



Australian Consumer and Competition Commission Childcare Inquiry 2023

**Submission in response to the
September Interim Report**

October 2023

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While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.

1 Executive summary

The Municipal Association of Victoria is the peak representative and advocacy body for Victoria's 79 councils. The MAV was formed in 1879 and the *Municipal Association Act 1907* appointed the MAV the official voice of local government in Victoria.

Today, the MAV is a driving and influential force behind a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government; raise the sector's profile; ensure its long-term security; facilitate effective networks; support councillors; provide policy and strategic advice; capacity building programs; and insurance services to local government.

The MAV welcomes the opportunity to provide respond to the *Australian Competition and Consumer Commission – September Interim Report 2023*.

In Victoria, all councils plan for their children and families. Councils are a major provider of the infrastructure for the delivery of early childhood services including those funded by the Commonwealth government. Whilst Local government in Victoria is not a major provider of long day care, family day care or out of school hours care. It is often the provider of these services in thin markets particularly in rural and regional Victoria. Council delivered services are of high quality and are affordable for families.

Victorian councils remain critically interested and involved in improving the policies, practices and outcomes that impact the health, education, safety, wellbeing, and quality of life of young Australians. They have long championed the rights of children in their municipalities which includes the rights to early childhood education and care that is accessible regardless of where they live or their socio-economic situation.

2. Response to the Recommendations

a) **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.

Over the last five-years the early childhood sector in Victoria has seen the State Government undertake an ambitious reform agenda. The understood objective is to provide early childhood education through the delivery of a kindergarten program, to improving outcomes for children by expanding the age of children being able to attend, and the number of hours they can attend. Tensions continue to exist between the stated objectives of the Commonwealth and State governments regarding Early Childhood Education and Care (ECEC). The ACCC has focused on the need for the Commonwealth to update its objectives that underpin the childcare policies, legislation, and regulation. The MAV suggests that in doing so the Commonwealth and Victorian State Governments should review and where possible align

such things as: stated objectives for the provision of funding to services, the Priority of Access for families, and work collaboratively to plan for and address the issue of “childcare deserts”.

b) **Draft recommendation 2** – The ACCC recommends further consideration and consultation on changes to the CCS and existing hourly rate cap mechanism, to simplify their operation and address unintended consequences, including on incentives and outcomes.

The findings in the report identifying such things as the issues of affordability and accessibility and the impacts and consequences of the activity test do require further consideration and consultation. The MAV supports a review of the role and application of the activity test. As pointed out in the Report, that will lead to better equity.

c) **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 parent and guardian information needs and is balanced against the costs of collecting and publishing information.

MAV supports the need for accurate and up to date data that assists and supports the sector and families. We also understand anecdotally that StartingBlocks has a degree of limitation regarding useability, not the least of which is providers maintaining up to date information on this site.

d) **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.

The inquiry identified several factors that contribute to workforce pressures which are:

- status and recognition of educators and early childhood teachers.
- pay discrepancies with other relevant sectors, such as primarily school teaching.
- provision of time for planning and reporting.
- the impact of training requirements on childcare educators and early childhood teachers, and whether paid placements and scholarships would be appropriate.
- the impact of regulatory reporting and record keeping on educators, teachers, and directors.¹

MAV, in consultation with its members, have identified additional factors including.

- The costs and availability of labour remain a significant challenge for the ECEC sector.
- The divide between LDC, kindergarten, and other programs in terms of the awards and agreements staff come under makes for an overly complex set of industrial

¹ ACCC Childcare Inquiry Report September 2023

arrangements. The costs of employing staff, managing lunch breaks, etc., and the inequities that exist regarding rates of remuneration reinforce the divide.

The MAV suggests that a starting point to address the sector workforce challenges is that the three levels of government along with key stakeholders including the unions must look at long term workforce planning at a place-based level. The capability and capacity to attract staff is significantly impacted by location and resourcing.

In its response to the Early Years Strategy, the MAV identified the following approaches to address the issues in the ECEC workforce.

- [National Children's Education and Care Workforce Strategy](#)
- [Next Steps in Victoria's Kindergarten Workforce Strategy](#)
- [Working Together to Build Victoria's Early Childhood Education Workforce](#)
- [Aboriginal workforce strategy 2021 – 2026](#)

e) Draft recommendation 5 – The Australian Government should consider maintaining and expanding supply-side support options for Aboriginal Community Controlled Organisations (ACCOs) that provide childcare and additional support services for First Nations children, parents, and guardians.

There is an unequivocal argument for equity funding to be made available to services operating in remote or very remote locations or locations where affordability for first nations families is an issue. Supply-side support such as block funding or equity funding paid to providers (not just ACCOs) means sustainability and consistency of supply which in turn means access to services for children. Access to services should not be seen through a single lens. The existence of an early childhood education and care service can mean the difference in not only educational outcomes, but health and well-being and safety for children.

f) 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.

Any market stewardship role must include local government. In Victoria, a key responsibility of Victorian councils, and one they have a long and proud history of delivering, is strategic planning for the health, wellbeing, safety, connection to culture, access, participation, and development of its children and families. Councils take a whole-of-community, whole-of-system approach to building community strength and addressing the underlying causes of inequity and vulnerability. The majority of Victorian councils deliver ECEC services and provide the universal Maternal and Child Health Service which is integral to the development of children.

The recommendation of the ACCC to use competitive tendering as a tool to facilitate delivery in rural and remote areas is an interesting option and one that MAV believes will require careful

consideration noting the limitations in Victoria's experience. The Victorian local government experience with this process, particularly in the delivery of human services, has demonstrated it is fraught. For rural and remote areas there fundamentally is no competition. Rather than trying to incentivize providers to deliver a service the tri-partite stewardship role should be charged with the responsibility of finding the best option using a place-based planning approach. It may well mean supporting an existing provider to ensure their viability and sustainability rather than opening it up to competition. Learning from NDIS should be heeded. There is room for different models.

g) 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.

As the Report notes, any significant changes to policy settings for the sector could further reduce the indirect price impact of the hourly rate cap on fees. This may require a shift to direct price controls and supply-side subsidies to better control the taxpayer burden. This would be consistent with international trends. The Productivity Commission's inquiry into Early Childhood Education and Care is likely to consider these types of policy options and outcomes²

MAV suggests that this recommendation requires further consideration as it likely to have the most impact on the sector. The reality is the current system cannot prevent the increasing prices witnessed over the past five years. Care should be taken regarding further unintended consequences such as increased burden of administrative costs on services.

Conclusion

Whilst the ACCC Interim Report goes to the key questions of cost, nature of competition, affordability, and viability of the sector the MAV would like to remind the Commonwealth of a set of Principles adopted in Victoria by State and local government regarding improving outcomes for children.

They are:

- Using a systems-based approach to deliver well-planned, well-connected, inclusive, and high-quality services tailored to local communities, with a particular focus on vulnerable children and families.
- Systemic sharing and analysis of information, data, and evidence.
- Working in a respectful, transparent, and mutually accountable way to design, plan and deliver on agreed priorities and outcomes.
- Engaging families and children in decision making about the services and supports they need.

² ACCC Interim report September

The provision of childcare services meets a range of objectives in Australia, not the least of which must be improving the life-long outcomes for children.