



Childcare Inquiry Roundtable Summary

Provider Roundtable

Friday 15 September 2023

This document is not a verbatim record of the roundtable, but a summary of the issues raised by roundtable attendees. The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised here.

Introduction

On 28 October 2022 the Treasurer, the Hon. Jim Chalmers MP, directed the ACCC to conduct a price inquiry into the market for the supply of childcare services (the Inquiry).

The ACCC carried out a wide range of outreach and information gathering activities for the Inquiry. These activities included roundtables with invited stakeholders from the following groups: Educators, Culturally and Linguistically Diverse peak bodies, providers and community groups, Childcare Providers, Parents and Guardians, First Nations families, communities, and other stakeholders, and In Home Care. This document provides a summary of the issues discussed and raised during the Provider Roundtable, held virtually on Friday 15 September 2023.

Approximately 34 parties attended, comprising peak bodies as well as small, medium and large providers. The providers included both profit and not-for-profit organisations that are based in all states and territories and deliver a mix of metropolitan, regional and remote services.

ACCC Commissioner Peter Crone and Sarah Proudfoot, Executive General Manager, Infrastructure Division chaired the Roundtable. The Roundtable was also attended by Gina Cass-Gottlieb, Chair of the ACCC; Nicole Ross, General Manager, Childcare Inquiry; and other ACCC staff.

This summary does not identify individual participants or organisations. The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised here.

Summary of Issues

Attendees discussed the following topics during the roundtable:

Topic 1 – Competition in the childcare market (Centre Based Day Care)

- Price flexibility was discussed. Fees are usually set by considering centre viability, particularly the costs of providing the service, staff ratios and occupancy levels. Centres also consider families' ability to pay.
- It was noted that wages are a key driver of fee increases, and wages and conditions are moving beyond the existing industrial award framework. It is hard to attract educators at the award rate. Rents have also been increasing considerably.
- Increased competition in an area may drive down occupancy rates at a centre and increase the cost per place as fixed costs, such as rent, still need to be met.
- Planning controls that are place based and can take into account the needs of specific communities should be considered by Government.
- The drive to increase quality increases cost. Providers are investing heavily in quality. Assessment, and ratings are important, but the current system could be improved. Opportunities for improvement include reducing regulatory complexity, supporting wrap around services, and sensible controls that drive competition but do not limit or create barriers for growing and developing workforce. Better outcomes could be achieved for the investment that is being made.
- Not-for-profits are often the only providers brave enough to operate in thin markets. Delivering services in areas with thin markets often requires cross subsidisation and use

of an organisation's own social impact funds. Organisations are making a conscious decision to use their resources to support services in places that otherwise would have no childcare.

- If providers do not support thin markets, children will miss out on early childhood education in the first 1000 days of their life and these children are losing access to vast benefits in development.
- Small providers are more exposed to risk especially in thin markets because they are unable to spread costs across services.
- Competition is increasing for children in older years and preschool due to state government incentives. Some of the state government incentives mean families are choosing free kindergarten and enrolling children in centre based day care on other days, meaning they have children in different centres throughout the week. It is important to look across age groups when analysing the sector, and consider whether Government reforms and incentives are leaving centre based day care services with the more challenging and cost-heavy age groups.
- To be competitive a provider must know what the community wants. Investing in relationships, people, pedagogy and learning help providers stand out and compete.
- Good information helps the market to function and for families and providers to be able to compare prices. The current publicly available data is inaccurate and hard to compare, and families need more help to understand what they are buying. The Government could also aggregate and release vacancy data to inform investment.

Topic 2 – Constraints on supply (Centre Based Day Care)

- Staffing is the biggest issue constraining supply. Many providers have limits on the places that are available due to the challenges of finding sufficient staff to meet ratios.
- Changes in the temporary skilled migration income thresholds have reduced access to skilled labour and increased costs, which must be passed on to parents. This has impacted some parts of the country more than others.
- Regulation cannot be 'one size fits all'. A number of providers discussed the challenges of operating in a remote or regional context, for example, that regulator expectations around qualifications were not achievable. In some areas the regulatory culture also feels threatening, staff are fearful and this impacts staff retention.
- To adequately support children with disability or a delay in development, the workforce needs additional professional development and time to work with families and allied health professionals. As the labour market becomes tighter it is harder to find staff who want to work in these contexts without higher wages and flexible conditions.
- Family day care may be well placed to increase supply in areas of need, including vulnerable cohorts of children and those in the regions.
- For a range of reasons, it is more likely that for-profit providers will be able to access the capital required to build new centres than not-for-profit providers. This means that new centres and growth will more likely be in the for-profit sector.
- There is a proliferation of centres in areas of high growth and with greater socio-economic advantage, and conversely 'childcare deserts' in areas that cannot attract capital investment. Lack of capital in regions reflects the business risks of operating in those areas. The Government should play a role in bringing capital to markets that cannot attract it. Closing the Gap targets around First Nations children and access to early childhood education will not happen without sponsored capital.

- Land developers are having an impact on the sector. They are driving supply ahead of population growth and causing oversupply in metropolitan areas.
- A skew in supply can also be found by age group. There is oversupply for preschool ages (which are more profitable) yet places for 0-3 continue to be under pressure.

Topic 3 – Competition and parent choice (Out of School Hours Care)

- COVID-19 had an impact on demand for out of school hours care, and this has varied by geography (Melbourne was slower to return to high occupancy than Sydney, while Perth was less affected).
- In many places occupancy was as low as 60-70 per cent last year but many metropolitan areas are back up to around 90 per cent occupancy. There has been a sustained decline in the use of before school care and lower demand for care on Mondays and Fridays. Parents working from home is viewed as the reason for this.
- With many centres at capacity parents and guardians may not look at quality but at availability of a place. Parents also rely on word of mouth and recommendations of other families.
- Parents and guardians want their children in out of school hours care that is on the school site and may choose a school because it provides them with access to care. The relationship between a provider and the school is key for the family's experience of the service. Stakeholders explained that if communication is effective and it is easy for children to transition between care and school, then families are happier.
- It is important for the centre to have a good relationship with principals and for the schools to understand the value of early childhood education. Where a school has a well run out of school hours care service there is potential for the service to be a bridge between families and the school. This produces benefits for classroom behaviour and engagement with learning.
- It is also important for the centre to understand the subsidies available to families and to be able to communicate this to them.
- Continuity of staff and educators is important to families and this is difficult to provide at the moment with the lack of available work force.
- The current quality and ratings system is not particularly helpful for communicating quality. For example, the 'Working Towards' quality rating is deceptive. That term may describe a service that has only missed out on one criteria, but is trying hard to build its quality standards, or a service that has fallen short on many criteria.
- Parents and guardians do not understand the quality system and do not tend to consider ratings when selecting a service. They will consider if a school has a service at all, whether they can get a place and what is the reputation of the service within the community.
- Currently schools determine the provider that is available to families. Concerns were raised that schools may focus on rental return over quality, especially if they are reliant on the rental income to supplement the school's budget.
- Family day care is not viewed as a competitor to out of school hours care, but as a good alternative for some children especially those who need a quieter or more focussed environment.
- An out of school hours care service can be in competition with other extracurricular activities supported by the school, such as sports programs.

Topic 4 – Current challenges for supply of services (Out of School Hours Care)

- Workforce pressures show up in different ways. In remote areas it is extremely hard to find staff, especially for part time roles. In these situations, services may not be viable and need to be closed.
- In out of school hours care the rostering is not smooth. Staff work split shifts, and higher demand at drop off and pick up times may require additional staff for a short period of time.
- The sector needs to pay more to be able to attract quality staff. Low remuneration needs to be addressed. Workers will continue to flow from early childhood education to aged care because of the pay difference.
- There is a need to create pathways within the sector to boost staffing including qualification pathways. States and Territories set the requirements for qualifications in centres and this varies by jurisdiction. It was noted that New South Wales and Queensland provide greater flexibility on qualifications and this has been demonstrated to work in those jurisdictions.
- In the Northern Territory, supply was impacted by COVID-19, with workforce shortages due to challenges accessing migrant workers. This has seen a lack of childcare in regions flow to shortages in front line workers such as police, fire, ambulance. Some towns cannot recruit into these frontline roles because there is no care for the children of the frontline worker.
- There is an increase in the number of children with high needs since COVID-19. Educators often do not have the skills or feel they can support these children and this is one reason why staff are leaving the sector. The inclusion support subsidy is not sufficient and ratios need to be reviewed.
- There are children with complex needs in mainstream services and in specialist schools. The current funding model does not support either model well and does not come close to offering sufficient support for children in specialist schools where support may need to be at the ratio of two staff for one child. Many children are not eligible for funding and it is common for these children to be vulnerable.
- Schools are rarely established with out of school hours care in mind. This means the sector does not have appropriate facilities for its operations. Investment in facilities, space and infrastructure is key.
- Principals may seek to maximise rental return by asking out of school hours providers to pay more or may make access to facilities complicated. For example, a service may use a school hall for functions that is also leased to other users, requiring the service to pack its equipment before and after shifts. This is disruptive for services and children.
- In some jurisdictions the Department of Education provides advice to schools on rental income and this sets high expectations. There is also concern that consideration of fees should not be part of the tendering process, as providers may be pitching non-viable services to win a tender.
- It was suggested that principals and school committees should not be operating as landlords and managing contracts, as they are not trained in appropriate governance and probity processes. Tenders and contracts should be handled by a procurement team and consideration given to the power balance in the contract. Currently schools change the terms and conditions of contracts, including imposing additional costs, and can threaten a service with a new tender process if they object to a change.
- The out of school hours care sector falls under childcare regulations but operates in schools. This can mean that a room that is viewed as an appropriate learning

environment during the day by a state government school will be viewed as non-compliant after 3pm by a regulator from the same state government.

- Regulatory processes are slow and become bottlenecks for services. For example, a school may ask a service to make a short term change such as using an alternative space for a week (such as a library). The regulatory approval process may take a number of months. As a result, parents must find alternative care for their children because the service does not have approval to offer care in the different space.