"Spitting off cash" – Where does all the money go in Australia's early learning sector? [1]

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Excerpted from introduction

Early childhood education and care (ECEC) is big business. The sector turns over $14 billion annually across 16,000 centres providing long day care (LDC), preschool and out of school care.

The importance of giving young Australians the best start in life and encouraging workforce participation is recognised in the public funding that sustains the sector, currently around $11 billion per annum. This is distributed to providers ranging from council-run kindergartens to stock market-listed early learning chains.

Among LDC provision, where the bulk of government subsidies flow, private for-profit (PFP) providers dominate (see Figure 1). Nearly all growth in the sector is to be found among PFP providers: in the financial year 2020-21 the number of PFP provided services grew 4%. By comparison, the number of not-for-profit services remained almost stagnant while the number of government-provided services actually shrank.

Traditionally, private ownership in the sector was characterised by family and small to medium-sized businesses. Increasingly however, large financial interests are being lured to the sector by strong growth prospects underpinned by generous government subsidies. 20 per cent of revenue through Australia's 8,300 long day centres -$1.7 billion per year - is collected by five large companies, three of which are based offshore. Parents may be surprised to learn that their local early learning centre is controlled by Swiss bankers or an American private equity behemoth.

Stock market investors and foreign investment funds are now key players in Australian ECEC. Stories of floats, mergers and acquisitions in the sector permeate the financial press. CEOs pocket eyewatering salaries and owners enjoy windfall profits as companies change hands regularly. Amid the murky dealings of private equity funds, multimillion dollar transfer payments to overseas headquarters can be identified while no tax is paid in Australia.

Revelations in this report of how their ECEC sector is being gamed by big business will alarm Australians. Parents would be horrified to learn that this creeping commercialisation comes at the cost of quality care and education for their children and an underpaid and undervalued workforce of educators.

Two recent UWU research reports have driven this point home. A July survey of 4000 early childhood educators found those working in profit-driven centres were more likely to be affected by understaffing and many reported having insufficient time to provide quality care. More than half of educators working in these services also said they thought about leaving 'all' or 'most' of the time.

Our most recent report analysed data on quality ratings maintained by the industry regulator, as well as state government statistics on non-compliance. Overall quality ratings among for-profit centres were 12 per cent below those for the rest of the industry and over 1,200 for-profit centres failed to meet the National Quality Standards. Private for-profit ECEC centres were also responsible for almost three-quarters of the 12,000+ enforcement actions for quality and safety breaches taken since 2015.

The time for a transparent and honest examination of the issues at the heart of the crisis in ECEC is well past. Low staff morale, poor wages, understaffing, poor quality care and safety breaches are concentrated in the for-profit sector. These issues are not the fault of individual educators, they are the product of a broken system which puts profit at its heart. UWU research has already made a strong case for reversing the commercialisation that is driving these poorer outcomes. This report demonstrates, in eye-opening detail, the profits being made from Australia's ECEC system and who is benefiting.

This report shows that money which should be invested in children is being siphoned off to fund lavish lifestyles and transferred out of the country. The losers in all this are Australian children, families and the educators working in forprofit services desperately trying to deliver quality care and education without the resources to do so.
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