two pivotal providers could have outsized competitive effects even if their combined market share appears modest on paper, because removing one from the competitive set would leave insufficient capacity to discipline the other. Therefore, capacity-adjusted market shares, weighting providers by available places rather than nominal presence, can produce a far more accurate representation of local market power.

A hypothetical application of dynamic, time-variant isochrone analysis could also be informative for Türkiye. By mapping travel times from population centers to facilities and observing changes over multiple years, competition authorities could detect whether a provider's catchment radius has stabilized, expanded, or contracted. If one firm's radius becomes stable while rivals' radii contract, this might suggest competitive entrenchment, reduced rivalry, or a market allocation scheme.

This could be particularly useful in urban districts or neighbourhoods, where high population density and traffic patterns mean that accessibility is heavily time-sensitive. In contrast, in rural areas where public provision dominates and private entry is rare, a more static analysis might suffice, with competitive assessment focusing on affordability, service quality, and whether parents have any. However, due to the very high number of overlapping areas that may indicate weak competition, filtering, prioritization, and focusing on the locations most problematic in terms of society's needs might be the right approach to maintain feasibility and effective policy solutions.

In summary, performing a local competition analysis for childcare in Türkiye involves more than just counting nearby day-care centres. It requires a holistic look at how supply meets demand in each locale. Key steps include focusing on demand indicators (given that formal supply is limited and unevenly distributed), weighting competitors by their nature and capacity (private vs. public, full-day vs. part-day), examining differences between urban and rural markets, and accounting for service differentiation among providers. By incorporating these factors, the analysis can reflect the true competitive landscape: one where, in many areas, the challenge is a dearth of providers rather than excessive rivalry, and where in more developed areas, providers differentiate themselves to attract a clientele that has at least some choice. This nuanced approach aligns with the reality of Turkey's childcare sector, where expanding access and balancing quality and affordability remain paramount concerns alongside any competitive considerations (World Bank, 2015; EBRD, 2023).

## CONCLUSION

The relationship between gender and competition is fundamentally bidirectional, with each reinforcing the other in ways that can generate both economic and social gains. Competitive market structures can serve as powerful drivers of gender equality by creating more opportunities, lowering barriers to entry, and delivering better outcomes for all consumers. Vigorous competition encourages innovation and productivity, which in turn can lead to products and services that better reflect diverse needs and are available at lower prices, improving affordability, outcomes that are particularly valuable for women, who have often been historically underserved. When markets are open and fair, women entrepreneurs have a greater chance to enter and compete on equal terms, and female consumers gain access to more choices and more affordable services in areas that directly affect their daily lives. In this way, a well-functioning competitive market not only advances efficiency but can also help dismantle market hurdles that disproportionately disadvantage women, such as inflated prices for essential services or a lack of products tailored to their needs. At the same time, embedding a gender perspective into competition policy strengthens the policy itself. By consciously considering gender in market analysis, competition authorities can improve the precision and inclusiveness of their interventions, identifying harms that might otherwise be overlooked. This involves moving beyond an abstract “average consumer” framework and recognizing that market dynamics can produce differentiated outcomes for different groups. Institutions such as the OECD have increasingly emphasized that applying a gender lens to competition issues enables authorities to identify and address market failures more effectively while fostering inclusive economic growth.

Integrating gender into competition policy can be achieved in practical ways that complement its core efficiency objectives in terms of cartels and collusions, abuse of dominant position, mergers and acquisitions, relevant market definition, and competition advocacy. Competition authorities can also direct particular attention to markets where women are disproportionately represented either as consumers, mothers or as entrepreneurs, ensuring that structural barriers are not perpetuating inequality.

Far from diluting the discipline's analytical rigor, such integration enriches competition policy by filling information gaps, challenging standard assumptions, and enabling interventions that achieve both economic and social objectives.

The childcare sector illustrates this interplay between competition and gender particularly clearly. Affordable and accessible childcare is a prerequisite for many women's participation in the labour market, especially in societies where childcare responsibilities fall predominantly on mothers. In Türkiye, despite some expansion in recent years, the childcare market remains underdeveloped by OECD standards, with enrolment rates far below comparable economies. Millions of young children are outside any formal childcare system, and reaching even the OECD average would require a significant expansion in capacity. The gap is not driven by a lack of parental interest but by barriers on both the demand and supply sides. For many households, the cost of childcare relative to potential wages makes paid employment financially unviable for mothers. On the supply side, localized market structure, the existence of different types of providers, insufficient public subsidization and regulatory requirements, while important for safeguarding quality, can make entry costly and limit the ability of providers to expand into underserved areas. The result is a patchwork market where some neighbourhoods enjoy multiple options while others have none, leaving parents with limited or no choice and little competitive pressure to improve price or quality.

Given that childcare is inherently a local service, understanding and improving competition in this sector requires precise local market analysis. One effective method is the use of a catchment area or travel-time analysis to define relevant geographic markets. This approach recognizes that even within the same city or region, providers may or may not compete depending on how accessible they are to the same pool of potential customers. By identifying where catchment areas overlap, authorities can detect where competition exists and where it is absent, allowing targeted interventions to safeguard competition, encourage new entry or prevent concentration.

Harnessing such granular analysis in childcare markets enables policymakers to pinpoint underserved areas, identify childcare deserts, and monitor the risk of local collusions, exclusionary or exploitative behavior of local monopolies that may also arise from mergers.

The application of this framework to the Turkish Childcare context highlights the significant potential for competition policy to contribute to gender equality. Strengthening competition in local childcare markets could directly address one of the most persistent barriers to female labor force participation by reducing costs, improving quality, and expanding availability. Policies that lower unnecessary barriers to entry, support investment in new facilities, or prevent anti-competitive engagements would make childcare more accessible and affordable. In turn, more women could remain in or re-enter the workforce, increasing household incomes and contributing to broader economic growth. This creates a virtuous and vicious cycle in which competition policy not only fulfils its traditional role in promoting efficiency and quality but also advances inclusion by enabling more equitable economic participation. The premise from this thesis supports the view that integrating gender considerations into competition policy, particularly in localized and socially significant markets like childcare, can produce more comprehensive and impactful outcomes. By doing so, competition authorities can ensure that their interventions not only protect the competitive process but also help build markets that are fairer, more responsive, more inclusive, and more beneficial for all members of society.

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## APPENDIX 1 ORIGINALITY REPORT

	HACETTEPE ÜNİVERSİTESİ SOSYAL BİLİMLER ENSTİTÜSÜ	Doküman Kodu Form No.	FRM-YL-15
		Yayın Tarihi Date of Pub.	04.12.2023
	FRM-YL-15 Yüksek Lisans Tezi Orijinallik Raporu Master's Thesis Dissertation Originality Report	Revizyon No Rev. No.	02
		Revizyon Tarihi Rev.Date	25.01.2024

**HACETTEPE ÜNİVERSİTESİ  
SOSYAL BİLİMLER ENSTİTÜSÜ  
İKTİSAT ANABİLİM DALI BAŞKANLIĞINA**

Tarih: 21/08/2025

Tez Başlığı (Türkçe): Rekabet Politikası ve Toplumsal Cinsiyet İlişkisine Türkiye'deki Çocuk Bakım Hizmetleri Perspektifinden Bir Bakış

Yukarıda başlığı verilen tezin a) Kapak sayfası, b) Giriş, c) Ana bölümler ve d) Sonuç kısımlarından oluşan toplam 137 sayfalık kısmına ilişkin, 21/08/2025 tarihinde şahsım/tez danışmanım tarafından Turnitin adlı intihal tespit programından aşağıda işaretlenmiş filtrelemeler uygulanarak alınmış olan orijinallik raporuna göre, tezin benzerlik oranı % 5 'tir.

Uygulanan filtrelemeler\*:

- Kabul/Onay ve Bildirim sayfaları hariç
- Kaynakça hariç
- Alıntılar hariç
- Alıntılar dâhil
- 5 kelimeden daha az örtüşme içeren metin kısımları hariç

Hacettepe Üniversitesi Sosyal Bilimler Enstitüsü Tez Çalışması Orijinallik Raporu Alınması ve Kullanılması Uygulama Esasları'nı inceledim ve bu Uygulama Esasları'nda belirtilen azami benzerlik oranlarına göre tezin herhangi bir intihal içermediğini; aksinin tespit edileceği muhtemel durumlarda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi ve yukarıda vermiş olduğum bilgilerin doğru olduğunu beyan ederim.

Gereğini saygılarımla arz ederim.

Berkay KURDOĞLU

Öğrenci Bilgileri	Ad-Soyad	Berkay KURDOĞLU
	Öğrenci No	N21222940
	Enstitü Anabilim Dalı	İktisat
	Programı	Yüksek Lisans

### DANIŞMAN ONAYI

UYGUNDUR.  
(Unvan, Ad Soyad, İmza)

\* Tez Almanca veya Fransızca yazılıyor ise bu kısımda tez başlığı **Tez Yazım Dilinde** yazılmalıdır.

\*\*Hacettepe Üniversitesi Sosyal Bilimler Enstitüsü Tez Çalışması Orijinallik Raporu Alınması ve Kullanılması Uygulama Esasları İkinci bölüm madde (4)'te de belirtildiği üzere: Kaynakça hariç, Alıntılar hariç/dâhil, 5 kelimeden daha az örtüşme içeren metin kısımları hariç (Limit match size to 5 words) filtreleme yapılmalıdır.

	<b>HACETTEPE ÜNİVERSİTESİ</b> <b>SOSYAL BİLİMLER ENSTİTÜSÜ</b>	Doküman Kodu Form No.	FRM-YL-15
		Yayın Tarihi Date of Pub.	04.12.2023
	<b>FRM-YL-15</b> <b>Yüksek Lisans Tezi Orijinallik Raporu</b> <i>Master's Thesis Dissertation Originality Report</i>	Revizyon No Rev. No.	02
		Revizyon Tarihi Rev.Date	25.01.2024

**TO HACETTEPE UNIVERSITY**  
**GRADUATE SCHOOL OF SOCIAL SCIENCES**  
**DEPARTMENT OF ECONOMICS**

Date: 21/08/2025

Thesis Title (In English): Competition Policy and Gender in Türkiye: From the Perspective of Childcare Services

According to the originality report obtained by myself/my thesis advisor by using the Turnitin plagiarism detection software and by applying the filtering options checked below on 21/08/2025 for the total of 137 pages including the a) Title Page, b) Introduction, c) Main Chapters, and d) Conclusion sections of my thesis entitled above, the similarity index of my thesis is 5 %.

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Berkay KURDOĞLU

<b>Student Information</b>	<b>Name-Surname</b>	Berkay KURDOĞLU
	<b>Student Number</b>	N21222940
	<b>Department</b>	İktisat
	<b>Programme</b>	Yüksek Lisans

**SUPERVISOR'S APPROVAL**

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(Title, Name and Surname, Signature)

\*\*As mentioned in the second part [article (4)/3] of the Thesis Dissertation Originality Report's Codes of Practice of Hacettepe University Graduate School of Social Sciences, filtering should be done as following: excluding reference, quotation excluded/included, Match size up to 5 words excluded.

## APPENDIX 2 . ETHICS COMMISSION FORM

	<b>HACETTEPE ÜNİVERSİTESİ</b> <b>SOSYAL BİLİMLER ENSTİTÜSÜ</b>	Doküman Kodu Form No.	FRM-YL-09
		Yayın Tarihi Date of Pub.	22.11.2023
	<b>FRM-YL-09</b> <b>Yüksek Lisans Tezi Etik Kurul Muafiyeti Formu</b> <i>Ethics Board Form for Master's Thesis</i>	Revizyon No Rev. No.	02
		Revizyon Tarihi Rev.Date	25.01.2024

<b>HACETTEPE ÜNİVERSİTESİ</b> <b>SOSYAL BİLİMLER ENSTİTÜSÜ</b> <b>İKTİSAT ANABİLİM DALI BAŞKANLIĞINA</b>	
Tarih: 20/08/2025	
Tez Başlığı (Türkçe): Rekabet Politikası ve Toplumsal Cinsiyet İlişkisine Türkiye'deki Çocuk Bakım Hizmetleri Perspektifinden Bir Bakış	
Yukarıda başlığı verilen tez çalışmam:	
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### DANIŞMAN ONAYI

UYGUNDUR.  
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My thesis work with the title given above:	
<ol style="list-style-type: none"> <li>Does not perform experimentation on people or animals.</li> <li>Does not necessitate the use of biological material (blood, urine, biological fluids and samples, etc.).</li> <li>Does not involve any interference of the body's integrity.</li> <li>Is not a research conducted with qualitative or quantitative approaches that require data collection from the participants by using techniques such as survey, scale (test), interview, focus group work, observation, experiment, interview.</li> <li>Requires the use of data (books, documents, etc.) obtained from other people and institutions. However, this use will be carried out in accordance with the Personal Information Protection Law to the extent permitted by other persons and institutions.</li> </ol>	
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