Why for-profit child care is not the solution

Profit-making in child care gives rise to four main concerns: first, the quality of programs is eroded by the drive to make profit; second, diverting public funds to profit-making is an "inefficient" approach to expanding quality child care and making it more affordable for parents; third, it is unethical to derive profit from the provision of a service considered to be a human right and public good; fourth, relying on for-profits to deliver child care puts governments "at risk" financially and politically. These concerns about for-profit provision arise in other human services as well—health care, disability services and education.

Research shows that for-profit operation has negative effects on child care quality

Research in Canada and elsewhere consistently shows that no matter how quality is assessed there are significant quality differences between for-profit and not-for-profit child care. This does not suggest that all public/non-profit child care is high quality and all for-profits are low quality. However, the research shows that ownership makes a profound difference with respect to multiple factors linked to quality: wages, working conditions, early childhood educator (ECE) training, staff turnover and morale, compliance with regulations, staff harshness/sensitivity, staff/child ratios and group size.

Human resources—wages and benefits, working conditions, ratios, staff who are well-educated for the job—make up the largest expense in centre budgets. Therefore, deriving even a modest profit from child care means cutting back on these "expensive" costs. Research shows for-profit centres are more likely to pay poorer wages and have staff with lower levels of ECE training, and are more likely to be in non-compliance with legislated staff/child ratios.

University of Toronto economists Cleveland and Krashinsky note: "The non-profit advantage is due to different input choices made by non-profit centres such as [better]child-staff ratios, better-educated staff and directors, higher rates of professional development for staff."

Efficiency concerns: Is public spending on for-profit child care a good use of public funds?

The Australian government hoped that encouraging for-profit child care would lead to reduced parent fees, increased diversity of provision, increased quality, and (perhaps most important) reduced government expenditures. Comparative research, showed the opposite to be the case.

Australia's experiment with mega-corporation ABC Learning showed diversity of provision decreased, fees skyrocketed, and quality was weak. The corporation lobbied to keep standards low and the massive public funds gained by ABC were called a "bonanza for business." At least 40% of ABC's profits were calculated to come from government funding.

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Case studies in the US and UK have also shown that the promised benefits of for-profit child care are unlikely to materialize, and good outcomes for children are put at risk because the the potential child development benefits of programs are conditional on quality, frequently compromised by the pursuing of profit.

All in all, for-profit child care delivers "less bang for the buck".

Relying on for-profit child care can be a risky business for governments

Some governments that have permitted or encouraged growth of for-profit child care have found themselves substantially out-of-pocket. For example, Australia's federal government paid out $22 million to keep services operating when mega-firm ABC Learning collapsed).

These same governments faced political fallout from parents facing sky-high fees for poor or indifferent quality services. In the Netherlands, in the mid-2000s, the government attempted to "marketize" child care through deregulation and a shift to demand-side (voucher) funding. These changes led to reduced coverage, an increased for-profit sector and poorer quality. Current reports indicate that the quality of half the services--especially in lower income neighbourhoods--are of concern to Dutch public health authorities.

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