Australia: Hundreds of jobs to be axed as childcare centres close

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Hundreds of Australian childcare employees, some of the poorest paid workers in the country, will lose their jobs in the coming months with the $1.6 billion collapse of childcare provider ABC Learning and sackings announced last week at an associated company, Neighbourhood Early Learning Centres.

An estimated 290 ABC childcare centres are expected to close, 55 before Christmas, while Neighbourhood Early Learning Centres will shut 14 of its 60 facilities, including 9 in Victoria and 4 in New South Wales, by December 31.

The ABC shut-downs are being orchestrated by a consortium of banks that had previously handed over $850 million to Eddy Groves, ABC's disgraced CEO and former member of Australia's "young rich list". The sackings, which are being effected through a receiver, are part of the banks' attempt to claw back whatever they can of their failed loans.

Last week the receiver, McGrath Nichol, announced that, so far, 100 of the 500 or so workers employed at the 55 ABC centres marked for immediate closure, will be unemployed by Christmas. The workers will receive just two weeks' termination pay but no annual leave or retrenchment entitlements.

As late as December 17, the receiver, however, had still not told employees at the 55 centres who would lose their jobs. Nor have workers been told where those who keep their jobs will be transferred.

The receivers also announced two weeks ago that another 241 centres were "unviable" and that unless a buyer were found they could close by the end of March 2009. The "unviables" are being propped-up until then by a $34 million federal government bail out. ABC currently employs 16,000 childcare workers.

Neighbourhood Early Learning Centres is run by Frank Zullo, a former brother-in-law of Eddy Groves. Zullo is also the managing director of another company that has a multi-million dollar contract to provide maintenance work for ABC. Neighbourhood Early Learning management falsely told employees that the company had no connection with ABC and that their jobs were safe. Up to 1,000 families and 200 staff will be hit by the Neighbourhood closures.

With many of these centres likely to pass back into private hands, the profiteering that created the ABC and Neighbourhood disaster will continue, except that now this will occur, for fear of a second set of collapses, at even higher levels of public subsidy. Potential buyers, aware that the federal government is keen to avoid hundreds of closures and a genuine revolt among parents, are already calling for more public funding and rental subsidies.

The ABC Learning disaster is another example of how the Australian government acted directly against the interests of thousands of ordinary Australian families. The former Liberal government refused to place a cap on the number of childcare centres private providers could open. Groves and his business associates saw an opportunity for vast and rapid expansion on the back of the government's childcare rebate, which acted as a direct government subsidy. (The rebate, 30 percent by 2004, is a necessary corollary of private childcare, because there is no prospect of ordinary families, who in any case struggle to meet childcare costs even with the rebate, covering the full costs of private provision themselves.)

By 2007, 20 percent of Australian childcare places were with ABC. The company floated on the stock exchange in 2001, and until 2005 claimed to be making massive profits. In fact, the ABC profit "miracle", which pushed its share price through the roof, was built on tax rorts and overvalued assets, in particular real estate and child care licenses (See "Major Australian child care corporation at risk of bankruptcy"). When Groves could no longer hide the real story, the company went quickly south and so did the share price.

The Rudd Labor government, in line with its free-market deregulation policies, has not declared any opposition to the mass private provision of childcare, nor has it made any moves to improve the sector's poverty-level wages.

The Liquor, Hospitality and Miscellaneous Workers Union, which covers childcare workers, has refused to mobilise childcare workers to defend their jobs and the services they provide, but taken a respectful, softly-softly approach to the ABC and Neighbourhood carve-up and job destruction.

On December 5, the union's national secretary Louise Tarrant, told members "I have written to Ralph Norris, Managing Director and Chief Executive of the Commonwealth Bank of Australia [CBA] requesting an urgent meeting. As ABC Learning's biggest creditor, the CBA must accept some responsibility in relation to its role in the Company's growth and collapse. I hope they will work with us to find a solution which is in the community's best interests."

On December 15, Tarrant emerged from the talks promising further meetings with the receiver and denouncing the sackings as "immoral". Apart from this, the union has organised a petition and Tarrant appeared on a popular breakfast television program bewailing the closures.

The news that hundreds of ABC childcare centres may close in coming months coincides with the release of a UNICEF report card showing that Australia ranks third worst among developed nations in terms of basic childcare standards.

Australia failed to meet UNICEF's ground-level benchmarks in terms of child poverty, staff training, staff-to-child ratios and percentage of GDP spent on early child care (UNICEF set the goal at 1 percent). Australia's ranking indicates an even broader pattern of systemic neglect and profiteering in the childcare sector. For example, when childcare is made a question of profit, staff-to-child ratios will logically suffer. The UNICEF report highlights the damaging effects to children of low levels of individuals care.

ABC disproves myth of "sensible banking"

The ABC and Neighbourhood collapse illustrates the chaos that ensues when essential services are allowed to become a corporate cash-cow. But just as strikingly, it demonstrates the colossal incompetence of the Australian banking sector.

In recent months, the idea that Australian banks are strong and well-regulated has become a constant mantra from government and finance chiefs. In October, with all major international banks toppling or in trouble, Prime Minister Kevin Rudd said: "Australian banks' balance sheets are in good condition. We are different to banks around the world." In contrast to reckless US banks, Australian banks were well-regulated and had "sensible" lending practices, he told reporters.

But the banks' loans to ABC, just one of many lending debacles, shows that such pronouncements are a fraud. In 2007, just months before its collapse, Australian banks lent ABC $850 million, apparently without checking what was going on inside the company. By the end of the year, the Commonwealth Bank, Australia's largest bank, had lent ABC $650 million, $440 million of which it has since written off. Westpac, another of the "big four" banks, has written off $200 million lent to Eddy Groves and his associates. The "big four" have reacted to these and other losses (Commonwealth Bank's 2008 write-downs are $2 billion, the NAB has provisioned for $1.3 billion) by announcing plans to cut thousands of jobs. The Commonwealth Bank plans to cut its operating costs by 5 percent. Westpac has shed more than 500 jobs this year. The figures from other banks are similar.

The banks, of course, are largely protected from the consequences of their failed foresight. This is especially true of the bank executives who lent money to ABC—Westpac's chief executive Gail Kelly has confirmed that all those involved in making these loans will keep their jobs.

Meanwhile, at the receiving end of the debacle, ABC childcare workers now facing unemployment and thousands of families will be told that they will need to find a new childcare place somewhere else. Many live in communities or towns where ABC was the only childcare provider.