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)
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

Note: Centre numbers exclude franchise centres in the USA
## ABC Learning: growth in number of centres

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>New Zealand</th>
<th>USA</th>
<th>UK</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>2000</td>
<td>31</td>
<td></td>
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<td>2001</td>
<td>43</td>
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<td>2002</td>
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<td>2003</td>
<td>187</td>
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<td>2004</td>
<td>327</td>
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<td>2005</td>
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<tr>
<td>2006</td>
<td>905</td>
<td>28</td>
<td>324</td>
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<td>1257</td>
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<td>2007</td>
<td>1084</td>
<td>104</td>
<td>1015</td>
<td>35</td>
<td>2238</td>
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</table>

Source: ABC Learning *Annual Reports*
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

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

<table>
<thead>
<tr>
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<th>Corporate chain %</th>
<th>Independent private %</th>
<th>Community based %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to develop rel’ships with children (‘always’)</td>
<td>25</td>
<td>49</td>
<td>54</td>
</tr>
<tr>
<td>Variety of equipment provided (‘good’)</td>
<td>34</td>
<td>59</td>
<td>66</td>
</tr>
<tr>
<td>Centre provides nutritious food (‘always’)</td>
<td>46</td>
<td>73</td>
<td>74</td>
</tr>
<tr>
<td>Happy to enrol own child care centre with similar quality?</td>
<td>69</td>
<td>75</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Emma Rush *Child Care Quality in Australia*, Discussion Paper No. 84, Australia Institute, Canberra
Source: Australian Bureau of Statistics, Consumer Price Index Australia, Cat. No. 6401.0, June 2007
<table>
<thead>
<tr>
<th>GOALS</th>
<th>OUTCOME</th>
</tr>
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<tbody>
<tr>
<td>More spaces</td>
<td>✓ More spaces</td>
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<tr>
<td>Increased choice for parents</td>
<td>▼ Diminished choice</td>
</tr>
<tr>
<td>Reduced government expenditure</td>
<td>▼ Increased government expenditure</td>
</tr>
<tr>
<td>Reduced fees</td>
<td>▼ Fee increases</td>
</tr>
<tr>
<td>Stimulation of private sector</td>
<td>▼ Many driven out of business</td>
</tr>
<tr>
<td>Increased diversity of provision</td>
<td>▼ Increased uniformity of provision</td>
</tr>
<tr>
<td>Increased quality</td>
<td>▼ Downward pressure on regulations</td>
</tr>
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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