

[REDACTED]

[REDACTED]

Introduction

What is your name?

Name:
Brotherhood of St. Laurence

What is your email address?

Email:
[REDACTED]

Are you responding to this survey as:

Other

What is your organisation?

Organisation:
Brotherhood of St. Laurence

Do you consent to the ACCC publishing your submission?

Yes

Open written submissions

Confidentiality and personal information

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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.

Guided submissions

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.

Not Answered

Please provide further comment if relevant:

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

Not Answered

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.

Not Answered

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.

Not Answered

Please provide further comment if relevant:

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.

Not Answered

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.

Not Answered

Please provide further comment if relevant:

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

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant:

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

Not Answered

Please provide further comment if relevant:

11. On average, margins are higher:

Not Answered

Please provide further comment if relevant:

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

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant:

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.

Not Answered

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:

Many families accessing BSL services report that it is hard to access the Child Care Subsidy, and do not know about the Additional Child Care Subsidy. Families do not understand why they need to apply for the subsidy through a separate system or channel when they have already gone through the process of signing up for Centrelink/myGov. Language challenges exacerbate this barrier to access for many families from culturally and linguistically diverse backgrounds. Families who are experiencing hardship often do not know that they are eligible for the Additional Child Care Subsidy and instead pull their children out of care when they can no longer afford the fees.

A 2020 BSL study, Trampolines, not traps, examined the barriers to economic security experienced by low-income single mothers in Victoria. It found that while the Child Care Subsidy improved child care affordability, many women who participated did not understand their entitlements or how the subsidy worked.

The calculation of the subsidy and fee payable is complex and unclear, yet if parents miscalculate their income or activity requirements, the responsibility for additional fees sits with parents and exposes them to financial risk and debt.

Parents already juggling the challenges of combining work, care and other commitments are burdened with the extra complexities of navigating the Child Care Subsidy.

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.

Not Answered

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.

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant:

Draft Recommendations

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.

Not Answered

Please provide further comment if relevant:

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:

The availability and operation of the Child Care Subsidy needs to be substantively reconsidered to meet the needs of Australian families and remove barriers to workforce participation and economic security for parents, especially mothers. Low-income single mothers in precarious circumstances require the most assistance with child care, yet are one of the groups that receive the least financial support for child care. To meet the educational needs of children and enable women's labour force participation, BSL supports the provision of free early education and care, including child care, to

low-income families instead of a partial subsidy.

The Child Care Subsidy has unintended consequences in the way that it interacts with Family Tax Benefit payments, income support payments and income taxes to produce high effective marginal tax rates (EMTRs) on earned income for secondary earners in many families. These high EMTRs create disincentives to work that have a negative impact on women's workforce participation, as women remain mostly responsible for the care of children.

Changes are also needed to support the availability of child care. Waiting lists are long and where available, the hours offered tend to be inflexible, restricting the types of jobs and hours parents can take on. Research has found that women often 'trade down', taking on jobs based on the care they can access rather than their capabilities.

It is essential that these unintended consequences are addressed.

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

Not Answered

Please provide further comment if relevant:

Draft recommendation 2 (b) - Consideration be given to 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.

Not Answered

Please provide further comment if relevant:

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:

BSL supports removal of the activity test. The test restricts the number of hours of Child Care Subsidy to which a family is entitled, based on the parents 'recognised activity', such as working, studying or looking for work. This acts as a barrier to children accessing care. Recent research by Impact Economics and Policy found the current activity test for the Child Care Subsidy is contributing to at least 126,000 children from the poorest households missing critical early childhood education and care.

While the activity test aims to encourage participation in the workforce, in effect it does the opposite. The activity test creates uncertainty about whether parents will be able to access the amount of subsidised child care necessary for them to work. The challenge is even greater for parents in casual employment and variable work arrangements who face the additional financial risk of generating a debt if they are overpaid due to mistakes in reporting their irregular work hours.

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.

Not Answered

Please provide further comment if relevant:

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:

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant:

Draft 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.

Support

Please provide further comment if relevant:

BSL welcomes the recommendation to expand support for Aboriginal Community Controlled Organisations (ACCOs). ACCOs are best placed to identify and respond to needs in their communities and deliver better outcomes for Aboriginal children and caregivers. Increased and sustained investment in ACCOs will advance self-determination and the availability of culturally safe care for children.

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.

Not Answered

Please provide further comment if relevant:

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.

Not Answered

Please provide further comment if relevant: