What goes around comes around when it comes to for-profit child care [1]

Posted on 6 Sep 2022

Author: Martha Friendly [2]

As someone who's been advocating for high quality universal child care for more than 40 years, I'm struck by the similarity of some of today's debates to those of the past. We're still debating what role child care businesses should play in a publicly funded child care system, the scope of profits allowed to child care owners, whether it makes a difference if they're "women entrepreneurs", and the ethics of big-box lobbying on behalf of profit-making in care services.

The recent federal commitment to build a predominantly non-profit Canada-wide early learning and child care system, backed by substantial long-term federal funding, has heightened the debate and given rise to two central questions: first, what should governments do to ensure that public funds are not used to subsidize and increase the profit margin of existing for-profit child care centres, and, second, how does Canada avoid the rapid growth of for-profit care that has occurred in other countries when public funding with few limitations was available. These are both pivotal in shaping whether a universal, high quality, equitable child care system will become a reality for Canadians.

It is noteworthy that – thanks in large part to COVID-19 – the political and policy environment for Canadian child care is quite different than it was in the past, with much more at stake. The most recent round of the for-profit child care debate was triggered by the rollout of a long overdue promise to build a quality child care system Canada-wide, backed by a very substantial long-term public funding commitment.

Child care services across Canada are now looking forward to substantial public funding for the first time. New federal funding being transferred to provinces/territories is slated to ramp up to at least $9.2 billion a year by 2025-2026, with each jurisdiction developing its own system based on common principles, bilateral agreements [3] and action plans worked out with Ottawa. Importantly, the first-ever federal commitment to keep child care in the not-for-profit sphere, set out in the 2021 federal budget [4], is repeated in the federal/provincial/territorial agreements.

Along with this major and historic Canada-wide initiative is a second relevant development. In the last two decades or so, child care – along with other care services such as health care and long-term care, as well as housing – has become a desirable acquisition for international "financialization [5]" corporations. Thus, private equity firms now aggressively seek to buy up centres as "profitable assets". Dutch newspaper Financieel Dagblad [6] observed that: "Investors are increasing their grip on child care" as big international firms buy out small-scale child care chains or centres, so some child care chains are now mammoth [7] in scale. That the profitability of financial backers is, in many instances, heavily underwritten by public funding and that private equity capital moves easily among countries is well documented. How profoundly this phenomenon has affected some countries' child care provision is something we never imagined back in the day when Canadian advocates merely contended with the incursion of big US child care corporations like KinderCare in the 1970s or even Australia's ABC Learning in the 1990s.

A third important factor relevant to the current debate about for-profit child care is the twenty or thirty years of lessons learned from research and experience about the best and worst practices in child care policy. Child care experts can now cite copious international research to underline the pitfalls of relying on the for-profit sector, which is demonstrably less likely to deliver affordable, accessible, quality, equitable services, pay decent wages to staff or offer affordable parent fees as profits take precedence. Today there is solid knowledge [8] about what contributes to the worst child care situations: child care provision in which parent fees are high, educators' wages and recognition are low, and quality is questionable. These situations have developed primarily in jurisdictions using child care market models with weak public management of funding. This means that children experience poor quality care, or parents who are "less profitable" lack services, while some or much of the public child care funding makes its way into profits, leaving parents, child care staff, children and taxpayers the losers. It is hard to argue that this is an effective way [9] to spend public money.

With this in mind, it is easy to see why the current Canadian campaign mounted by the for-profit sector has focused on securing provincial government commitments to reducing public accountability and public management as the first stage of the new, more affordable child care system is getting off the ground. In Alberta, child care owners argued for more "flexibility about fee increases" [10] (holding parent fee increases to 3% is "intrusive") while "private industry is good for parents and kids, as competition drives quality". The message of the Ontario campaign – working with an international public relations firm – is that women entrepreneurs owning small-scale operations are "sounding the alarm… about the level of government micro-management currently being proposed as a condition of their ongoing participation in the $10/day system". This campaign caught the attention of the public and media by signalling that for-profit operators (who deliver about 30% of full-day Ontario child care) would refuse to opt into the new child care program, thus depriving parents of the reduced fees promised or even their child care space, as the threat of centre closures has loomed.

In response, the Ontario government "eased operator worries about bureaucratic incursions in their businesses [11]", rewriting the guidelines made public when Ontario signed onto the federal program last spring. Rather than strengthening the cost-control framework as outlined in its agreement [12] with Ottawa, the Ontario government eliminated elements originally intended to reinforce accountability for federal funds. Changes include: no cap on profits, not requiring an audit, reducing the oversight role of municipalities (who are the mandated Local Service Managers) to determine "reasonable" mortgage and rent costs. As well, municipal use of centre quality assessment tools to determine discretion on public funding has been disallowed by the provincial government.

This accountability deficit is inconsistent with the spirit of the Canada-wide agreement to build an accessible affordable, high quality child care system, one element of which—as public funding for child care grows exponentially – must include accountability for public funds. But the obligation for accountability goes not only for not-for-profit and for-profit child care centres on the ground. Accountability is also an obligation that must extend to the provinces and territories, each of which has negotiated an agreement and action plan itemizing the policy and provision conditions shaping their evolving child care system for which they will receive new, substantial federal funding.

Overall, the available evidence tells us that boosting the for-profit child care sector – both by expediting profit-making from public funds and continuing to support expanding its supply as demand grows – will merely maintain the failed child care market Canada has always known. This will diminish the possibility of gaining from early learning and child care's potential economic and social benefits or meeting the Canada-wide principles set out for the new program – affordability, accessibility, quality and inclusion.

The formula for a quality, accessible, equitable child care system is not found in for-profit child care. The demands of for-profit owners for less accountability, more profit and expansion must be resisted. At the same time governments must develop and implement proactive plans to expand public and non-profit services. This will require governments taking action to support and expand a well-qualified child care workforce, which is the lynchpin of a quality child care system now and in the future.

Ultimately, how the issue of for-profit child care is addressed will determine whether Canada builds a child care system able to meet the ambitious goals shared by so many.

Read this blog post on Rabble.ca [13]

Tags:

Canada-wide agreements [14]

for-profit child care [15]

system building [16]

Links

[1] https://childcarecanada.org/blog/what-goes-around-comes-around-when-it-comes-profit-child-care [2] https://childcarecanada.org/blog/author/martha-friendly [3] https://childcarecanada.org/resources/issue-files/building-canada-wide-early-learning-and-child-care-system [4] https://childcarecanada.org/publications/briefing-notes/21/04/early-learning-and-child-care-2021-federal-budget [5] https://policyoptions.irpp.org/magazines/july-2021/how-to-grow-an-accessible-high-quality-equitable-child-care-system/ [6] https://fd.nl/bedrijfsleven/1433942/investeerders-vergroten-hun-greep-op-de-kinderopvang-udd2caTFCzHk [7] https://ccie-catalog.s3.amazonaws.com/library/5023369.pdf [8] https://www.theguardian.com/commentisfree/2022/jul/28/the-guardian-view-on-nurseries-put-toddlers-before-profit [9] https://journals.sagepub.com/doi/abs/10.1177/0958928712449772 [10] https://www.cbc.ca/news/canada/edmonton/alberta-childcare-business-grant-province-government-1.6527743 [11] https://www.cbc.ca/news/canada/toronto/ontario-considers-new-ways-to-fund-10-a-day-child-care-1.6556599 [12] https://www.canada.ca/en/early-learning-child-care-agreement/agreements-provinces-territories/ontario-canada-wide-2021.html [13] https://rabble.ca/human-rights/what-goes-around-comes-around-when-it-comes-to-for-profit-child-care/ [14] https://childcarecanada.org/taxonomy/term/9207 [15] https://childcarecanada.org/taxonomy/term/9130 [16] https://childcarecanada.org/taxonomy/term/9240