Nurture versus Capitalism

Why the child went missing from for-profit childcare

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The COVID-19 crisis has increased the visibility of caring work of all kinds, but has also raised questions as to who does caring work, who for, and how. Childcare is one particular example of work in the caring industry. It's time-consuming and attentive work, and there are numerous accounts of exhausted parents coping with COVID-19 restrictions while working from home. Young children need nurture and attention to thrive. But who should provide this childcare and in what circumstances? Whose job is it to look after young children? What kind of work is it?

A failing system

Various childcare subsidies, approximately £5.6 billion annually, are offered by the UK government, partly to fund childcare places to enable parents of young children to work, and partly to support early education, especially for vulnerable children. But these subsidies do not meet the costs of childcare and typically parents must top them up. In 2021, childcare fees on average were in excess of £7,000 per year per child for a 25-hour week, according to a Coram Foundation Provider survey published that year. Fees have almost certainly gone up during the pandemic.

The education subsidies intended for the UK's vulnerable children are underspent. They entitle vulnerable children aged two years and above to 25 hours of free childcare a week. This must be taken up in private childcare, as state sector nurseries do not admit children until they are three, and the latter typically offer only 15 hours per week – although this is changing. Research by Albakri et al. has shown that the poorest and most vulnerable two-year-olds are least likely to attend a childcare nursery. Low-income parents are blamed for not understanding the benefits nurseries can offer, yet from the point of view of commercial nurseries, they are unsatisfactory customers who do not occupy a full-time place, who do not pay extras, who may "lower the tone" of the nursery, and who are often discouraged from enrolling their children as a result.

Given the aims underlying government childcare subsidies, namely to offer time and space to working parents and to benefit children, you might expect high standards of education and care. Nurseries should be stimulating and encouraging places. But recent reports highlight the very low pay – often less than minimum wage – and poor qualifications of nursery staff, and high turnover. It is much cheaper to employ very young staff under apprenticeship conditions than to employ regular staff, as a 2020 Education Policy Institute report by Bonetti found. Another recent report by Christie & Co suggests that the UK's childcare workers are less well qualified than those in almost every other developed country.

MiChild: a sobering example

This muddle, the discouragement of poor children from using a service intended for them, and the poor quality of the services themselves, is because in the UK, nurseries are conceived by the government as an industry. Like eldercare and other caring services, much of the UK's childcare is organised on a commercial and entrepreneurial basis, by financialised and often indebted companies. These big nursery companies are involved in a continual acquisitions and mergers cycle, backed by private investment banks. They dominate the childcare market and are responsible for more than 50 per cent of all childcare places. Financialisation of company provision is often an international affair, with offshore accounts and global enterprises. More than 15 per cent of childcare in the UK is now run by international companies with head offices in the United States, Singapore, France, the Netherlands and even China.

Large nursery chains are funded by private equity firms that take on considerable debt, which can be set against tax to fund their expansion. Arguably, the actual nature of the business is almost irrelevant; it is a kind of asset management, bigging up the business so it can be sold on at a profit. For those lucky enough to go to a community or social enterprise nursery, profits are not the main raison d'etre, but it is precisely these nurseries that recognise social obligations and try to serve poorer local communities, that are most likely to be short of money.

One UK-based childcare company, MiChild [https://michildnurseries.co.uk/] , illustrates this process of acquisitions, mergers and debt. It is possible to follow MiChild's progress through its public records at Companies House, and through various trade journals where it publicised its business vision.

MiChild was founded in 2019 by Joel Selvadurai, [https://www.linkedin.com/in/joelselvadurai/?originalSubdomain=uk] a computer science graduate who was educated at Eton and would appear to have no childcare background. Over 20 months, his company bought up 18 nurseries in North West England. In one acquisition of five childcare centres, the deal [https://www.triplepoint.co.uk/articles/triple-point-deploy-loan-to-michild-group/bp214/] was backed by £5m in loans from Triple Point [https://www.triplepoint.co.uk/lending/direct-lending/s52063/] , a financial services company offering "rapid turnaround investments for startups [https://financialit.net/news/investment-management/triple-point-launches-rapid-turnaround-investment-initiative-start-ups] ". In a press release celebrating the deal, Selvadurai was quoted as saying:

> Triple Point were unique in that they were able to understand our long term business plan and back us at an early stage. We were looking for a lender that was able to move quickly on acquisition opportunities, which has been a key competitive advantage for MiChild in developing credibility with brokers and vendors on the acquisition trail.
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> — *Joel Selvadurai, a founder of MiChild*

Many of the nurseries acquired by MiChild were previously owned by smaller businesses whose owners had decided to retire or who gave up in the face of COVID-19. MiChild took out full-page adverts in the trade press that read: "MiChild would love to hear from owners of great nurseries who are looking to sell their businesses. We are looking for passionate nursery teams to join the MiChild family."

MiChild also hired a digital agency, MadebyShape, to give it a soft-focus media profile, including a promotional video that featured pretty, well-dressed child models in idealised surroundings and described the nurseries as "exceptional", "safe", "secure" and "inspirational". In fact, none of MiChild's nurseries are have been rated as outstanding by Ofsted.

On 4 January 2022, MiChild Holdings Ltd was declared insolvent [https://www.thegazette.co.uk/notice/3967460] and is now in administration. It appears that the nurseries it acquired may be in danger of closure and the jobs of their staff at risk. It is a vivid example of the UK's unsustainable and unreliable childcare industry, which holds out the prospect of high levels of profit, but in which businesses focused on expansion may undertake risky levels of borrowing.

In a dysfunctional system, children are the biggest losers

Ofsted, the regulatory body that collects data on the childcare sector in addition to carrying out inspections, has painfully poor information on what is actually happening in the sector. The regulatory system is there in principle to impose some kind of parity in a very diverse childcare market, where provision may fluctuate considerably. But Ofsted does not collect information about either company ownership or takeovers. Crucially, it does not collect any information on intake, fees or nursery income, even though as a regulatory body it might be expected to have a view on value for money.

There is surprisingly little resistance by parents to the high fees or to any other aspect of childcare. Parents suppress their concerns about the costs and quality of what is provided for children. One of us, as a parent of a young child, is only too aware of the likely consequences of making a fuss. First, there is an obvious lack of alternatives. State provision is likely to be much better and employs properly qualified staff, but doesn't cover working hours. Working parents are forced to choose between marginally better or marginally worse commercial childcare to fill the care gap. Many parents feel there is hardly any choice or room for manoeuvre.

Parents have to convince themselves the nursery is good – who would entrust their child to a bad nursery? In this regard, Plantegna argues that having chosen childcare, they are very unwilling to change it, partly because they don't want to admit they have chosen badly, and partly because of the upheaval of having to move the child. For many parents, identifying their nursery as a bad provider is unthinkable. Even when they complain privately, sharing their personal stories of inadequate care provisions with each other, only a few are willing to escalate to formal complaints. Those who do are quickly seen as troublemakers.

The biggest losers in the present childcare system are the children themselves. They are so often looked after in profit-driven regimes, where managers are rewarded above all for keeping within budget. The weakness of the regulatory regime, its focus on standardisation, and in particular its failure to consider any kind of fees or costings means that improvement seems unlikely. It is not a recipe for healthy social relations at any level, whether between parents and staff, among staff themselves, between children and staff, or among the children. The most independent-minded children may conform and get on with it, while the most fragile may be labelled as problematic. Children sitting in a corner of an overcrowded, cramped nursery, shouting or kicking due to the unhappiness of being looked after by an ever-changing set of extremely young carers, may be labelled as unruly, obstinate or worse.

In the era of COVID-19, the dysfunctional processes and poor outcomes of the UK's childcare system appear increasingly clear. At a time when parents and childcare professionals are having to rethink fundamental ideas about children and childcare in the wake of the pandemic, the government is presiding over a financial climate in which it is normal and respectable for predatory investors to extract income from childcare, just as they already do from health and eldercare.

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