



# ACCC September interim report

Submission

OCTOBER 2023

A Joint Submission by:



Community Child Care Association



Community Early Learning Australia



## About Us



### Community Child Care Association

From a small beginning, Community Child Care (CCC) has grown significantly, and is now the peak body in Victoria for community-owned education and care, supporting long day care, outside school hours care (OSHC), kindergarten, family day care and occasional care educators, teachers, leaders, coordinators and directors. CCC's vision and purpose are underpinned by the belief that all children deserve the best possible start in life, regardless of their circumstances. Our vision is for excellent early childhood and outside school hours education and care for all and our purpose is to lead, support and advocate for accessible high-quality opportunities for children and families.

As a trusted sector leader, CCC provides leadership and advocacy, works with governments toward improvement in the sector and supports services with membership, quality professional development and consultancies. CCC equips and supports early childhood and outside school hours care services, educators and their communities with the skills and confidence to deliver high quality inclusive education and care services.

CCC's advocacy helps to enable and strengthen the development and retention of Victoria's community-owned education and care sector.

[www.cccinc.org.au](http://www.cccinc.org.au)

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### Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia's early education and care sector. As a peak body, our vision is for all of Australia's children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia's children.

- Influence policy makers and government by amplifying the voices of community based and

small providers.

- Promote the value and importance of community-based early education.

## Contact

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[www.cela.org.au](http://www.cela.org.au)

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# Executive summary

CCC and CELA welcome the draft findings and recommendations of the ACCC September interim report as part of the 2023 Childcare inquiry.

The findings reflect what services, employees and advocates within the early childhood education and care (ECEC) sector have understood and experienced.

Education and care are essential services, which over one million households rely on to support their ability to work, as well as the development and wellbeing of their children. Yet, access to these essential services is not equitable. Families who earn the least are paying the highest out of pocket costs and those in low income and rural areas simply do not have access to the services they need.

CCC and CELA support the findings that show Australia's education and care system has not worked to contain out of pocket fees for parents, contain growing costs for government, or ensure delivery of services in all areas where needed.

The findings also support the experience of CCC and CELA service members that the current system fails to adequately support the workforce at the heart of the sector. Right now, children's access to high quality educators and teachers is based on a family's capacity to pay higher fees. Children deserve to have consistent access to highly qualified educators and teachers no matter where they live.

The findings also show that workforce shortages are placing a significant handbrake on the potential of the sector. Thousands of existing education and care places remain vacant because services simply cannot get the staff they need. The current system was originally built to support rapid growth in supply of services and drive increased workforce participation. It is no longer fit for purpose as we recognise the significant impact access to high quality education and care has on the lives of children and young people.

CCC and CELA strongly support draft recommendation 1 of the interim report calling for the Australian Government to reconsider and restate the key objectives and priorities of its childcare policies. A new policy vision for the sector which puts children's right to high quality education and care first, recognising that by first meeting the needs of children, the benefits to families and the economy will flow.

We have an opportunity to unlock the potential of this sector by:

- Putting children at the centre of policy objectives including providing a guarantee of access to at least 30 hours or three days of education and care
- Valuing our educators and teachers by delivering professional pay without increasing costs to families
- Recognising the potential of education and care including outside school hours care as essential infrastructure to provide holistic health, wellbeing and development support to children and families
- Investing in inclusion to ensure every child, no matter their ability or background, feels a sense of belonging and has the opportunity to maximise their potential
- Maximising choice and return of government investment supporting the role of the not-for-profit sector in education and care provision
- Delivering a simpler system for families to access and navigate through improved coordination between state and federal government.

With these foundations in place, Australia will maximise the benefits of a quality education and care system, including improved health and developmental outcomes for children, reduced social inequity, as well as increased workforce participation and women's economic equality.

# Response to key draft findings

## Costs

### Draft finding 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 past 5 years.**

Education and care is an essential service-based sector and so labour, is and, should form the majority of costs. We support the finding that the proportion of costs made up by labour is generally higher in the not-for-profit sector including community managed services, as surpluses are generally reinvested in staffing, which is the primary driver of quality.

We agree with the finding that the higher proportion of labour costs within the outside school hours care sector is reflective of the different property arrangements, including leasing arrangements with schools.

While there have been some universal factors which have contributed to the increase in labour costs, including annual minimum wage increases and the recent work value case for the Education Services (Teachers) Award, we caution on an interpretation that the increase in costs is primarily caused by increased wages.

We also caution against an interpretation that any increase in wages has been universal or equitably applied. Firstly, only the Educational Services (Teachers) Award has increased significantly during the period, the Children's Services Award, which covers close to 90% of the employees in the sector<sup>1</sup> have not received the same increases. Secondly, CELA and CCC members report they need to direct wages intervention to roles or classifications where there is significant difficulty with recruitment, including teachers, directors, and diploma qualified staff.

However, we generally agree with the findings that some of the increase in labour costs has been driven by an increased reliance on casual and agency staff to cover worsening staff shortages, increased staff vacancies due to sick leave and injuries, as well as increased recruitment costs.

### Draft finding 2

**Land and related costs are the other significant driver of cost for centre-based day care providers.**

We agree with the second draft finding of the significance of land related costs.

While there has been significant investigation on the cost drivers for service providers, we note that the September interim report has not provided a detailed consideration

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<sup>1</sup> Social Research Centre, 'Early Childhood Education and Care National Workforce Census', 2021: Pg 14  
<https://www.education.gov.au/early-childhood/resources/2021-early-childhood-education-and-care-national-workforce-census-report>



of the impact of the commercial real estate sector on the cost of providing education and care.

Commercial rents for childcare services have risen 47% in the last decade, with demand driven primarily by increased government subsidies<sup>2</sup> as well as population growth. Given the significant proportion of costs that are attributable to land and property, we propose that further investigation on this issue is needed to prevent excessive profiteering.

Better planning models, through coordination with all levels of government, could also contribute to the management of land and property costs, including ensuring an appropriate mix of services to meet community need.

**Proposed additional recommendation:**

*The Productivity Commission should consider regulatory and financing approaches that better control land, land related costs and planning approaches, as part of a broader definition of market stewardship to manage over and under supply in different markets.*

## Draft finding 3

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

On a general basis, we agree that not-for-profit providers, including community managed services, generally face lower land costs. However, we emphasise that there is significant variation in the land and rent arrangements across the sector.

We also note that many community based not-for-profit services are currently affected by charities and councils shifting to a more commercial approach to their leasing arrangements. Many 'pepper-corn rent' arrangements are being renegotiated in this context. The longer-term trend is that not-for-profit organisations are increasingly operating in the same commercial real estate context as for-profit providers.

For those not-for-profit services which have lower costs because they own or have been 'gifted' buildings, it is also important to note that these tend to be older and not built for purpose. This can contribute to overall higher maintenance costs.

The finding that the not-for-profit sector, including community managed services, reinvests into labour reflects the practice and experience of our service members. The sector is aligned by its nature in ensuring the highest quality provision for the lowest cost. This is demonstrated by both interim reports that show, while wages tend to be higher in not-for-profit services, fees also tend to be lower in both centre based care and outside school hours care.

A recent survey of CCC and CELA member services showed that, despite significant increases in labour and operating costs, 17% of services did not raise fees this year. Two-thirds, or 66% of those who did not raise their fees are small community providers and 21% are private small providers.

Overall, this investment delivers better quality jobs, as well as better quality education and care to children at lower costs to families. The findings of the June and September interim reports show that the not-for-profit sector fully utilises government funding for the maximum benefit of children, families, government and the education and care workforce.

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<sup>2</sup> <https://thepropertytribune.com.au/industry/commercial/childcare-centre-market-poised-for-growth-in-2023/>

To maximise the future efficiencies of government funding in the sector, consideration should be given to better ensure market balance between for-profit and not-for-profit services. Currently 68% of the long day care services are for-profit, compared to less than 1% in the state funded preschool and kindergarten sector<sup>3</sup>. ACECQA data shows that while the proportion of for-profit providers in the sector has grown by 5% since 2018, the not-for-profit sector has shrunk over this period<sup>4</sup>. This change in the market is largely due to the significant challenges the not-for-profit sector has in accessing capital, which makes expansion of existing services or the development of new ones very difficult.

**Proposed additional finding 1:**

*Not-for-profit providers appear to be efficient and effective in delivering in areas aligned with Government objectives through improved pay for staff, lower staff turnover, more provision for communities facing disadvantage and more likely to be high quality.*

**Proposed additional finding 2:**

*NFP providers have not grown due to their corporate structure which creates challenges accessing capital to fund expansion with modest surpluses invested in objectives aligned with Government such as funding inclusion.*

## Draft finding 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.**

CCC and CELA suggest that caution needs to be applied to this finding as much data is simplistic in its distinction between size and circumstances of towns and cities. Common measures such as the Socio-Economic Indexes for Areas (SEIFA) can often hide significant pockets of disadvantage. This is especially true in communities where there may be significant high paying industries such as mining and fishing, where there may be small parts of the population earning very significant income, and the rest of the population does not.

Costs in supply to areas of disadvantage probably underestimate the true difference in costs between economically advantaged and disadvantaged areas, as the current system does not currently service much of these communities. Many children and families in disadvantaged areas do not currently access education and care services, either because of lack of available places or because of the activity test.

To maximise viability, where services are provided in these areas, the tendency is to prioritise children of families who work, which means very disadvantaged children can miss out. In addition, under the current CCS funding model, these services are often severely constrained by a family's capacity to pay and are not able to offer the true level of support needed, including enhanced inclusion measures.

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<sup>3</sup> <https://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html>

<sup>4</sup> ACECQA, NQF Snapshot Quarter 2 2018 and ACECQA, NQF Snapshot Q2 2023 accessed from <https://www.acecqa.gov.au/nqf/snapshots>



# Competition

## Draft finding 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.**

CCC and CELA support the finding that once a decision is made to utilise education and care services, quality becomes a key consideration of families in choice of provider.

Parents and families understand quality in education and care settings. However, our experience with our service members and their families is that they tend to use different measures and language to assess and describe quality than what is used in the sector and in the National Quality Standards. This should be considered in the design of future information guides and products for families.

Families' understanding of quality tends to most align with workforce indicators. For example, families tend to look for:

- indications of child comfort and confidence in their environment
- children's connection with educators
- the energy of the children in the room (are they calm and relaxed) and of the room (e.g.: is it calm, are children playing well together)
- identification and meeting individual needs of children
- consistency of staffing; and
- clear and quality communication with families.

All these quality factors correlate with staff qualifications, level of experience and retention. This aligns with the ACCC findings that services with higher quality tend to offer higher wages as well as tend to realise greater margins. Parents are able to assess quality and make choices between services accordingly.

However, it is important to note that low-income families are more price sensitive to changes in out-of-pocket costs. This is more likely to result in the reduction of hours utilised rather than a change in service provider.

We also support the finding that in the case of outside school hours care (OSHC), because of the connection to the school, parent choice is based on utilising OSHC at the school, or not utilising a service at all because of fees and quality.

## Draft finding 6

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

CCC and CELA agree with this finding and that this is a significant limitation of the current funding model. The effect of this is that in communities where education and care services are needed the most there is the least access.

We agree with the general finding that both centre based and outside school hours care services are concentrated in areas where there are high concentrations of high earning, dual income families. This concentration can have a significant effect for other families to be able to enter the workforce or increase their hours of work due to limited access to services. This includes low- and middle-income earners working in essential jobs where there are current workforce shortages.

The potential of higher inclusion costs in areas of disadvantage also affects the viability of services. Gaps in funding for additional resources to meet inclusion needs are often passed onto families in the form of higher fees, impacting profitability, viability and access. In areas of high price sensitivity this can create an incentive to not accept enrolment of children with additional needs, or it can lead to a decision not to operate at all.

## Draft finding 7

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

CCC and CELA strongly support this finding as it reflects the experience of our service members, especially in rural and regional areas.

The 'one size fits all' model of CCS funding limits the capacity of services in areas of limited capacity to offer higher wages and conditions leading to further constraints on access. This means that children's access to qualified educators and teachers is currently determined by where they live and their family's capacity to pay. This is incompatible with the goal outlined in the draft national vision of early education and care that *'every child can access and participate in high quality, culturally responsive ECEC...'*<sup>5</sup>

Urgent intervention is needed to ensure ECEC is seen as a profession of choice and paid accordingly. To ensure that every child is able to access high quality education and care, government funding is needed to ensure a minimum capacity to pay professional pay rates commensurate with the skills, responsibilities and value of the work.

CCC and CELA have recognised this urgency through our participation as employer bargaining representatives in the current multi-employer bargaining process for the long day care sector. We are available to provide further information on this process and the impact on the sector if it is of assistance to the ACCC as part of this inquiry.

## Draft finding 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.**

Education and care are essential services. Families utilise these services to meet their basic financial needs and so it is not a true market.

As stated above, families value and can identify high quality in education and care. Families will not utilise a service where the quality of care and safety of their children is not guaranteed.

The focus of policy should be on ensuring appropriate supply including a mix of service types and management types, as well as high levels of quality to ensure parents can have a choice of services which meet their needs.

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<sup>5</sup>Australian Government Department of Education: "Draft national vision for early childhood education and care", 17 March 2023 <https://www.education.gov.au/early-childhood/resources/draft-national-vision-early-childhood-education-and-care>



# Profitability, viability and quality

## Draft finding 9

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

We note this finding but emphasise that small providers are also generally profitable and viable. Community managed services can operate viably in remote areas and low income areas where other service management types do not.

## Draft finding 10

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

Occupancy is a key driver of viability, and this is an important supply issue in areas of 'thin markets'. This is when there is a requirement to maintain a service where population, and therefore occupancy, may vary greatly from year to year, or throughout the year.

We also note that there has been a shift to increase the number of licensed places offered by services to maximise profitability and viability. For very services catering to children under the age of five, the size of the service can have an impact on quality. It is generally understood that smaller groupings of children promote a better care and learning environment for children.

## Draft finding 11

**On average, margins are higher:**

- a. For for-profit providers of centre-based day care than not-for-profit providers
- b. In major cities and more advantaged areas
- c. For services with higher quality

As stated above, this finding supports the fact that families do understand quality and prioritise it when making choices about education and care services.

## Draft finding 12

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

A determining factor in a child's experience of quality education and care is their connection with their educators and teachers. This is *absolutely* reliant on the ability of children and educators to form long term consistent relationships.

High levels of staff retention are critical to this connection. It also improves the performance of the team overall, allows for professional development, better inclusion responses and support, as well as reduced stress and workload.

Factors that minimise staff turnover include:

- Professional pay
- Career paths
- Professional development

- Leadership development
- Time to complete off the floor tasks – planning, observations, meetings with parents etc.

High staff turn-over increases costs to services through increased reliance on casual and agency staff, as well as recruitment and training costs. These higher costs reduce margins, have a detrimental impact on quality and can lead to long term viability issues.

This is reflected in the practice of the not-for-profit sector where it has been shown that they are more likely to be rated as high quality because of the reinvestment of surplus into labour.

# Price regulation mechanisms

## Draft finding 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.**

CCC and CELA support the finding that current funding model and price regulation mechanisms have had limited effect on the cost of education and care for families and government, and that the evidence shows that it is not efficient.

In particular, we note the finding that despite increasing subsidy rates, low-income families continue to pay a higher percentage of income on education and care costs than high income families, and because of the activity test are more likely to utilise unsubsidised hours.

While the hourly rate cap has, to some extent, limited the funding obligation of the government, it has not resulted in downward pressure of fees charged. A growing number of services (28%) are charging above the hourly rate cap as it has not kept up with genuine cost increases.

## Draft finding 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.**

No additional comments.

## Draft finding 15

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

This reflects our experience with families and member services. This complexity is even greater when considered in conjunction with the many variable offerings within the state funded preschool /kindergarten sector.

Parents and carers are faced with many complex and interplaying factors when making the decision to enter or re-enter the workforce. Therefore, to ensure families can make the choice to work the hours they want or need, simplifying entry and participation in the education and care sector is critical.

We note that the recent IPART interim report into early childhood education and care affordability, accessibility and consumer choice, also recognised this issue and included draft recommendations on improved state and federal government coordination of funding models<sup>6</sup>.

We suggest that this recommendation is also considered by the ACCC for possible inclusion.

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<sup>6</sup> IPART, Interim Report – Review of early childhood education and care – October 2023, pg 3  
[https://www.ipart.nsw.gov.au/documents/other-report/interim-report-review-early-childhood-education-and-care-october-2023?timeline\\_id=15861](https://www.ipart.nsw.gov.au/documents/other-report/interim-report-review-early-childhood-education-and-care-october-2023?timeline_id=15861)



**Proposed additional recommendation:**

*Australian state, territory and Commonwealth governments should work together to develop an integrated funding approach to early childhood education and care.*

*Governments should clarify the objectives of the funding approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents.*

*The funding approach should prioritise improving affordability and accessibility for families with lower incomes, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities.*

*The activity test for receipt of Child Care Subsidy should be reviewed as a priority..*

## **Draft finding 16**

**More information is important for parents and guardians, yet the comparator website [StartingBlocks.gov.au](http://StartingBlocks.gov.au) is not widely used by parents and guardians and can contain outdated information.**

CCC and CELA support this finding and note that similar conclusions have been made in the recent IPART interim report and included in their recommendations. However, greater coordination between state and federal government is needed to ensure a single, reliable and authoritative source of information is available to families. The current complexity and lack of coordinated approach to funding by state and federal government also adds difficulty for services to provide this data in an efficient and timely fashion.

Improved alignment between CCS software to report key data such as fees and waiting lists, which can then automatically be added to Starting Blocks would avoid additional administration burden on services

# International childcare costs and price regulation mechanisms

## Draft finding 17

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

We note additionally that Australia continues to contribute less than the OECD average of 0.8% of GDP towards the funding of education and care services<sup>7</sup>. Studies have also shown that increasing Australia's contribution to achieve the workforce participating rates of Nordic countries, which currently contribute around 1% of GDP towards education and care, would result in significant social and economic benefits which more than compensate for the cost of investment<sup>8</sup>.

## Draft finding 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.**

CCC and CELA support this finding that there is a growing international trend towards supply side subsidies to cover providers' costs of provision.

This trend coincides with a global shift in the recognition of the value of early education and care to the wellbeing and development of children and the subsequent long term social and economic benefit alongside immediate workforce participation impacts.

Supply side models better deliver on the policy objectives of government by providing greater targeting of funding to specific outcomes. These include measures to support universal access of children, workforce, quality and inclusion.

Supply side funding also provides a greater enforcement capacity for governments to ensure funding is utilised appropriately, compared to demand side funding delivered via parents and families.

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<sup>7</sup> OECD, Public spending on childcare and early education, updated 2023, pg 2.  
[https://www.oecd.org/els/soc/PF3\\_1\\_Public\\_spending\\_on\\_childcare\\_and\\_early\\_education.pdf](https://www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf)

<sup>8</sup> Gundoff, M and Dennis, R, Participating in growth: Free childcare and increased participation. The Australia Institute, 2020: pg 1 <https://australiainstitute.org.au/wp-content/uploads/2020/12/Female-participation-with-free-childcare-WEB-1.pdf>

# Response to 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.**

CCC and CELA strongly support this recommendation. However, we suggest it should be further strengthened to specifically state that putting children's access to high quality education and care as the first objective allows for the maximum flow on benefits from investment, including workforce participation, social equity and economic benefits.

This is further supported in the recent final report of the Women's Economic Equality Taskforce which included immediate recommendations to establish and invest in universal, high-quality and affordable early childhood education and care<sup>9</sup>.

This aligns with the elements of the Draft National Vision for Early Childhood Education and Care which is being developed by early years Ministers for consideration by National Cabinet. We note that the draft vision incorporates the following:

- Every child can access and participate in high-quality, culturally responsive ECEC, including preschool, to support their right to thrive, grow their sense of identity and connection to the world, and become confident and engaged learners every parent/ carer can access affordable ECEC to support their participation in the workforce.
- Every parent can access an affordable, high-quality service to support their participation in the workforce, and the associated social and economic benefits governments take a stewardship approach – nationally coherent, connected and responsive to community need.
- The ECEC workforce is highly skilled, valued, and professionally recognised and the sector is supported to attract and retain workers.
- Governments take a holistic approach as stewards of the ECEC system in partnership with the sector, shaping a system that is nationally coherent and connected and responsive to community needs and outcomes for families, providers, and the workforce.<sup>10</sup>

We reiterate that this resetting of key policy objectives must include services which support children from birth to 12 years old. In particular, recognising the valuable contribution of OSHC to meeting children's health, recreation and social needs as part of a holistic education program in conjunction with schools.

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<sup>9</sup> Department of Prime Minister and Cabinet, *Women's Economic Equality Taskforce – a 10 year plan to unleash the full capacity and contribution of women to the Australian economy 2023-2033*. October 2023. <https://www.pmc.gov.au/resources/10-year-plan/recommendations>

<sup>10</sup> Australian Government Department of Education: "*Draft national vision for early childhood education and care*," 17 March 2023 <https://www.education.gov.au/early-childhood/resources/draft-national-vision-early-childhood-education-and-care>

### Proposed additions to recommendation:

- *Specifically state that the first objective is children's access to high quality, affordable and inclusive early education, recognising ECEC as the foundation of Australia's education system supporting the wellbeing and development of children as well as family's choice to participate in work.*
- *Align with the elements of the Draft National Vision for Early Childhood Education and Care, being developed by early years Ministers for consideration by National Cabinet.*
- *Recognise the significant social, economic and educational contributions ECEC makes to Australian society, including supporting workforce participation of families, long term human capital benefits and benefits accrued from addressing disadvantage and vulnerability, as well as broader benefits associated with family support, early intervention and supporting regional economies and small businesses.*
- *Recognise the ECEC workforce as crucial to delivering high quality early learning.*

## 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.**

### Draft recommendation 2 (c)

Recommendation 2 (c) should be strengthened to immediately abolish the activity test as a first step towards achieving a universal education and care sector.

We note that both the IPART interim report and the Women's Economic Equality Taskforce recommend this to be reviewed as a priority or abolished due to its adverse impact on children and families<sup>11</sup>.

As a longer-term step, we suggest a further recommendation as follows:

### Proposed additional recommendation:

*That the ACCC should recommend that the PC consider how best to implement a specific entitlement such as a certain number of days for all children with more days available to those who need more - noting there appears to be no evidence supporting the effectiveness of the activity test in creating an incentive to work.*

### Draft recommendation 2(d)

CCC and CELA agree that there is a need to ensure that additional investment is aligned with policy objectives and does not result in further cost increases to families. An initial focus in this area could include measures to increase fee transparency and reporting.

Close consultation is needed to ensure that this is aligned with future funding models in a sustainable manner to deliver transparency for funding, while allowing for

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<sup>11</sup> Recommendation 2.2 <https://www.pmc.gov.au/resources/10-year-plan/recommendations> and Priority draft recommendation 1 [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Interim-Report-Review-of-early-childhood-education-and-care-October-2023.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Interim-Report-Review-of-early-childhood-education-and-care-October-2023.PDF)

reasonable operational variations which are reflective of community need and circumstance.

Monitoring also should consider quality levels and measures to ensure funding is utilised to provide quality improvement. Consideration could include administration options for services which continuously fail to meet minimum quality standards.

#### **Proposed additions to recommendations:**

*In the immediate term improve fee reporting and transparency on starting blocks. ACCC should recommend Government better utilise existing provisions to ensure fees published are up to date with better information about inclusions provided by high quality NFP providers.*

*Additionally, ACCC should recommend the PC consider ways to identify and report on fees outliers within localised markets.*

### **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:**

- Considering the frequency, granularity and accuracy of information collected and published, to ensure currency for parents and guardians
- Focusing on publishing information that assists parents to accurately estimate out-of-pocket costs and relevant information to assist parents assess quality factors
- Incorporating input and advice from the Behavioural Economics Team of the Australian Government
- Ensuring information is appropriately and effectively publicised to parents and guardians.

CCC and CELA support this recommendation – including the addition of further parent communication and resources to promote the value of ECEC and the factors of quality, including workforce. In addition, we strongly suggest that families should be part of the design and testing of the system.

The federal and state governments should coordinate to deliver a single national information source aligning with preschool and kindergarten offerings in states and territories and avoid replication of sources. An improvement to the existing Starting – Blocks site is preferred over multiple state based sources.

### **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.**

This recommendation needs to be strengthened with the recognition that the National Quality Standards are widely supported by the education and care sector and seen as essential to ensure the safety and quality of programs.

Reductions in national quality standards not only have an impact on children's experience and safety but can also ultimately exacerbate workforce shortages by reducing the quality of jobs.

The recommendations should further note that the ACCC findings on the impact of workforce shortages on quality and supply of education and care warrant immediate and longer-term action on behalf of the federal and state governments to improve the ECEC workforce pay and conditions. Including consideration of the current multi-employer bargaining processes underway.

We note that similar recommendations have been made in relation to the government's role in supporting improved wages and conditions for the female dominated education and care workforce<sup>12</sup>

**Proposed additions to recommendations:**

*ACCC should recommend the Australian Government fund an increase in educator pay with consideration given to the Multi-Employer Bargaining process underway.*

*The ACCC should recommend the PC consider how regulatory approaches, including industrial relations frameworks and financing, could deliver improved and sustainable pay and conditions for the ECEC workforce in the short and medium term.*

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<sup>12</sup> Recommendation 2.3 and 2.5 <https://www.pmc.gov.au/resources/10-year-plan/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.**

CCC and CELA strongly support this recommendation and reiterate the position of the peak bodies for Aboriginal community-controlled services that supply side funding is necessary to provide long term certainty for services and that funding must include:

- Access to capital grants for new services
- Support for workforce supply and retention
- Support for delivery of expanded holistic child and family services.

#### 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.**

CCC and CELA support the underlying recommendation that a market stewardship role should be considered for both state and territory governments across the sector, to ensure a range of broad objectives.

We recognise that stewardship of this sector is ultimately in conjunction with providers and other sector stakeholders including local government, especially relating to planning and monitoring of markets.

#### Suggested recommendation

*A market stewardship role should be considered for both Australian and state and territory governments, in ensuring the ECEC market is delivering on the following objectives:*

- *An adequate supply of places*
- *A sustainable and adequate workforce*
- *A desirable mix of provision based on provider type and age mix of children*
- *Minimum quality and inclusion standards and positive quality improvement trajectories; and*
- *Services that are affordable for families and sustainable for tax payers.*

*The positive role the sector plays in market stewardship and in achieving shared policy objectives with Government should also be recognized.*

*These market stewardship objectives should be delivered by the Australian Government utilising regulatory, financing, market monitoring and planning levers alongside a settlement of responsibilities with State and Territory Governments.*

### **Additional recommendation**

*Sustainability and growth of the NFP sector should be considered an explicit objective of future ECEC policy and regulatory approaches. Given the ACCC's strong findings about the benefits delivered by the NFP sector for children, families and Governments, this should also include consideration of new approaches to removing barriers in accessing capital and funding growth for NFPs.*

## **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.**

CCC and CELA agree with this recommendation and note that it is consistent with the international trend to allow for greater targeting of funding, as well as the recognition of the value of education and care for children of all ages.

While supply side funding has many advantages including better targeted support to deliver government objectives in the education and care sector, careful consideration in design is needed to ensure funding to cover genuine costs of services and supports continuous quality improvement.

This may include consideration of:

- Appropriate measures of indexation
- Appropriate measures for price control in exchange for supply side funding
- Layered funding rates to reflect genuine cost variations due to community need, geography and workforce costs.
- Support for capital costs to deliver new or expanded services.

### **Proposed revised recommendations**

*The ACCC supports further consideration by the PC of:*

- *Supply-side subsidies, either as a substitute for, or alongside demand side subsidies, including the opportunities and implementation risks involved with such a change and means to mitigate such risks*
- *Direct price controls or other means (eg potentially profit controls) to ensure Government and parents do not face excessive fees*
- *Unintended consequences of supply side and direct price controls, drawing on international examples and strategies to mitigate these.*