

[REDACTED]

[REDACTED]

## 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:

Outside School Hours Council Australia

Do you consent to the ACCC publishing your submission?

Yes, but do not publish my name

## Open written submissions

### Confidentiality and personal information

Choose File:

No file uploaded

Choose File:

No file uploaded

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.

## 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:

This finding is broadly in line the experience of OSHC providers. It is also important to acknowledge that there is currently case before the Fair Work Commission that seeks a 25% pay rise for childcare workers.

In 2023, OSHCA commissioned an independent report to better understand the potential impacts of a wage increase on the Outside School Hours Care (OSHC) sector and the families we support.

The report, completed by Dandolo Partners found that:

- If wages within the OSCH sector, increased by 15%, the total cost would be between \$130 million to \$180 million. (The lower estimate is if there is an increase to the minimum rate, while the higher estimate is an increase to all educators, including those already paid above award).
- On average, a wage rise of 15% would mean an additional cost of \$37,000 per service, or an investment of nearly \$500 per child. This increase would compromise the financial viability of a large proportion of OSHC services.
- Some states (NSW, QLD, VIC, SA and WA) would see a much larger increase in cost due to the variation in size and qualification levels required depending on state requirements.
- A wage increase will have an unavoidable flow-on effect for families, some services may no longer be viable and would cease to offer services to families, other services will need to offset costs by reducing spending in other areas of the service, which would compromise quality.

Higher wages should improve workforce attraction and retention, however, the cost of wages needs to be fully subsidised by government to ensure services remain affordable to Australian families and services remain viable.

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

Unsure / No View

Please provide further comment if relevant:

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

Unsure / No View

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:

While this finding is correct it is important to note that while costs remain broadly similar, there can be substantial variation in the viability of a service given lower participant numbers as well challenges attracting and retaining suitable staff.

## 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.

Unsure / No View

Please provide further comment if relevant:

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

Do Not Agree

Please provide further comment if relevant:

We understand this finding to be in relation to long day-care services, OSHC services are delivered across many areas with varying levels of socio-economic advantage.

In the experience of some OSHC providers margins are lowest in more advantaged areas, OSHC services would therefore need to be considered differently should they ultimately be included in this finding.

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

Agree

Please provide further comment if relevant:

Workforce challenges for the OSHC sector are severe and ongoing and have a direct impact both on the ability of services to open additional sites as well as expand the availability of places at sites where services already exist.

The OSHC sector in all jurisdictions operates under a ratio model which dictates how many staff are required per number of students. If the staff are not available, then providers are required to cap services to ensure that ratio requirements are maintained resulting in families not being able to have their children cared for. This has a considerable flow on effect impacting a parent's ability to work, seek work or study.

One of the key challenges for the OSHC sector is the lack of consistency of qualifications. There is no national list of prescribed qualifications or ratio requirements required for OSHC settings across Australia, with each jurisdiction determining their own qualification and supervision requirements.

Beyond existing efforts to resolve the critical workforce shortages that exist across all sectors, the OSHC sector would welcome a number of tangible, achievable changes including:

- Amendments to qualification requirements that would enable a larger workforce pool for providers to draw on and improve our ability to provide reliable care for families.
- A nationally consistent set of OSHC specific regulatory requirements. National consistency is a valuable objective that improves compliance while reducing the complexity and costs of operation.

- The inclusion of relevant qualifications and experiences on the skilled migration list as well as consideration for fast-tracking working visas or permanent residency status to attract international experience and urgently fill the widening staff gap in the sector.
- Higher wages should improve workforce attraction and retention, but the cost of wages needs to be fully subsidised by government to ensure services remain affordable to Australian families and services remain viable.

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.

Do Not Agree

Please provide further comment if relevant:

As has been noted the experiences of the OSHC services are often quite different to the experience of Long Day Care providers. Finding 8 does not accurately represent the experience of the OSHC sector because most children will attend the OSHC services that are connected with the primary school they attend and therefore the parents actually using the service do not directly get the choice (if for instance the School Principal or P&C are making the decision on the provider). It should also be noted that price has a direct relationship with the cost of hiring the school facility/Licence fee expectations of the providers.

OSHC services remain the fastest growing and most affordable (lowest cost) childcare services.

### 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:

While this is broadly accurate there is substantial cross subsidisation between services within the OSHC sector with some services unviable as stand-alone service offerings.

In addition, OSHC services typically have lower margins when compared with long day care providers and less flexibility when setting prices as well as greater volatility in revenue. The lack of permanency in relation to bookings creates additional challenges in relation to meeting ratio requirements and staffing needs which also contributes to higher costs.

Escalating compliance is also reducing margins in the OSHC sector, average profit margins for large providers has declined between 2018-2022.

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

Do Not Agree

Please provide further comment if relevant:

Attendance rather than occupancy is a key driver of revenue for the OSHC sector. The lack of permanency (or the need for flexibility) in relation to bookings in the OSHC sector means that at times viability is less certain.

11. On average, margins are higher:

Agree

Please provide further comment if relevant:

While this is broadly reflective of the experiences of the OSHC sector many larger services have significant expenses associated running a head office. Services run out of head office may include office training, recruitment, and other back-office services. While these costs are not directly attached to individual services they exist and have an impact on margins and viability.

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:

The ability to attract and retain staff is unquestionably a key determinant of quality and subsequently profitability and viability.

For the OSHC sector providing services that are suitable and enjoyable for school aged children before or after a full day of school is critical, relationships and rapport with staff are an important part of that.

At present, all approved OSHC services operate under the same National Quality Frameworks (NQF) as long day care services, which in many instances is not suitable for primary school aged children. In addition, regulations and requirements of the services vary significantly across jurisdictions creating additional administrative burdens and complexity for staff.

There are several unintended consequences for children that occur because OSHC services are regulated under the same or similar frameworks to long day care settings including that the fact that qualification requirements (designed for long day services) mean children are unable to benefit from qualified and engaging staff such as sports or music professionals who despite regularly working with children do not have the relevant Cert 3

qualification. Burdensome regulatory requirements, a reason staff regularly report being unable to continue their work in a service meaning children must regularly form new attachments.

Any move to improve the way OSHC services can attract and retain staff would be welcome.

### 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.

Do Not Agree

Please provide further comment if relevant:

The existing mechanisms place downward pressure on prices for OSHC services due to the nature of the contractual requirements with Schools. This is because if costs go above the cap parents pay higher out of pocket fees which leads to lower usage.

In addition, while OSHC is a part of the broader care sector there are several key differences. OSHC services typically have lower margins when compared with long day care providers and less flexibility when setting prices as they are connected to ongoing agreements with schools.

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.

Unsure / No View

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:

This is especially relevant to OSHC as there are variations to care that have to be factored into the calculations of out of pocket expenses – such as before care start finish times, aftercare start finish times, pupil free day differences and holiday program differences. This is all very confusing to understand for parents and also for staff to understand.

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.

Unsure / No View

Please provide further comment if relevant:

### 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:

While we agree with finding 17 it cannot be considered in isolation of the fact that services in Australia are highly regulated which adds significantly to the cost burden of running a service and therefore the price paid by parents and guardians.

Wages in Australia are also higher than many international jurisdictions. Even amongst Australian jurisdictions.

For a number of years, OSHCA have advocated for a simplified, nationally consistent OSHC specific regulation environment that reflect the needs of OSHC services and recognises the particular type of care being delivered for primary school aged children as being fundamentally different from the care of toddlers and babies in a long day care setting designed.

It is the view of OSHCA members that a nationally consistent regulatory framework that was designed with OSHC rather than long day care services in mind would be universally beneficial and could be designed without compromising the quality of care expected by parents, children, and school communities and would in fact result in an enhanced fit for purpose, sustainable service model that would allow OSHC services to grow and meet the needs of working Australian families and their children.

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.

Agree

Please provide further comment if relevant:

Supply-side subsidies are an appropriate mechanism in thin markets and could be beneficial if appropriately targeted.

These mechanisms should be adopted with caution and only utilised in thin markets in consultation with service providers.

Looking to other jurisdictions, supply-side subsidies have been well received by providers and made care more affordable for families. Conversely price controls such as those implemented in Ireland with the introduction of supply-side subsidies have had significant unintended consequences. As part of those processes' prices were frozen at the current levels which unfairly impacted providers who had traditionally looked after their school communities with lower fees.

Establishment Grants, introduced by the Victorian Government have created hundreds of new services in rural and other thin markets. Specialist schools or schools that have material behavioural challenges cannot typically run commercially as they often require a 1:2 ratio to operate. The high intensity program in Victoria is an example of a supply side subsidy that is making this complex service delivery viable.

## 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:

OSHCA supports this recommendation and suggests that OSHC services be explicitly referenced in the key objectives. The primary purpose of OSHC services is providing high quality care that allows parents to work the hours they need to do their jobs well and support outcomes for children and their families. Without access to the quality services, parents – particularly women – would be unable to work, will choose not to work, or not work as many hours as they would like.

In addition, OSHC services provide high quality care that helps meet the play and leisure requirements of children in the hours before and after school when it is unable to be provided by a parent or guardian. Further to serving the needs of working families, OSHC services play a critical role supporting vulnerable children who require care before and after school to meet their physical, social and emotional needs.

For families, a lack of access to quality OSHC services has a material impact. It can mean saying no to additional hours or shifts, being unable to take on higher paid roles and a reduced ability to progress careers. Families where both parents work are the most likely to use OSHC services.

The majority of OSHC services are delivered on school sites, it is imperative that quality care is delivered as family choice is limited and children require safe and supported environments of care.

While there are substantial benefits to children and families, OSHC services are also critical for business. A fully functioning (thriving) OSHC sector means business has access to a larger talent pool, especially in rural and regional areas, and can invest in their employees who they know want to grow with their business or organisation into expanded roles. OSHC services play a key role in supporting national productivity by maximising workforce participation.

OSHC services are also the most affordable and accessible existing model of childcare services across Australia. It will be critical in any final response from Government that the key differences and objectives between OSHC services and early learning services are recognised and understood.

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:

OSHC providers would support further consideration and consultation of an increase to the hourly rate cap but would caution that while changes to the hourly rate cap are relatively easy to implement the effects could be inequitable. It is difficult to set a single hourly rate cap that is appropriate for all services. For example, the current cap does not recognise the additional delivery costs that exist across jurisdictions i.e. WA has a higher staff ratio compared with most jurisdictions, as a result fees can be higher including for families.

There is also significant risk that some services would be receiving a significant windfall gain while services who cannot increase fees do not benefit from an hourly rate cap increase which would impact on their ability to deliver services.

The importance of timely and meaningful consultation (including with OSHC providers) to achieving the best possible outcomes and reducing negative unintended consequences can not be understated. OSHCA supports this recommendation, noting it should be clear in any recommendation that consultation explicitly include and recognise the nuances of the OSHC sector.

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:

OSHCA supports this recommendation noting that, considerations of the cost inputs should be involved with the setting of the rate cap. A more sophisticated model is required that allows for genuine consideration of the cost of educator wages, regulatory costs, labour costs and other key inputs required to deliver quality care, especially in remote areas or for children with complex needs.

Draft recommendation 2 (b) - Consideration be given to changing the hourly rate cap to align with the relevant pricing practice for the servicetype. 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:

Subject to further consultation OSHC services would welcome the opportunity to better align pricing practicing practices with specific service types to ensure they accounted for the unique challenges of delivering OSHC services.

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:

OSHCA would strongly support any measures that help ensure greater access to services for children and families facing vulnerabilities. Overwhelming OSHC services are utilised by parents who legitimately require support to fulfil caring, schooling and other obligations including work. In the experience of OSHCA members, the existing system is particularly discriminatory against new migrants and indigenous Australians. In Australia, the proportion of couple families with dependents in which one or both parents were employed was 93.7 per cent (2.5 million) in June 2021, up from 92.1 per cent in June 2020, meaning parents play an enormous role in Australia's workforce. Specifically, 73.7 per cent of couple families with children under 15 have mothers who are employed. (Ref: ABS data June 2021). OSHC participation has been the fastest growing care type of the sector over the past several years and the largest in terms of the number of sessions of care delivered.

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.

Do Not Support

Please provide further comment if relevant:

Unlike daycare services OSHC service providers are unable to regularly adjust prices in response to cost increases. This is primarily because the prices charged for services are linked to contracts with schools which lock in prices for extended periods. In addition, the significant competition that exists in the OSHC market plays an effective role in controlling the price of services.

OSHC services have consistently been the most affordable (lowest cost) care services available to families, any further consideration of this recommendation should acknowledge the key differences between OSHC and daycare services.

Given the CCS funding arrangements for OSHC, government could consider stronger pressure on State Government departments to develop reasonable defined expectations for hire/licence fee arrangements with schools (including availability of relevant and quality space) which have a direct effect on pricing capability of providers.

Further, it is important to note that additional monitoring imposes additional administrative costs on providers that will either lead to the need for further subsidy by government or higher prices for families.

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:

Unsure / No View

Please provide further comment if relevant:

It is critical that in considering this recommendation the ACCC and others consider the substantial regulatory burden already placed on staff within care services and the unintended consequences of additional reporting requirements which may include staff spending time away from the core business of caring for children as well as poorer workforce retention due to increased pressures.

Within OSHC services staff regularly note the substantial administrative requirements placed on them in comparison to other similarly remunerated roles including disability services as reasons for discontinuing work within the OSHC sector. This can include requirements to set up/pack up services on a session/daily basis.

There is also a clear correlation between the ability to retain staff and the quality of service provided and enjoyed by children and families. We also ask that any final recommendation considers the difference in the requirements of parents with children in long day care when compared with those in OSHC care and that those differences are acknowledged.

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 ability to attract and retain staff is unquestionably a key determinant of quality and subsequently profitability and viability. It will be important in further consideration this recommendation to note the different challenges that exist in relation to attracting and retaining staff based on care type within the sector.

At present, all approved OSHC services operate under the same National Quality Framework requirements (NQF) as long day care services, which in many instances is not suitable for primary school aged children. In addition, regulations and requirements of the services vary significantly across jurisdictions creating additional administrative burdens and complexity for staff, with no supported outcome measurers that highlight any variations in quality of care to children. In addition to regulatory requirements that are appropriate for the OSHC sector, OSHCA has consistently advocated for a harmonisation of ratio and qualification requirements across jurisdictions.

There are several unintended consequences that result including that children are unable to benefit from other suitably qualified and engaging staff such as sports or music professionals who despite regularly working with children do not have the relevant Cert 3 qualification.

In addition to the issues with qualification requirements, ratio requirements that are designed for daycare aged children severely impact the ability of providers to attract and retain a suitable number of qualified staff. A marginal increase in the number of children staff were able to supervise would have a significant impact on the ability of services to ensure there are sufficient staff to meet demand. A change of this nature would recognise that unlike children in daycare, primary school aged children have significantly more agency and are more capable of basic self-care.

Work in the OSHC sector is casual by nature largely due to variability in demand, in addition OSHC is often viewed as a steppingstone to employment in other parts of the care and education sector. For example, many staff who begin their careers in OSHC, successfully continue their work in the education sector either as teachers or childcare workers (on full time, no split shift contracts) - this makes OSHC a critical feeder and trainer of employees for those parts of the sector.

#### Draft Recommendations - Broader policy considerations for more significant change

Draft recommendation 5 - The Australian Government should consider maintaining and expanding supply-sidesupport options for Aboriginal Community Controlled Organisations that provide childcareand additional support services for First Nations children, parents and guardians.

Unsure / No View

Please provide further comment if relevant:

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:

There is correlation between areas that are under-served or those experience significant disadvantage, and the inability to run viable services in those areas. In those instances, it is critical that government provide stronger and genuine incentives to encourage appropriate, safe and quality service delivery.

The NSW Government, for example, has provided several development and innovation grants to help improve service availability in areas that have been historically underserved. Learnings in relation to those grants could be considered as part of this work.

It is critical that any additional support offered by government to provide services in areas that are underserved provides an adequate level of support and is not overly burdensome to access.

In order for families to be appropriately supported funding from government needs to go beyond 1-2 years of grant funding. While well intended, too often this had led to substantial disruption within communities with services opening and then closing once the grant funding has expired.

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:

Supply-side subsidies are an appropriate mechanism in thin markets and could be beneficial if appropriately targeted i.e. to rural areas or services supporting children with disabilities.

Direct price controls are more challenging and have had unintended consequences in other markets and could affect quality and choice unintentionally. While several jurisdictions have explored these options internationally, they have not been in place for a long enough to accurately determine their value and impact over time.

These mechanisms should be adopted with caution and only utilised following consultation with providers to ensure the models are viable for services providers.

Looking to other jurisdictions, supply-side subsidies have been well received by providers and made care more affordable for families. Conversely price controls such as those implemented in Ireland with the introduction of supply-side subsidies have had significant unintended consequences. As part of those processes' prices were frozen at the current levels which unfairly impacted providers who had traditionally looked after their school communities with lower fees.

Establishment Grants, introduced by the Victorian Government have created hundreds of new services in rural and other thin markets. Specialist schools or schools that have material behavioural challenges cannot typically run commercially as they often require a 1:2 ratio to operate. The high intensity program in Victoria is an example of a supply side subsidy that is making this complex service delivery viable.