TALKING POINTS

State Private Equity Playbook

Why We Need to Regulate Private Equity and the Financialization of Child Care

AFR EF Americans for Financial Reform Education Fund

COMMUNITY CHANGE

NATIONAL WOMEN'S LAW CENTER

OPEN MARKETS

MORE PUBLIC INVESTMENT IN CHILD CARE IS CRITICAL.

FOR PARENTS AND WORKERS:

Many providers, especially those who provide subsidized care, struggle to make ends meet, and their low pay does not reflect the true value of the care work they do. The majority of workers in the field are women, and disproportionately women of color.

FOR PARENTS:

Parents who have access to child care programs cannot afford to pay more for care, and their providers cannot afford to charge less. In fact, paying for child care, which is crucial for parents to maintain their employment, jeopardizes their ability to meet their families' other basic needs.

At the same time, too many families cannot find or cannot afford regular child care at all, and many must patch together arrangements that don't provide parents or their children with the kind of stable care that promotes children's development and families' economic security.

Public funding–and only public funding–can address these challenges to build a comprehensive, 21st Century child care system that recruits, retains, and equitably compensates providers so that all families can secure high quality, stable care for their children.

PROGRAM EXPANSIONS ALSO NEED TO COME WITH SAFEGUARDS

The goals of increasing affordability and access to high-quality care for families and funding fair compensation for providers by increasing public spending comes with risks. Expanding child care slots and covering the cost with taxpayer dollars invites for-profit programs–specifically child care providers that are owned by private equity or other investors–to use public resources to expand their footprint, too.

When private equity backed interests entered other caregiving sectors, including health care and nursing home care, caregivers and patients suffered. Like private equity-backed interests in other caregiving sectors, the private equity child care model is designed to extract resources from communities to pay off huge amounts of debt and provide returns to investors. It is a profit based system that comes at the expense of workers and families – private equity corporate owners keep labor costs low, and compromise on quality in order to divert revenue to their lenders and investors.

At the same time, because communities desperately need child care, private equity and corporate-owned programs use their leverage to fight rules designed to protect the interests of families and workers, and to reduce competition so they can consolidate their share of the child care market and expand their power over policymaking.

As states and localities ramp up their public investments, each should decide the mix of program types that is right for families and their communities, and the appropriate role for programs whose primary purpose is maximizing profits.

Whatever they decide, states and localities should also shape a set of rules to guide how taxpayer funds are used, to make sure they go towards making child care work better for parents, early educators, and communities. That could mean setting limits on profits for corporate owners, imposing conditions to promote affordability, access, equity and quality, or even determining that their vision for child care as a public good requires a limit or ban on the receipt of public funds by privte equity-owned programs. In all cases, these rules, and any investments of public dollars, should be set through an open and transparent process, and monitored to ensure compliance by all recipients.