Who profits from Australia's childcare system? [1]

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EXCERPTS

Parents struggling to pay punishing fees or even to find a childcare place know that Australia's childcare system isn't working for them. Lowly paid childcare workers know it too. But it seems the system is delivering for one group: big corporate operators and childcare centre landlords who are making healthy profits from the sector.

Listed long-day care provider G8 Education made an $88.6 million profit in 2015-16. Folkestone Education Trust, the owner of 393 early learning properties here and in New Zealand enjoyed a 20.5 per cent rise in net profits to $106.8 million in 2015 on the back of 5.5 per cent rent hikes the previous year. A parent is entitled to wonder: is that where my fee increase went?

The child care services industry made almost $1 billion in profit last year, equivalent to 10 per cent of the amount the government poured into it in subsidies. And that does not take into account the profits of the landlords.

No wonder that Mayfield Childcare in Melbourne has just announced it will buy another 16 centres and wants to join the likes of G8 Education on the ASX.

Given the spectacular collapse of Eddy Grove's ABC Learning in 2008 and the recent VET FEE-HELP scandal, taxpayers have reason to feel nervous about private providers with business models underpinned by generous handouts from taxpayers.

In this case, it appears taxpayers are somewhat protected by the capped nature of the childcare subsidy (in contrast to the endless spigot of VET FEE-HELP) and have a much greater likelihood of getting what they pay for thanks to the National Quality Framework, which did not exist in 2008.

The framework sets a national benchmark for early childhood education and care. The Australian Children's Education and Care Quality Authority works with state regulators to oversee it and to ensure providers meet its standards. The federal government, which initially saw the framework as just more Labor-initiated red tape, now backs it. State governments must ensure that the regulators have the resources they need to assess and rate all childcare providers and to keep on top of those providers not coming up to scratch.

But there are other issues with a system that pays out so much government money to a private sector facing accelerated consolidation around big corporates.

Private investment in childcare has produced benefits: the massive and necessary recent increase in childcare places would not have come about so rapidly without it. However, as Labor's spokeswoman for early childhood education and development Kate Ellis has pointed out, commercial imperatives are increasingly determining where childcare is supplied; in the areas of most profit for private providers and not necessarily where lower income parents or the children who could benefit most from it are to be found. And wouldn't at least some of those healthy profits have been better spent directly on the care and education of our children or to lower fees rather than siphoned into shareholder's pockets?

Ellis has called for fundamental change to the system. For some parents that means reshaping the childcare sector along the schools model, which is entirely not for profit. But that would be expensive and messy. Better for government to strengthen its hand to intervene when the market is letting us down.

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