Ada was rushed to hospital after a mistake at her childcare centre, highlighting failings in the for-profit industry [1]

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Excerpts

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Guardian Childcare and Education is a national chain with 150 locations.

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"The lady said, 'Oh, Ada's been fed a teaspoon of yoghurt and she seems to be reacting. We don't really know what's going on. Does she have an allergy to, to dairy?'" Ashlea recalled.

The phone call led Ms Coen to believe that staff weren't trained to enact Ada's treatment plan, which included administering adrenaline via an EpiPen, and calling an ambulance.

"In the car on the way there I was on the phone to the ambulance. We turn up to the centre and walk into her room — we were very confused that they were sitting her on the lap and not really doing anything," she said.

"She was really red, and her eye was all swollen. And I could hear that she wasn't breathing very well. She had rapid breathing and it sounded very wheezy."

The impact had been rapid — Ada's little body had gone into anaphylaxis.

The life-threatening condition can restrict or even block the airways.

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Signs of neglect

In late 2023, a new player listed on the Australian Stock Exchange.

Nido Education has become the second-largest listed operator in the industry, and is already up to 52 centres and has 30 more under construction.

In the middle of last year, Melissa Dias-Harrison enrolled her son at a brand-new Nido in greater Perth.

"We noticed the problems straight away," Ms Dias-Harrison said.

"Issues with his clothes being wet, and him smelling like he hadn't been cleaned properly. There were several times he came home with a soiled nappy that hadn't been changed for hours as far as we could see.

"It was difficult to be close to him. We'd have to put him straight in the bath immediately."

She also noticed her son was coming home with injuries, some of which had no explanation.

"He would have bumps and scratches, he had a couple of bumps on his head even, and there would be no incident reports [and] people wouldn't know what would have happened," she said.

"We'd get notifications a couple of times a week that another staff member was leaving and another staff member was leaving.

"Every day we'd come in there would be a different staff member in the room, and we wouldn't know their name and they wouldn't know our son's name."

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Targeting 'low to middle income areas'

In a November 2023 presentation to investors, Nido executives explained their services were designed to "fit comfortably in Toorak" and were "built to be the best in their markets".

It described itself as "high occupancy, and high profit" — meaning, it aimed to operate centres that were running with the highest number of enrolments.

Nido explained to investors the strategy behind its locations.

"Nido's business model is to locate services where there is a high worker population in low to middle income areas," the presentation said.

"Typically in these areas both parents have to work in order to meet the costs of living.

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Lisa Bryant is a childcare policy expert and has worked as a consultant to local councils running not-for-profit childcare centres, as well as for-profit businesses in the sector, for more than 20 years.

She says the problems in the industry have little to do with a lack of policy or regulation.

"They have people working away in their back offices creating the most perfect policies. But there's a difference between having a policy and having it implemented on the ground," Ms Bryant said.

"Keeping children safe is really expensive, and profits depend on keeping things very, very cheap.

"The things that we know keep children safe is having a lot of staff, really experienced staff, and really highly qualified staff. Whereas in the last few years that's not what we've got as that drive to make profits has intensified."

There is huge money at play in the childcare industry, and about 70 per cent of operators exist on a for-profit basis.

A growing section of the market is backed by private equity firms or are listed companies — and what's making the sector alluring to investors is the promise of government subsidies.

Profit margins as high as 50 per cent

Earlier this year the Australian Competition and Consumer Commission (ACCC) delivered to the government a major report which examined market forces and profitability in the childcare sector.

"For real estate investors and developers, building childcare centres and then being landlords of childcare centres are very attractive. It has the underlying guarantee from the government funding that there will be an income flow in the manner of rents," Gina Cass-Gottlieb, chair of the ACCC, said.

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Federal Minister for Early Childhood Education Anne Aly acknowledged the not-for-profit sector was delivering better outcomes for the community and taxpayers

"The ACCC review has found that the not-for-profits do deliver better quality, and at a lower price. [And] this is where and this is why we need to reform the sector," Ms Aly said.

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