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The employers strike in the childcare sector [1]

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Excerpts

An employers' body – the Federation of Early Childcare Providers – has called a three-day 'strike' in the childcare sector. They are closing down creches and early years' services over their claim that the government is not providing enough money to private sector owners to run the services.

However, a SIPTU survey of the accounts of select companies providing early years' services tells a far different story: profits, dividends and directors' remuneration all rising, while providers amassed larger amounts of cash thanks largely to public subsidies. Are there private companies that are struggling? No doubt. How many? We don't know. Is it spread across the entire sector? No.

If there is a crisis in the childcare sector, the main driver is not that private providers aren't getting enough subsidies; it is that the current ownership structure of the sector (largely privately owned) is incapable of providing affordable childcare, proper wages and services accessible throughout the country, in a fiscally efficient manner.

Giraffe Childcare

Giraffe is the largest childcare chain in Ireland, operating in 23 locations. It is owned by a UK firm which is controlled by the Ontario Teachers' Pension fund. Their financial accounts only go up to 2020 – they are over a year late in filing their 2021 accounts. However, the first year of the covid lockdown proved profitable to the company.

In 2020, profits rose by 61 percent, to nearly €3.5 million.

The company more than doubled their cash holdings – to over €5 million.

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Six Select Companies

Taking six companies, which can be categorised as small to medium companies (Links, Cocoon, Grovelands, Little Rainbows, Safari and Tiger) we can see their financials up to 2021, incorporating two years of covid lockdowns, restrictions and public subsidies.

Between 2019 – the year before Covid – and 2021:

- Combined profits for the six companies increased nearly 7-fold, to €6.9 million (though a large chunk of that was due to one company: Links).
- Combined cash holdings increased by over 3-fold, to €9.1 million
- Directors' remuneration (another vehicle to extract value from a company) increased by two-fold, to €2.4 million.

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What Childcare Companies Are Doing With Their Profits

Childcare companies used their profits and cash holdings for a variety of reasons. In two instances of the above companies surveyed, it paid for expansion of the company (i.e. public subsidy paid for the expansion). In one other case, public subsidy was used to pay down significant debt.

Somewhat exotically, one company, among other things, diverted resources to invest in luxury property.

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No Basis for Claims

The Federation claims that the situation is so dire that creches are increasingly closing down. However, this is not the case. The Department has produced data which tracks the number of closures in the period of January to August:

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If anything the number of closures is falling. This doesn't look like a sector in crisis. And the reasons for closures don't substantiate the employers' claim. For instance, when asked the reason for closures in 2022 less than a quarter stated it was due to 'financial viability'.

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If companies are in financial difficulties – and no doubt there are – there is a fund to assist them. But few are availing of it. Maybe because relatively few need such assistance.

The Real Issues

The real issues in the childcare sector are, first, the lack of financial transparency. Most private childcare companies hide behind reporting exemptions to withhold financial information from the public (all quite legal). While the employers' group claim hardship, they never produce data to substantiate this claim. If they want to be taken seriously they should urge their members to publish their full financial accounts – and publish it on time.

The second related-issue is accountability. Many of the private employers complain about the 'bureaucracy' and 'red-tape' involved in accessing funds. However, what they call red-tape could be the Department of Children attempting to ensure value-for-money from public subsidies.

Most of all, this begs serious questions about the ownership structure of the early years sector. Nearly two-thirds of early year services are owned privately (the remainder are community places). An additional €400 million has gone into the sector and, yet thousands of workers are on low wages and are not being adequately compensated for professionalisation of the workforce. Staff turnover is still at crisis levels. Most services are at capacity. Access to services is becoming more difficult. Fees are far too high.

Maybe we are seeing the contradictions of a public service being provided by for-profit interest groups coming to the fore.

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Maybe we are seeing the logic of state-provided childcare services emerging in the debate where decent wages would be paid, fees would be reduced to affordable levels and investment would go into the service rather than dividends.

The employers' 'strike' could create a turning point in the debate over childcare and early education. But not a turn they anticipated: rather than increase support for more public subsidies to the private sector, the 'strike' could provoke an increase in support for a publicly-provided childcare service.

Region: Europe [3]
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