

# A woman's place is in the struggle: The business of child care <sup>[1]</sup>

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## EXCERPTS

In fourth place on Business Review Weekly's 2003 young rich list was Eddie Groves, head of the child-care company ABC Learning Centres. At 14th place was his competitor Michael Gordon, who runs the new Peppercorn Management Group. Six years since the government turned the public funding of child care into a corporate hand-out, it has become one of the most profitable industries in Australia.

ABC reported a 75% increase in profit to \$12 million this year. Peppercorn's maiden profit of \$3 million was 81% above forecasts. The child-care sector is producing profit margins of up to 50%, and it's no wonder, when \$1.6 billion of taxpayers' money is flowing into the sector each year.

As a result of changes made by the Coalition government in 1997, operating subsidies granted to non-profit child-care centres were replaced with a means-tested rebate paid directly to both non-profit and for-profit centres. This change dramatically deepened an already evident trend: In June 1991, community-based centres provided 52% of all centre-based places. As of June 1998, they provided only 27%. More than three-quarters of all child-care places are now in private centres.

A stock market analyst remarked to the November 20 SBS Insight program: "it's definitely an advantage to have the government funding 50% of your business. Yeah, I don't research any other industry where the government's funding 50%." There is no cap on the fees that child-care centres can charge, and parents have found themselves paying higher fees each year. It is common to have to pay out \$200-250 a week for long day care. Even a parent eligible for the full rebate still has to pay a gap of \$70-\$150 a week for one child. This is because the government calculates the rebate based on a "scheduled fee", an arbitrary amount that they think child-care centres should be charging. The scheduled fee is currently set at \$2.58 per hour per child - without parental top-up, this would not even cover the wage of a qualified worker caring for four children, the maximum ratio allowed.

In June 2002, an Australian Bureau of Statistics (ABS) study found that 25% of families with children under 12 used some form of formal child care, a proportion which has been increasing for two decades. According to a study released by the ABS on May 16, there are 174,500 children with insufficient access to care. The overwhelming reason cited for the demand was parental work commitments. No doubt many parents continue to stay out of work, or work part-time because they cannot get the child care they need. Prime Minister John Howard's announcement on November 6 that he would consider lifting the cap on the number of places for outside school hours care, vacation care and family day care was no doubt a welcome relief to many parents. The cap artificially limited the number of providers in order to restrain the cost to the government of the child-care rebate. But Howard's speculation is not yet policy.

Removing the cap will mean even more private investment in the child-care sector, which makes it not all positive news. Private centres are commonly located where they can best make a profit, which is usually not where the need is greatest. They often employ the fewest staff they can, for the largest number of children, at the lowest possible wages - as little as \$10 an hour is all too common in the industry. Private operators often cut other corners - food, equipment, maintenance.

A government that cared about children getting the best care possible would not open up child care to the private sector, while running down the public system. The child-care benefit should be replaced with block grants to publicly run, non-profit child-care centres to allow them to subsidise care for parents with lower incomes.

A government that cared about the rounded social development of children would employ well-trained professionals, staffing centres with sufficient numbers to give children the supervision and tools necessary for them to learn and develop social skills in a safe and supportive environment.

No parent should have to hand their child over to be cared for by a profit-making, stock-market listed corporation.

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**Region:** Australia and New Zealand <sup>[2]</sup>

**Tags:** privatization <sup>[3]</sup>

