

# Australian government boosts profits of private childcare operators

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The systematic assault on social services and their subordination to “market forces” has had a devastating impact on one of the least publicised sectors—the care of children. The public childcare system in Australia is being driven out of existence. Industry analysts predict that childcare services will be taken over almost entirely by the private sector within the next decade.

As parents struggle to pay crippling fees, which have risen astronomically over the past ten years, the private childcare industry is raking in record profits and is one of the fastest growing sectors on the stock exchange.

On the pretext of “competitiveness”, public childcare has been starved of funds while huge subsidies and tax breaks have been provided to the private sector. The result has been a bonanza for the handful of private operators running chains of childcare centres and economic hardship for tens of thousands of families.

According to the Australian Bureau of Statistics, there has been a 12.4 percent rise in childcare fees in the year to June—five times the increase in government assistance for childcare and almost five times the consumer index for goods and services. A report in the Perth-based *Sunday Times* last November revealed that fees have increased 66 percent over the past four years for the 800,000 children and parents who rely on childcare. Counting the children who receive shorter periods of care, such as before and after school care, the median cost of childcare fees for one child is now \$1,800 a year.

For children in long-day care in an approved centre, the fees are far higher. The Childcare Census in June 2005 showed that for one child, aged 0-5 years, the cost is \$205 per week. A recent survey by the *Sydney Morning Herald* found centres in some Sydney suburbs charging up to \$105 a day—almost as much as the after-tax income of a parent on average earnings.

Parents, who are forced to return to work following the birth of a child or who rely on two incomes, are hit with the double barrel of exorbitant fees and long waiting lists for childcare places. Tens of thousands are forced to rely on family, mainly grandparents, for child minding. Others are resorting to unregulated, informal services without qualified staff or proper facilities.

An ACOSS survey of children’s services in March showed that waiting lists had grown by nearly 40 percent since last year. The Australian Institute of Health and Welfare estimates no childcare places exist for 175,000 children—50,000 for before and after school, 45,000 in long-day care and 35,000 in occasional day care. Childcare services are used for one quarter of all children between the ages of 0-11.

The Howard government’s childcare “reforms” have not benefitted ordinary working families but the large private childcare companies. The government childcare benefit worth some \$1.5 billion a year goes primarily to the private sector. The rebate is paid directly to the provider, or parents receive it in a lump sum at the end of the financial year.

The growth of the leading childcare company is testimony to the profits being made. ABC Learning announced a merger with Peppercorn, formerly the largest childcare provider, last September. The company now controls 780 centres across Australia (as well as 70 in New Zealand) giving it one third of the Australian market in commercial childcare. The merger has created a company worth \$700 million, making it the second largest childcare provider in the world.

ABC Learning announced a 56 percent increase in its profits in the half year to December 2004. Its net profit in the year ending this June 30 was \$52.3 million and its forecast for this fiscal year was upgraded to \$88 million. The company’s owner Eddy Groves has an

estimated personal wealth of \$150 million, most of which comes from his childcare centres, started in 1988.

While the private sector receives massive handouts, community and government-based centres are struggling to survive. There is virtually no funding for additional infrastructure. In community-based care, over 80 percent of income is spent on staff, whereas in the private sector it averages at just 50 percent.

Childcare workers are notoriously poorly paid. In many Australian states, childcare workers receive the minimum wage of just \$11.80 per hour. Junior childcare workers can be paid as little as \$6 an hour. Many are often not sufficiently trained to meet the challenges of supporting the emotional, social and physical needs of the very young children in their care. Staff turnover is one of the highest of all industries—statistics show that up to 66 percent of staff leave within two years, due to stress and poor working conditions.

The present situation is a direct consequence of the Howard government's welfare reforms. As in every other sector, childcare has been increasingly placed under dictates of the market. In 1997, Canberra removed direct funding from community childcare centres, arguing that the subsidy gave them an unfair advantage over private centres. As a result, special operational subsidies provided for non-profit centres were replaced with the Childcare Benefit paid to parents.

The term "benefit" is an illusion. The money is either paid to the parents as a rebate, to recover part of the childcare fees, or with their authorisation is paid directed to the provider, resulting in a fee reduction. Either way, it is a direct government subsidy for private businesses. Close to 50 percent of revenue is provided by the government. In the September quarter of 2004, \$34.3 million was handed out to licensed childcare centres—about 13 percent of the national Childcare Benefit.

In a cynical attempt to win votes, the Howard government announced an increase in the childcare rebate from 20 percent to 30 percent on the eve of the 2004 federal election last October. It claimed that the measures would provide broader access to childcare for lower income earners.

The promise, however, has since been put back to the

end of financial year 2006-7. Tens of thousands of families have enrolled their children in childcare believing they would receive an increased rebate. They could find themselves in thousands of dollars debt as they wait two years for the increase to take effect.

ABC Learning has been quick to cash in on the government's backsliding by offering debt facilities to parents unable to pay their fees. Although interest will not be charged until June 2006, it is possible that many who thought they were eligible may in fact be denied the rebate. They could owe up to \$4,000 plus interest for each year of childcare.

ABC's owner Groves donated some \$10,000 to the Liberal Party for last year's election campaign. Former Children and Youth Affairs Minister Larry Anthony, who was responsible for childcare policy and lost his seat last October, is a non-executive director on the ABC Learning board. Former Liberal Lord Mayor of Queensland, Sallyanne Atkinson, is also a board member.

The care of children is a social responsibility and should be funded as such. All research shows that the developmental experiences of children in the first six years are crucial to their long-term well being and intellectual and cultural development. Affordable, high quality childcare should be available to all through a publicly-owned and financed system. Under capitalism, however, childcare, like other essential services, is subordinated to profit, with negative consequences for parents and children alike.



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