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Charting the 21st Century Rise of For-Profit Residential Child Care

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Abstract: This article explores the increasing prevalence of for-profit residential care, with a particular focus on Great Britain, while also drawing on the international evidence from the Global North. Comprising a critical review of the published evidence (both academic and grey literature), the article seeks to examine what might explain the rising prevalence of and the possible associated impacts of the increase in for-profit provision. The findings indicate that the rise of for profit-companies among residential child care providers appears to have occurred by default, rather than explicit policy design. Our analysis also highlights gaps in the knowledge base about the quality of care and whether better quality is associated with the type of provider. Furthermore, the relationships between provider, quality, cost and outcomes are unclear. There are inconsistencies in the evidence base, with different conclusions being reached. However, available evidence tends to suggest the increased prevalence of for-profit residential child care providers has had an overall negative, rather than positive, effect. The best case in favour of the continued use of for-profit residential care is currently a non-moral pragmatic one: that in countries with medium and high prevalence of the use of residential child care, it would be hard to sustain care systems if for-profit providers were to suddenly withdraw or be withdrawn.

Keywords: out-of-home care; residential child care; privatisation; private equity; transnational corporations; for-profit care providers

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1. Introduction

Over the last decade, increasing questions have been asked about the increasing prevalence of for-profit residential (group) child care providers in Great Britain, which sit among wider concerns about moves to privatise elements of its child welfare services [1] These concerns are shared in a number of other countries of the Global North [2–5]. In Great Britain, the concerns recently generated an investigation into the levels of profit-making in placement provision by the Competition and Markets Authority (CMA) [6]: this is a non-ministerial Government Department in the United Kingdom which oversees markets' operation. These sit among a set of wider challenges in finding suitable residential placements available for young people with high-level and complex needs [7].

This article contains a critical analysis which charts and explores the rising prevalence of for-profit residential child care provision in 'Great Britain' (GB) (GB refers to Wales, Scotland, and England; the United Kingdom (UK) refers to these three countries as well as Northern Ireland), with a particular focus on England. The article explores the potential reasons for this rising prevalence and assesses what is known about its impacts. It places these in a wider international context by exploring similarities and divergences in the residential child care sectors in other post-industrial countries of the Global North.

The findings indicate that the rising proportion of for profit-companies among residential child care providers appears to have occurred by default, rather than explicit policy

design. Our analysis highlights gaps in the knowledge base about the arising quality of care and whether better quality is associated with the type of provider. Furthermore, the relationships between provider, quality, cost, and outcomes are unclear—there are inconsistencies in the evidence base, with different conclusions being reached. However, the currently available evidence does tend to suggest that increased prevalence of for-profit residential child care has had an overall negative effect. Thoughts on implication and future policy directions are offered in the Discussion and Conclusion sections.

2. Materials, Methods and Concepts

This article is based on a critical review of evidence exploring the following questions:

- What is the evidence for the rising prevalence of for-profit residential child care provision in GB?
- What might explain the rising prevalence, and what is known about its impacts?
- What evidence is there of similar or divergent developments in other countries in North America and Europe?

As in other countries, residential child care provision in GB may be provided by 'private' for-profit companies, non-profit 'voluntary sector' charitable organizations, or by state ('local authority') providers. The balances between these three types of provision have changed historically in light of social policy and political developments [8]. For-profit companies providing residential child care have usually included small, generally family-run companies which own one or a few facilities and medium-sized firms which own several. However, in GB and internationally, both have been superseded by the entry of larger corporations into residential care provision. These corporations tend to purchase large numbers of residential care facilities and frequently also deliver other public welfare services alongside activities in the non-public economic sphere [3,6,9].

Given the focus on GB, and England in particular, the analysis for this article began via analysis of government statistics and data on the residential child care sector in England as well as the recent CMA report which explored profit-making in placement provision in GB [6]. Additional literature was identified by a hybrid strategy of reviewing key index literature which was known to the authors with relevant data within it; backward and forward citation searching from this literature; and a search of Google Scholar and of the Social Science Premium Collection database via ProQuest using the search string "residential AND child* OR youth AND private OR profit". Inclusion was based on relevance to the questions set above. Any sources considered were in the English language only and no date restrictions were applied, though the vast majority of literature retrieved was post-2000.

We suggest three moral positions towards for-profit residential child care provision. The first is a principled objection position that profiting from the care of vulnerable young people in out-of-home care is morally wrong in all circumstances. The second is a pragmatic position that for-profit provision can be morally justified but only if it provides clear advantages over non-profit provision. The third is what we term a market-orientated position that market mechanisms and competition between suppliers of residential child care provision will drive down costs and improve its diversity and quality. The underpinning moral justification for a market-orientated position is, we suggest, identical to a pragmatic position but differs in assuming that the entry of for-profit provision will lead to lower-cost and better-quality services if market mechanisms operate correctly. A pragmatic position would, however, premise the use of for-profit provision on the conditionality of clear evidence of its advantages.

The remainder of the article outlines the context of residential child care provision in Great Britain and charts the rise of for-profit provision in the three constituent GB countries. It then explores the potential GB-specific reasons for it. Second, the article places this evidence in a wider North American and European context by exploring similarities and divergences in this area. Third, the article explores underpinning reasons for the rise in for-profit residential child care provision across countries as a wider phenomenon of global

capital entry into public welfare service provision in post-industrial countries in the 21st century. The discussion summarizes the findings and considers proposals for addressing emergent concerns.

3. Results

3.1. Evidence from Great Britain

3.1.1. The Great Britain Context for Residential Child Care

Compared to other countries in the Global North, GB falls into a low utilization category of residential child care: a little over 10% of all placements are in the sector in Wales, Scotland, and England [6]. This compares to close to, or more than, 50% in Spain, the Netherlands, Germany, and Finland, and over 90% in Portugal [10]. The lower use of residential child care provision in GB means it is principally used for young people over 10 and young people with higher-level care needs [11]. The majority of children in state care in GB are in family-based foster care, and there have also been concerns about the increasing presence of for-profit and private-equity-backed for-profit fostering provision [6]. At the same time, demand for residential child care placements has been rising over the last decade as the numbers of children in state care in Wales and England have been on a rising trend [12]. One feature of this over the last five years has been large increases in the numbers of teenagers with highly complex needs who require care placements: a shortage of appropriate local provision has seen a number of young people being placed in unregulated placements and at significant distance from their home areas [7].

3.1.2. The Rise of For-Profit Residential Child Care Provision in Great Britain

The United Kingdom is an independent state which is made up of Wales, Scotland, Northern Ireland, and England. Since the 1990s, some policy-making powers have transferred to national Parliaments in Wales and Scotland and a national Assembly in Northern Ireland. These bodies can legislate on matters in their respective countries which are not 'reserved' to the UK Westminster Parliament's exclusive jurisdiction. Legislation and policy which relates to children's social care and work is *not* reserved to Westminster. Therefore, the national Parliaments and national Assembly are able to develop country-specific legislation and policy in this area. One consequence of this has been an increasing divergence between the four constituent countries of the UK since the late 1990s in social care and social work legislation and policy.

There has been a substantial increase in the proportion of all care placements provided by for-profit providers in Wales, England, and, to a lesser extent, Scotland, over the last two decades [6], (see also Table 1, below). Though UK Government statistics on for-profit residential child care provision have not been consistently published, the data that have been nonetheless demonstrate a marked increase in for-profit provision residential child care, as well as for-profit fostering services, in the last 25 years in England. The overall prevalence of *all* for-profit placements in England increased from 28% [13] to 38% of *all* placements in just over a decade [14]. The rise in for-profit residential child care provision specifically has been ever starker. In 1998, just 12% of residential child care provision in England was for-profit [15]; the latest Government statistics show this is now 80% of all residential child care provision [14]. The recent CMA analysis reported that for-profit providers now supply a similar proportion of residential placements in Wales (77%), with a notably lower but still substantial proportion (35%) in Scotland [6].

Table 1. Proportion of children in RCC in England in for-profit RCC in England, 1998–2022 (Sources: [13–15]).

	All Children in RCC	Children in for Profit RCC	Percentage of Children in RCC in for Profit
2022	14,150	11,280	80%
2010	8190	4490	54%
1998	6650	770	12%

It is notable that the initial surge in for-profit prevalence in England occurred at some point between the late 1990s and 2010 under left-of-centre 'New Labour' Governments. Supporting this contention, in 2013, a (Conservative) cabinet minister, who at that time had overall responsibility for children's social care in England in Prime Minister David Cameron's first Government, stated there had been a decline in local authority residential child care provision from 61% in 2000 to 35% six years later [16]. Since 2010, under successive Conservative-led Governments at the UK level, there has been a further marked rise in the numbers of children and young people in for-profit residential provision, reflecting both growing numbers of older children within the care system as well as the ongoing growth in prevalence of for-profit providers.

3.1.3. Great Britain Specific Reasons for the Rise in For-Profit Residential Provision

Successive UK governments from 1979 embraced the entry of for-profit providers into publicly funded welfare services. A UK landmark was the NHS and Community Care Act 1990, which introduced a purchaser–provider split, paving the way for the development of an internal market within the National Health Service (NHS) and commissioning arrangements for services in regional government local authorities. This change, supplemented by subsequent legislative and policy reforms, has seen governmental bodies in the UK retain overall statutory responsibility for the delivery of public services while the services themselves are frequently contracted in from for-profit providers. New Labour Governments from 1997–2010 extended the use of market mechanisms within public service delivery, and these were further embedded in children's services under right-of-centre governments from 2010 [1].

The rise of for profit-companies among residential child care providers since 1998 appears to have principally occurred by default, rather than explicit policy design [17]. Instead, broader market-orientated reforms in other areas of public service delivery provided encouragement to for-profit companies looking for additional areas of public welfare provision to expand into. Within child welfare services, placements were the first area of children's social care services to be significantly outsourced from the late 1990s. Subsequently, the Cameron Governments (2010–2016) indicated their warmness towards increasing for-profit provision in child welfare services more broadly. This included, in the mid-2010s, proposing to open up child protection services in England to for-profit providers, rowing back after significant public opposition [1]. The first Cameron Government had previously commissioned a report lead authored by a firm specializing in private health care market analysis [18], which adopted a strongly market-orientated position in laying out models for greater for-profit involvement in a range of children's services provision in England. With respect to residential child care placements, the report contained the claim that in England, there had "long been a particular concern over the conflict of interest that exists due to local authorities both commissioning and providing placements for children" [18] (p. 119). It also reported the claim that "Outdated costing, sequential decision-making, rigid contracting mechanisms and burdensome tendering processes" with respect to residential child care provision [18] (p.120) were problematic. The experience of Scotland—where there is a lower proportion of for-profit residential child care, as well as a formal ban on for-profit foster care providers [6]—and Northern Ireland—where the proportion of for-profit residential child

care provision has remained minimal [19]—provide points of contrast within the UK. These contrasts strongly suggest that within the UK, regional conditions, though not necessarily formal policies, have facilitated or inhibited the development of for-profit residential child care provision.

The decision of local authority and voluntary sector providers to leave residential child care provision in large numbers in Wales and England from the late 1990s also merits consideration. The following appear significant. First, local authorities and voluntary sector organizations had to make large cuts following UK government 'austerity economics' plans from 2010 [20]. Residential child care provision has long been noted to be considerably more costly than family-based placements [11]. While recent attention has focused on the excessive cost of for-profit placement provision to local authorities [6,21], this has only become a significant policy concern in recent years. In the early 2010s, when local authorities and voluntary sector organizations were looking to make savings, reducing direct provision of residential child care facilities would have been initially attractive given the capital investment, interest on borrowing costs, and high ongoing running costs associated with it.

Second, national policy makers have engaged in marked criticism of state 'failures' within child welfare services in England while encouraging for-profit provision. Conservative governments from 2010 have removed some regional statutory children's services from direct local authority control due to alleged inadequacies in their performance [1]. Poor individual-level service performance has thereby been linked to its management within state (local government) organizational structures. By contrast, examples of inadequate or dangerous child welfare service provision by for-profit companies has either passed without public comment from senior policy makers, or has been presented as an individual issue, rather than a systemic one linked to the modus operandi of profit-making firms in welfare provision (e.g., see [22], Column 138).

3.1.4. The Impact of For-Profit Provision in Great Britain

We turn to examine whether there is evidence of the increasing prevalence of for-profit provision having positive impact on residential child care provision in GB, as the moral justifications for both a pragmatic position and a market-orientated position require.

The Quality of For-Profit and Public Residential Child Care Provision

There is little research comparing the quality of different models of ownership of residential child care provision in GB. One of the few studies to do so is over 25 years old, and the authors were also at pains to emphasize that their study was not a strictly comparative one (there was much more local authority than for-profit provision in their sample) [23]. The authors did, however, find that young people had better experiences within for-profit provision and that staff morale was better. The authors suggested this finding could be explained by the private residential homes' greater focus on a treatment regime which was underpinned by their greater distance from children's home communities. It would be unwise to draw wider conclusions from a single, dated, indirectly comparative study conducted before the rise in prevalence of larger for-profit companies had occurred. However, the study did illustrate the possibility that for-profit provision could provide better quality of specialized residential care provision and suggests a possible reason why policy makers may have believed at this time that the expansion of such provision could prove beneficial.

In a contemporary context of high prevalence for-profit provision in GB, one concern about its prevalence has been exactly that it is associated with young people's placement at distance from their home communities. In 2010, the UK government introduced statutory guidance for England giving local authorities a 'sufficiency duty' to maintain an adequate number of placements for children and young people to be placed locally [24]. However, a recent study [25] found that the increasing prevalence of for-profit providers in foster care and residential child care was statistically significantly associated with the placement of fewer children in their local authority area, though they did not establish a causal link.

There is also no recent evidence that for-profit provision is better quality as judged by other criteria. An organization principally representing for-profit providers of children's homes in Wales and England has stated that there is no systematic difference in quality between for-profit and other ownership types of residential child care [26], a claim repeated in the recent CMA market analysis (2022) [6]. It should be underlined that this claim is not that for-profit provision has improved the quality of residential child care provision, only that it is, on average, no worse.

Even this more residual claim is questionable according to current evidence. There have been a number of concerning reports by the independent non-ministerial government inspectorate of children's homes in England, The Office for Standards in Education, Children's Services and Skills (Ofsted), concerning for-profit facilities. Ofsted inspect children's homes against a range of domains to review the quality and safety of care provided to young people in a particular residential child care facility and provide an overall rating of the home based on a four point scale ('outstanding', 'good', 'requires improvement to be 'good', and 'inadequate'). Recent journalistic investigation reported that, of the private children's homes whose most recent Ofsted inspection reports they had examined, 114 had been found to be 'inadequate', 20 of which were linked to private equity firms [27]. It should be emphasized that is not only for-profit children's homes that Ofsted inspections of children's homes have raised concerns about. However, in-depth analysis has established that for-profit residential care facilities are less likely to receive better Ofsted ratings. Bach-Mortensen et al. [28] found, based on detailed analysis of all Ofsted ratings of children's homes in England from 2014–2021, that for-profit children's homes were statistically significantly less likely to receive better ratings across all the domains Ofsted inspects against compared to state and voluntary sector provision. They also found that for profit providers were 1.44 times more likely to have violated a legal requirement than local authority providers. In a separate study, the same authors [25] also found that the rise in for-profit provision in both foster and residential child care has been associated with a statistically significant decrease in placement stability, where placement stability is defined as the proportion of children who have been in the same placement for at least two years.

Such findings could be influenced by wider contextual factors such as placement and commissioning decisions to place or move children which are beyond an individual provider's control. For example, sequential placement decision making could mean children are placed in for-profit provision only after local authority placements have been unsuccessfully tried, influencing some of the negative differences identified. However, this is a speculative claim which, at least currently, lacks empirical data to support it.

Costs

We turn now to consider evidence of the impact of for-profit residential child care provision on its cost. This section focuses on GB, although similar issues are evident internationally (c.f. [29]).

Concerns about the high cost of residential care are long-standing, and particularly the difference in cost between residential and foster care [30]. During the intervening period, there have been attempts to better understand the costs of different placement options and explain variations. Knapp and Fenyo (1989) [31] included indirect costs in their analysis and indicated that this approach reduced the difference in costs between foster care and residential care. However, it should be noted that cost comparisons between different placement types (i.e., foster versus residential) are largely unhelpful, given they are such different provisions, with very different running costs. It has been argued that it is preferable to relate the costs of placements to the needs and circumstances of children, the quality of care they receive, and the outcomes achieved [32]. It is only by comparing costs and outcomes that we can identify which services (placements) provide the best use of limited resources [33].

In the late 1990s, concerns were raised in England about the delivery of (cost) effective children's social care and unexplained variations in the costs of services [34]. This was

also at a time when the number of children in England being placed in care was going down and the total expenditure was increasing, with no explanation for the increase in unit cost per child or whether resources were being used effectively [32]. These concerns led to the commissioning of a national research initiative with the inclusion of an economic component in all studies [35]. Of relevance, one of the studies focused specifically on the leadership, management, and resources in children's homes [36]. They sought to understand the variations in costs of different types of residential provision and identified that these could be attributed to a range of factors including the needs and characteristics of the children, the staff-to-resident ratio and the provision of 'packages of care' (including education on site). They also identified geographical variations with higher costs being associated with provisions in the South of England [36].

Since the early 2000s, unit costs of different placement types have been published in the UK; these are usually based on a nationally applicable average for either foster care or residential placements, and a range of approaches have been used. The variability in approaches (for example, the use of either top-down or bottom-up methods (a top-down approach to unit costing assembles all the relevant expenditure of providing a placement and divides this by the number of children in receipt of that type of placement. A bottom-up approach identified all of the constituent parts of the delivery of a service (i.e., placement) and assigns a value to each)) and what components have been included in unit costs makes comparisons difficult [37], although some sources do distinguish between local authority provision and the for-profit sector. However, like-for-like comparison of the costs of residential placements by different providers has been an ongoing point of contention. Hicks and colleagues (2009) [36] reported that children's homes provided by the 'non-statutory' sector were more expensive than those in local authorities, but that the difference was not statistically significant. Furthermore, Ward, Holmes, and Soper (2008) [32] identified substantial variability in the costs of residential placements and offered examples of for-profit, specialist provision, such as therapeutic settings that include psychological services as part of the placement, with high staff-to-child ratios having the ability to skew the budget for children in care in a local authority. More recently, Stanley and Rome (2013) [38] reported that the cost of homes provided by the for-profit and voluntary sector (based on the prices paid by local authorities) was substantially lower than the annual unit costs published by the government: GBP 2841 [USD 3570] per week compared to GBP 3282 [USD 4124]. The most recently published unit costs [39] indicate the opposite of the findings from Hicks et al. (2009), reporting a higher weekly unit cost for local authority residential care (GBP 5045) [USD 6340] than for private and voluntary homes (GBP 4332) [USD 5444]. The fundamental issue with these comparisons between providers is that without necessary transparency in the calculations and assumptions underpinning the calculations, it is impossible to determine whether the differences are real or just a result of different methodologies [37].

The reported costs of placements and cost comparisons is, however, only one element of considering the role of privatisation. To understand the cost-effective delivery of services, we need transparency in the amount of profit that is being made and how that profit is being used (e.g., is it released in dividends for shareholders, or is it re-invested in improving service provision?). Notably, the CMA investigation [6] (pp. 9–10) identified significant cause for concern with respect to large, and excessive, profit making across GB in the for-profit residential child care sector:

> *For the children's home providers in our data set we have seen steady operating profit margins averaging 22.6% from 2016–2020, with average prices increasing from GBP 2977 [USD 3741] to GBP 3830 [USD 4813] per week over the period, an average annual increase of 3.5%, after accounting for inflation.*

In summary, there are still substantial gaps in the evidence base about the value for money of different types of residential provision, and in particular associations between cost and quality. There is also concerning evidence that lower cost provision in the for-profit sector is likely to be related to factors such as low pay and poorer training and development

for staff—factors that impact negatively on the quality of provision [10]. Consequently, there is now a growing number of local authorities in England that have established plans to open in-house residential homes to meet the needs of their adolescent population [40], a divergence from the previous impetus to close local authority children's homes that has been prevalent during most of the 21st century in GB.

3.2. International Evidence

The paper turns to place these developments within an international context by describing the rising prevalence of for-profit residential child care provision in other countries of the Global North. It then examines reasons for the growing involvement of large for-profit companies in public service delivery as a phenomenon in post-industrial countries in the 21st century.

3.2.1. International Evidence on the Prevalence of For-Profit Residential Child Care Provision

Though data on for-profit residential child care prevalence are not available for all countries, there is clear evidence that Wales, Scotland and England are far from unusual in seeing the 21st century rise of for-profit child care. There is also some evidence of variation at the country, and sometimes regional government, level. We use the descriptors 'high prevalence' to refer to countries where the majority of residential child care provision is for-profit, 'medium' to describe those where it is 25–50%, and 'low' where it is less than 25%.

Those countries with high prevalence for-profit provision include Ireland (67%), where for-profit provision has significantly increased in the 21st century [2]. Finland and Sweden have, respectively, a little over 80% and a little under 80% for-profit residential child care provision [5]. In Canada, there are large variations between regional government areas: in some, such as British Columbia, there is high prevalence for-profit provision [41], and it is also widely used in Ontario [42], though data on its exact prevalence could not be found. There is a lack of data on national prevalence of for-profit provision in the USA, but concerns have been raised about private-equity-backed firms' involvement within the 'troubled teen' residential industry, as well as in foster care provision, since the late 1990s [4].

In contrast, Norway falls into medium prevalence, with 45% for-profit provision, while Denmark falls into low prevalence (22%) [5]. Quebec, another regional government district within Canada, only possesses state-run residential child care facilities [41]. In France, only 5% of residential child care provision is for-profit—the vast majority is provided by non-governmental non-profit organizations, alongside approximately 15% state provision [43]. Portugal has no for-profit provision—the vast majority of residential child care is provided by non-profit charitable organizations alongside a small number of state providers [44]. This is despite the fact that the residential child care sector also provides the vast majority of out-of-home placements for children in state care in Portugal [44].

There are indications that the increasing prevalence of for-profit provision occurred from the late 1980s onwards in Nordic countries [3,5]—a decade earlier than in Great Britain—albeit with a similar process of increasing prevalence in the 21st century. Gilligan [2] suggests the shift to high prevalence for-profit provision in Ireland has occurred over a similar period. Meagher et al. [3] also document how in Sweden there have been shifts in the organizational form of for-profit residential child care provision from small, private, often family-run firms (in the late 1980s and early 1990s), to medium size companies (in the 1990s to 2000s), to large companies from the 2000s. Although timescales may differ internationally, the shift over time towards large corporations' entry into public welfare provision, associated with both private-equity-owned or -backed companies and transnational firms, appears to be shared in higher prevalence countries [4,6,45]. We turn now to explore the politics and economics behind such developments in more detail.

3.2.2. Factors Underpinning the Entry of For-Profit Firms into Public Welfare Provision in the Global North

As in GB, the rise of for-profit involvement in residential child care provision in the Global North more generally has been part of the expansion of neoliberal principles which have also underpinned the growing role of for-profit actors in public welfare provision more broadly. In the 1970s and 1980s, market-oriented reforms were introduced in response to what was deemed an ineffective and expensive public sector (e.g., [46]). The spread of pro-market ideology was accompanied by regulatory changes that allowed for-profit actors to enter emergent 'care markets' [3,46]. Underpinning this spread was also ideational change away from egalitarianism in favour of ideals of "choice and diversity" alongside the increased political influence of private welfare-providing companies [47], who also took advantage of the slow response of the non-profit sector to increased welfare demands [48].

The three most prominent aspects of the rise of for-profit firms in public welfare internationally are the growth of outsourcing to for-profit service providers, the corporatization of the sector, and the rise of private equity involvement.

Outsourcing to for-profit actors has sometimes been a response to understaffing in social services, especially child welfare, through the use of for-profit staffing agencies—a costly and potentially problematic solution [49]. Foster care has also seen marketization in a number of countries, whereby public authorities contract non-state, including for-profit, foster care agencies to recruit and support foster families, often in response to a shortage of foster care placements [50]. Further, social services in some countries have moved to hire private consultants in child protection investigations, which determine what kind of measures are needed to protect the child, i.e., involving them in the exercise of public authority. The latter may have important implications for children given that private consultants handle investigations differently compared to municipally employed social workers [51,52].

Another important aspect of the ongoing for-profitization of public welfare delivery across countries is the increasing corporatization of the sector. Large companies increasingly invest in health and social care services (e.g., on elderly and childcare, see [3,45,46,53]). Often, these large corporations offer a broad range of services, may run multiple subsidiaries, and operate across national borders [45,46,54]. For example, 70% of the private care market in Sweden is owned by the five largest international chains, with services relating to disability, addiction, health care, and child welfare [55]. Some care corporations are owned by private equity firms, and some are listed on the stock market. Notably, there is a rise in transnational corporations—the significance of which still needs investigation [56]. Typically, care corporations start in elderly care or personal assistance and later move into other fields, including residential childcare.

Similarly to the situation in GB, internationally scholars have explained the expansion of for-profit social welfare providers through macroeconomic goals of reducing budgetary deficits, driving cost-saving public sector reforms [57,58]. The rise of for-profit provision is also associated with New Public Management policies and popular ideas about the importance of consumer choice, competition, and attracting private capital for ensuring high-quality provision, diversity, and efficiency, along with legal changes allowing for-profit companies into the market [3,5,59]. The rise of for-profit hospitals in the USA, UK, the Netherlands, and Germany was shown to be linked to improved access to state subsidies and reimbursement by the state [60]. Another factor was probably the increased workload in social services and stricter professional requirements for staff employed by municipalities in child protection [51,52]. The high turn-over of staff and deficit of workers with specific qualifications meant that state-provided services were overstretched, which created gaps in provision which for-profit providers moved into.

The expansion of large corporations is also associated with regulatory changes and increasingly complicated procurement procedures, which disadvantage smaller operators [5,46]. However, it appears that the ongoing ownership shift to for-profit actors has

occurred without explicit public policies aimed at for-profitization of this scale: for-profit companies were expected not to replace but to complement existing public provision [3,48].

The controversial involvement of profit-seeking corporations (for example, due to high profits, care scandals, impact on the social work and related professions, and high transaction costs) has become a matter of public concern and part of political agenda [45,46]. Some scholars see the roots of these issues in that care markets operate as "quasi-markets" rather than conventional markets, where private providers were given access to what used to be a state monopoly. The state purchases services on behalf of end-users, leading to the lack of real consumer choice, high transaction costs, and varying care quality [45,61]. As already noted in a GB context, the cost and quality of these services are hard to measure and compare, and information is often asymmetrical—the purchaser has only limited information compared to the end-user and the provider (who may therefore be tempted to misrepresent their activities and retain the contracts despite inferior service provision) [45]. It is notable that the voices of those people accessing for-profit welfare services rarely appear to be foregrounded in policy-level discussions about different ownership types within public welfare provision: this is despite the ideological focus on 'consumer choice' and 'consumer preference' as a basis for moving away from direct state provision.

Another concern related to changes in ownership structure and the corporatization of the care sector is the change of treatment ideas and consequently the nature of provided services, such as the shift from the family-like model of care, giving priority to small-scale establishments with a family logic of care, to a professional model allowing large-scale establishments prioritizing evidence-based, standardized interventions [3,46].

The rise of private equity involvement in residential child care provision is also part of the broader transnational trend towards increasing private capital investment in public welfare services since the 2000s. Private equity acquisitions have grown dramatically across countries and sectors—elderly care and nursing homes [48,62–68], health care operators such as hospices [54], hospitals, outpatient care, including emergency care [69] and GP practices, specialized service providers in ophthalmology [70], dermatology, gastroenterology [11], special needs services such as autism services [71], and others [72].

As is also the case with for-profit outsourcing companies and care corporations, private equity funds are believed to have moved to invest so widely in social welfare services because of unfavourable economic conditions elsewhere and, at the same time, new, neoliberal regulatory/legal reality that removed relevant restrictions for private capital. The economic downturn and low interest rates have encouraged private equity funds to seek new investment targets to ensure guaranteed returns on their capital (steady income from government contracts). Given the changing demographics, the aging population, and the growing need for long-term care for an even larger population with severe morbidities, health and social care services may promise reliable revenues, especially where funding is likely to come from public budgets. The increased rate of diagnosed mental health and developmental disorders has also boosted demand for sometimes life-long support services, inviting private equity firms into the sector (e.g., for autism, see [71]).

With regard to the effects of these cross-border trends, studies are not conclusive. Despite the common public perception that private equity firms prioritize short-term revenues over the interests of their customers or employees, studies provide mixed evidence (for a brief overview, see, e.g., [66]). Companies may use the economies of scale and achieved efficiencies to redirect released savings towards hiring better-skilled staff and improving the quality of services. They may also supply finance capital to help expand services where demand outstrips supply [71].

Companies may also choose to focus on short-term revenues and consolidation [69,73] and engage in cream-skimming, e.g., by profiting from the acquired properties of care homes, raising rents and fees, and cutting on the labour costs [48,63]. Scholars raise questions about the implications of private equity acquisitions for workforce size and composition [65] and the nature and extent of provided services [70]. Some researchers argue that private equity acquisitions have negative effects on competition in healthcare and

social care markets and ultimately on costs and the quality of care [64,72,73]. Some segments have seen reductions in service provision following private equity acquisitions [71].

Yet recent research shows that the reality is complex: data are often insufficient but suggest that for-profit ownership can have "nuanced effects" on the extent of service provision [71] and some benefits for service recipients [54,67,72]. One study finds that the intensity of profit-making incentives varies among non-public providers and shows that private equity firms and publicly traded companies deliver lower quality care compared to private limited liability companies and non-profits [74]. Another study explains the varying impact of private equity acquisitions on nursing home customers through the competitive sensitivity of players, as well as the concentration of markets where the buyout occurs [66].

Overall, building on evidence from countries like the US, Sweden, Germany, and Canada, scholars argue that the ownership of care homes under private equity finance is increasingly opaque [62,64,71,73]. A large number of private equity deals remain unreported and operations are left unreviewed, sometimes in the context of no minimum provider service standards (as in the case of autism therapy in the US); this has resulted in calls for greater transparency and more rigorous regulation and oversight [62,64,71,73].

4. Discussion

Increasing for-profit residential provision can be linked to intersecting political and economic factors. Neoliberal ideology has accentuated the deficiencies of state-delivered services and the a priori belief in the comparative efficiency, quality, and 'choice' of for-profit provision. Policy makers have not tended to explicitly encourage the entry of for-profit companies into residential child care. Instead, a broader pro-marketisation policy agenda has encouraged their entry into adjacent areas of public welfare service delivery, from which they have subsequently moved into residential child care.

Macroeconomic policies to reduce national budgetary deficits have periodically seen large cuts to public sector funding, including child welfare services [20,58]. The resultant need for state and voluntary sector organizations to find cost savings has encouraged their withdrawal from direct provision of costly care services, including residential child care, even if, in the medium term, there is some evidence that such withdrawal can increase state costs due to excess profit-making and above-inflation placement price rises [6]. The micro-economic decisions of large corporations entering residential child care can be explained by the attractiveness of public welfare services offering comparatively high investment returns alongside low risk: continued demand for health and care services is certain and ultimate legal and practical responsibility for welfare services is retained by public authorities.

There is some divergence in the prevalence of for-profit residential child care in post-industrial countries. It is hard to discern an obvious connection between prevalence and welfare state type. For example, Finland and Sweden—two countries associated with relatively generously funded, social democratic-modelled welfare states—have some of the highest prevalence for-profit residential child care provision. Portugal, a country with a less generously funded welfare system, has none. In areas where there is evidence of little, or no, for-profit residential child care provision (the province of Quebec in Canada, Portugal, Northern Ireland, and France), there does not appear to have been explicit legal prohibition of for-profit provision, though in Quebec, stricter regional government control and regulation of the residential child care sector [75] may have played a role. We tentatively suggest that those jurisdictions bucking the trend towards medium- and high-prevalence for-profit provision have done so more by micro-policy-level action to sustain or developing state or voluntary sector residential child care provision than overt policy proscription of for-profit provision. However, further analysis of such divergence is needed.

There has been significant concern about the impact of for-profit residential child care provision in GB [6,19,21,76] as well as Ireland [2], the USA [4] and the Nordic countries (e.g., [45,49]). As with for-profit public welfare provision more generally, assessing impact is beset by difficulties due to, among other things, the absence of agreed measures of cost and quality and, therefore, consistent data collection [37]. Recent analysis from GB does,

however, give credence to concern: there is evidence that for-profit residential child care provision in GB has been associated with excessive profit-making [6], on average poorer quality care [28], greater placement instability, and young people's placement further from home networks [25]. Additionally, the lack of transparent accountability processes when contracting out to large, corporate, for-profit providers and the lack of obvious mechanisms for young people to have their voice heard within debates about for-profit residential provision are salient issues.

It should again be acknowledged that concerns about residential child care provision exist regardless of ownership model. There are, for example, significant concerns about the quality of residential child care provision in Portugal, where there is no for-profit provision [44]. There have also been very serious, evidenced concerns about the care provided to young people in state and voluntary sector residential child care provision in the UK in the period since 1945 [77]. These counter-examples serve as a salutary reminder that non-profit residential child care provision can also give rise to marked concerns.

Recent policy recommendations in the UK illustrate some of the different proposals to try to address the negative impacts of the rise in for-profit placement provision. The independent reviews of the Scottish children's care system [76] (p.111) and the Northern Irish children's social care system [19] (p. 209) both emphatically pronounced themselves against the commodification of those respective care systems. Both stopped short of suggesting there should be a legal prohibition on for-profit residential child care provision; however, the Welsh and Scottish Governments have each committed themselves to the goal of moving away from for-profit child welfare provision [6]. Scotland already formally prohibits for-profit fostering agencies. Despite this, the CMA (2022) analysis found that the price of foster placements in Scotland was no lower than in Wales and England where there is no such prohibition. This illustrates a risk that for-profit companies could respond to any prohibition of profit-making from care placements by repurposing themselves as 'social enterprises' which continue to operate in the same fundamental ways as a private enterprise: evidence of this phenomenon occurring has been found in other sectors in England [78].

The CMA analysis (2022) [6] and the review of children's social care in England [21] made different recommendations centred around making 'care markets' function better through improved state commissioning, procurement, and placement supply, including via increasing local authority provision alongside for-profit placements. The English Review further recommended a windfall tax on the 15 largest for-profit residential child care providers and fostering agencies, suggesting this could be 20% of their profits [21] (p. 129): to date, the UK Government has not taken up this recommendation.

Whether or not the policy aim is to move away from for-profit residential child care (e.g., Wales and Scotland) or to try to work better with it (e.g., England), the current prevalence of for-profit provision in GB as well as some other countries of the Global North means that governments will have to continue work with for-profit providers in the short to medium term. Within such a framework, the literature suggests multiple ways for public authorities to better direct for-profit provision, including the therapeutic content, overall models, and particular treatments in residential childcare—from high-level regulation and guidance to local, municipal-level specification of procurement criteria and performance-based contracts [79,80]. State licensing—a key instrument of controlling for-profit care providers—varies greatly between countries—in terms of licensing models, as well as the extent of intervention post-license [81]. The potential of state licensing may often remain underutilized—for example, where it does not focus on major aspects of provision, such as staffing levels, a child's contacts with their biological family, schooling, and health support—and thus may currently be a missed opportunity to ensure the quality of care [82]. Performance-based contracts may also effectively incorporate various quality dimensions including those concerning safety, permanency of care, child and family wellbeing, and the educational attainment and criminal records of children and young people who are being provided with care [79].

5. Conclusions

This article is the first, as far as we are aware, to summarise current knowledge about the rising prevalence of for-profit residential child care across a number of countries in the Global North. This is a topic that has garnered significant media commentary but, to date, limited academic attention. The article also makes a contribution by tracking and contextualizing the rise of for-profit provision in the UK, particularly England, in greater detail, and by exploring available evidence on the impact of increased for-profit provision on the residential child care sector. A limitation is that clear data on the prevalence of for-profit residential provision is not available for a number of Global North countries, and the data on impact of for-profit provision—particularly on costs—while supporting established concerns about the gains of private sector entry into public sector provision, also has some mixed and complex findings that do not currently allow for clarity.

The evidence there is, and which has been reviewed here, illustrates that despite the absence of explicit policy to encourage for-profit residential child care provision, there has been extraordinary growth of it in several post-industrial states in the Global North in the 21st century, though not all. The expansion has occurred without evidence that it brings tangible benefits to the young people who are within it, or to the wider care system. Given that such evidence is required, we have argued, to make a credible moral case in support of for-profit provision, its absence is gaping, particularly in an era when the calls for social work practice to be 'evidence-based' are ubiquitous [83]. While assessing the impact of for-profit provision on public welfare service delivery is beset by evidential and methodological challenges, the currently available evidence tends to suggest that, if anything, the increased prevalence of for-profit residential child care providers has had an overall negative, rather than positive, effect. The best case in favour of the continued use of for-profit residential care is currently a non-moral pragmatic one: that in medium- and high-prevalence countries, it would be hard to sustain care systems if for-profit providers were to suddenly withdraw or be withdrawn. Unsatisfactory as this may feel as a basis from which to enact public policy, public authorities can nonetheless avail themselves of regulatory, commissioning, procurement, and contractual arrangements and mechanisms to alleviate the greatest concerns there are about the impact of high-prevalence for-profit residential child care provision.

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