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UNITED WORKERS UNION

Unsafe and Non-compliant:

Profits above Safety in Australia's early learning sector

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Introduction

Australia is a wealthy country, and we should have a world-class early childhood education and care (ECEC) sector. Instead, Australia's early learning sector is in crisis. Educators are underpaid, over-worked and our best and brightest are leaving in droves. Parents are fed up, paying some of the highest out-of-pocket costs in the OECD.[1] The sector is also increasingly dominated by for-profit providers which make up half of ECEC services in Australia and over two-thirds of long day care (LDC) centres. [2]

Traditionally, private ownership in the sector was characterised by family and small to medium sized businesses. Increasingly however, large financial interests are being lured to the sector by strong growth prospects underpinned by generous government subsidies. Some Australians may be surprised to learn that the early learning centre in their suburb is controlled by Swiss bankers or an American private equity giant and even more dismayed to learn that these providers are seriously dropping the ball on quality and compliance. This leaves other taxpayers wondering why for-profit early learning providers exist at all, parents concerned for their children's safety, and educators increasingly worried about their ability to deliver the highest quality early learning to children in their care.

This report focuses a spotlight on these worrying trends. The first part analyses new and unique data published by industry regulators to reveal that the for-profit sector performs worse on quality and is plagued by non-compliance. Non-compliance in ECEC covers a broad range of breaches that ultimately jeopardise the learning and safety of our children. This report finds that this non-compliance is much more prevalent among for-profit providers than any other management type. Analysis of both public and Freedom of Information (FOI)-sourced data on non-compliance indicates children are less safe in for-profit centres, which are sanctioned far more often. At a time when concerns for the safety of children in ECEC settings are ever present for families and educators due to the COVID-19 crisis, this report shows that for-profits have a history of poorer safety and lower quality. In fact, from just over 12,000 enforcement actions taken nationally against ECEC providers since 2015, an overwhelming 74% involved for-profit centres. [3]

The second part of this report analyses quality ratings in the sector using data from the national register maintained by the Australian Children's Education and Care Quality Authority (ACECQA). Combined with corporate research on which centres belong to which companies, this analysis demonstrates clearly that for-profits are the worst-performing management type when it comes to ensuring quality education and care for Australian children.[4] For-profit providers have the highest number of centres that don't meet the national standard, with more than one in six, or over 1200 centres failing to meet the National Quality Standard (NQS).[5] As for-profits operate most of Australia's early learning centres this is particularly alarming. During a pandemic it is even more alarming that for-profits fall behind by 8% compared to the rest of the sector when it comes to quality area rating 2 in the NQS - children's health and safety.

In long day care (LDC), where for-profit providers dominate and make their most lucrative earnings, the quality ratings are also worse than the rest of the sector. For-profit LDC centres are twice as likely to be rated as not meeting the national quality standards than not-for-profit centres. They are also more likely not to meet the NQS than any other management type.[6] By any reasonable standard, these results are alarming.

Our analysis also provides new insights into the performance of the three biggest for-profit LDC providers in the country: G8, Affinity and Busy Bees. The poorer quality ratings of these three players epitomise the crisis in the sector and gives new insight into a profit above people – in this case children – way of operating. This does not belong in any education setting.[7] G8 is listed on the Australian stock exchange and pays dividends to shareholders. Affinity was just traded between private equity funds for $650 million dollars and Busy Bees, a global early learning empire run by a Canadian pension fund, acquired Think Childcare, another Australian listed provider in June. When profits, shareholder dividends, bloated executive salaries and cost-cutting to impress the next private equity buyer are the priority, quality and safe world-class early learning are not.

Moreover, nearly all growth in the sector is to be found among for-profit providers: in the financial year 2020-21 the number of for-profit services grew by 4 per cent. By comparison, the number of private not-for-profit services remained stagnant while the number of government-provided services declined.[8] It is therefore vital that for-profit providers shift gears on their approach to safety and quality, instead of continuing to fall behind. With Australia unlikely to be free from COVID-19 any time soon, it is urgent that for-profit providers are held accountable around safety standards. Without immediate attention to safety and quality among for-profit providers, ECEC will continue to be one of the most precarious settings in which to learn and work during the pandemic. The current system of putting profits first has failed; we need to build a new system that puts children and educators back at its centre.

The report also includes a smaller section on the dangers of working in the sector from an educator's perspective. Australian statistics show early childhood educators face the greatest risk of injury in the education sector and a higher risk than workers in some blue-collar industries. According to researchers from Charles Sturt University, rates of claims for the top three most serious physical injuries for ECEC educators and teachers are as high as for those working in construction.[9] Educators deserve to feel safe at work. They already deal with health risks such as exposure to infectious diseases, and physical injuries such as being struck, bitten or having objects thrown at them. The workforce crisis, and COVID-19, which has intensified the problem of understaffing, have further undermined safety in ECEC, and are putting children and educators in danger.

The top five key findings of our report are:

1. While the for-profit segment makes up half of the national ECEC sector by number of services, it is responsible for almost three-quarters of the 12,000+ enforcement actions taken since 2015. [10]

2. This disproportionate level of enforcement activity is most significant in Victoria, where for-profits make up half of the sector but account for almost 90% of the sector's enforcement activity. There is also a substantial over-concentration of enforcement activity in South Australia and the Northern Territory, where for-profits make up less than a third of the sector, but more than half of the enforcement actions. [11]

3. The overall quality rating for for-profit centres was 12% lower than other management types in ECEC, and over 1,200 for-profit centres failed to meet the NQS.

4. Only 16% of for-profit run centres actually exceeded the NQS, whereas 36% of not-for-profit centres, and over 40% of government-run centres, were rated 'Exceeding NQS'. Publicly-run or not-for-profit centres are quite simply more likely to be higher quality.

5. The three biggest for-profit LDC providers – G8, Affinity, and Busy Bees – had seven times the number of centres 'Working towards NQS', by percentage, when compared with the three largest not-for-profit providers – Goodstart, C&K and KU. Only 2% of the centres run by the three largest not-for-profit providers do not meet the NQS, whereas in the for-profit space this is almost 15%. Conversely, the largest three not-for-profit providers had more than double the number of centres rated 'Exceeding NQS'.

Figure 1. *Over-representation of enforcement actions at for-profit ECEC services, 1 July 2015 – mid-2021*[12]

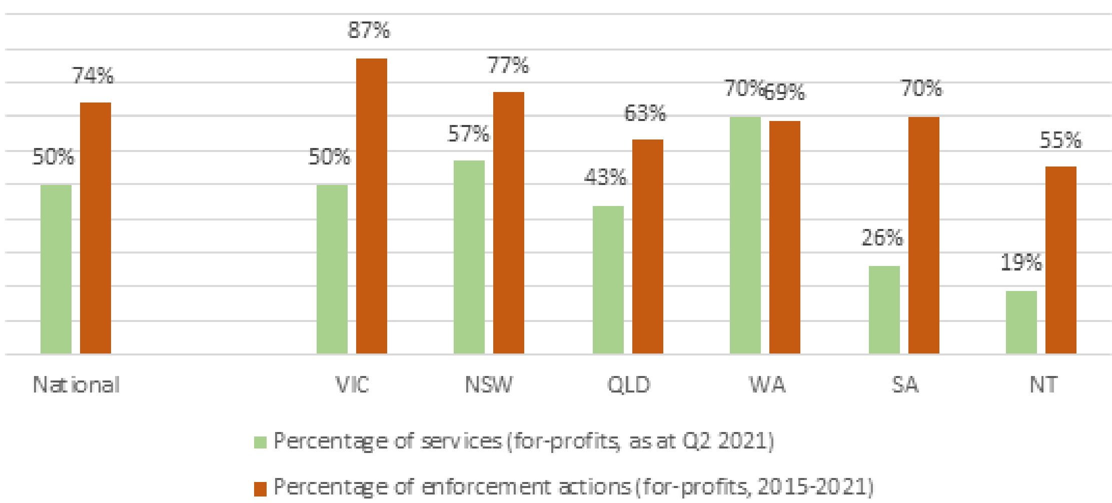
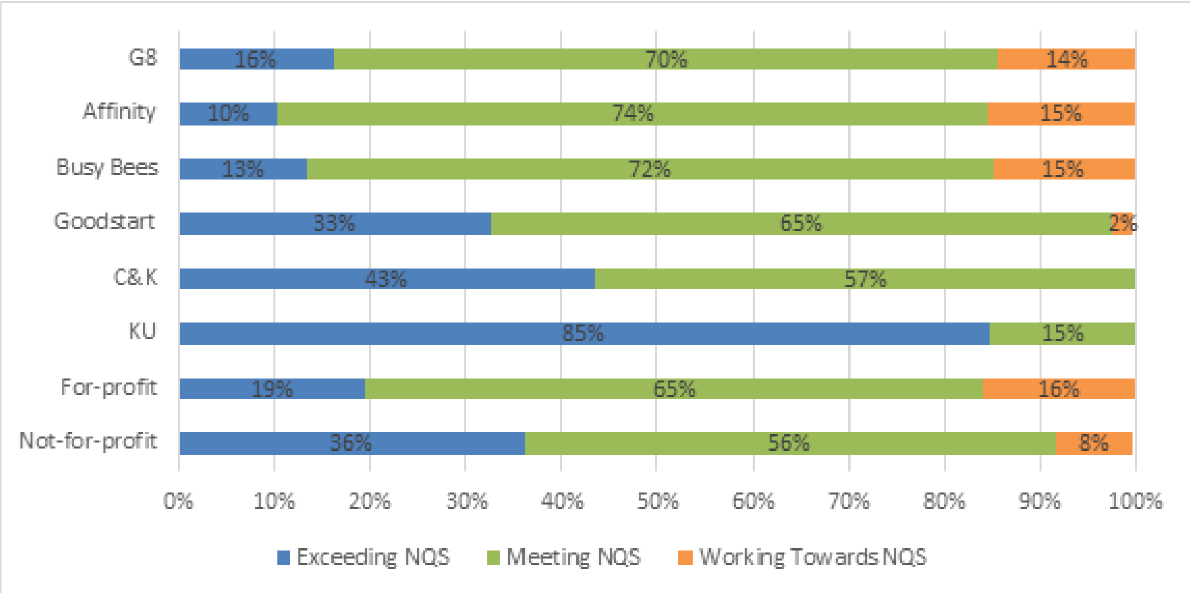


Figure 2. *Percentage of Overall Quality Ratings in LDC, among selected providers and sector-wide*



This report exposes the failings in our early education system, failings that demand urgent action. The UWU calls for two key measures to drive change; transparency and real consequences for providers who do not measure up.

Families and parents have a right to know what is happening in their centre but in the current system, important information is hidden or unavailable. Even when failures in quality and safety come to light, centres continue to operate with little to no repercussions. Transparency and real consequences for early learning providers will be powerful agents for change from the shareholders and board rooms down.

Part 1: Are children safe in for-profit early learning?

A recent UWU survey showed more educators in for-profit services reporting that understaffing is a problem than those working in not-for-profit services (72% as against 65%), and more educators working in for-profit services (82%) say they do not have sufficient time to provide quality care than those in not-for-profit services (76%).[13] Compliance data analysed for this report confirms educators' worst fears. In recent years, children in for-profit services have wandered unsupervised to the edge of nearby highways, and received burns on their feet in sweltering heat, along with other injuries. Parents, taxpayers, and the community deserve to know about these incidents and ensure Australia children are safe in all early learning centres.

Unfortunately, this is not the case. Only two states – Victoria and South Australia – are fully transparent about non-compliance and the serious incidents that happen in early learning centres every day. Most states only make public more serious cases such as convictions and prosecutions. Therefore, between March and August 2021, UWU made several Freedom of Information (FOI) requests to gain a more comprehensive and transparent national picture of non-compliance in Australia's early learning centres since 2015. UWU lodged FOI requests in all jurisdictions where there are significant gaps in publicly available data.

We received data from all jurisdictions, though not all provided breakdowns by management type.[14] UWU analysed all the data and found that, since 2015, for-profit providers overwhelmingly dominated non-compliance activity. Of a total of just over 12,000 enforcement actions against different early learning centres since 2015, 74% of these involved for-profit centres. Crucially, as shown in Figure 1, this level of non-compliance is disproportionate to for-profits' market footprint in the sector: while for-profits make up half of all services, they have been responsible for three-quarters of the non-compliance over the last five years.[15] Although state-by-state numbers differ, children in for-profit services are, on average, more likely to experience unsafe conditions which require regulators to act.

While enforcement activity is concentrated among for-profits, the problem is especially acute in Australia's two most populous states: Victoria and NSW. In Victoria especially, the problem is getting worse. Non-compliance in for-profit centres in Victoria has increased since 2017. Over the last 4 years, close to 9 in 10 enforcement actions have involved for-profit centres. In NSW, more than three quarters (77%) of enforcement actions since July 2015 were taken against for-profit providers. The evidence strongly suggests that children are less safe in for-profit centres. Disturbingly, both the Queensland and Western Australian state governments refused to supply data on specific providers, citing their right under FOI legislation to protect the commercial interests of providers. This lack of transparency is another sign of the urgent need for systemic reform of the early learning sector. The interests of profit can no longer be prioritised above those of children's safety.

Some of the worst examples of non-compliance by for-profit providers:

- Following a serious safety breach at a Western Australian service, Sparrow Early Learning was fined $20,000. While unsupervised, four children escaped the centre through a hole in a perimeter fence and were later found beside a four-lane highway.
- Think Childcare Services received a $15,000 fine, and was ordered to pay additional court costs, after three toddlers at a Western Australian centre received severe burns to their feet during a fire drill on a 36-degree day.
- Only About Children was fined $14,000 after a 2-year-old child under the care of one of its Sydney services was found walking alone along a major road outside the centre.
- The above prosecution followed a similar incident at another Only About Children service where it only received an official caution and then one year later a $5,500 fine for several charges relating to failures to protect children.
- Following an incident in NSW, G8 was fined $11,000 after a child who was mistakenly not taken on an excursion was later found with soap in her eyes in a bathroom designated for older children.

Before delving further into this unique data, it is important to give some context on non-compliance in Australia's early learning sector. In ECEC, a contravention of the *Education and Care Services National Law 2010* ('the National Law') is often known as a breach, while an enforcement action refers to a subsequent action taken against the provider by a state or territory regulatory authority in response to a confirmed breach.

Enforcement actions can range from the issuance of a less-serious compliance direction to an emergency action, the cancellation of a provider's approval to operate services, or court convictions and the imposition of monetary fines. Any such enforcement action can be made in response to one or more underlying breaches. This means that the number of breaches across the sector is far higher than the number of enforcement actions. Indeed, additional data we received from NSW showed that while the 2015-2021 period saw 8,287 enforcement actions, these corresponded to a much higher total of 54,328 confirmed breaches. Selected types of possible breaches and enforcement actions are outlined below.

Possible breaches/offences
(under Part 6 of the National Law)

- Nominated supervisor not present or not meeting requirements
- Inadequate supervision of children
- Use of inappropriate discipline
- Failure to protect children from harm and hazards
- Failure to provide required programs
- Failure to meet staffing arrangements
- Unauthorised or inappropriate person/s on premises

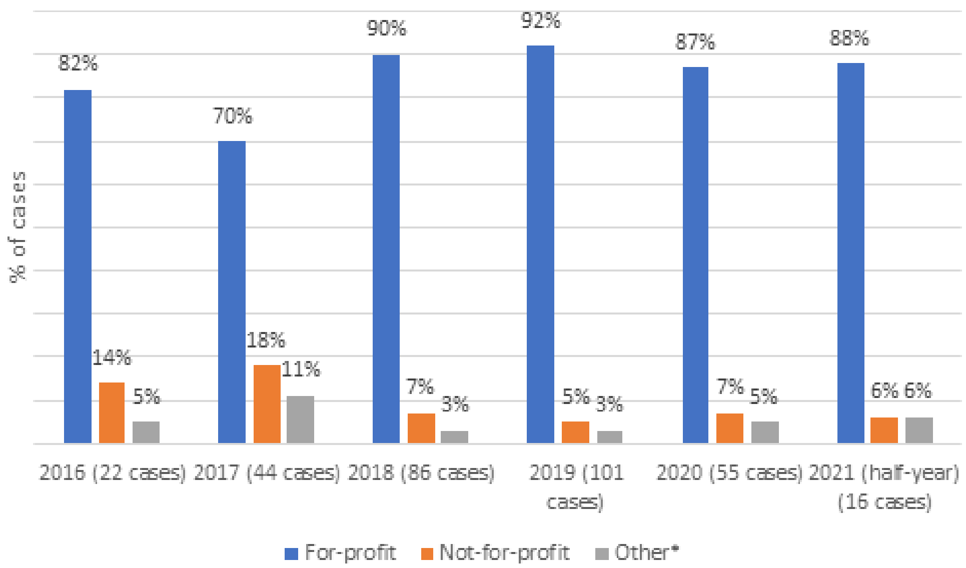
Possible enforcement actions
(under Part 7 of the National Law)

- Compliance notice or direction
- Emergency action notice
- Approval amended or cancelled
- Inappropriate person excluded
- Enforceable undertaking
- Notice of suspension
- Condition or prohibition notice imposed
- Prosecution/conviction

Victoria

In Victoria, for-profits vastly outweigh other providers and services subject to enforcement activity since 2016 (see Figure 3, below). Over the last 4 years, close to 9 in 10 enforcement actions have involved for-profits. Among cases in which the Department of Education and Training cancelled providers' approval to operate a centre, 98 per cent involved for-profit centres.

Figure 3. *Percentage of enforcement actions by management type in Victoria, 2016-2021* [16]



** Includes cases involving individuals where the service provider is unknown*

New South Wales

The problem is also dire in NSW. More than three quarters (77%) of enforcement actions since 1 July 2015 in NSW were taken against for-profit providers. The state also provided data on confirmed breaches. This is the number of actual incidents of non-compliance and thus gives an even more accurate picture of what is going on around children in early learning. Within long day care specifically, 73 per cent of confirmed breaches in NSW occurred at for-profit providers and services.

Among selected for-profit providers of LDC in NSW, between 2015 and 2021:

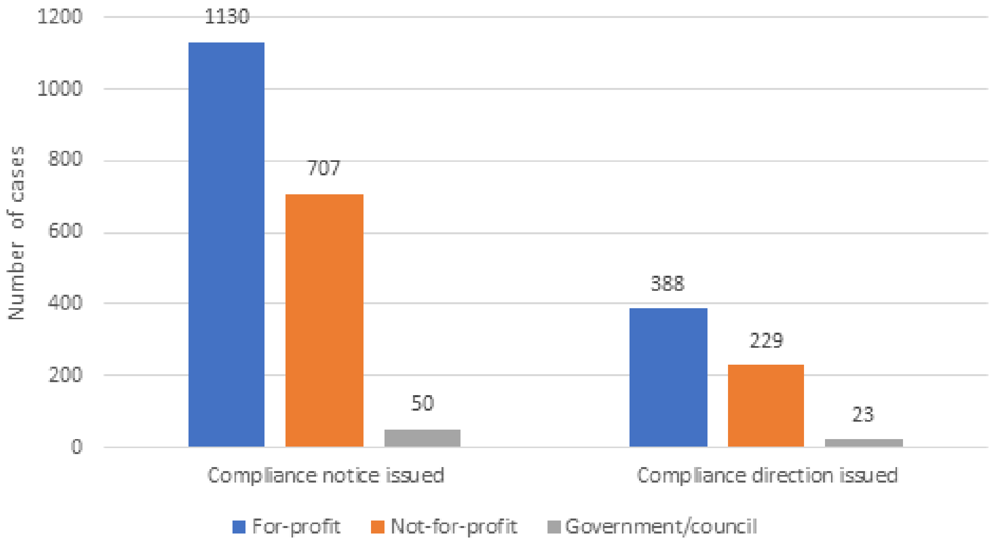
- G8 received 1,756 breaches and faced 438 compliance actions
- Affinity received 588 breaches and faced 141 compliance actions
- Only About Children received 423 breaches and faced 112 compliance actions
- Guardian received 220 breaches and faced 57 compliance actions
- Little Zak's Academy received 230 breaches and faced 31 compliance actions
- Montessori Academy received 208 breaches and faced 42 compliance actions
- Explore and Develop received 77 breaches and faced 10 compliance actions

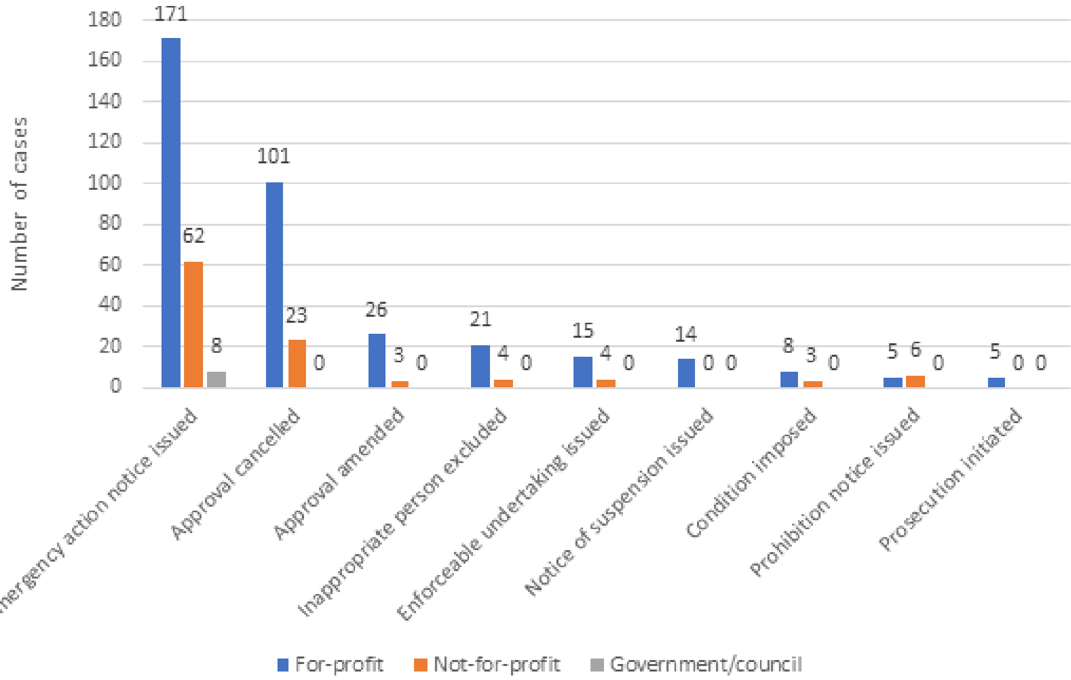
Some may explain the above analysis by suggesting that entities with a higher number of services (such as G8, the state's largest provider) would naturally attract more enforcement actions. However, by comparing the above data with each provider's number of approved places (that is, how many children they are allowed to take care of), G8 and Affinity's non-compliance record still disproportionately outweighs the other large for-profit providers we have focused on.

Queensland

As noted earlier, the Queensland State Government declined FOI requests to supply provider-specific data, preferring to protect the commercial interests of providers. However, analysis of the data available shows that in Queensland there were 3,006 enforcement actions between July 2015 and June 2021 and 62.7% of these happened in for-profit providers. As shown in Figures 4 and 5 below, in addition to dominating all but one category, for-profits were also much more likely to attract penalties for serious infractions, such as the outright cancellation of a licence to operate a centre, or the enforced removal from a centre of an inappropriate person.

Figures 4 and 5. *Compliance notices and directions issued to QLD ECEC providers by management type, 1 July 2015 – 3 June 2021*

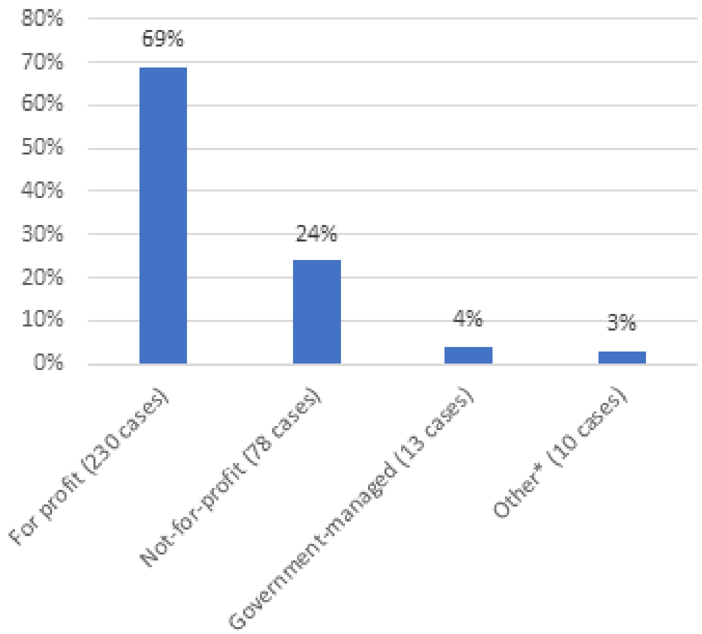




Western Australia

Aggregated data supplied by the WA Department of Communities under FOI revealed that for-profit operators accounted for 69% of the 331 enforcement actions taken since 1 July 2015 (Figure 6). While, as with Queensland, the Department cited their right under FOI legislation to deny disclosure of provider-specific data, media analysis undertaken by UWU revealed numerous serious incidents involving for-profit providers in recent years, some of which are contained in the above list of worst examples.

Figures 6. *Percentage of ECEC enforcement actions by management type – WA, 2015-2021* [17]



** Includes cases involving individuals where the service provider is unknown*

South Australia, the Territories & Tasmania

For-profits also dominate the regulatory action in smaller states. Of the 59 published enforcement actions reported by South Australia's Educations Standards Board since 1 July 2015, 70% involved for-profit centres. This concentration is particularly noteworthy given that for-profits make up just 26% of South Australian early learning services.[18]

Under FOI, Quality Education and Care NT supplied a complete list of all enforcement actions taken against ECEC providers between 1 July 2015 and 19 July 2021. Of the 82 cases, the majority (55%) related to for-profit providers. Given the Northern Territory has the lowest proportion of for-profit services relative to other management types (making up just 19% of the market), this incidence of non-compliance is significant.[19]

ACT also provided data in response to UWU's FOI request, reporting 550 enforcement actions in the last 6 years. They did not, however, break down the data by management type. While Tasmania reported under FOI that the majority of their compliance actions have been in the form of administrative notices (letters sent to providers notifying them of a need to rectify a breach), they did not specify how many of the 131 such actions taken since 2018 related to for-profit providers.

Disclosure of ECEC non-compliance data must be transparent and accessible

The above data shines a spotlight on the over-concentration of enforcement activity within the for-profit segment. A broader and associated concern, however, is that far too little of this information is accessible to parents, taxpayers and the community. Educators care deeply about being able to provide quality, safe education and care for children. Indeed, when they are not given the support and the resources to fulfil that mission, many choose to leave the sector altogether. In a recent UWU survey, a majority of educators (63%) who had recently left the sector cited excessive workload impacting their ability to provide quality education and care as their reason for leaving.[20] When it comes to children's safety, educators themselves are the first to demand transparency. The fact that UWU needed to request much of this non-compliance data under Freedom of Information – a process that has become increasingly more difficult to navigate in recent years[21] – highlights a glaring lack of transparency and our early childhood members want this to change.

Transparency and a parent's right to know

Parents and families have a right to understand the track record of their children's centre. It is not acceptable that only the most serious cases – those that result in convictions and monetary fines – are reported to the community by the media and so much more is hidden away. It is imperative that parents have access to much more information about the compliance and safety of the services where their children attend. This transparency will not only help parents make choices about where they send their children, it will also be a powerful agent for change. Transparency and accountability will shape both the consumer behaviour of parents but also the corporate behaviour of the for-profit sector. Transparency will make safety and compliance an issue that has the potential to impact profits and will therefore drive discussions at the Board table.

UWU calls on:

1. ACECQA to publish not only the quality ratings of all services but also any significant compliance activity or enforcement actions associated with that centre.

2. State regulatory bodies to immediately let parents know when they have issued significant compliance or enforcement actions against a service.

3. All services to be required to issue an annual report card to parents that report their quality ratings and compliance and enforcement activity.

4. Services that receive repeated enforcement actions against them lose their quality rating and need to be re-assessed.

5. Providers that have repeated compliance issues and enforcement actions across a number of services be required to submit to the regulator a quality improvement plan for their whole business. This quality improvement plan would be publicly available on the ACECQA website.

Early learning is a dangerous place to work

Australian statistics show early childhood workers face the greatest risk of injury in the education sector and higher risk than workers in some blue-collar industries. Differences exist across state and national authorities in how injury data is reported, but overall, statistics indicate early childhood work carries inflated hazards.

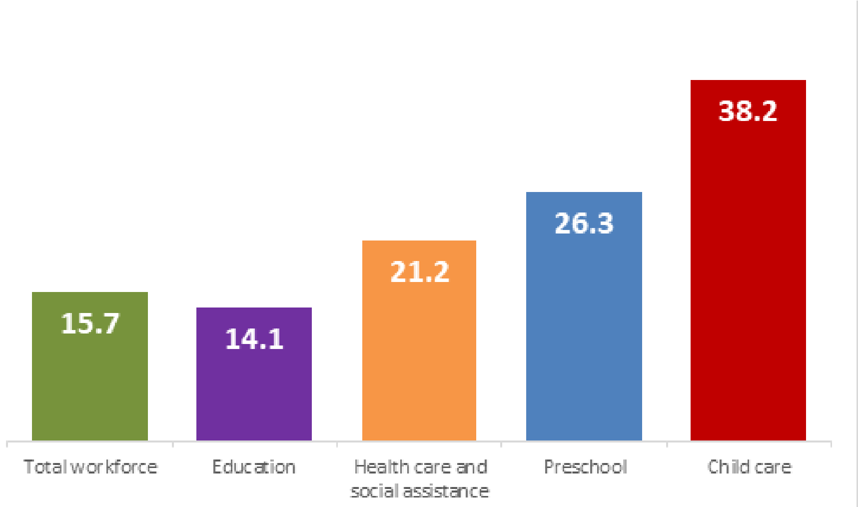
A study of claims accepted by NSW's largest workers' compensation insurer, iCare, in 2016-17 identified 1,200 claims among ECEC workers resulting in lost time. Of these, 85% were injuries, comprising 94% physical injuries and 6% psychological injuries. According to researchers from the Early Childhood Educator Wellbeing Project (ECEWP) at Charles Sturt University, rates of claims for the top three most serious physical injuries for EC educators and teachers are higher, or the same, as for those working in construction.[22] In the NSW study, the majority of psychological injuries and stress related claims were caused by work related harassment and/or bullying (39%), or work pressure (32%).[23] Physical injuries make up a higher proportion of younger workers 'claims.[24]

A common cause of accidents and injuries in the ECEC workplace is the absence of adult-sized furniture for educators to use. In a survey conducted by the ECEWP, 37% of respondents reported having no access to adult-sized furniture in their workplace.[25]

Aggregating ECEC workers' compensation claims between 2004 and 2008, WorkSafe Victoria found of the nearly 900 workers seriously injured in this period, 70% suffered musculoskeletal injuries: sprains, strains, fractures and soft tissue injuries.

The only Australian state providing detailed workplace injury data is Queensland. Incidence rates (all injuries that result in a compensation claim and time off work) for ECEC and preschool are contained in Figure 7, alongside relevant industry rates and the figure for the workforce as a whole. With a rate of 38.2 injuries per 1000 workers, ECEC work clearly carries heightened health and safety risk.

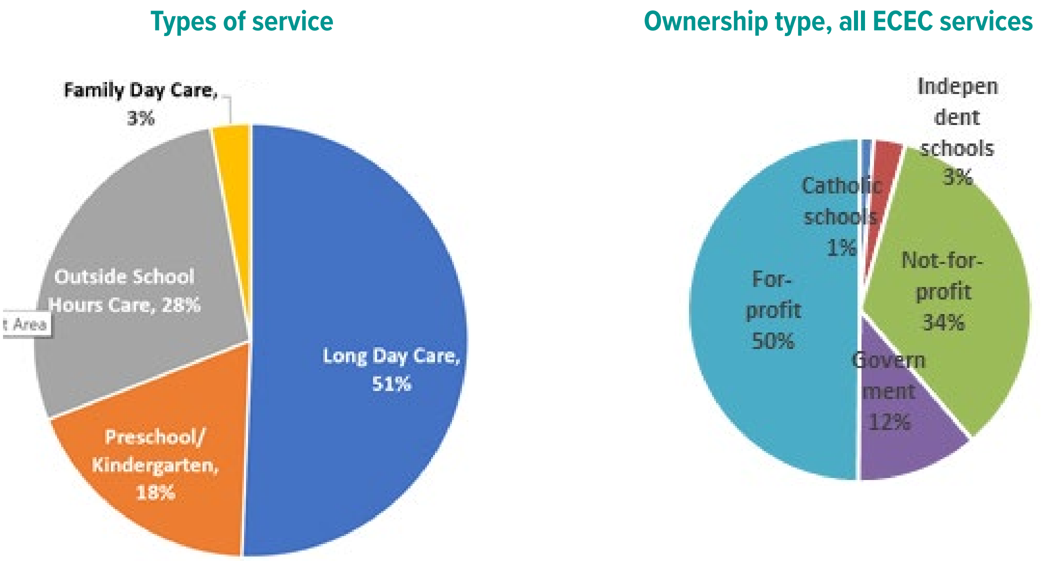
Figures 7. *Lost time injury incidence rates (per 1,000 workers) in Queensland 2019/20*[26]



Part 2: For-profits are driving a quality crisis in ECEC

Across Australia, many ECEC centres are failing to meet the National Quality Standard (NQS) and this report finds that the majority of those are run by for-profit providers. The NQS Standard was introduced in 2012 to ensure quality education and care across long day care, family day care, preschool/kindergarten and outside-of-school hours services. A breakdown of ECEC services, by service type and management type, can be seen in Figure 8.

Figures 8. *Proportion of type and ownership of ECEC services in 2021*



The NQS assesses every ECEC service in Australia across seven Quality Areas, including educational practice, child safety, staffing arrangements, relationships with children and families, and governance. An overall rating is awarded after an "assessment and rating" process, in which centres receive one of the following across a ratings scale: Significant Improvement Required, Working towards NQS, Meeting NQS, Exceeding NQS, and Excellent. Both Significant Improvement Required, being the lowest rating, and Excellent, being the highest, are rarely awarded. Significant Improvement Required is reserved for centres that must address significant regulatory negligence, and Excellent for centres that have received Exceeding NQS across all Quality Areas and undergo an additional reviewing process.

Based on UWU analysis of 2021 quality ratings in the ACECQA national register, which lists every ECEC service in the country, for-profits are the worst performers in the sector.[27] The overall quality rating for for-profit centres, as a whole, was 12% lower than other management types, and over 1,200 for-profit centres did not meet the NQS. Only 16% of centres run for profit exceeded the national quality standards. By contrast, 36% of not-for-profit centres and over 40% of government-run centres, were rated 'Exceeding NQS'. Publicly run or not-for-profit centres are quite simply more likely to be higher quality.[28]

For-profit centres were the mostly likely centres to not meet the NQS overall, when compared with not-for-profit, government, independent school, and Catholic providers. 17% of for-profit centres did not meet the NQS, while 16% of Independent school-run services were rated as 'Working towards NQS', and only 12% of government-run and Catholic-run services performed poorly enough to receive this rating.[29] The not-for-profit sector had the fewest services in this category, by percentage, with only 10%. Our analysis is backed up by recent academic research that identified private for-profit services are twice as likely to be rated as 'Working towards NQS' compared to other services.[30]

Additionally, the majority of centres that were assessed as in need of 'Significant improvement' - that is, given the lowest rating under the NQS - were centres run for profit. Centres that receive this lowest rating are considered to have "an unacceptable risk to the safety, health and wellbeing of children being educated and cared for."[31] In long day care (LDC) the for-profit "syndrome" is even worse, with 75% of the LDC centres assessed as 'Significant improvement required' run by for-profits.[32]

Table 1. *NQS ratings across the different management types for all rated centres in the ACECQA national register.*[33]

Management Type	*Exceeding NQS*	*Meeting NQS*	*Working Towards NQS*	*Number of centres*
Independent schools	45%	39%	16%	477
Government run	44%	43%	12%	1,828
Catholic schools	29%	59%	12%	190
Not-for-profit	36%	54%	10%	5,465
For-profit	16%	67%	17%	7,419

For-profits are also less likely to improve their quality ratings

The 2019 ACECQA Quality Improvement Research Project[34] also found poorer performance among private providers in terms of improving their quality rating. That is, not only are they more likely to have a lower rating, but they are also less likely to work towards improving that rating the next time they undergo the assessment and rating process.

Compared to for-profit services, not-for-profit community and school-based services, and not-for-profit government and non-government-managed services, were more likely to improve to 'Meeting NQS' than to have 'No change' from the previous 'Working towards NQS' rating.[35] These findings were reinforced by the latest longitudinal Trends in Community Children's Services Survey (TICCSS), which found 78% of not-for-profit services had improved from 'Working towards NQS' to 'Meeting NQS' – compared to the national average of 67%. At the other end of the scale, the TICCSS also found that not-for-profits (at 27%) exceeded the national average (17%) in moving from 'Meeting NQS' to 'Exceeding NQS'.[36]

It is also particularly damning of the current system that where quality ECEC is most needed, it is least likely to be found. Among for-profit providers, but also across all provider types, those in socio-economically disadvantaged areas were more likely to be rated 'Working towards NQS' than those in more advantaged areas. 33% of private for-profit services in the most disadvantaged areas are rated as 'Working towards NQS', while 23% of private for-profit services in the most advantaged areas are rated as working towards'. Conversely, 13% of private for-profit services in the most disadvantaged areas are rated as 'Exceeding NQS' compared to 23% of private for-profit services in the most advantaged areas.[37]

For-profit providers are dragging down quality in long day care centres

Most children in Australia access early learning in LDCs (as opposed to pre-school or family day care, for instance).[38] For-profit providers dominate the LDC part of the ECEC sector and comprise 68% of that market.

When looking at LDC centres specifically, 16% of for-profit centres are rated as 'Working towards NQS', compared to 11% of independent school-run centres, 10% of catholic-school run centres, 9% of government-run centres, and 8% of not-for-profits. This means for-profit LDC centres are twice as likely to be rated as 'Working towards NQS' than not-for-profit centres. Conversely, for-profit LDC providers are significantly less likely to be rated as 'Exceeding NQS'. While 51% of independent school-run LDC centres, 39% of government-run LDC centres, 36% of not-for-profit LDC centres, and 33% of catholic-school run LDC centres were rated as 'Exceeding NQS', only 19% of for-profit providers' LDC centres are rated as exceeding. This means that the rest of the sector is almost twice as likely to be rated highly across the NQS as for-profit centres.[39]

Figures 9. *Proportion of ownership in long day care*[40]

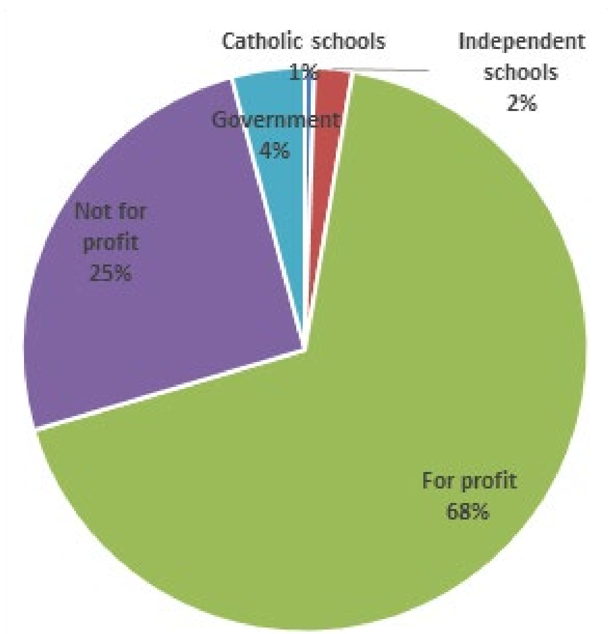


Table 2. *NQS ratings across the different management types for all rated LDCs in the ACECQA national register.*[41 42]

Management Type	*Exceeding NQS*	*Meeting NQS*	*Working Towards NQS*	*Number of centres*
Independent schools	51%	37%	11%	174
Government run	39%	52%	9%	336
Catholic schools	33%	55%	10%	40
Not-for-profit	36%	56%	8%	2,054
For-profit	19%	65%	16%	5,188

UWU's analysis of the NQS across all seven Quality Areas in LDC - where most Australian children access early learning - showed that:

- Overall quality ratings were 12% lower in for-profit LDCs than not-for-profit LDCs.
- Average ratings for all for-profit LDCs were lower across all standards when compared with not-for-profit LDCs. It is also noteworthy that sector wide, for-profits fall behind by 8% compared to the rest of the sector when it comes to quality rating area 2 of Children's health and safety.
- When compared with not-for-profits, for-profits fell the furthest behind in Quality Areas 6 and 7. These Quality Areas relate to collaborative relationships with communities and families, and governance and leadership.
- 75% of LDCs that were assessed as 'Significant improvement required' were for-profit centres. Being issued with 'Needs significant improvement' under ACECQA's assessment and ratings process indicates that a service poses a significant risk to the safety, health and wellbeing of children, and that regulatory action must be taken immediately.
- Despite for-profits making up more than two-thirds of the LDC sector, only one-third of the centres awarded an overall rating of 'Excellent' were for-profits. Conversely the not-for-profit sector had the most LDCs rated 'Excellent'. Though making up less than a third of the sector, 40% of LDCs with an 'Excellent' rating were not-for-profits.
- In all states, for-profit LDCs had a much greater percentage of 'Working towards NQS' centres, when compared with not-for-profit centres. In some states this percentage was significantly greater: for-profit LDCs had over 30% more 'Working towards NQS" centres in ACT and NT, 14% more in SA, and 10% more in VIC.[43]
- Conversely, not-for-profit LDCs had a greater percentage of centres 'Exceeding NQS' than for-profit LDCs in all states except Tasmania. In most states this percentage was significantly greater: not-for-profits over 20% more 'Exceeding NQS' centres in NSW, VIC, and ACT, and over 14% more in NT and SA.[44]

A spotlight on G8, Affinity and Busy Bees

Corporate mapping conducted by UWU also provided new insights into the largest for-profit LDC providers in the country: G8, Affinity, and Busy Bees. G8 Education, the largest for-profit provider in LDC, is listed publicly on the Australian Stock Exchange (ASX). Affinity Education Group, the second largest provider in LDC, was purchased by private equity firm Quadrant for $650 million in June 2021: a tripling in the company's value only six years after it was taken off the ASX. Lastly, Busy Bees is owned by the Ontario Teachers' Pension Plan (OTPP), a retirement fund which manages the retirement savings of 300,000 Canadian workers. OTPP plans to invest $70 billion in private assets in the next five years.[45] All three of these major providers have one thing in common: their owners are heavily invested in making big profits from the Australian ECEC sector.

Not only were average ratings for G8, Affinity, and Busy Bees, as a whole, lower across all standards when compared with not-for-profit LDCs, they were also lower across all standards except Quality Area 7, or Governance and Leadership, when compared collectively with the rest of the for-profit sector.[46] This means that, as a whole, the three largest for-profit providers performed worse than other for-profits across the most important functions of ECEC: educational practice, children's health and safety, the safety of the physical environment, and relationships with children and their families. Overall quality ratings were 13% lower for G8, Affinity and Busy Bees, as a whole, than not-for-profit LDCs, and 2% lower when compared with the rest of the for-profit sector. No LDCs run by G8, Affinity or Busy Bees were rated 'Excellent'.[47]

Private equity-owned Affinity, the second largest for-profit provider of long day care services in the country, was the most poorly rated provider among the largest three for-profits. It was outperformed across all seven Quality Areas of the NQS by both not-for-profit LDC providers and the rest of the for-profit sector in LDC. For overall quality among LDCs, Affinity was 15% lower than not-for-profits and 5% lower than the rest of the for-profit sector. Disturbingly, when the ratings of Affinity's LDCs were averaged, its lowest rating was in Quality Area 2, which assesses a service's attention to children's health and safety.

G8 and Busy Bees did not perform much better. G8, the largest for-profit provider in long day care, was lower across all NQS standards when compared to not-for-profits. When compared to the rest of the for-profit sector, G8 was lower across five of the seven Quality Areas. Busy Bees, which has been expanding its services across the country, was also lower across all standards when compared with not-for-profit LDCs, and lower across five out of the seven Quality Areas when compared with the other for-profits. As with Affinity, Quality Area 2 was the lowest average rating for G8 and Busy Bees, indicating both providers have a great deal of room for improvement when it comes to children's health and safety. [48]

Figure 2 shows that the distribution of quality ratings across for-profits and not-for-profits is vastly different. The three largest for-profit providers in LDC (G8, Affinity, and Busy Bees) had seven times the number of centres that are 'Working toward NQS', when compared with the three largest not-for-profits (Goodstart, C&K and KU). Only 2% of the three largest not-for-profit providers' centres do not meet the NQS, whereas in the for-profit space this is almost 15%.

Conversely, the three largest not-for-profit providers in LDC had more than double the number of services rated 'Exceeding NQS'. More than a third of centres among Goodstart, C&K and KU were rated 'Exceeding NQS', compared with only 16% of the largest three for-profits.

The need for real consequences and accountability

Too often the consequences of failing to meet minimum standards are minor. Providers are easily able to keep on operating even though they are failing minimum standards by being rated as 'Working towards NQS' year after year. Shining a spotlight on quality and creating real world consequences for providers will drive change. If the owners of a private equity early education chain of centres know that they will lose money if they continue to fail to meet quality standards, then they will start to take it seriously.

UWU calls for:

1. Centres that receive a 'Working towards NQS' rating be required to immediately notify all their parents.

2. Except in exceptional circumstances, centres that continue to be assessed as 'Working towards NQS' over three years running lose access to government funding.

3. Centres that are sold be classified as 'Needing to be assessed' rather than maintain the rating of the old owner.

Conclusion

A recent UWU survey of almost 4000 early childhood educators found those working in profit-driven centres were more likely to be affected by understaffing and report having insufficient time to provide quality education and care. More than half of educators working in these services also said they thought about leaving 'all' or 'most' of the time.

This crisis among the private sector ECEC workforce is reflected in the much worse non-compliance and quality performance of for-profit providers detailed in this report. The current system which is increasingly dominated by for-profit providers is short-changing children and educators alike – and it is no exaggeration to say that the ECEC sector is at breaking point. As one NSW Centre Director told our survey:

Early years education is becoming more and more privatised and all about the money... I am constantly being put in ethically comprising positions and this makes me very uncomfortable because it puts the health and safety of children at risk.

The concentration of safety breaches, non-compliance, poor quality and low staff morale among commercial for-profit ECEC operators is no coincidence. In the push to squeeze more money out of Australia's early childhood centres, children, parents, and workers are the losers.

This report has demonstrated clearly that the profit motive in Australian early learning is being pursued at the expense of quality, the safety of children and the wellbeing of educators. In our next report *"Spitting off cash": Where does all the money go in Australia's early learning sector?* we will examine how stockholders, Swiss bankers and private equity giants based in tax havens are plundering Australia's heavily subsidised early learning system while quality suffers.

Together with our recent educator survey, these reports make a compelling case that for-profit provision of early learning is not working for Australia, and we need to rethink how we look after and educate our youngest citizens. The children and families of Australia deserve an ECEC sector that they can depend on, like schools, not one that is constantly in crisis.

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2 ACECQA (2021). 'NQF Snapshot: State of the Sector'. http://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html.

3 Based on UWU analysis of FOI data obtained by UWU in 2021.

4 Corporate mapping conducted by UWU used data from the Australian Securities and Investments Commission (ASIC). Company360 and company annual reports. UWU has made every attempt to ensure this mapping was accurate as of 10 August 2021 and centre numbers for G8, Busy Bees and Affinity were found to be 460, 157 and 157 respectively. The ACECQA National Register data used for this analysis was downloaded on 10 August 2021, and all finding relating to the Register are as at this date. Where no service type is made explicit, findings are for all centres rated in the ACECQA national register. This includes long day care, family day care, outside of school hours care, and preschool/kindergarten.

5 UWU analysis of the ACECQA National Register of approved services indicates 16.8% of for-profit services were 'Working towards NQS'.

6 Based on UWU analysis of ACECQA National Register of approved services. See Table 2.

7 ACECQA ratings for each centre, including Quality Areas as well as Overall Ratings, were quantified and averaged for the different sector segments analysed in this report ("Significant Improvement Required" = 0, "Working Towards NQS" = 1, "Meeting NQS" = 2, "Exceeding NQS" = 3, "Excellent" = 4). The averages for each Quality Area and Overall Ratings were then compared to inform findings. When comparing quality ratings, the methodology used was 1 – x/y, to calculate the extent to which x (e.g., for-profit centres) was less than y (e.g. not-for-profit centres).

8 ACECQA management types have been aggregated for this analysis. Not-for-profit centres are an aggregate of "private not for-profit community managed" and "private not for-profit other", and Government run or managed centres are an aggregate of "State/Territory or local government managed" and "State/Territory schools". 1083 centres were excluded from this analysis, as of 10 August 2021 they were yet to receive a quality rating. A further 55 centres were excluded from this analysis, as their management type was either identified as "Other" or was unknown.

9 Cumming, T., Wulff, E., Wong, S. & Logan, H. (2020). Assessing your work environment. Bedrock, March 2020. https://publications.ieu.asn.au/2020-march-bedrock/articles2/assessing-yourwork-environment/

10 Based on UWU analysis of data sourced under Freedom of Information (for NT, QLD, WA, and NSW) and publicly available data (for SA and VIC). SA data published by the Education Standards Board (https://www.esb.sa.gov.au/node/636) and VIC data published by the Department of Education and Training (https://www.education.vic.gov.au/childhood/providers/regulation/Pages/enforcementaction.aspx). Service numbers sourced from ACECQA NQF Snapshot data for Q2 2021, available at https://www.acecqa.gov.au/media/32131. Please note the Victorian data cover the period 1 January 2016 to mid-2021.

11 Ibid.

12 Ibid.

13 https://bigsteps.org.au/wp-content/uploads/2021/08/Exhausted-undervalued-and-leaving.pdf

14 Tasmania and the ACT did not provide a breakdown by management type.

15 It should also be noted that the proportion of services that are for-profit (50% at national level, as shown in Figure 1) correlates closely with the proportion of approved licensed places in for-profit services (53.5%).

16 Based on UWU analysis of data published by the Victorian Department of Education and Training.

17 Based on UWU analysis of data supplied by the WA Department of Communities under Freedom of Information.

18 ACECQA NQF Snapshot, Q2 2021.

19 Ibid.

20 United Workers Union (2021). Exhausted, Undervalued and Leaving: The crisis in Early Education. https://bigsteps.org.au/wp-content/uploads/2021/08/Exhausted-undervalued-and-leaving.pdf.

21 Christopher Knaus, 'Coalition 'unlawfully' blocking freedom of information requests', Guardian, 19 August 2021, https://www.theguardian.com/australia-news/2021/aug/19/coalition-unlawfully-blocking-freedom-of-information-requests.

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23 Ibid.

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28 When comparing quality ratings, the methodology used was 1 – x/y, to calculate the extent to which x (e.g., for-profit centres) was less than y (e.g., not-for-profit centres).

29 ACECQA National Register of approved services, as of 10 August 2021.

30 Thorpe, K., Westwood, E., Jansen, E. et al. (2020). 'Working Towards the Australian National Quality Standard for ECEC: what do we know? Where should we go?' The Australian Educational Researcher 48, 227-247.

31 NSW Department of Education (2020). The NSW Regulatory Approach to Services Rated 'Significant Improvement Required'. https://education.nsw.gov.au/content/dam/main-education/early-childhood-education/operating-an-early-childhood-education-service/media/documents/policies/regulatory-approach-to-services-rated-significant-improvement-required.pdf.

32 ACECQA National Register of approved services, as of 10 August 2021.

33 'Excellent' and 'Significant Improvement Required' ratings were not included in this table, as both ratings rounded down to 0%.

34 Harrison, L. Hadley, F. Irvine, S. et al. (2019). Quality Improvement Research Project. Commissioned by ACECQA. https://www.acecqa.gov.au/sites/default/files/2020-05/quality-improvement-research-project-2019.PDF

35 It is worthwhile noting that regardless of management or ownership type, large providers (more than 25 services) and large services (more than 60 approved places) were more likely to see an improvement in their rating from 'Working towards NQS'. Additionally, not having had a change in ownership and being in a higher SEIFA area had a positive effect. Taken together, it can be argued that small for-profit providers and services in low SES areas that change hands often are the least likely to see quality improvement.

36 Australian Community Children's Services, 'Findings of the 2021/2021 Trends in Community Children's Services Survey', May 2021, p.25.

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39 UWU analysis of ACECQA National Register of approved services, as of 10 August 2021

40 Ibid.

41 Ibid.

42 'Excellent' and 'Significant Improvement Required' ratings were not included in this table, as both ratings rounded down to 0%.

43 These percentages were the difference between for-profit and not-for-profit percentages of overall quality ratings across different states (e.g., In ACT, 53% of for-profit LDCS were rated as 'Working towards NQS" and 20% of not-for-profit LDCs were rated at this level. This was reported as for-profit LDCs having 33% more 'Working towards NQS" centres in LDC).

44 All points taken from UWU analysis of ACECQA National Register of approved services.

45 Josephine Cumbo, 'Top Canadian pension fund plans C$70 million push into private markets', Financial Times, 5 July 2021, https://www.ft.com/content/7f3eb300-a98b-4cb1-bb83-0595eba18dfa.

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