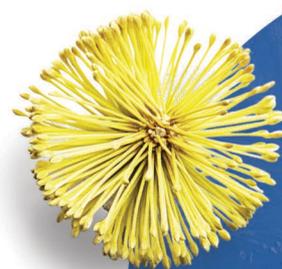


Submission to Australian Competition  
and Consumer Commission

27 October 2023

# C&K Response to ACCC September 2023 Interim Report



*Where children come first.*



## About C&K - Where children come first

As a not-for-profit organisation, children are at the centre of everything we do. The core purpose of our work is to create learning environments that allow children to flourish. For C&K, flourishing means that children are confident, secure, courageous, engaged, empowered, empathetic and resilient. As a not-for-profit organisation, we re-invest profits across our portfolio so we can support thousands of Queensland families. In 2022, we welcomed almost 19,000 Queensland children into our centres.

Creating high-quality learning environments requires highly qualified people, delivering quality education programs, that respond to today's children and empower them for the world of tomorrow. We achieve this through our dedicated workforce, which provides outstanding educational experiences for children and families every day. We grow our reputation as thought leaders, by actively engaging in advocacy and consultation and delivering professional learning opportunities to influence the future direction of early childhood education and care.

We are proud of our 116-year history of creating generations of life-long learners. C&K has an enviable reputation and is a brand synonymous with high-quality early childhood education, that has been earned through our deep and unwavering commitment to putting children at the centre of all our decisions. We are a large early childhood education and care (ECEC) provider, spanning varied geographic and socio-economic communities across Queensland. C&K delivers a range of programs, under multiple funding models, with experience in delivering unique models that respond to community needs.

C&K employs more than 2,000 employees across our central office, 178 state-funded kindergartens, childcare centres and out of school hours programs. As a Central Governing Body (CGB), we also support 153 affiliated kindergartens, operated by voluntary management committees, on behalf of the Queensland Government.

We are leaders in workforce, quality, inclusion, and operating services in rural and remote communities. Our longevity and ongoing organisational sustainability are reflected in our lower than sector average employee turnover rate, high utilisation rate, and importantly, our high-quality ratings. Operating both childcare under the Child Care Subsidy and kindergarten under the Queensland Kindergarten Funding Scheme, gives us unique insight into the state and commonwealth funding models.

C&K families tell us of the importance of ECEC in providing their children with the foundational skills for lifelong learning. We have considerable experience in supporting families experiencing vulnerability and disadvantage and providing the conditions for those families to improve their circumstances and those of their children. Early learning is not only a fundamental and essential service for families but provides children with lifelong benefits from participation.

## 1. Overview of C&K response

C&K welcomes the ACCC Interim Report (September 2023), and in particular the focus on the important role not for profit (NFP) providers play in the market with regards to high wages and high-quality services, and in-turn, child outcomes. NFP providers play an important role in setting high standards for quality and workforce, thereby driving up these elements in competitors, as families increasingly demand high-quality provision.

In preparing this submission, C&K note that the ACCC data collection and analysis is the first of its kind in early learning. The final report will be a guiding document in the decade of reform to come. We urge the ACCC to be specific in the recommendations and findings, to ensure the important detail is not lost in the broader document. The final report findings and recommendations need to succinctly reflect the complexity and confidently recommend the way forward, including specific recommendations of focus for the Productivity Commission inquiry.

## 2. Response to Draft Recommendations

Table: Overview of C&K response to Draft Recommendations.

ACCC Draft Recommendation	C&K position
1	Support
2	Support with changes
3	Support with changes
4	Support with changes
5	Support
6	Support with changes
7	Support with changes

### ACCC 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.**

C&K supports this recommendation and suggests that the ACCC explicitly outline:

- that the first objective is children's access to high-quality, affordable and inclusive early education and a secondary objective of supporting workforce participation;
- the critical of a qualified workforce in delivering quality early childhood education and care; and
- note that other relevant work is underway including further exploration of the supporting measures (such as a price regulation mechanism) by the Productivity Commission and alignment to the national vision being developed by Education Ministers.

### ACCC 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. In doing so, we recommend consideration be given to:**

**(a) 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**

**(b) changing the hourly rate cap to align with the relevant pricing practice for the service type. This could include consideration of a daily fee cap for centre based day care. Consideration will need to be given to setting and monitoring minimum requirements to avoid creating incentives for childcare providers to reduce flexibility or quality**

**(c) 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

**(d) including a stronger price and outcomes monitoring role by government, supported by a credible threat of intervention, to place downward pressure on fees**

Contained within this recommendation are a number of actions that the ACCC can strengthen for immediate implementation, with others that are appropriate for consideration by the Productivity Commission.

The ACCC should recommend that in the upcoming MYEFO or 2024 budget:

- **Abolish Activity Test:** ACCC should recommend Government abolishes the activity test to give all families an activity test result of 100 hours noting evidence families don't use more days of ECEC than they need, cost pressures and the means test would continue to limit demand from families, and this measure would most benefit very low-income families in insecure work who are currently paying for unsubsidised hours. The impacts of this change should be closely monitored by the Australian Government to identify any unintended consequences.
- **Hourly rate gap:** ACCC should recommend the Government link the increase in the hourly rate cap with an appropriate wages index.
- **Inclusion:** ACCC should recommend Government immediately increase the ISP hourly subsidy to fully cover the cost of a suitably qualified educator.

The following changes can be then referred to the Productivity Commission:

- **Loadings:** ACCC should recommend the PC consider loadings for a future funding system that recognises higher costs of delivery based on location, age of children and have regard for charging that impact on daily fees over a year.
- **Child based entitlement:** 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.
- **Transparency and focus on fee outliers:** ACCC should recommend the PC consider ways to identify and report on fees outliers within localised markets.

### **ACCC 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:**

**(a) considering the frequency, granularity and accuracy of information collected and published, to ensure currency for parents and guardians**

**(b) focusing on publishing information that assists parents to accurately estimate out-of-pocket expenses and relevant information to assist parents assess quality factors**

**(c) incorporating input and advice from the Behavioural Economics Team of the Australian Government**

**(d) ensuring information is appropriately and effectively publicised to parents and guardians.**

It is critically important that families have simple and easy access to the information they need to make decisions about early childhood education and care. C&K support this recommendation with the inclusion of families being engaged in the development of this information, to ensure it is fit for purpose.

## ACCC 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.**

C&K suggests that the Final Report include Findings relating to educator pay and conditions, reduced educator turnover and quality improvement, with a new recommendation for an immediate sector-wide wage rise funded by the Australian Government.

There is also an opportunity for the ACCC to recommend the Productivity Commission consider how regulatory, including industrial relations frameworks and financing approaches could deliver improve and sustainable pay and conditions for the workforce.

## ACCC 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.**

C&K strongly support this recommendation, noting we defer to and support the views of the Aboriginal and Torres Strait Islander community-controlled sector, such as SNAICC, in how to best support organisations and support services for First Nations children and families.

## ACCC 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.**

A system stewardship approach ensures that the wellbeing of Australia's children is collectively shared by governments, organisations and families, and will reframe early childhood education and care as critical infrastructure, to support not only children in their own right, but society as a whole. System stewardship is crucial to the delivery of universal early childhood education in all communities, not just communities facing vulnerability or disadvantage.

In this recommendation, the ACCC should specifically define the need for broader stewardship, beyond market stewardship, including:

- ensuring adequate supply of places, mix of provision based on provider type and ages of children,
- minimum quality and inclusion standards, and positive quality improvement trajectories,
- a sustainable and adequate workforce,
- affordable for families and sustainable for tax payers
- the positive and shared role that the sector plays in market stewardship and in achieving shared policy with Government.

The ACCC should specifically outline the explicit roles of the Commonwealth and jurisdictions.

In addition, a new recommendation should include the sustainability and growth of the not-for-profit sector as an explicit objective of future ECEC policy and regulator approaches given the ACCC's strong findings about the benefits delivered by the NFP sector for children, families and Government. This should include new approaches to removing barriers in accessing capital and funding growth for NFPs.

Under a broader role of stewardship, there is a role for mitigation of oversupply, not just undersupply. Consideration should be given to capital funding programs that will help NFPs grow, including strategic partnerships with government. Application to a dedicated funding stream, for new or existing facilities, could be assessed on quality, inclusion and priority access communities. Approval could be based on strong records of delivering high-quality inclusion and support.

### **ACCC 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.**

C&K supports the further consideration of all funding models, including supply-side subsidies and direct price control, demand subsidies, and models which are a mix of both.

As per C&K's submission to the Productivity Commission, a new funding model should:

- incentivise the employment of qualified staff
- control the majority of centre running costs, greatly reducing parent fees
- be a platform for needs-based subsidy for children with disability, additional or complex needs, at risk of vulnerability and First Nations children,
- be nuanced for multiple ECEC settings and provides greater simplicity for families navigating the system
- incentivise the workforce to upskill and support the growth of a qualified workforce across all age groups.

C&K also note that the submission process for gathering cost information was complex and challenging, and insights into this process would be beneficial for government and the Productivity Commission to understand.

C&K suggest that this recommendation is amended, given it does not factor in significant affordability improvements delivered from the 2022 and 2023 reforms to the child-care subsidy.

### 3. C&K Response to Key Findings in September Interim Report

C&K notes the 18 key findings in the September Interim Report, and provides the following comments:

ACCC Draft Finding	C&K Position
Finding 2: Land and related costs are the other significant driver of cost for centre based day care providers.	C&K recommends that the Final Report include a new recommendation that focuses on land related costs and landlords, seeking the PC to give consideration to regulatory and financing approaches under a market stewardship approach. This would seek to manage issues of over and under supply in different markets.
Finding 3: Not-for-profit providers appear to face lower land costs than for profit providers, but these savings are invested into labour.	<p>C&amp;K recommends that the Final Report include a new recommendation that focuses on the efficient and effective delivery of NFP providers in areas aligned with Government objectives, and highlighting higher wages and conditions, providing in communities facing disadvantage.</p> <p>This recommendation should take into consideration new summary findings that include the growth challenges of NFP providers, such as access to capital, and higher utilisation required to break even due to above award wages and conditions and other costs prioritised by NFP providers such as inclusion.</p>



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