The newest threat to the care economy: Private equity [1]

Closing plenary speaking notes

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Excerpts

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You may be surprised by the facts. Most people are. For economic measurement purposes, I combine Statistics Canada's measures of the industry of health and social assistance (a combined sector) with the industry of education. They contribute to and ultimately define societies' human development and potential. That definition of the care economy accounted for 13.4% of GDP in 2023. Its closest rival is real estate, which clocked in at 13.2% of GDP (which is not the type of driver of economic growth that makes life better for most people).

In 2023, the care economy was over a third (38 percent) bigger than all manufacturing; almost twice as big as construction or finance; and close to three times as large as the mining sector, which goes well beyond oil and gas.

You'd never know it from the way the business press and decision makers talk about the need for economic growth from exports and innovation. So much thought goes into optimizing the production of cars, oil and gas, new homes; yet the care economy, already a dominant source of growth and innovation that could transform the economy and lives, faces chronic disregard and underinvestment. Nonetheless, primarily because of demographics, it footprint in the economy has grown in the last twenty years and it is poised to continue to expand, perhaps becoming the biggest driver of future economic growth.

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Next week a huge conference in Washington DC will bring together investors to talk about the potential for dealmaking in homecare and long-term care businesses. In early March, Lina Khan of the U.S. Federal Trade Commission put the investment world on notice that, given the acceleration of private equity deals in health care which are consolidating market power and driving up prices, more interventions and possibly new regulation may occur. Meanwhile the U.S. Senate is studying how private equity is advancing within hospitals and changing care. California just tabled a bill that aims to lock private equity out of health care.

> Here in Canada, we are walking towards a world of pain with our eyes wide shut.

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Truth 1: Care workers go to work so that you can go to work. If there aren't enough care workers to do the care that is needed, more other types of workers will be unable to work to their potential. They will need to provide some amount of unpaid care. That will undermine the latent economic potential of a nation.

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Truth 2: These are the perfect conditions for attracting private sector investors. But not just any kind of investment. Not publicly traded companies, by and large, who are regulated by security commissions; but private equity for whom there are fewer legal requirements and fewer legal restrictions. They work within the rules (or lobby to change the rules) to shield themselves from scrutiny, responsibilities, and liabilities through complex corporate structures.

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Truth 3: The laws as they now exist won't protect you. The Canada Health Act (CHA), enacted in 1984, won't protect you from private equity in healthcare. ... C-35, put into force just a few weeks ago (March 19), won't protect you from private equity in childcare.

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Private equity isn't new. It's new in the care economy.

Private equity is a form of profitization whose modus operandi is stripping profits from pre-existing economic activities, then flipping the assets to the highest bidder who buys a now more "profitable" enterprise.

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In the case of the care economy, because of deep government offsets for the costs of these necessary services, taxpayers end up footing the bill for debt-leveraged mergers and acquisitions through subsidies for operational costs. For-profit owners can and do also up-charge for anything that isn't covered by public subsidies or insurance, creating another tier of revenue. That is a more common feature of entities purchased by private equity, because it increases revenue streams and the ability to put these operations on the market at a higher price.

The Norwegians call it the tapeworm economy, a parasite that absorbs the nutrition from public funds, weakens care, and degrades jobs.

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What needs doing, right away?

I'm learning as fast as I can, but there simply aren't enough researchers, journalists or public servants looking into this story in Canada, as it unfolds right under our noses. In the U.S., both the Federal Trade Commission and the federal government have thrown resources at following the money.

I have begged the federal government here to do the same. Wrong jurisdiction, you say? What they learn will be relevant because it will help us understand what is happening in the provinces, and because they can place conditions on federal transfers, and exercise the enforcement of those conditions.

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We have runway to change things, but at the moment we're not learning fast enough from others to meaningfully apply some brakes. Some nations, like the U.K., the U.S., and Australia have seen private equity investment rip and strip their way through multiple sectors of the economy for two decades or more. This isn't a murder mystery.

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We can wait for the predictable disasters to happen. Or we can pay attention to how the story is unfolding in other nations and learn from their strategies for preventing this from happening or reversing it when it does.

The care economy is too important – economically and at a deeply personal level – to just let market forces take us where they will. We have to shape the story. That's the big picture. I hope this reconnaissance mission helps you position yourself in the sea we are all swimming in. I am so grateful to be swimming right alongside you. Thank you for all you do.

Related link: Private equity investment in child care markets [4]
Region: Canada [5]
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financialisation [7]
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Links
[1] https://childcarecanada.org/documents/research-policy-practice/24/04/newest-threat-care-economy-private-equity [2] https://rcwproject.ca/who-owns-child-care-who-should-own-child-care/ [3] https://childcarecanada.org/sites/default/files/Armine Yalnizyan (2024) The Newest Threat to the Care Economy.pdf [4] https://childcarecanada.org/documents/research-policy-practice/24/04/private-equity-investment-child-care-markets [5] https://childcarecanada.org/taxonomy/term/7864 [6] https://childcarecanada.org/category/tags/care-economy [7] https://childcarecanada.org/taxonomy/term/9228 [8] https://childcarecanada.org/taxonomy/term/9343