

Childcare sector in England must not become 'playground for private equity', experts say ^[1]

Exclusive: Increasing involvement of investment funds could leave nursery places at risk

Author: Aguilar Garcia, Carmen, Goodier, Michael, Topping, Alexandra, & Stewart, Heather

Source: The Guardian

Format: Article

Publication Date: 4 Aug 2023

AVAILABILITY

Access online ^[2]

Excerpts

England's childcare sector risks becoming a "playground for private equity", experts have said, as exclusive analysis from the Guardian reveals investment funds have more than doubled their stake in the sector in just four years.

The findings come as the Treasury prepares to spend an extra £4bn a year of taxpayers' money funding nursery places.

The research prompted warnings that the increasing involvement of private equity in the sector could leave providers more vulnerable to closure and do nothing to address the shortage of places in deprived areas, where parents cannot afford to pay as much for childcare.

The Guardian's detailed analysis of Ofsted-registered nurseries reveals that in 2022 at least 1,048 were fully or partially controlled by investment companies, including private equity and venture capital firms – 7.5% of all nursery places, up from 4% in 2018.

Investment funds ultimately own nearly 81,500 childcare places in England – almost double the 2018 total.

The rapid growth means thousands of nurseries could be vulnerable to collapse, according to unions and experts, who say that the chaotic near-demise of Thames Water and the high-profile failures of private equity-backed firms in adult social care should act as canaries in the coalmine.

A UCL report last year warned that nurseries were being snapped up by profit-focused companies that were "heavily indebted" with "risky financial operating models [that] could threaten the provision of nursery places". The research found "market dynamics can lead to insufficient coverage in poorer, less profitable areas".

...

The Trades Union Congress (TUC) said the early-years sector needed sustainable and long-term investment – not "fly-by-night merchants looking to make a quick buck".

Joeli Brearley, chief executive of the campaign group Pregnant Then Screwed, called on the government to intervene and put measures in place to "guard against serious profiteering", adding that private equity should have "no place in the education and care of our children".

She said: "Placing early learning and care in the hands of private equity is to play Russian roulette with our children and the economy. Childcare mustn't be another playground for private equity – the risks are too great."

...

The nurseries backed by investment companies include some of the biggest groups in England, such as Kids Planet, which was bought by the private equity firm Fremman Capital at the end of 2021. The provider, which was first backed by the private equity firm BGF, has gone on a buying spree of rival nurseries in recent years – quadrupling the number of its childcare places between 2018 and 2022, from almost 2,800 to more than 11,500.

...

Responding to the Guardian's findings, Bridget Phillipson suggested that a Labour government could tighten rules around the ownership of childcare settings. The shadow education secretary said: "As part of the reformed, modern childcare system Labour will create with better support for families, we will introduce stronger regulation of providers' financial sustainability to ensure sustainability of the sector."

A Department for Education spokesperson said: "We will continue to closely monitor the sufficiency of childcare places as we roll out our single biggest investment in childcare in England ever, set to save a working parent using 30 hours of childcare up to an average of £6,500 per year."

Related link: Financialisation and private equity in early childhood care and education in England [3]

Region: Europe [4]

Tags: investment funds [5]

private equity [6]

equity [7]

privatization [8]

for-profit [9]

Source URL (modified on 9 Aug 2023): <https://childcarecanada.org/documents/child-care-news/23/08/childcare-sector-england-must-not-become-%E2%80%98playground-private-equity%E2%80%99>

Links

[1] <https://childcarecanada.org/documents/child-care-news/23/08/childcare-sector-england-must-not-become-%E2%80%98playground-private-equity%E2%80%99> [2] <https://www.theguardian.com/money/2023/aug/04/childcare-sector-england-not-playground-private-equity-experts-say> [3] <https://childcarecanada.org/documents/research-policy-practice/23/08/financialisation-and-private-equity-early-childhood-care> [4] <https://childcarecanada.org/category/region/europe> [5] <https://childcarecanada.org/taxonomy/term/9344> [6] <https://childcarecanada.org/taxonomy/term/9343> [7] <https://childcarecanada.org/category/tags/equity> [8] <https://childcarecanada.org/category/tags/privatization> [9] <https://childcarecanada.org/category/tags/profit>