

The selling out of children's services ^[1]

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EXCERPTS

In 1991, the Keating Labor Government introduced childcare subsidies which were aimed at the creation of better funding levels for children's services. While this did inject more funds into services, it was also a signal to corporate opportunists to develop methods of capitalising on these government subsidies and corporatising childcare.

In 2000, the Coalition Government introduced the Child Care Benefit scheme and, with a higher funding level for services, more opportunities were created for private operators to achieve greater profitability. While the benefits of the corporatisation of early childhood education are debatable, these corporations have certainly capitalised on childcare, through the float of their shares on the Australian Stock Exchange (ASX) and an astronomical rise in their share pricings.

It has long been argued that privatisation and corporatised competition drives the market towards creating cheaper and more efficient services but, as history has shown, it can also sometimes result in poorly-managed businesses and a decrease in the quality of product and service. In the drive to create profits and to appease shareholders, businesses can become unrealistically ambitious within their markets and collapse in a spectacular fashion, as was the case with HIH in Australia and Enron in the United States.

Taking these factors into account, what are some of the issues to emerge in the debate of corporatising childcare and is it going to be in the interest of the child and early childhood education?

There are two indications of 'corporate' childcare, the first includes the provision of services to corporations such as banks, big businesses and large-scale employers. The second includes the takeover of childcare services as an industry, with the intention of running the children's services on an 'economies-of-scale' basis, where a central office handles most of the administrative functions of the centres under its control, while on-site workers, including the director, are responsible for the practical aspects of care and education.

One such company operating on this basis, and one which has grown as an outcome of an increase in the government funding of childcare, is ABC Developmental Learning Centres Ltd, jointly managed by entrepreneurs, Eddy and Le Neve Groves. Its shares were listed on the ASX last year at \$1 per share and reached a high point of almost \$15 per share in early September, before stabilising at its current level of \$12.70. ABC Learning generated \$22 million in fees during the last financial year from the 109 centres that it operates throughout Australia and, for each child enrolled at its centres, ABC Learning made a profit of around \$1,200.

According to Federal Government's figures, while the cost of a typical childcare cost is \$94.70 each week, a family pays only \$33.10, with the \$61.60 being paid by the government directly to the service provider. With over 60 per cent of all revenue for childcare centres coming from government subsidies, this means that within these corporatised services, shareholder profits are directly supported by taxpayer funds. And it is this area which is of great concern to community-based centres and to the general community. It also raises the question of whether it is ethical for government funds to be diverted into shareholder profits, or whether these funds should be maintained for the quality care and education of young children and the creation of better working conditions for childcare workers.

A portion of these government subsidies are being diverted to some of the wealthiest people in the Australian community and towards causes that have no relationship with early childhood education. Former leader of the federal Liberal Party, Andrew Peacock, and former Victoria Liberal Party president, Michael Kroger, have possession of 5.2 million shares in Childcare Centre Australia, listed on the ASX in early October. Kroger's merchant bank, JT Campbell, received \$405,000 in corporate advisory fees while Ernst & Young received \$340,000 for their Independent Accountants Report.

ABC Learning is also a major corporate sponsor of the Brisbane Bullets, a team in the National Basketball League. This sponsorship is between \$100,000 - \$300,000 per season and Eddy Groves is the team's chairman. In May, Groves also paid \$54,000 for the AFL Grand Final rings of the Brisbane Lion's coach, Leigh Matthews, and players Michael Voss and Shaun Hart.

It must be difficult for childcare workers struggling with low wages and poor working conditions to comprehend how the diversion of government subsidies to corporations can occur in this manner, or what the relationship is between early childhood education and the

sponsorship of elite national sporting teams.

ABC Learning also signed up a lucrative deal with Westpac in early October 2002, providing 1,000 places for the children of Westpac personnel at 30 centres located around Australia. While it is commendable that Westpac has developed policies to assist employees to manage their family and work responsibilities, the opening up of positions in the corporate environment means that children will be taken out of other centres, possibly losing their funding and subsidies, and may eventually resulting in their closure. This resultant effect will severely impact upon people who do not work within a corporate environment but still require childcare.

Not-for-profit centres in the public and community sector have close connections with government and rely on this government funding to continue providing a service. When money is redirected away from these community-based organisations and into larger profit-based corporations, the community suffers immeasurably - social services cannot be run at a profit without the provision of these services suffering in some way. There are major problems with staffing levels and the training of staff in children's services and the industry is close to breaking-point. Some families continue to be at a great disadvantage when it comes to access and availability of affordable childcare and when funding dollars and subsidies are being directed towards corporations at the expense of community-based services, it signals a time of greater instability for the sector.

Sydney Day Nursery's Chief Executive Officer, Ginie Udy, believes that these large scale childcare corporations will make it more difficult for community-based services, primarily because they are focussed on a concern that may run counter to the provision of quality care. 'The commercialisation of childcare means that children's services are essentially being run on two distinct value systems', says Udy. 'While many for-profit services can also be keen to provide a high-quality service, the things that drive community-based centres and the for-profit sector are very different. This is particularly the case with companies that are listed on the stockmarket and have shareholders to satisfy.'

'This factor alone has an immense impact on the way the service is conducted. Standards slip when the bottom line and shareholder profits are the prime concern. Although most industries are regulated in some form in terms of market forces, there are no regulations in place to monitor what is happening in the children's services industry. Without an impact analysis on the possible effects of the emergence of large-scale chains of commercial childcare centres, there could be serious consequences.'

There are other issues of concern surrounding corporatisation, alongside an increasing presence of astute businesspeople and ex-politicians playing a role in the industry. Concurrent with the control that these corporate players will have within the sector will be the possibility of influencing policy matters - the link between former members of the Liberal Party and some of the corporatised services is clear - and this could lead to a significant change in the structure of the industry.

Barbara Romeril, Executive Director of Community Child Care Victoria, believes that this type of change has not taken into account how it will affect other services. 'Growth in childcare chains run as a profitable business venture is significantly changing the structure and childcare provisions', says Romeril. 'Another issue of great concern is that the long-term impact of such changes to the children's services sector have not been assessed to any great extent.'

In July 2002, ABC Learning wrote to local government authorities in NSW proposing to purchase the leasehold or freehold on some or all of the council-operated childcare centres. This is consistent with the actions of most corporations, where their own growth needs to be supported by the acquisition of other businesses practising in the same field, and it also indicates that these types of corporations are willing to go beyond the scope of their usual territory within the private sector to make their presence felt in the community and local government sector.

The NSW Local Government Community Services Association (LGCSA) is a membership-based organisation formed with the purpose of providing effective support and leadership and the opportunity for professional development for community services workers in the local government sector. Its Children Services Division comprises members who manage and work in council-managed children's services or who have a broader social planning and community development role in family and children's services.

LGCSA considers that parents have a right to a choice of quality childcare services for their children and it recognises that the commercial sector has a significant role, alongside the community-based not-for-profit sector, in providing a choice in service provision. Local government, being the largest single provider and supporter of children's and family services in NSW, ensures that parents across the state have a choice in childcare services. In fact, in many areas, where the commercial sector considers services would be unprofitable, local government, under its community service obligations, guarantees access.

Parents also have a right to see value for the money that they allocate to childcare, both through the payment of their fees and the use of taxpayer funds. Commercial long day care providers are indirectly accountable via the operation of market forces to consumers. Publicly-listed companies are required to provide annually audited statements to the ASX, as well as to shareholders and other stakeholders in the form of annual reports. They are accountable to shareholders, although it can be argued that quality of the service is not a primary concern of shareholders.

Private centres, in common with not-for-profit centres, must abide by the regulations of the NSW Department of Community Services,

and to the Commonwealth through the accountability mechanism in the operation of Child Care Benefit scheme. However, local government services have an extra line of accountability through the provisions of the Local Government Act, which requires councils to annually to place their management plans and full financial operations on display for public comment.

Through this accountability process, parents can see that the investment that they make in a not-for-profit service of local government-managed children's services are a total investment in their children and towards the future of the local community. These types of services are building blocks in the development of social capital in local communities. This is in contrast to a corporatised sector where payments by parents, through fees and income tax, may be misdirected to underwriting profits for investors and owners of the service. There is also a danger that the corporatisation of the childcare industry will lead to the commodification of childhood.

The corporatisation of childcare is an area of concern for families and childcare workers. Without an impact analysis made on the effects of corporatisation of childcare, it is difficult to see what the real effects on the industry will be. However, from initial observation, it seems that it is another wedge of division that is being placed between high-income and low-income earners and, in the same manner that Federal Government subsidies have been used to support private health care corporations and private schooling, childcare subsidies are being used to redistribute wealth and social support upwards, with diminished access to services for lower-income families.

With no consultation or long-term social planning, the corporatisation of childcare may prove extremely detrimental to the sector, calling into question why the Federal Government has not developed policies to minimise the transfer of government funds towards corporate and shareholder profits. In late October, the Minister for Children and Youth Affairs, Larry Anthony, acknowledged the concerns from small long day care operators about the viability of their businesses and the levels of quality provided by corporatised care. The Minister announced that the Government will monitor the issues of childcare growth and corporatisation and will respond to the concerns of the sector.

Workers in children's services and those who are concerned about the corporatisation of childcare can voice their views on this issue by:

- writing letters to the editors of local and mainstream newspapers about their concerns;
- lobbying their local State or Federal representative;
- writing letters or emails to the political leaders or ministers in charge of childcare portfolios;
- contacting the National Association Community Based Children's Services (NACBCS), who are monitoring developments, by emailing bromeril@cccinc.com.au [2]
- talking to other parents and staff about your concerns;
- calling talkback radio and raising the issue;
- contacting your union about future campaigns to inform workers about the issue. The ACTU is preparing a new campaign for pay equity for increased funding of community-based childcare and this issue feeds into how fees are used for corporate profits and shareholder dividends. The Australian Services Union and the LHMU have published their views on the issue at www.asuvic.org [3] and www.lhmu.org.au/childcare [4] (these unions represent workers at centres such as ABC Learning).

-Reprinted from The Rattler.

Region: Australia and New Zealand [5]

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