REBUTTAL TALKING POINTS

How to Respond to Common Arguments from Private Equity

Americans for Financial Reform Education Fund

COMMUNITY CHANGE

NATIONAL WOMEN'S LAW CENTER

OPEN MARKETS

HOW TO RESPOND TO COMMON ARGUMENTS FROM PRIVATE EQUITY

False Claim: Private equity investment builds the supply of available child care.	
The Truth	**In fact, private equity chains drive instability in the sector**, because: • Private equity-owned chains usually grow by buying up existing local providers, rather than by opening truly new locations. These chains can be quite unstable because they use large amounts of debt to buy up small providers. When faced with business pressures or bankruptcy because of this debt, chains have instituted mass closures and sudden fee hikes, leaving families in the lurch and communities with less supply. • Private equity-owned chains tend to concentrate in communities where they can earn higher revenues. When they acquire centers in communities with lower incomes, those programs are at risk of closure when private equity chains decide to shift their resources to programs where they can make more money. • Private equity-owned chains have deeper pockets than existing businesses, and can use this money in unfair ways to undercut their competitors and drive them out of the market. For example, an FTC enforcement action against a private equity firm in the healthcare sector detailed anti-competitive practices, including driving up prices and sidelining competitors, when a single company became the dominant provider of anesthesiology services. • A stable child care workforce is essential for sustainable supply of child care. By cutting staff and pushing down the quality of child care workers' jobs, private equity-backed chains risk pushing more workers to exit the sector.

False Claim: Private equity-owned chains pay their staff well and are good places to work.	
The Truth	**In fact, private equity programs engage in low-road labor practices:** • While private equity-owned chains as a group tend to pay on par, or even slightly above, what other child care employers pay, they also experience higher levels of staff turnover. This turnover is a prime indication that employees do not find the work there sustainable. Children especially benefit from stable caregivers – indeed, it is a core metric of child well-being. As such, high staff turnover harms the overall quality of care. • Common private equity tactics are geared toward reducing expenses at all costs, including by cutting staffing levels to the bare minimum, using unpredictable schedules, and hiring more employees for lower-paid positions or without advanced qualifications. These tactics harm workers, make their jobs more difficult, and increase staff turnover, which decreases the quality of care as well as employee well-being. • Private equity-owned chains are more likely to use their political influence to block policy efforts to raise child care worker wages and benefits, or to improve workplace conditions.

False Claim: Parents don't know that private equity is behind their care center, and sometimes the original owner who sold to private equity remains the center director, so ownership doesn't matter.	
The Truth	**In fact, private equity control drives decision-making that prioritizes profiteering over children:** • Private equity tactics rely on and exemplify harms from structuring businesses to maximize profits rather than provide high-quality care. In the healthcare and retail sectors, these tactics have led to unstable businesses prone to sudden closures, high user fees, and high staff attrition, such as seen by the Steward Health crisis in Massachusetts in 2024. Private equity incentives are aligned in the same way for private equity-backed child care, so similar harms are likely without government intervention. • Even if the original owner is the center director, once they have sold their enterprise, they lose the power to dictate how that program will be run. This means that they cannot control whether the program will adopt a different curriculum, hire fewer staff, get sold to another chain, or even whether the program gets shut down. • Because private equity funds are designed and built to return profits to their investors, rather than serve children and parents, even if parents are not aware of the ownership structure, the private equity firm is likely to shift operations in ways that drive up costs for parents and harm children. • Based on the structure of private equity funds, profits are prioritized over any other concern. Therefore, families need transparency about who is calling the shots so that they can make an informed decision for the care of their children. • Beyond specifically countering private equity and other unfair tactics, the proposed reforms move us towards a child care sector with affordable, high-qualityhigh quality child care where public investments are used to ensure that child care workers are paid a thriving wage and parents can find child care that meets their needs and preferences.

False Claim: Private equity owns a small share of child care providers, so it should not be seen as a threat to the sector as a whole.	
The Truth	**In fact, the concentration of private equity control over child care programs can destabilize the sector and harm children, families, and other providers:** • Child care is an inherently local service. Families are only going to be able to access care within a reasonable distance from their home or places of work. Even if private equity-owned companies only control a relatively small share of the national market, they can very easily become dominant providers in a particular local market and undercut other providers in those markets. • Private equity-owned chains own approximately 10% of child care centers nationally. This is comparable to the national market share that private equity controls in sectors like nursing homes or hospitals, where systemic harms due to their tactics have been widely recognized. • Private equity-owned chains have the financial and political resources to play an outsized role in shaping the child care landscape, often by advocating for reduced quality standards, such as around child-staff ratios. The structure of private equity funds means they are incentivized to push for sector-wide policies that prioritize maximizing profits, rather than supporting children and families.

False Claim: The real problem in child care markets is not private equity, it is small providers. By being larger and by consolidating the market, private equity is making it easier to regulate the market.	
The Truth	**In fact, private equity ownership of child care programs poses distinct risks:** • Families have many different preferences about the type of environment in which they want their young children to receive care. A mixed-delivery system in which families have their pick of many different types of providers is the system that allows families to choose the best program for their children. By consolidating the market, private equity-owned chains reduce this diversity of choices for families. Any policy reform for this sector must help small providers retain their independence and connections to their communities. • The threats from private equity are one of a number of challenges to address in child care markets. However, private equity-backed chains have an enormous incentive to identify and exploit regulatory loopholes in order to maximize their profits. By building guardrails against private equity profiteering and investing in regulatory enforcement, policymakers can protect families and communities and ensure taxpayer funds support a child care sector that meets families' needs.

False Claim: Private equity is too well-financed to effectively counter with public funds or regulation	
The Truth	**In fact, the government can regulate private equity in the public interest:** • Nobody is above the law. Private equity is very well-financed and has been known to use its resources to impact the market and policy realities. Nevertheless, these chains must be required to comply with federal and state regulations, and the government should take action in the public interest to that end. • It is the responsibility of the government to put guardrails in place to ensure private equity does not overreach, put kids in danger, engage in unfair behavior, or use taxpayer money to increase investor profits in ways that harm children and families. • Our power is in our own numbers – the numbers of people we organize. Our responsibility is to press our elected officials to represent our interests, not international billionaire investors.