

ACCC Childcare Inquiry

October 2023

Response to the September Interim Report

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ACKNOWLEDGEMENT OF COUNTRY

KU respectfully acknowledges the Traditional Owners of the Countries of Aboriginal and Torres Strait Islander peoples and communities on which KU services and programs are delivered. The contribution by Aboriginal and Torres Strait Islander peoples to the education of young children existed long before our story began.

KU STATEMENT OF COMMITMENT TO ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLES

KU has an organisational responsibility to the revitalisation and advancement of the cultures, histories, and beliefs of Aboriginal and Torres Strait Islander peoples of Australia as determined by them. Guided by our values and ethical practices, we commit to creating locally led programs and opportunities shaped and determined by Aboriginal and Torres Strait Islander children and families, employees, communities, and organisations.

KU STATEMENT OF COMMITMENT TO CHILD SAFETY AND WELLBEING

As a child safe organisation, we continue our longstanding and unwavering commitment to the safety and wellbeing of children, with zero tolerance of child abuse.

ABOUT KU CHILDREN'S SERVICES

KU Children's Services (KU) is one of the largest not for profit providers of early childhood education and care (ECE). Established in 1895 as the Kindergarten Union of NSW, KU was the first provider of ECE in Australia and is the nation's most experienced provider.

KU has a long-demonstrated history of providing and supporting high-quality, inclusive early childhood education programs, and continues to lead the way with over 120 services and programs in NSW, VIC, and the ACT, including preschool, kindergarten, long day care, family and early intervention programs and allied health services. KU is contracted by the Australian Government to provide support for eligible ECE services for the inclusion of children with additional needs. This includes the Inclusion Development Fund (IDF) and the lead Inclusion Agencies in NSW/ACT and QLD and contracted in VIC. Additionally, KU is contracted by the NSW Government through the NSW Sector Capacity Building Program to provide free training and support to staff in community preschools to implement inclusive practices and to enhance their inclusion readiness for children with additional needs.

KU's vision is to lead and inspire young children's learning for life. Our achievements in the NQS Quality Ratings to date, far exceed the national average, with all assessed services rated as Meeting or Exceeding the National Quality Standard. KU has been recognised as an Employer of Choice in the Australian Business Awards for eight consecutive years. Such is KU's experience, expertise, and reputation, that we are often requested to provide specialist advice to other providers, peak bodies, the corporate sector, and all levels of Government.

INTRODUCTION

As a leading provider of high-quality early childhood education (ECEC), KU is deeply interested in policy reform for affordable, universally accessible, and inclusive ECEC that supports workforce participation and choice for families. KU has provided significant data and commentary to the *Australian Competition and Consumer Commission Price Inquiry* and the *Productivity Commission Early Childhood Education and Care Inquiry*, and responded to the *Early Years Strategy*, commenting on the *National Vision for ECEC* for a whole-of government, long-term vision. We appreciate the insight these inquiries provide and urge the ACCC to consider these reviews collectively when making recommendations to Government.

As a large employer of choice, we are also acutely aware of the workforce issues and importance of qualified and experienced teachers and educators as the backbone of a quality ECEC sector. While considered an essential part of the care economy, ECEC is strongly aligned with the education sector. The Australian Curriculum recognises the Early Years Learning Framework as establishing the foundations for effective learning in school and throughout life.ⁱ High-quality ECEC underpins the education continuum and has a distinct role in minimising educational vulnerability.

KU values the opportunity to comment on the ACCC Second Interim Report (September 2023) and offer these comments for your consideration.

DRAFT RECOMMENDATIONS

Draft Recommendation 1

The ACCC recommends that the Australian Government reconsider and restate the key objectives and priorities of its childcare policies and supporting measures, including the relevant price regulation mechanism.

KU supports in principle that the Government examines key objectives of its childcare policies and measures. We suggest these be stated as:

- ▶ Enabling access to high quality, affordable and inclusive ECEC as the foundation of Australia's education system.
- ▶ Supporting workforce participation as a secondary objective, acknowledging the significant social and economic contributions that ECEC makes to Australian society and addressing disadvantage and vulnerability, including supporting regional communities and economy.
- ▶ Aligning with the *National Vision for Early Childhood Education and Care*, being developed by early years Ministers for consideration by National Cabinet.

The first five years of a child's life are a sensitive period for neurodevelopment and critical to their learning, health, and wellbeing. The period of greatest developmental plasticity is the first 1000 days.ⁱⁱ Essential groundwork is laid in early childhood for building dispositions for successful learning and establishing solid foundations for engagement in school and throughout children's lives.

Investment in the early years shows greater economic return than at any other time during childhood with education, health, and productivity benefits for the individual and society.ⁱⁱⁱ KU supports the provision of universal access to affordable, high-quality ECEC from birth to school age, for a minimum of two days per week, with additional hours available for children from identified priority cohorts. National partnership agreements and the *Preschool Reform Agreement* have concentrated on the year or two before school with little focus on the earlier formative years. ECEC plays a significant role in prevention and early intervention. More investment is needed for holistic and connected approaches that better support children with complex needs and those experiencing vulnerability and disadvantage.

Recommendation: We encourage the ACCC to recommend a long-term vision with greater emphasis on birth to 5 years, and funding to support holistic and connected supports, including allied health and early intervention.

Draft Recommendation 2

The ACCC recommends further consideration and consultation on changes to the Child Care Subsidy and existing hourly rate cap mechanism, to simplify their operation and address unintended consequences, including on incentives and outcomes.

KU supports a review of the Child Care Subsidy (CCS) and recommends that the hourly rate cap be increased to 85 % of fees charged, and wage price indexation. We suggest that the Productivity Commission, through their inquiry process, consider loadings for higher cost of delivery based on location, children's ages and charging practices, such as public holidays and closedowns, that affect daily fees across the year, having regard for supply-side funding for rural and remote services. Setting daily fee caps would need further examination to avoid disincentivising flexibility or quality.

There is no evidence that the activity test creates an incentive to work, rather showing increased search costs as a barrier to employment.^{iv} KU strongly supports abolishing the Activity Test and providing 100 subsidised hours each fortnight, with more than 100 hours in exceptional circumstances, as currently happens with the Additional Child Care Subsidy. This will help to simplify the system and remove gaps in understanding and deterrents to accessing ECEC for more vulnerable children.^v Future consideration may be given to specific entitlements such as a certain number of days for all children and additional days for those needing more.

It is unlikely that indexing the hourly cap for services with children with additional needs will be adequate to fully cover costs and we recommend increases in the ISP hourly subsidy. Last year alone, KU contributed an additional \$493,250 in staffing costs to support the inclusion of 697 children in our CCS eligible services, and this year we have seen a 33.6 % increase in enrolments of children with additional needs. In addition, staff need time to engage with other professionals to support the increasingly complex needs of children that existing structures typically do not support.

Recommendation:

1. *KU strongly recommends that the ACCC urges Government to immediately increase the ISP hourly subsidy to fully cover the cost of suitably qualified educators to the level of Award or Enterprise Agreement in place. This is currently under-funded and places further pressure on fees. Additional measures should be explored to support the costs of equitable and inclusive service provision; and*
2. *The Activity Test be abolished as it is a barrier for more vulnerable children in households with low incomes.*

Draft Recommendation 3

The ACCC supports reconsideration of the information gathered for and reported on startingblocks.gov.au so that it is better focused on meeting parents' and guardians' information needs and balanced against the costs of collecting and publishing information.

KU supports fee reporting and transparency on startingblocks.gov.au. We suggest that Government better utilises provisions for up-to-date fees to be published and with added granularity about provisions that explains added costs to those that are core to a high-quality educational program.

To better meet needs of families using the system, we suggest user engagement in the design and testing.

Draft Recommendation 4

The ACCC recommends that governments further consider how the existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the early childhood education and care sector.

At a time when demand for ECEC is projected to rise, the sector is facing unprecedented workforce shortages. High turnover and shortage of teachers and qualified educators is resulting in staffing waivers and, in some cases, forcing closures. Staffing disruptions can affect team stability, continuity and vital

relationships with children and families, and the family's ability to maintain stable working arrangements. Attracting and retaining qualified and experienced teachers and educators is critical to achieve sector reforms. Findings are clear from the ACCC Report that labour is the main driver of costs, and while these may have increased significantly over the past 5 years, they are still not in keeping with the requirements and responsibilities of the profession.

We agree with inquiry findings that NFP providers invest in their staff. KU has an unwavering commitment to the employment of a highly skilled, appropriately remunerated, and sustainable workforce, and successfully negotiates enterprise-level agreements that are suited to our employment arrangements, achieving wages and conditions above award and other provider agreements. We welcomed the *Secure Jobs, Better Pay* legislation that made way for Multi-Employer Bargaining and wage uplifts. However, roping-in powers could challenge smaller providers without government support to fund wage increases, and being only for LDC currently, it could add to sector disparity. A recent announcement by the NSW Government to significantly increase salaries for teachers working in NSW Government schools and preschools was applauded and well deserved but widens the gap for teachers working in the ECEC sector whose salaries are included in operating costs and reflected in the daily fees charged to families. Without additional funding, community based, not for profit (NFP) providers cannot pay their teachers and educators equally to their peers working in schools without increasing fees and intensifying the cost-of-living pressure on families.

Recommendation: *We encourage the ACCC to recommend to the Australian Government that they fund an increase in educator pay and consider funding approaches for sustained pay and conditions in the medium and longer term, including for state and territory funded services to enable pay equity for teachers and educators employed in different service types.*

Draft Recommendation 5

The Australian Government should consider maintaining and expanding supply-side support options for Aboriginal Community Controlled Organisations that provide childcare and additional support services for First Nations children, parents, and guardians.

KU strongly supports the recommendation for supply-side funding for Aboriginal community-controlled organisations that provide services and supports for Aboriginal and Torres Strait Islander children, families, and communities. Place-based approaches that offer wide community consultation can help to explain barriers to accessibility and participation. Aspects of engagement need to be considered to support service planning responses.^{vi} Co-design is especially relevant for Aboriginal and Torres Strait Islander families to promote the values, perspectives, and aspirations that are important to them. We recognise Aboriginal and Torres Strait Islander people's right to empowerment and self-determination and endorse recommendations from SNAICC and Early Childhood Australia for improved outcomes through community-controlled service provision.^{vii} We support the views of SNAICC on how to best support Aboriginal and Torres Strait Islander community-controlled organisations.

Draft Recommendation 6

A market stewardship role should be considered for both Australian and state and territory governments, in identifying under-served areas and vulnerable cohorts, along with intervention whether through public or private provision. A competitive tender process is one tool that could be used by governments to facilitate delivery in these areas.

We agree with inquiry findings that occupancy is a key driver of revenue and viability. Consideration is to be given to regulatory, planning and approvals as part of a broader definition of market stewardship to help manage over and under supply in different markets. KU supports all levels of Government having a greater role in supporting a viable and sustainable sector that meets quality and inclusion standards.

This can be achieved with funding, regulation, and policy levers and a cohesive and complementary system of responsibilities and approval processes.

Access and availability are barriers to participation that can prevent families from achieving their preferred level of workforce participation. A gap in planning and infrastructure has resulted in 'childcare deserts', especially in regional and remote areas.^{viii} The 'postcode lottery' shapes many aspects of children's and families' lives.^{ix} Issues of urban and rural provision is an economic and equity issue, with families who would benefit the most often missing out. Government has a responsibility to enable provision of essential services in areas of unmet need and which may require innovative solutions so that communities are not disadvantaged by their location or population size.

Government can also take an active role in addressing current gaps in regulatory planning and infrastructure, by moderating oversupply. Unregulated growth can place viability stress on existing and new providers alike. Co-design with local communities, schools, and providers to determine current and future needs, can help to avoid oversupply in areas already well served.

Strategic partnerships may be considered but competitive tenders can exclude NFPs and small providers without the resources to fund the development of bids. Competition for resources can also result in missed opportunities for collaboration and impact. Reform can take time and needs stakeholder engagement and consultation to make it happen. The NFP sector has valuable experience that can be effective in delivering in areas aligned with Government objectives.

Recommendation: *We propose an additional recommendation for the sustainability and growth of the NFP sector with consideration for future policy and regulatory approaches, including removing barriers to accessing capital and growth funding.*

Draft Recommendation 7

The ACCC supports further consideration of supply-side subsidies and direct price controls. Some changes to the policy settings are likely to reduce the impact of the hourly rate cap as an indirect price control and may warrant a shift to direct price controls supported by operating grants for regulated childcare providers.

The hourly rate cap has not been an effective price control. Fees for added services need more scrutiny with subsidies clearly linked to quality service provision and not additional 'luxury' items. Closer examination of the destination of profits may inform benchmarks for reinvestment into quality and staffing.

KU supports in principle the recommendation to consider supply-side subsidies as a substitute or in addition to demand-side subsidies. However, the Government needs to be advised of the complex cost structures and remain circumspect about any unintended consequences of supply-side subsidies and direct price controls. Changes to policy settings could pose a risk to flexibility, quality, and inclusion.

Our investment in quality is evidenced by outstanding NQS quality ratings and commitment to the inclusion of children with complex learning and support needs. Policy and program decision-making must be evidence informed. KU has a demonstrated legacy of impactful, collaborative research. Our cash and in-kind contributions are projected around \$200,000 annually, and we engage in longitudinal and Australian Research Council linkage projects. KU considers this a valuable investment in quality pedagogy and practice. Skilled, and knowledgeable educators are essential for achieving objectives of the National Quality Framework and lifting educational outcomes for children. A capable and well-resourced workforce must be supported with ongoing professional learning that reinforces high-quality teaching and educational leadership. KU invests significantly in professional learning, early career, and Teacher Accreditation support.

IN SUMMARY

We commend the Australian Government on the inquiry and ask that the ACCC makes recommendations that support accessible, affordable, inclusive, and high-quality early childhood education; a stable and professionally recognised workforce; and effective government policy, investment, and market stewardship.

We further suggest additional recommendations to the Australian Government for:

- ▶ A long-term vision with greater emphasis on birth to 5 years with funding to support holistic and connected services supports.
- ▶ Immediate increase to ISP subsidies and further measures to support the costs of equitable and inclusive service provision.
- ▶ The Activity Test be abolished as it is a barrier for more vulnerable children in households with low incomes.
- ▶ Regulatory, financing and planning approaches as part of a broader definition of market stewardship to manage over and under supply.
- ▶ Funding to increase educator pay and consider funding approaches for pay and conditions in the medium and longer term.
- ▶ Policy and regulatory approaches for sustainability and growth of the NFP sector and removing barriers to accessing capital and growth funding.

Thank you for the opportunity to comment on the preliminary findings and recommendations. We are available to discuss anything raised in this submission.

If you require more information, please contact Christine Legg, CEO [REDACTED]

ⁱ Australian Education Research Organisation (2023). [Contributing to Continuity: Supporting children to progress in their learning across our education system](#)

ⁱⁱ Moore, T.G., Arefadib, N., Deery, A., Keyes, M., and West, S. (2017). [The First Thousand Days: An evidence paper](#)

ⁱⁱⁱ García, J. L. Heckman, J.J. Leaf, D. E., and Prados, M.J. (2016). [The life-cycle benefits of an influential early childhood program](#)

^{iv} Impact Economics and Policy (2023). [Child Care Subsidy Activity Test: Incentive or barrier to labour force participation?](#)

^v Australian Institute of Family Studies (2023). [The 2018–2021 Child Care Package Evaluation: Activity test](#)

^{vi} Centre for Policy Development (2021). [Starting Better: A guarantee for young children and families](#)

^{vii} SNAICC and Early Childhood Australia (2019). [Working Together to Ensure Equality for Aboriginal and Torres Strait Islander Children in the Early Years](#)

^{viii} Hurley, P., Matthews, H., and Pennicuik, S. (2022). [Deserts and Oases: How accessible is childcare?](#)

^{ix} Matheson, A. (2023). [Ending the 'postcode lottery' in health is more than a technical fix – it means fundamentally reorganising our systems](#)