

# Have we learned from our ABCs? <sup>[1]</sup>

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## EXCERPTS:

Thanks to government subsidies, more than 70 per cent of our childcare industry is privatised. The collapse of ABC Learning four years ago should have taught us that profit and care don't match, writes Liam McNicholas

This past week marked the fourth anniversary of the appointment of voluntary administrators Ferrier Hodgson to childcare company ABC Learning, after its stunning public collapse in 2008.

With structural changes aiming to improve the quality of early childhood education and care (the National Quality Framework) beginning to roll out this year and a campaign to improve the wages of early childhood educators making news, it's a timely anniversary.

ABC Learning was at one time the largest publicly traded childcare operator in the world, at its peak worth \$4.1 billion.

It was regularly held up as a shining example of the "free-market" approach to providing early education and care. Its more than 1200 centres (including centres in New Zealand) were used as evidence of the success of John Howard's changes to the sector - removing the subsidy from service operators and channeling it directly to families.

It was, as we now know, all an incredible sham. The business was in financial turmoil and its founder Eddy Groves is still under economic and legal scrutiny.

In 2008 Labor Government was returned to power, and in 2010 would describe the collapse of ABC Learning as "the greatest ever shock the Australian child care market has experienced". A Department of Education report, "The State of Childcare in Australia", identified that "unfettered growth in the provision of corporate child care created an unacceptable risk of serious disruption in the market".

Crikey's Bernard Keane wrote in 2008 that the collapse of ABC Learning was not just a business failure, but a serious government policy failure. Keane recommended that "Julia Gillard (then minister for education) should be undertaking a fundamental reconsideration of child care support in Australia," perhaps including a takeover of ABC's centres. The Labor Government was continuing the lack of long-term strategic thinking about the goals and growth of the sector, despite investing billions of dollars through subsidies.

Lindsay Tanner, then finance minister, quickly dismissed any notion of a government takeover of ABC. This didn't come as a shock; if the government became involved in the provision of early education and care to that extent they would have had to take responsibility for the systemic and structural problems that are facing the sector, as well as ABC's debt.

Not a lot has changed in the four years since ABC's collapse. Although a large private operator hasn't emerged to take the place of ABC, around 6000 centres are managed by private, for-profit companies, 71 per cent of the centres in Australia.

The 30 per cent direct rebate to families was increased in 2008 to 50 per cent, and government funding to the sector (mostly indirect, through family subsidies) will reach a projected \$22.3 billion over the next four years. Accordingly, the number of children now accessing some form of early education and care has jumped to around 1.3 million.

Yet, despite this significant amount of money, the issues facing the sector have only deepened and become more acute. Workforce retention and turnover is reaching endemic levels and presents a looming disaster as qualification requirements become stricter.

Fees are steadily rising to meet new quality requirements and waiting lists have ballooned, particularly for infants.

But the biggest issue still to face the sector and the community is the one that should have been faced four years ago - the incompatibility of private companies, operating in the sector to make a profit, and quality care.

A recent and timely report from Canada, which has a similar early education subsidy model to Australia, has revealed the inherent contradiction of private operators managing centres while being effectively subsidised by government funding.

Not only does it encourage the kind of financial risk that led to the rise and fall of ABC Learning, the report found, but private operators are effectively paid to push for higher profit margins - which means more children in less space, fewer qualifications and lower wages. All of which can have drastic impacts of the quality of children's learning and safety.

The same pattern can be seen in Australia. With representation from the Australian Childcare Alliance, which claims to "represent the future of Australian childcare," the private operators are able to employ a lobbyist to the government to directly advocate for less regulation and caution against raising working conditions for educators.

It should be self-evident that the provision of education and care for Australian children is the responsibility of the community and the government, not private operators. This is not only economically obvious - if the private approach was the best approach government subsidies would be unnecessary - but also ethically obvious.

As was presented to the Government in a submission by Price Waterhouse Coopers in 2011, the only sustainable and equitable model that benefits young children and their families is a government funded and managed model that allows for universal access for all children, regardless of their socio-economic situation.

Community organisations, which currently only provide 26 per cent of early education and care, must work together to present a united front on this issue. Private operators have been effective at coming together and presenting a single voice on issues, which is why the media turn to them for quotes and analysis of early education issues.

The government is currently working with the sector to implement the National Quality Framework package, which will improve the quality of early education and care services, including lower staff-to-child ratios and higher qualification requirements for early childhood educators.

While the private operators warn of cost increases and burdensome regulation, most experts in the sector actually argue that the changes, although welcome, go only a very small way to creating greater learning outcomes for young children. A lot more needs to be done.

The Gillard Government must face up to the issue that is starting it right in the face. The \$22.3 billion it is currently using to subsidise private operators would be far better invested in completely overhauling the sector.

Community organisations are the only operators currently able to fully and ethically represent children and families, but a reluctance to engage in advocacy has been a major failure.

That said, Goodstart Early Learning publicly supported early childhood educators' union United Voice's "Big Steps" campaign for government-funded professional wage subsidies for early childhood educators. Ironically, Goodstart Early Learning is the not-for-profit consortium that now manages the majority of centres that ABC Learning mismanaged and left out to dry. There's a lesson there.

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