




Submission in response to the ACCC September Interim Report of the Childcare Inquiry

by Child Australia

Thank you for the opportunity to make a submission
in response to the ACCC September Interim Report
of the Childcare Inquiry.



About Child Australia

Child Australia is a not for profit organisation providing quality initiatives and services to professionals, the community, parents and children since 1987.

We advocate for every child to have the chance to reach their full potential, understanding the correlation between quality programs and services and the achievement of positive long term outcomes for children, families and the broader community.

Placing children at the centre of our support model, Child Australia's activities include programs that support parents and families as children's first teachers; the delivery of exemplar services in the education and care of children; professional development and support services to enhance the quality of care in early and middle childhood settings and a crucial role in sector leadership and advocacy.

Our Vision

A community where children grow, thrive and reach their potential.

Our Mission

To support children's wellbeing, learning and development by advocating for and developing the community of professionals working for them.

About the Submission

Child Australia welcomes the ACCC's Interim Report which we believe has captured many of the critical issues impacting education and care provision in Australia at the current time.

Overall, we welcome the recommendations made by the Commission.

We have chosen to make comment on only some of the recommendations of the ACCC's interim report. The comments below reflect those recommendations where we either wholeheartedly agree or where we believe the recommendation has not gone far enough to addressing the key issue it is dealing with. We hope you consider these insights from us garnered through our primary roles as both a provider of early education and care in both the Northern Territory and Western Australia and as a peak body for the education and care sector in these areas.

These roles have given us a deep and unique insight into the current flaws with the funding and regulatory landscape associated with that funding, of the early education and care sector. As a not-for-profit provider serving remote communities, we kindly request that you give due consideration to our valuable input.

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.

Child Australia agrees that it is crucial that governments consider the issue of the inability of the sector to attract and retain suitable numbers of educators and early childhood teachers to staff education and care services.

The staffing crisis is:

- widespread
- well understood
- crippling
- intensifying; and
- impacting on other key industries – key industries such as the resources sector in Western Australia cannot obtain the staff they require because those staff cannot find “child care” for their children. This has been intensifying since the COVID years and will, we believe shortly reach crisis levels.

Although this is perhaps best dealt with by The Productivity Commission’s Inquiry, we believe that the ACCC’s finding that not-for profit services are able to, and do, invest more of their income into staff by paying higher wages and engaging more staff, needs to be further teased out with appropriate recommendations.

We know the importance of staff in quality education and care provision, yet we accept a situation where the percentage of government underwritten income that is spent on staffing by education and care services ranges from 55% to 72% depending on service ownership type.

Surely as the major funder of education and care, the Government could require that a set minimum proportion of overall income be spent on staffing?

Without using the levers open to it to control expenditure on staff, the Australian Government could be seen as condoning the use of minimum staffing and contributing to the underpayment of educators in the education and care sector, which makes recruitment difficult even for those of us that believe in paying above award wages where possible.

We also are aware of the strain put on educators where they are working in services that staff only at the ratios mandated by the regulations – which were only ever meant to be minimum ratios – which makes retention across the sector difficult, further reducing the pool of workers available even for services that do staff above ratio where they can.

Children who attend services with higher retention rates, that staff above ratio and above minimum qualifications, receive higher quality education and care. Is it not absolutely necessary that government investment then includes controls to ensure that all children, at all services, receive the highest quality education and care possible?

It is such a wasted opportunity of government investment in education and care if government isn’t able to influence the quality of the service it is underwriting!

Possible controls could include:

- mandating minimum revenue percentages to be spent on staffing
- direct (supply side) funding of staff required by ratio for every service external to the Child Care Subsidy System
- higher CCS subsidies for those paying for more qualified, or higher paid, staff

The staffing crisis in the education and care sector will not, however, go away without sustained increases in educator wages. These can only be afforded with increased Government funding.

The five factors that you found were contributing to workforce pressures (status and recognition, pay discrepancies, release time, practicum pay and regulatory reporting pressures) are accurate, but we need to stress that it is the underpayment of educators and teachers commensurate with the importance of the role that is the most impacting. Increase educator and teacher wages and the sector will be more able to recruit and retain the staff we need.

Government changes that may positively impact on the workforce shortage are appearing to progress at glacial speeds, while the crisis is growing with the speed and impact of a tsunami.

Child Australia cannot
overstate the impact the workforce crisis
is having in areas such as the Northern
Territory and Western Australia.

Strong action needs to be undertaken now
and we hope that the ACCC will prioritise
this issue commensurate with its impact on
our workforce. Without a concentrated focus
on developing the sector workforce,
nothing else can be achieved.

Draft Recommendation 2



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.

Child Australia has long been on the public record calling for the removal of the Activity Test. As a provider who is operating in remote and disadvantaged areas of Australia we can only concur with the ACCC's findings in this areas particularly that:

- the activity test is regressive in effect for low-income households and may result in those cohorts of children missing out on the educational and developmental benefits of childcare as well as creating a barrier to workforce participation; and
- by removing the activity test, some parents and guardians may face fewer barriers to using childcare and providers may have a greater incentive to supply to more disadvantaged and remote areas and that this would support educational and development outcomes for children, particularly those facing social or economic disadvantage.

Child Australia would like to ask a simple question:

Why do we have a government subsidy system that perpetuates disadvantage by deliberately excluding the very children who can benefit the most out of education and care?

A second question would also ask:

Why have the activity test at all when we need to be increasing workforce participation across the board?

The ACCC has found that the activity test creates a barrier to workforce entry, so why is the ACCC recommending relaxing or substantially reconfiguring the test. This recommendation needs to push for its total abolition.

The text is so complex in its design that families do not understand it. This then puts the education and care workforce into the role of having to constantly explain the impact of the Activity Test on fees. Educators, managers and Approved Providers of education and care services should not be forced into being defacto explainers of complex government policy.

We note also that the higher the social capital (education etc) that families have, the more likely they are to be able to find pathways through the activity test. This is not good public policy.

As the ACCC has pointed out "The design of the price regulation model depends on a country's overarching policy objectives for the early childhood education and care sector." Given the current government appears to have an aspirational commitment to universal high-quality education and care for children, it needs to be emphasised that the existence of the activity test is in direct opposition to this aspiration.

Suggesting any sort of alternative to the Activity Test such as a specific entitlement, of a certain number of days of care, should also not be done. The CCS system is way too complex for the benefit it provides. If it is to be recommended to be retained, then it needs to be simplified and not further impact the ability for all Australian children to access as much education and care that they and their families need.

Child Australia believes the ACCC should strengthen its recommendation around the Activity Test and recommend its complete removal without any suggestion of a replacement.



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.

Child Australia supports this recommendation without reservation.

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.



As an approved provider, and an organisation that supports other providers across the country through our professional development and training, we operate in both under-served areas and with vulnerable cohorts, and we believe this is a sensible recommendation. However, it is important that Governments consider if there are other ways of achieving the same outcome that this recommendation is geared towards other than a competitive tender which will always be easier for larger providers to succeed in than the smaller providers that make up the majority of the sector.

For example, would one of these mechanisms work better or be a useful adjunct:

- granting funds directly to local governments to directly choose a provider capable of meeting the needs in that local government area (or provide the service themselves)?
- abandoning the Child Care Subsidy and moving completely to supply-side funding?
- implementing a planning mechanism to determine where new or more education and care centres were needed to encourage providers to open in areas of guaranteed need?
- determining a minimum number of services needed in each LGA by creating a benchmark figure based on current usage, and hours of care used nationally, and then funding local governments to supply, or purchase to that minimum number.

Child Australia supports this recommendation but believes it could be refined to better achieve its goal

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.

Child Australia believes that there is both depth and accuracy in the Commission's findings about the inability of the existing Child Care Subsidy to:

- reduce the price of education and care
- limit the burden on taxpayers
- be understandable to families.

We would also like to add some further reservations about this mechanism as the main way to fund education and care provision in Australia:

- it is administratively burdensome to both government and providers and education and care staff
- it is not completely understandable to providers
- it does not give the Government any policy lever over quality
- it does not give the Government any policy lever over price increases
- it has minimal transparency because of its complexity
- it restricts access to education and care by certain visa holders which reduces their ability to participate in the labour market
- it does nothing to reduce the disparity in educator and teacher wages between not-for-profit services and for-profit services
- it does nothing to increase wages for educators per se (bearing in mind the impact that the restricted supply of these has on limiting the increase in provision of education and care services)
- it does not acknowledge the importance of early education and care per se. School education is funded on a supply side basis, not a demand side, because it is to the country's benefit that its citizen's get educated. We now know the value of early education. It should also be funded on the supply side.

Child Australia believes the ACCC should explore the administration cost of the Child Care Subsidy (to both Government and providers) and strengthen the recommendation by recommending the replacing of the CCS with full supply side funding.





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