
The Corporatization of Child Care in Australia: Not as easy as ABC

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WELCOME
TO THE
WORLD OF
AUSTRALIAN
CHILD CARE!



Australia and Canada



◆ AUSTRALIA

- ◆ Slightly smaller than US
- ◆ Population: 20.4 million
- ◆ Fertility rate: 1.76
- ◆ 6 states, 2 territories
- ◆ Child care primarily a federal responsibility

◆ CANADA

- ◆ Slightly larger than US
- ◆ Population: 33.4 million
- ◆ Fertility rate: 1.61
- ◆ 10 provinces, 3 territories
- ◆ Child care primarily a provincial responsibility

Outline

- ◆ History of Australian government support for child care
- ◆ Rationale for shift to a market-oriented system
- ◆ Consequences of the policy shift
- ◆ Assessment of the success of the market strategy

Brief history

- ◆ Education/care dichotomy
 - ❖ **Education** (pre-school) responsibility of State (provincial) governments
 - ❖ **Child care** left to philanthropic/voluntary providers, plus some for-profit provision until 1972
- ◆ Commonwealth *Child Care Act 1972*
 - ❖ Growing demand for women's labour
 - ❖ Resurgence of feminism
 - ❖ Community child care movement
- ◆ 'Australian model': community-controlled care, funded by federal government, regulated by States
- ◆ For-profit providers not eligible for government funding

Shift to market-oriented provision

- ◆ Trend towards privatization of human services in 1980s
e.g. health care and aged care
- ◆ Influence of ideas about market efficiency
- ◆ Government reluctance to meet costs (esp. capital costs) of rising demand
- ◆ Private sector lobbying focused on
 - (i) equity for users
 - (ii) 'level playing field'
- ◆ State regulations and Commonwealth accreditation seen as adequate safeguards for quality

Australia's shift to the market



GOALS

- ◆ More spaces
- ◆ Increase parental choice
- ◆ Reduce government expenditure
- ◆ Reduce fees
- ◆ Stimulate private sector
- ◆ Increase diversity of provision
- ◆ Increase standards and quality

ELEMENTS OF THE STRATEGY

1. Extension of fee subsidies to users of private for-profits (1991)
2. Abolition of operational subsidies for non-profit care (1996)
3. Reorientation of Commonwealth subsidies from supply-side to demand-side (2000)

Australian child care subsidies



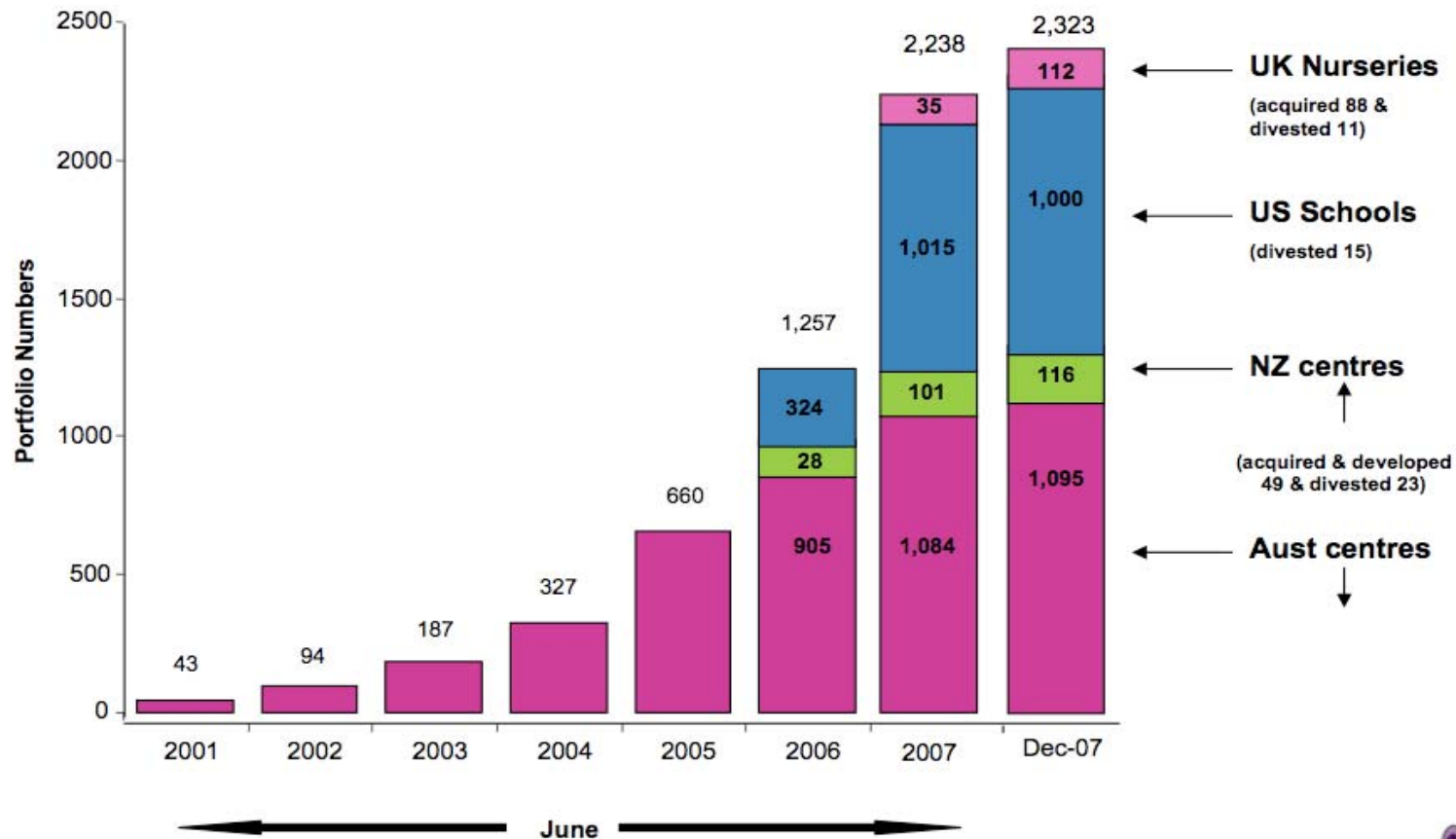
- ◆ Child Care Benefit up to \$680/month which can be used at any service that meets State regulations and Commonwealth accreditation
- ◆ Subsidy goes to provider - can be for-profit or not for-profit
- ◆ Av. costs \$880/month, up to \$2000 month in capital cities
- ◆ Up to 50 hours subsidy per week if parent(s) employed
- ◆ Up to 24 hours subsidy/ week if one parent not employed
- ◆ Child Care Tax Rebate gives parents back 30% of 'out of pocket' expenses, capped at \$4000
 - ❖ Labor will increase CCTR to 50% and raise cap to \$7500

The rise of ABC Learning

- 1988 - Eddie and Le Neve Groves buy first centre in Brisbane
- 2001 - ABC, Future One, Peppercorn, Child Care Centres Australia, list on Australian Stock Exchange ['corporatisation']
- 2003 - ABC acquires Future One Pty Ltd
- 2004 - ABC acquires Peppercorn and Child Care Centres Australia
- 2005 - ABC acquires Learning Care Group (USA)
[10,000 employees, 500 centres, 80,000 children]
- 2006 - ABC acquires Kids Campus (Australia)
 - acquires Hutchinson's (Australia)
 - acquires Children's Courtyard (USA)
 - CEO named richest person <40 in Australia
 - acquires La Petite Academy (USA)
 - acquires Busy Bees (UK)
 - acquires Forward Steps (New Zealand)
 - becomes world's largest child care company

Growth of ABC Centres, 2001-2007

(source: ABC Half-yearly report, Feb. 2008)



Note: Centre numbers exclude franchise centres in the USA



ABC Learning: growth in number of centres



	Australia	New Zealand	USA	UK	TOTAL
2000	31				31
2001	43				43
2002	94				94
2003	187				187
2004	327				327
2005	660				660
2006	905	28	324		1257
2007	1084	104	1015	35	2238

Source: ABC Learning *Annual Reports*

Linked businesses



- ◆ Queensland Maintenance Services more than \$100 million worth of work with ABC between fiscal 2003 and 2006 without tender. QMS's director named as Eddie Groves' brother-in-law in 2001.
- ◆ National Institute of Early Childhood Education (NIECE) wholly owned by ABC Learning.
- ◆ IdeaLogical (the online department store for 'ABC families') provides *Too Cute! Photos*
[Established by former national Brand manager of ABC Learning]
- ◆ Recruitment agency '123 Careers' is the 'key recruiter' for ABC Learning which appears to be its only client
[Established by former executive of ABC Learning]
- ◆ Judius, a toy and equipment provider bought by ABC in 2005. In 2006 Judius sold to Funtastic but ABC retains a major share of the company. Funtastic has a 20 year exclusive global supply agreement with ABC Learning

- F. Press and C. Woodrow, 'The Giant in the Playground', paper presented at Symposium on For-Profit Providers of Paid Care, University of Sydney, November 2007

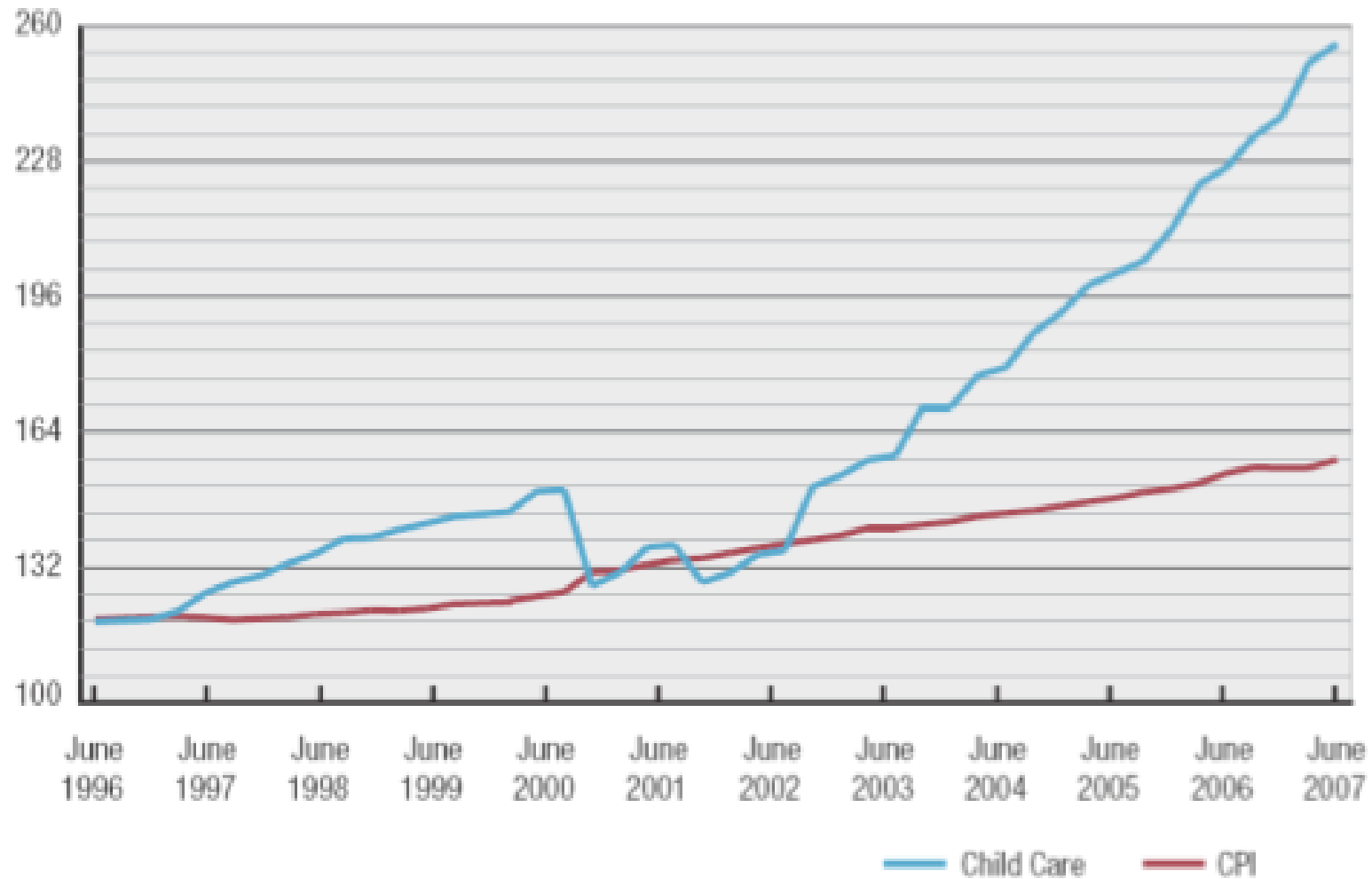
Indicative answers to survey of staff in different types of Australian long day care centres



	Corporate chain %	Independent private %	Community based %
Time to develop rel'ships with children ('always')	25	49	54
Variety of equipment provided('good')	34	59	66
Centre provides nutritious food ('always')	46	73	74
Happy to enrol own child care centre with similar quality?	69	75	80

Source: Emma Rush *Child Care Quality in Australia*, Discussion Paper No. 84, Australia Institute, Canberra

Child care cost index 1996 to 2007⁶









Source: Australian Bureau of Statistics, Consumer Price Index Australia, Cat. No. 6401.0, June 2007

GOALS

- More spaces
- Increased choice for parents
- Reduced government expenditure
- Reduced fees
- Stimulation of private sector
- Increased diversity of provision
- Increased quality

OUTCOME

- ✓ More spaces
-  Diminished choice
-  Increased government expenditure
-  Fee increases
-  Many driven out of business
-  Increased uniformity of provision
-  Downward pressure on regulations

Considerations for Canada

- ◆ Australia - a spectacular case of market failure
- ◆ Uneven provision, with major gaps in particular geographical areas and service types (esp. 0-2s)
- ◆ High costs and variable quality
- ◆ Minimal investment in workforce development
- ◆ High exposure to the fortunes of a single company
- ◆ Lack of investment in community-owned services → weakening of social infrastructure
- ◆ ABC, 123, XYZ