

Hindsight from Australia - Foresight for BC

On October 1, 2007 British Columbia rolled out the welcome mat to the globalization and “commoditization” of child care. Changing long-standing public policy the BC Government announced that major child care capital funding will now be available to the private sector. Public money for private gain.

Should BC go the way of Australia where fees and government child care expenditures have soared but services to vulnerable populations, the very young and in rural and remote communities have stagnated?

BACKGROUND

Over the past 17 years the face of child care in Australia has changed dramatically. In the early 90's about 15% of the centre-based services were owned by small commercial operators. The rest were operated by non-profit societies. Today about 70 % are for-profit commercial operations, with approximately 25% of all centre-based child care provided by the largest child-care corporation in the world. Conversely in Canada, in 2004 - the last year for which there are figures - 79% of the centre-based services were non-profit. The rest are commercial - most commonly small businesses run by independent owner-operators.

The growth of commercial child care in Australia has been driven by an ideological shift in government policy ... a shift from funding service providers through operating grants to funding consumers through fee subsidies ... from thinking of child care as a community service to treating it as a business ... and a shift from community controlled planning for new services to ensure that they meet local need to allowing businesses to set up services wherever they can make the most money.¹ The themes underlying this shift are familiar...

↳ *Families must have choice;*

↳ *It's not fair for some families to get subsidies*

↳ *The market (business) can better deliver child care at a lower price*

How have this ideological shift and the related policy changes affected child care in Australia?

RISING PARENT FEES

- ◆ Since 1990 parent fees have risen 123 % - more than double – while household income has only increased by 62%.² The most dramatic escalation has occurred since the first Australia child care corporation listed publicly in 2001 with others following in 2002.
- ◆ In 2006 the cost of child care rose faster than almost any other monitored good or service, outstripped only by vegetables and gasoline. In fact, the child care price index has surged 65% in the past four years.³

¹ OECD Australian Background Report , p.26 <http://www.oecd.org/dataoecd/61/58/1900259.pdf>

² Task Force on Care Costs. Childcare Affordability Index, February 2007
http://www.tocc.org.au/media/Childcare_Affordability_Index_FAQs.doc and graphs at end of paper.

³ Wade Matt. *Prices up, rate rise just round the corner.* Sydney Morning Herald, April 27, 2006. Retrieved from www.smh.com.au/news/business/

- ◆ In high-demand urban areas, child care fees are out of control. In October 2005, the cost of child care in Sydney passed the \$100 a day mark.⁴
- ◆ Country-wide, in 2004 the average weekly parent fee was approximately A\$210.⁵ [*While this is high by Canadian standards, most Australian families are eligible to receive the Child Care Benefit (subsidy) which reduces their expenses by 20 - 30 % .*]

INCREASED GOVERNMENT SPENDING

The “corporatization” of child care has not reduced Australian government expenditures on child care. Instead, to help parents cope with the rapidly rising costs, government expenditures have escalated.

- ◆ Government spending doubled between 1991 and 1998, from A\$525 million to A\$1,135 million per year, and has almost doubled again since then.⁶
- ◆ In May 2006 the federal budget set out nearly A\$10 billion for child care over the next four years – and almost all of it is earmarked for the Child Care Benefit and the 30% tax rebate for out-of-pocket expenses⁷ both of which were initiated in response to the soaring fees.
- ◆ Bloomberg⁸ reported that about 40 percent of the largest Australian corporation’s revenue comes from government subsidies.⁹ Others report the percentage to be higher.

ESCALATING CORPORATE PROFITS

Australia’s large child care corporations, meanwhile, are enjoying booming profits. For example:

- ◆ Bloomberg¹⁰ also reported that the largest corporation’s full-year profit of A\$81.1 million for 2006 was below the A\$93.5 million average estimate of other analysts.
- ◆ The same corporation spent more than \$700 million last year buying centers in the U.S., Australia, New Zealand and the U.K and “will continue to acquire and develop” childcare centers this year.¹¹

CONCERNS ABOUT QUALITY

Corporate efforts to economize are most often cited by the Australian media as the cause of concerns about the quality and safety of child care.

- ◆ There have been media reports about inadequate supervision of children; failure to maintain attendance records¹²; substandard nutrition due to reduced food budgets¹³; and breaches of basic hygiene standards¹⁴.
- ◆ A June 2006 report by the Australia Institute linked the level of quality to the type of ownership. Most telling was that 21% of the corporate chain workers surveyed by the Institute said they would not send their children to the centre where they worked because

⁴ <http://www.smh.com.au/news/national/s100-a-day--the-child-care-dilemma/2005/09/30/1127804662685.html>

⁵ www.facs.gov.au/childcare/census2004/child_care_census_04/sec2.htm

⁶ Wade, Matt (05/2006).

⁷ Ibid

⁸ Bloomberg is one of the largest financial news and data companies in the world

⁹ ABC Learning Second-Half Profit Jumps on Acquisitions (Update1). By Simeon Bennett , August 27, 2007
<http://www.bloomberg.com/apps/news?pid=conewsstory&refer=conews&tkr=ABS:AU&sid=a5jeQpWTnEYs>

¹⁰ <http://www.bloomberg.com/apps/news?pid=20601081&sid=aTIOZCieEwpk>

¹¹ Ibid.

¹² Beauchamp, P. Childcare centre charged, Herald Sun, April 29, 2007. Melbourne

¹³ Birnbauer, W. & Dowling, J. The Age, December 5, 2004. Melbourne

¹⁴ Killer Spiders at childcare, Daily Telegraph, September 19, 2005

of quality concerns. This compared with 4% of workers in non-profit centres and 6% in small private centres.¹⁵

- ◆ Wages and benefits are a known predictor of quality child care yet Australia's largest child care corporation states that only about 50% of its centres' operating budgets are allocated to staff wages. Small commercial centres spend about 60% on staff, and non-profits spend 80-85%.
- ◆ In 2004-05 Australia's largest child care corporation, awash in profits, strongly opposed child care wage increases that would have cost them a mere A\$287,820¹⁶

UNRESOLVED SERVICE GAPS

The number of child care spaces in Australia has grown significantly but unevenly. The result is an oversupply in affluent communities while low-income urban areas, rural communities and special populations of children under the age of three and children with complex needs are underserved. Some say that stockpiling and investing in valuable real estate—rather than community need—motivates a corporation's decision on where to locate a commercial centre.

CONCLUSION

Analysis from Australia suggests that the domination of corporate child care has decreased accountability, quality, affordability and accessibility.

Increased public spending on child care has not produced child care services in the public domain – in other words an infrastructure for the long term.

Today, multinational corporations are openly working to buyout BC's child care sector and, if they are successful, the face of child care in our province will change as it has in Australia.

Do British Columbians want child care delivered through publicly listed global corporations with a one size fits all approach and for whom profits for shareholders are a priority? Not likely.

Do British Columbians want their children's needs managed from afar?

"Centrally delivering programming from an office building in Brisbane to different centres around the country is a move that disenfranchises the local community."

Alma Fleet, Head, Institute of Early Childhood at Macquarie University, NSW, 2002¹⁷

If the goal is quality child care at a cost that families can bear, with fair wages and benefits for early childhood educators, we must ensure that our policy climate provides this outcome rather than the one realized in Australia.

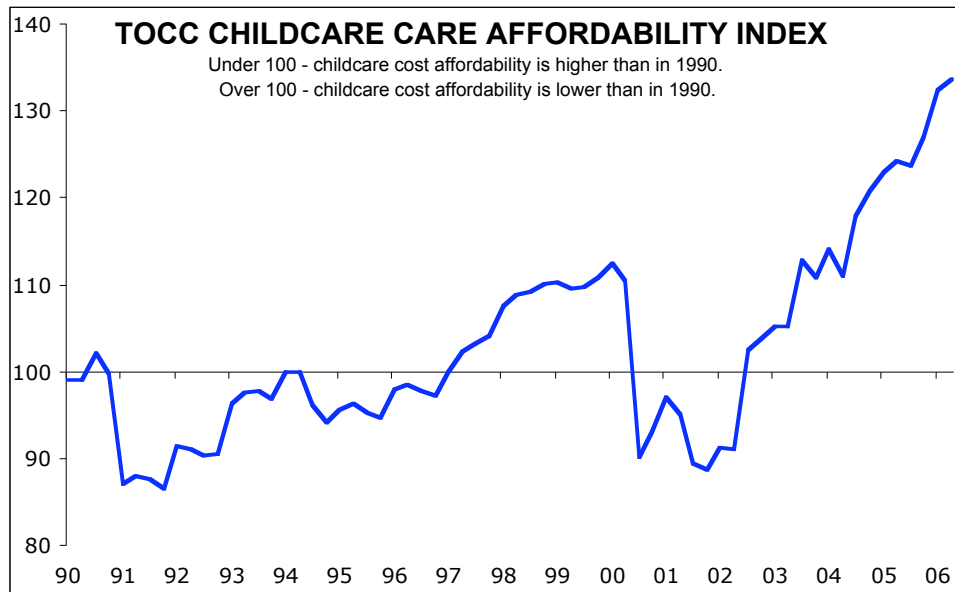
The government must stop the flow of public money to for-profit child care, beyond the small private operators now in place. Rather, BC should invest public funds in community owned and controlled child care services. Children should not be used as a commodity.

¹⁵ Rush, Emma. Child Care Quality in Australia, The Australian Institute, Discussion Paper Number 84, April 2006. Page 50. http://www.tai.org.au/documents/dp_fulltext/DP84.pdf

¹⁶ Australian Industrial Relations Commission, Transcript of Proceedings of Child Care Industry (Australian Capital Territory) Award 1998 Children's Services Award 1998, 12th May, 2004

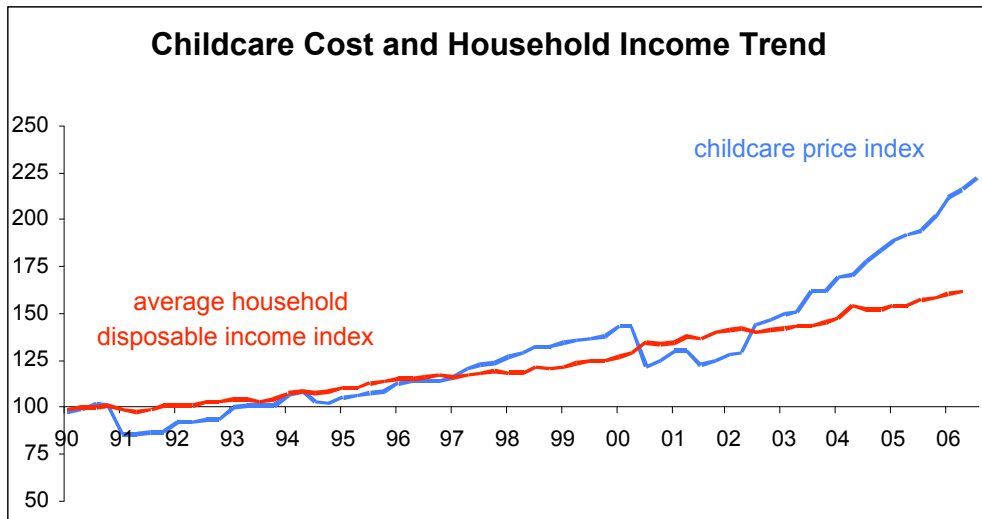
¹⁷ Taylor, Peter Shawn. Daycare stocks cutting teeth, Financial Post. Dec 9th 2002, Australia
http://action.web.ca/home/crru/rsrscs_crru_full.shtml?x=39474&AA_EX_Session=425fdf32d6dc663c54948ce83d8873ac

Affordability of Australian Child Care
Source: The Taskforce on Care Costs¹⁸



Economics@ANZ

Sources: Australian Consumer Price Index, 1989-90 = 100, Childcare services
 National Accounts, ABS cat. no. 5206.36 (average household disposable income)



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¹⁸ <http://www.tocc.org.au/index.htm> In November 2003 an Australian Taskforce on Care Costs (TOCC) was established to investigate and promote a better understanding of the cost of care and how it affects workforce participation. The Taskforce is a strategic alliance between peak non-government and business groups aimed at investigating the financial cost of care (for children, the elderly and people with a disability) and how those costs impact workforce participation.