

Multinational child care comes to Canada:

Questions and answers for CUPE members

1. What's the situation?

It appears that the world's largest child care corporation, ABC Learning, is behind a move to buy up for-profit child care centers in at least three provinces: British Columbia, Alberta and Ontario.

Since August, centers in these provinces have received letters offering to purchase their business. The letters come from a Texas intermediary for the 123 Busy Beavers Learning Centres corporation. This company has bought at least six centers in Calgary. More sales may be pending or have closed – vendors are being asked to sign non-disclosure agreements so it is hard to determine how quickly this is spreading.

CUPE and child care advocates have undertaken corporate research that shows 123 Busy Beavers has extremely close connections with ABC Learning, the largest child care corporation in Australia. While the corporation isn't targeting non-profit centers for purchase, this situation does pose an immediate threat to the future of public child care in Canada.

2. How could the entry of a foreign corporation threaten progress towards a national child care program?

We are at an important turning point. Canadian child care advocates have long called for a pan-Canadian early learning and child care system that's non-profit and public, based on a wide body of evidence showing the quality of care is higher with non-profit delivery.

The arrival of Australian giant ABC Learning in Canada, through the 123 Busy Beavers Learning Centres corporation, is a major development in the privatization of child care. If left unchecked, the expansion of for-profit, foreign chain ownership could seriously harm years of work towards a universal, public, non-profit system of early learning and child care, as public funds are diverted into private corporations. Government funds will fuel corporate profits – not build a system.

The strength and sustainability of a public child care system depends on it being non-profit. Once ABC gains a toehold, it will quickly flood the country, its expansion fuelled by a steady stream of public funding. Before 1991, Australia's child care system was 70 per cent not-for-profit. Then the government opened up funding to the for-profit sector. Within a decade, that proportion had flipped. Now, 70 per cent of the system is for-profit, with ABC owning about 25 per cent of the country's child care supply.

If we don't act quickly, ABC will act in a similar way to corner the Canadian child care "market", siphoning public funds into shareholder returns – not services and care. Its dominance will weaken the prohibitions that exist against private, for-profit ownership and delivery of child care, furthering the spread of for-profit care and squeezing out the non-profit sector.

The erosion of these prohibitions has started. The British Columbia government recently announced that it will be making capital funding for child care available to private, for-profit organizations. Public operating funds are available to the private sector in most jurisdictions, but capital financing has been restricted to the non-profit sector because even right-wing governments don't want public funds turned into a source of speculation and private profit.

3. Private, for-profit care is already here. What's the difference if it's foreign-owned by a chain?

For-profit care is in the minority in most provinces. In Canada as a whole, not-for-profit child care accounted for 80 per cent of spaces in 2004, the most recent year for which figures are available.

Of the remaining 20 per cent of child care that is delivered on a for-profit basis, the vast majority is delivered by small 'mom and pop'-style operators – not large corporate chains.

ABC's entry would signal a shift from this small-scale, decentralized model of delivery to a centralized corporate model of care, with policies, procedures and curriculum being set on another continent.

We don't want to see decisions related to children's health, well-being and development being made in boardrooms on the other side of the globe, by owners and managers who aren't directly accountable to parents, children and the community.

The multinational model of child care relies on economies of scale and corporate integration – an approach that removes most decisions from parents, caregivers and communities. For example, the ABC Lifesmart™ Curriculum is an initiative developed for classrooms at ABC Learning Centres. It is also used by some of the American chains owned by ABC, and is highlighted as the curriculum on 123 Busy Beavers' corporate web site.

ABC also owns or has significant stakes in Australia's largest toy distributor, as well as a private child care worker training and assessment program.

In addition to the loss of community control, foreign ownership triggers problems under international trade agreements. 123 Busy Beavers appears to have both

American and Australian connections and investors, bringing provisions of both the North American Free Trade Agreement and the General Agreement on Trade in Services into play (*see question #5 below*).

4. Aren't private, for-profit child care spaces delivered by 123 Busy Beavers better than no child care spaces at all?

The most recent statistics show that only 15.5 per cent of Canadian children aged 0 to 12 have access to a regulated child care space. While children and parents are facing a serious shortage of high-quality child care, the arrival of ABC/123 won't alleviate this crisis.

Right now, ABC is buying up existing stock, not creating new spaces to meet the pressing demand. When the corporation does expand, its spaces will be priced out of reach for many parents. Parent fees have spiraled upwards in Australia, with the average cost in some cities now over \$100 a day. Since 1990, parent fees have risen 123 per cent - or more than doubled - while household income has increased by only 62 per cent. Meanwhile, the Australian media reports that wait times in urban centers are longer than two years.

Much of Australia's system is funded through government payments to parents. Every time the government raises the payments, ABC increases its rates.

Under a corporate model, those children most in need of care may still find themselves out in the cold. In Australia rural, remote and Aboriginal communities, along with children with special needs, continue to face shortages of care, because there is no room for profit in delivering this type of care. We can expect the same exclusion in Canada.

In addition, when new spaces are created, they may not deliver the highest-quality care. Australian child care ranked very low overall in a 2006 report from the Organization for Economic Co-operation and Development. Parents regularly make headlines with quality concerns, and one recent study showed only 20 per cent of Australian workers at corporate child care chains would put their own children in the centers where they worked.

The same study reported concerns about the amount and quality of food for children at the centres, as well as inadequate time for staff to develop relationships with individual children, a situation that may be related to poor worker-to-child ratios at ABC centers. ABC workers also identified a lack of variety in the equipment provided for children. Far fewer workers at non-profit centers in Australia had these concerns.

Canada's kids don't belong in this kind of big-box care.

5. Can't we just try it and make sure we have tough regulations?

No. Reports from Australia show that ABC has successfully lobbied to prevent stricter regulations or higher standards. A recent example comes from New South Wales, where it is reported that the for-profit representatives on a government panel studying staff-child ratios swayed the government against the panel's recommendations of improved ratios. If ABC achieves the same level of dominance here, governments will face similar pressure.

Equally important are the trade dangers posed by the entry into Canada of a corporation with both American and Australian connections. These multinational corporate links open Canada up to trade challenges under both the North American Free Trade Agreement (NAFTA) and the General Agreement on Trade in Services (GATS). Once ABC gains a toehold, these trade agreements make it extremely difficult to reverse direction and move back towards a fully public system.

Corporations like ABC may be able to use the investor-state provisions and other clauses to oppose more stringent government regulations and prevent child care services from being brought back into public hands.

NAFTA gives corporations unprecedented power to directly challenge policies, programs and laws they see getting in the way of their ability to make a profit. These investment rules allow foreign corporations to challenge government policy, law or practice, and to claim damages.

Unless governments tread carefully in establishing a new child care program, corporations will use NAFTA's investor-state provisions to pry open the Canadian child care "market." The WTO's General Agreement on Trade in Services (GATS) would also come into play where child care services are provided on a commercial basis or if the Government of Canada agrees that child care should be a service covered by the GATS rules.

Both NAFTA and GATS trade disciplines would deny governments the right to prevent foreign child care companies from acquiring a dominant position in the child care sector. NAFTA rules would also mean that governments could not require the boards of directors of child care centres to be comprised of parents or community members.

The GATS could also curb governments' ability to specify qualifications for child care workers, or the licensing requirements for child care institutions, where those regulations are "more burdensome than necessary." In short, the ability of governments to create and maintain standards in the child care sector would be severely limited. We cannot allow this to happen.

6. Isn't this just ideological opposition to corporations and making a profit?

We have a firm opposition to private, for-profit delivery of all public services – including child care. We have very practical reasons for this opposition.

First, Canadians want their tax dollars spent wisely and effectively. Public dollars should not be used to subsidize a corporation's profits, and that's exactly what will happen if ABC gets into Canada. In Australia, 40 per cent of ABC's revenues come from government funds. Every cent of Canadians' tax dollars and parent fees should go to the administration and delivery of child care services.

Second, corporate delivery or ownership of services like child care threatens transparency and accountability – two crucial elements of high-quality early learning and care. 123 Busy Beavers is not a publicly-traded company, making it difficult to determine who controls the corporation. Parents concerned about the quality of care will have difficulty holding a corporation to account. Shareholders and children have very different needs, and very different bottom lines. Based on evidence from Australia, there is no way to adequately manage these conflicting interests. The drive to create ever-growing returns for shareholders will trump the needs of Canadian children.

7. Isn't this just about protecting CUPE jobs?

CUPE is proud to represent about 7,500 child care workers across the country. This fight is not simply about their jobs. It is advocacy on behalf of all CUPE members who are parents – and all parents in Canada who lack access to affordable, high-quality care. Parents – especially women – need child care that allows them to work, get an education, get off social assistance and be involved in their communities.

This is an issue that speaks to CUPE's commitment to the broader public interest. We undertook the investigation of 123 Busy Beavers/ABC out of concern for the future of a national early learning and child care program, and we are raising this issue publicly because we don't want Canada to make the same policy mistakes as Australia.

At the same time, we don't shy away from defending unionized jobs in child care. Research demonstrates a clear connection between decent wages and working conditions and higher quality care. Just 12 per cent of Canadian child care workers are unionized. Investing in the child care workforce will help build a strong system of excellent care for children.

Evidence from Australia shows that wages and working conditions are poor in corporate-owned child care centers. We don't want to import bad jobs and poor-quality care into Canada.

8. You are opposed to a corporation like ABC delivering child care. You also don't support the Conservative government plan to create much-needed child care spaces through incentives to business, a plan that has failed. What's your solution to the child care crisis?

There is no shortage of good policy advice on how to build a high-quality, public, accessible and sustainable early learning and child care program. Québec has managed to make great strides towards building just such a system.

As a first step, the federal Conservatives must reverse their opposition to Bill C-303 and proclaim the *Early Learning and Child Care Act*. The bill, which has the support of all three opposition parties, prevents the future expansion of for-profit child care by directing all federal funds into public, non-profit child care delivery – a move that would stem the flow of public dollars to corporations like ABC Learning.

In addition, the federal government must immediately restore the funding that was cut when Stephen Harper cancelled the 2005 federal-provincial child care agreements. Currently, Canada ranks dead last among industrialized countries when it comes to spending on child care. On top of this fiscal foundation, the government must increase its investment to deliver the funding it takes to build a high-quality, non-profit child care system. Money is not in short supply, as the Conservatives showed with their recent mini budget, which contained tax cuts that could instead have paid for the phasing in of a pan-Canadian non-profit public child care guaranteeing a space for every three- to five-year-old in Canada, along with other policy priorities.

A 2006 child care study published by the Organization for Economic Co-operation and Development – generally a business-centred, conservative organization – supports this policy direction. The OECD concluded that governments must directly fund child care services because this model brings “more effective control, advantages of scale, more even national quality, more effective training for educators and a higher degree of equity in access and participation than parent subsidy models.”

Once this legislative and funding framework is in place, the federal government will then be in a position to negotiate with the provinces to build the system of early learning and child care that Canadian children and parents have been denied for more than three decades. In the interim, we are urging provinces to enact a moratorium on new child care licenses and to pass legislation banning the flow of future capital, operating and subsidy dollars to for-profit operations.

We are also urging municipalities to follow the lead of the City of Toronto and pass resolutions outlawing expansion in the for-profit sector by directing all future public funds to non-profit operations – a move that will grandparent existing for-profit operations, while ensuring a solidly public future.

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