

Introduction

What is your name?

Name:

What is your email address?

Email:

Are you responding to this survey as:

Peak body

What is your organisation?

Organisation:

Early Learning Association Australia

Do you consent to the ACCC publishing your submission?

Yes, but do not publish my name

Open written submissions

Confidentiality and personal information

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If you wish to provide responses to all or any of the draft findings and recommendations outlined in the September interim report, please move to the next section 'Guided submissions' to provide responses against the relevant findings and or recommendations.

Guided submissions

Draft Findings - Costs

1. Labour is the main driver of cost for supplying childcare, accounting for 69% at centre based day care and 77% at outside school hours care. Labour costs have increased significantly for large centre based day care providers over the last 5 years.

Agree

Please provide further comment if relevant:

ELAA agrees that labour is the main driver of cost for supplying childcare. As our membership is predominantly not-for-profit community based service providers, a considerable amount of their revenue is invested into their workforce. As stated in the interim report, often not-for-profit providers invest a higher percentage of their revenue into labour costs than for-profit providers. Not-for-profit community based ECEC providers spend around 80 percent of their income on labour, and sometimes offer above award wages and conditions.

Despite this, workforce shortages remain prevalent as wages and conditions for the same qualifications are usually well below school based counterparts. Some exceptions occur, such as in Victoria under the Victorian Government subsidised Victorian Early Childhood Teachers and Educators Agreement (VECTEA) which provides a funding supplement for teachers. Under this agreement kindergarten teachers earn wages and experience conditions similar to in a school, and as a result, vacancies for teachers are lower in these settings. Access to co-funding by both state and federal governments would ensure teachers and educators could be paid a wage comparable to the school sector regardless of whether they work in a kindergarten or long daycare centre. It would support retention and help to grow the workforce to meet parent demands.

Due to the well documented workforce shortage that the ECEC sector faces, a greater reliance on a contracted casual workforce has become standard practice for providers to operate at ratio. This comes at an additional cost for providers, who's only other option is for a provisional exemption to ratio requirements. This solution is fine for metropolitan service providers. However, in regional, rural and remote locations this option isn't accessible. At

times, regional providers are required to cover the cost of travel, accommodation and the additional wages in order to deliver a childcare program that meets National Standards and ratio requirements.

ELAA encourages the ACCC to consider the following recommendations:

That the Federal Government commits to co-funding teacher and educator wages in early childhood education and care, to match school sector wages to improve workforce quality, attraction, and retention

That the Federal Government considers strategies to address the unique economic and workforce barriers that regional, rural and remote providers face when developing the final report.

2. Land and related costs are the other significant driver of cost for centre based daycare providers.

Agree

Please provide further comment if relevant:

The ACCC childcare inquiry required large centre based day care providers to produce data and only received voluntary data from small and medium providers. ELAA's membership is made up of a majority of small and medium service providers in Victoria. Membership data shows that many rely on peppercorn and below market priced agreements. This is inconsistent with the ACCC's September Interim Report.

These agreements enable providers to remain viable in an ever-growing market. However, there have been shifts in some cases, where the provider is suddenly charged commercial rates. Although this is an uncommon circumstance, it cannot be overlooked that small and medium service providers cannot accommodate to these changes if they are inflicted upon them. In one extreme circumstance, an ELAA member went from paying an annual rent of \$104, which over a three year period increased by 37,976% to \$39,600. Although this is one very extreme change, for a small not-for-profit provider this would result in the closure or relocation of the service.

Based on the ACCC findings, the average charge per hour for not-for profit providers is \$11.64. Of this \$8.92 goes into labour. Without funding, fundraising or additional program delivery, not-for-profit providers are left with \$2.72 to cover all other expenses, including land related costs. With the increase of utility, maintenance costs this is not sufficient.

3. Not-for-profit providers appear to face lower land costs than for profit providers, but these savings are invested into labour.

Agree

Please provide further comment if relevant:

4. Location influences costs of supplying childcare services, although the influence differs depending on the cost category. Overall, costs to supply services to different areas of remoteness and socio-economic advantage do not differ greatly, except for the areas of most remoteness and most socio-economic advantage.

Agree

Please provide further comment if relevant:

In comparison to other states and territories, Victoria does not have regions that are classified as remote. Despite this, providers that operate in regional and rural locations have additional barriers that contribute to significant cost differences to that of metro providers. ELAA agrees that location influences costs of supplying childcare services, but that this is not limited only to areas of most remoteness.

Data from the Trends in Community Children's Services Survey demonstrates how child vulnerability aligns with socio-economic status of families. Community based providers are more likely to invest more funding in supporting children, including through investing more to retain highly trained teachers, providing professional learning and operating at lower ratios. It is possible to lift participation and to ensure that children can access a range of early intervention services drawing on ECEC as the universal platform, if equity funding is provided and tied to interventions. The cost of operating in lower socio-economic regions is greater than that of higher-socio economic status.

Draft Findings - Competition

5. Parents' and guardians' demand for centre based day care is driven by a complex combination of factors. Parents look to prevailing market prices, however informal measures of quality are key considerations.

Agree

Please provide further comment if relevant:

The ECEC sector has worked hard with governments to develop a world leading National Quality Framework. This framework is embedded into services practice and pedagogy and results in their National Quality Standards rating. It is important that the Assessment and Ratings process is conducted consistently and marketed to parents and families so that they can rely on this system as a key factor when choosing a service for their child. This process ensures children's safety when interacting with ECEC and would ideally take priority over informal measures of quality e.g., word of mouth. If this process became the prevailing decision maker for parents, it would encourage services to meet or exceed existing quality ratings.

6. Providers' supply decisions are influenced by expectations of viability, which is heavily influenced by relative socio-economic advantage and geographic location.

Agree

Please provide further comment if relevant:

New providers regularly enter crowded markets and can result in closure of quality established services as parents may perceive newer facilities as more desirable and/or they may initially compete on price. Competition to operate services in areas that can command higher fees also inflates rents, making entry prohibitive to not-for-profit providers.

Australia is not alone in this regard. New Zealand is embarking upon a new approach to managing the market through a Network Management approach. Providers must apply to open a new service and will be assessed against characteristics such as local demand, quality, viability and capacity to address priorities such as providing culturally diverse services, and meeting learning support needs of children (Education in New Zealand, 2023).

Managing the market is not sufficient as not for profit community services often lack access to capital necessary to expand. Governments seeking to maximise outcomes in ECEC, for example by investing in infrastructure to address ECEC deserts, should prioritise quality and children's outcomes and target additional investment at the community sector.

The nature of most grant and tender opportunities are that of financial viability and competition. There is not enough emphasis placed on the social impact a service will have in their community. To encourage participation and accessibility, there should be a mechanism to regulate the market, so that gaps such as child care deserts can be filled, with targeted funding to support the long term viability of a service in the area.

In areas of low service viability, governments can invest in buildings with wrap around services that can address multiple needs of a community. This infrastructure can cater to a centre based day care, maternal child health nurses, a medical centre or other care and support services. This way, communities have a centralised location to access multiple support avenues and providers can save on shared operational costs and increased participation – this is especially useful in regional and rural locations where transport is the leading barrier to childcare participation.

7. Staffing constraints are a barrier to more suppliers entering or expanding their operations in childcare markets.

Agree

Please provide further comment if relevant:

Trends In Community Children's Services data shows the strong link between retention and pay and conditions. To improve outcomes for vulnerable and disadvantaged children, we need to ensure they have a stable, well-trained workforce, and vulnerable families cannot afford to subsidise educator wages. Wages must be comparable with the schools sector, given the alignment in qualifications and the drift of the workforce to the higher paid sector.

Additionally building a pipeline of educators and teachers is possible, as has been shown in Victoria which has much lower levels of waivers in part due to significant workforce investments in incentives to upskill. The recent federal budget investment to fund the cost of the practicum is welcome, and ongoing support for upskilling across the sector is needed to build the workforce. If paid practicum and other incentive programs for professional development could be extended to educators, then attrition rates could be reduced and staffing constraints would not play as significant of a factor in suppliers entering or expanding their operations.

8. The nature of competition reflects the unique demand and supply factors in childcare markets; price plays a less influential role once households have chosen how much childcare to use and providers compete on quality to attract and retain children and families.

Agree

Please provide further comment if relevant:

Draft Findings - Profitability, viability and quality

9. On average, large centre based day care and outside school hours care providers appear to be profitable and financially viable.

Agree

Please provide further comment if relevant:

In Victoria, the Department of Education funds larger service providers more, to deliver higher quality, viable services. These are called Early Years Managers.

Early Years Managers (EYM) are organisations that lead and manage at least three kindergartens and/or other ECEC services in Victoria. They provide professional management across a range of services. The move towards EYM is designed to reduce the management and administrative burden on volunteer committees and provides additional organisational support so kindergartens and teachers can engage in quality improvement and adopt contemporary practices. Most EYMs provide a variety of services, including playgroups and occasional childcare, many are part of organisations that deliver other services such as family support and allied health. As larger organisations, they are able to scale and take on additional services where infrastructure exists, for example meeting the needs of local governments for service providers in local council facilities. Children benefit from the inclusive services and evidence based best-practice models (Victoria State Government, 2016).

For more see: <https://www.vic.gov.au/early-years-management>

10. Occupancy is a key driver of revenue and therefore profits and viability.

Agree

Please provide further comment if relevant:

11. On average, margins are higher:

Agree

Please provide further comment if relevant:

12. The ability to attract and retain staff is a key determinant of quality, which affects the profitability and viability of a service.

Agree

Please provide further comment if relevant:

Draft Findings - Price regulation mechanisms

13. The design of the Child Care Subsidy and existing price regulation mechanism has had a limited effect in placing downward pressure on prices and limiting the burden on taxpayers.

Agree

Please provide further comment if relevant:

ELAA agrees that the Child Care Subsidy (CCS) has had a limited effect in placing downward pressure on prices. Despite the supply side nature of CCS and current price regulation mechanisms, childcare fees continue to rise faster than inflation.

The Child Care Subsidy does not recognise additional costs of delivery, including costs associated with a child's vulnerability or the nature of the local market. An exception is for the most vulnerable children who, if they are eligible for Additional Child Care Subsidy (ACCS), may result in a provider receiving a 120% subsidy based on the hourly rate cap. Accessing ACCS itself requires additional and ongoing engagement by service providers to refer families for assessment and support. Only a small number of families are eligible for ACCS with 18,935 children accessing ACCS at the end of 2019. Services in the lowest socioeconomic areas are unlikely to be able to levy fees above the hourly cap unlike in higher socio-economic services, therefore they operate on lower costs than services in other areas even though children's needs may be greater.

The most vulnerable children have the least access to subsidised care, with children from jobless families (1.6 percent of children) only entitled to 24 hours a fortnight of care as their parents do not meet the activity test. The AIFS evaluation shows there is a high concentration of vulnerable children in this group, because the Additional Child Care Subsidy is too rigid a mechanism to flexibly meet the needs of vulnerable children.

ELAA recommends:

The extension of the activity test for low income, low activity families to support at least two days per week of early education, ideally three days per week minimum subsidised access for all children. This will simplify CCS for parents and ensure that all children have access to ECEC, boosting their parents activity.

14. Childcare providers are optimising session lengths to match current activity test entitlements to minimise out-of-pocket expenses for parents and guardians and maintain their revenues and profits.

Agree

Please provide further comment if relevant:

15. The Child Care Subsidy is complex for parents and guardians to understand and it is difficult to estimate out-of-pocket expenses.

Agree

Please provide further comment if relevant:

16. More information is important for parents and guardians, yet the comparator website StartingBlocks.gov.au is not widely used by parents and guardians and can contain outdated information.

Agree

Please provide further comment if relevant:

The Starting Blocks website is theoretically a very useful tool. It has its limitations, but a lot of potential to be the first point of information for parents. Entering the ECEC space as a parent can be confusing. Utilising a central information site can help parents navigate the first 1000 days of their child's life.

Starting Blocks would benefit from providing scenarios for parents to understand their options, based on differing circumstances, especially with the Activity Test and what type of service model is best for their family.

Currently, the website does not provide information about state run services. If the intention of Starting Blocks is to streamline the process for parents and families then it must contain information about all service types in their area.

There was a welcome introduction of the CCS calculator and the inclusion of fees, vacancies, quality ratings and inclusions in 2023. It is now important that this website is promoted as a tool for parents to understand what their children are experiencing and that all data is updated regularly. In order for this to become a key factor into a family's decision making, it has to win their trust as a reliable and accurate tool.

Draft Findings - International childcare costs and price regulation mechanisms

17. Overseas data indicates childcare in Australia is relatively less affordable for households than in most other OECD countries.

Agree

Please provide further comment if relevant:

18. Many OECD countries are moving toward greater regulation of childcare fees such as low fees or free hours for parents and guardians, supported with supply-side subsidies to cover providers' costs of provision.

Unsure / No View

Please provide further comment if relevant:

Draft Recommendations - Existing regulatory arrangements

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.

Support

Please provide further comment if relevant:

In 2023 the Australian government began its development of the Early Years Vision and Strategy. In our submission to the Early Years Strategy (<https://elaa.org.au/wp-content/uploads/2023/04/ELAA-Submission-to-the-Early-Years-Strategy-1.pdf>), ELAA recommended the following policy priorities –

- System Centralisation
- Increased focus on wrap-around services to promote participation and accessibility in ECEC
- Co-government investment into the ECEC sector workforce
- Funding models that promote self-determination and sustainability within the Aboriginal and Torres Strait Islander communities.

In this same submission ELAA identified the gaps in existing frameworks, research and evidence. These were –

- Necessary investment into rigorous experimental research
- Research into why high-quality play-based programs link to children's long and short-term outcomes
- Research into optimal group sizes, ratios and dosage
- A reduction of funding complexities for both families and providers
- To elevate the voices and perspectives of parents/guardians and children.

The National Workforce Strategy developed by ACECQA in consultation with the sector is an excellent example of how sector consultation can result in tangible policy priorities and commitments. ELAA recommends that there is a similar fully funded strategy that outlines strategic child care policies, supporting measures and an approach to finding a successful mechanism to regulate price.

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.

Support

Please provide further comment if relevant:

Draft recommendation 2 (a) - Consideration be given to determining an appropriate base for the rate cap and indexing the cap to more closely reflect the input costs relevant to delivery of childcare services. This could include consideration of labour costs as well as the additional costs associated with providing childcare services in remote areas and to children with disability and/or complex needs

Support

Please provide further comment if relevant:

Draft recommendation 2 (b) - Consideration be given to changing the hourly rate cap to align with the relevant pricing practice for the service type. This could include consideration of a daily fee cap for centre based day care. Consideration will need to be given to setting and

monitoring minimum requirements to avoid creating incentives for childcare providers to reduce flexibility or quality.

Support

Please provide further comment if relevant:

Draft recommendation 2 (c) - Consideration be given to removing, relaxing or substantially reconfiguring the current activity test, as it may be acting as a barrier to more vulnerable children (for example, households with low incomes or disadvantaged areas) accessing care and creating a barrier to workforce entry or return for some groups. An alternative would be to consider a specific entitlement, such as a certain number of days of care.

Support

Please provide further comment if relevant:

Please refer to our previous response about extending or removing the activity test, to allow for all children to access a minimum of 2 days of ECEC, no matter their postcode.

Draft recommendation 2 (d) - Consideration be given to including a stronger price and outcomes monitoring role by government, supported by a credible threat of intervention, to place downward pressure on fees.

Support

Please provide further comment if relevant:

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. This could include:

Support

Please provide further comment if relevant:

Draft recommendation 4 - The ACCC recommends that the 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.

Support

Please provide further comment if relevant:

The Shaping Our Future: Implementation and Evaluation Plan and the National Children's Education and Care Workforce Strategy were developed with the sector to outline an approach with 21 nationally agreed actions to address current workforce shortages and barriers. These actions are based off of existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the ECEC sector. ELAA recommends that governments fully fund these 21 agreed actions.

Draft Recommendations - Broader policy considerations for more significant change

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.

Support

Please provide further comment if relevant:

Funding models that prioritise self-determination and sustainability in Aboriginal and Torres Strait Islander communities require a commitment to ongoing consultation, collaboration, and partnership between Indigenous communities and government agencies or other stakeholders. These models must be flexible, adaptable, and responsive to the changing needs and priorities of communities over time. The National Aboriginal and Torres Strait Islander Early Childhood strategy focusses on coordinating the cross-portfolios of education, health, workforce, safety, housing, disability, and cultural connection. ELAA recommends that all funding models developed from the Early Years Strategy include funding that promotes self-determination and sustainability within the Aboriginal and Torres Strait Islander communities.

Current data predicts that the Closing The Gap target of 95% of all Indigenous four year-olds is set to be achieved by 2025. However, for this to be a successful goal, Aboriginal and Torres Strait Islander children must have the opportunity to engage in culturally safe play-based learning, that promotes a connection to Country, language, and culture. This can be achieved by an integration of cultural awareness training, as well as funding mechanisms that promote Indigenous run services.

Existing programs such as Connected Beginnings and the THRYVE Pilot Project, are great opportunities for the Australian government to listen and learn from Aboriginal and Torres Strait Islander communities. These will allow for Indigenous voices to tell their stories and shape and self-determine how their communities operate. For Australia to commit to reconciliation, our government must commit to allowing Aboriginal and Torres Strait Islander communities to dictate their funding

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.

Support

Please provide further comment if relevant:

The South Australian Royal Commission called for a new national settlement of roles and responsibilities in early childhood education and care. In this recommendation the Royal Commission said states and territories should have primary responsibility for ensuring quality and enabling families to be connected to information and supports they need. Whereas the Commonwealth would hold responsibility for accessibility, affordability, and inclusion. ELAA supports this approach, however there should be consideration on the important role that Local government provide in market stewardship. The information they have on local communities provides an important nuance to targeted infrastructure and market management funding opportunities.

A range of initiatives support access to early childhood education and care that could be extended across the system to support access. These include:

- Support for enrolment through a centralised process. In Victoria central registration and enrolments scheme (CRES) exists in many local government areas. These schemes enable families to enrol to gain a place in kindergarten through one system, and in some cases pre-enrol vulnerable children in liaison with family support workers.. Central enrolments can link ECEC to related services such as maternal child health nurses improving the early identification of families who require help to enrol from birth to primary. For more see:

<https://www.vic.gov.au/kindergarten-centralregistration-and-enrolment>.

- Investing in outreach and linker programs. The ECEC system is difficult for families to navigate, with services needing to support vulnerable families to access government infrastructure such as MyGov in order to access subsidies (AIFS, 2021). Every effort should be made to simplify enrolments, including providing access to outreach and linkers to support vulnerable families. Programs such Links to Early Learning were proven to support children who would not otherwise access ECEC to enrol (Dandolo Partners, 2021). These types of programs are operated on an ad hoc basis in some communities and funded by state governments or philanthropy. A nationwide approach is needed to ensure no children miss out.

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.

Support

Please provide further comment if relevant: