

'It's shocking, their greed': Private equity squeezing profits from childcare ^[1]

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EXCERPTS

Some parents of children attending a for-profit childcare service run by the private equity firm that floated Dick Smith say its centres are being run into the ground as profits are siphoned off.

Fee increases, a mass exodus of staff, cuts to cleaning services, and forced Christmas holiday attendance are seeing families leaving in droves from two Kids Academy long day-care centres, in Hornsby and Penrith, some parents told Fairfax Media.

Claire Ormiston's son Samuel attends the Hornsby centre, run by the Affinity Education Group which is owned by Anchorage Capital Partners.

"We have owners that don't listen to parental concerns and they just don't care about the kids," she said. "Their priority is not us. They kept on telling us we don't care if you go, there's a waiting list.

"This once was a wonderful centre but now it has become all about the profits."

Maria Scanlon's two children attend Kids Academy Penrith.

"It's shocking, their greed, and the little empathy for the families and staff," she said.

"The way the teachers have said it to me is they're destroying our centre. Sucking out everything they can from it.

"I don't know where the money that's going in is going out, the centre is deteriorating."

Fairfax Media has spoken to several parents from both the Penrith and Hornsby services who say the problems began after the Kids Academy owner Affinity Education Group was taken over by private equity investors Anchorage Capital Group in December last year.

It comes as Fairfax Media revealed on Sunday the childcare industry is reaping profits of \$1 billion a year, with booming demand, significant new corporate activity in the sector and a record \$8.2 billion in annual government subsidies flowing in, while childcare workers remain among the lowest paid professionals in the country.

Affinity's Education Group CEO Tim Hickey said the majority of families at both the centres were happy with the service.

"AEG is confident in the high standard level of education and care being provided by the teams currently in place at Kids Academy Hornsby and Kids Academy Penrith."

The regulator ACECQA's data shows that private, for profit centres are almost twice as likely to fail to meet the national quality standard as not for profit centres.

ACECQA's latest report says 37 per cent of for-profits are below the national quality standard (known as "working towards NQS") while just 21 per cent of not-for-profits are.

By contrast, 39 per cent of not for profits are "exceeding NQS" compared with 19 per cent of for-profits.

Affinity has over 150 childcare centres nationally under a variety of names, including 10 Kids Academy centres. The second biggest for-profit provider in the country, it was listed briefly on the stock market before it was bought by Anchorage in December last year for \$212 million.

Anchorage's takeover of the Dick Smith Electronics chain, which collapsed two years after Anchorage made millions floating it on the stock market, has been called "the greatest private equity heist of all time".

In the past three months seven staff at Kids Academy Penrith, including two directors, have resigned, according to an email to parents.

Management faced parents at a crisis meeting at the Penrith centre on Thursday evening.

There are also significant problems at Kids Academy Hornsby according to Dionne Barton, including up to 18 staff leaving this year, excessive fee hikes and educators being required to clean bathrooms and vacuum floors while they are rostered to be with children.

"We have seen the childcare standards decline markedly and rapidly due to profit-making initiatives despite parents protesting since they took over the centre. We do not believe that the management are now operating the centre in the best needs of the children," she said.

Many parents were furious that the centres will stay open over Christmas, against what a staff member admitted in an online post were the expressed wishes of the majority of parents in a survey.

Mr Hickey said AEG staff turnover was not as high as the parents said and overall at the company is "in line with industry averages". He also said the two fee increases implemented this year "were in line with average fees for the industry and for those specific suburbs," and that centres took their staff ratio obligations very seriously. The Christmas opening was a national policy covering all Affinity centres, he said.

Mr Hickey said "these dedicated and talented teams of educators and staff are doing an excellent job of running the centres and have - as recently as this week - received very positive feedback from a number of families currently enrolled."

Anchorage declined to comment.

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