



OSHCA

OUTSIDE SCHOOL HOURS
COUNCIL OF AUSTRALIA

Outside School Hours Council of Australia Childcare Inquiry 2023

29 October 2023



About OSHCA

The Outside School Hours Council of Australia (OSHCA) encompasses providers who account for more than 30 per cent of the national OSHC market, including Junior Adventures Group, TeamKids, Camp Australia, TheirCare and The Y.

OSHCA members represent approximately a third of the 4,000+ services that are operated on school sites throughout Australia, employing more than 10,000 people across all mainland states and territories.

Our sector provides affordable care for the children of over 350,000 Australian families who rely on our services to be able to work & support family needs.

As providers, OSHCA is critically aware of the importance of listening to the voice of children and providing services that are safe, enjoyable, and enriching for them as well as the important role we play for parents and our nations productivity. The view of OSHCA is that fundamentally, children require safe, engaging, age-appropriate care delivered by a quality workforce.

Services that are enjoyed by children immensely improve the experience of parents and carers as well as staff and increase a child's ability to engage and benefit from the services provided as well as a parents ability to feel confident their children are adequately supported while they undertake work and other important activities.

Executive Summary

We welcome the opportunity to provide a submission on behalf of OSHCA in response to the ACCC Childcare Inquiry 2023. We note that individual members may also provide feedback by way of the guided submission process.

The submission supports the need for OSHC services to be explicitly considered in Early Childhood Education and Care (ECEC) policies and regulation and emphasises the differences between OSHC services and early learning services.

Further the submission reaffirms OSHCA's ongoing commitment to ensuring that the policies and regulations that govern our sector are fit for purpose and appropriate for the school aged children we care for, the submission also acknowledges the substantial costs burdens that are created by regulation including the impact of the varied regulatory environment seen across Australia jurisdictions.

OSHCA supports the majority of draft recommendations outlined in the report noting that in many instances support is offered subject to ongoing consultation, including consultation that expressly considers the needs of the OSHC sector prior to implementation.

In particular OSHCA encourages caution and requests ongoing consultation in relation to any changes to the hourly rate cap, supply-side subsidies, and any additional monitoring or regulatory requirements to ensure that any changes resulting from this work do not have any unintended consequences and achieve their intended objectives.

OSCHA does not support the application of direct price controls, the submission also notes OSHCA's opposition to draft recommendation 2d, the issues that this recommendation seeks to resolved are not relevant to the OSHC sector, if this recommendation is directed towards the day care sector OSHCA asks that be made clear in any final recommendation.

Our submission acknowledges that wages are and remain the single largest cost for providers and that attracting and retaining staff remains an ongoing challenge for the sector. The submission includes finding from the Dandolo Report, an independent report commissioned by OSHCA following the significant public discussion in relation to increasing wages for staff within the ECEC sector.

The Dandolo Report highlights the workforce challenges, potential cost implications, and varying impacts on families if wage increases were to occur. It also provides possible solutions and suggests that a direct wage subsidy may be an efficient solution to support a wage increases.

Overall, OSHCA underscores the importance of understanding the specific needs and nuances of the OSHC sector to ensure that any policy changes support workforce quality, service viability, and affordable care for families.

Response to Draft Recommendations

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

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

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 cannot 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

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 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.

Support

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

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

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 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

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 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

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

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.

Dandolo Report Insights

As a result of the ongoing public discourse in relation to the provision of childcare services, the costs to families and the desire to improve wages for educators 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 has been undertaken by Dandolo Partners, a management consulting firm specialising in public policy.

The findings of this work are relevant to the ACCC Childcare Inquiry.

Specifically, the Dandolo Report sought to:

- Build a profile of the OSHC workforce and estimate the proportion of the workforce paid at each award increment and the proportion paid above award.
- Model the cost of different levels of wage increases – from 5% to 25%.
- Estimate the cost of increasing wages ‘across the board’ for all educators, as well as a more conservative assumption where only award rates are increased.
- Unpack the implications of an unfunded wage increase for the OSHC sector.

In undertaking this work the report also considered some of the existing and ongoing challenges faced by the OSHC sector. Like many industries, the past three years have been complex for the sector which was significantly impacted by the pandemic and the significant drop in demand that accompanied lockdowns and substantial periods of school closure.

Amongst other things, many experienced OSHC educators left the sector during this period either to escape the pressure associated with program delivery in a lockdown environment, or in order to seek more permanent employment in light of the ongoing lockdowns and the uncertainty that the industry faced as a result. This exacerbated existing challenges with the OSHC workforce.

A number of key findings outlined in the report are included below for your consideration.

Workforce

- There are over 31,000 people in the OSHC workforce, and on average, they are a youthful workforce with high levels of turnover, mostly on award wages and highly variable qualification requirements.
- There is high competition for workforce with a tight labour market. A key challenge is making the OSCH sector attractive when other industries can pay higher wages for less demanding work.
- There is a national shortage of educators with the qualifications required to support the OSHC sector.
- There are constraints on workforce mobility due to the different qualifications regimes that apply in each State and Territory.
- The turnover rate in the OSHC workforce is high due to a number of factors, including low salaries, complex and challenging work that requires the assumption of significant risk, a lack of career progression opportunities, significant competition for the workforce from other parts of the care sector and the types of hours worked in the OSHC sector.

Impacts of a wage increase

- Increasing salaries for OSHC educators would make it more attractive to work in this field. This would help to attract a quality workforce, and it would also help to reduce turnover rates and support retention.
- If wages 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.
- Impacts on actual out-of-pocket costs for families will vary dramatically depending on circumstances, with families with two working parents the most affected.
- If fees go above the Hourly Rate Cap (HRC) then the family, no matter their financial circumstances, will cover all the increase above the cap. Therefore, if services increased their fees to cover an increase in wage costs, then the impact on families will vary dramatically.

How to Support Wage Increase

In addition to exploring the potential implications of a wage increase, the report also considered a number of solutions, that could support a wage increase without unduly impacting families and the viability of the sector. The report considered two approaches that could support higher wages within the OSHC sector and the implications of each. The report also tested these approaches across two different scenarios, one in which there is an across the board wage increase that lifts wages for all employees and a more conservative increase in award rates only. The two avenues to fund wages increases are as follows:

1. A direct wage subsidy provided to services by government, with the expectation it be passed on to employees in full.
2. An increase to the Hourly Rate Cap (HRC), which would flow through to services as an increase in revenue.

The report found that, a wage subsidy provided direct to services by government, with the expectation this be passed on in full to workers involved an additional cost and administrative burden but is otherwise efficient to operate. It would result in no additional out-of-pocket costs to families, supports service viability and promotes attraction and retention of the workforce.

Further, the report found that, increasing the HRC is comparatively easy to implement, but its effects are highly variable, inequitable and inefficient.

The report also found that it would be difficult to set an HRC that is adequate for all services. If wages increase by 15%, you would need to increase HRCs by 21% to ensure all services who can partially or fully increase fees can break even – and at this point, some services would be receiving a significant windfall gain while services who cannot increase fees do not benefit from an HRC increase in any scenario.

In the event wage increases progressed but were unfunded, services would need to increase fees to cover the increased cost of service delivery. Findings indicated that the impact on families would be variable with families with two working parents in major cities being most impacted.

While fee increases would impact families in different ways, the report was clear that all families would be impacted.

The structure of the OSCH sector and the variation in service capacity to absorb cost increases mean that some services may not be viable following an increase in wages not funded by the government.

The report also highlighted that while the challenges are as acute, and the sector is critical to enabling families to balance work and parenting, the OSHC workforce has not attracted the kind of public or policy attention that the remainder of the ECEC workforce has. As a result, there's a risk that OSHC will be overlooked in any move to fund a wage increase for the wider ECEC sector, which would have severe unintended consequences for services, staff and families.

In the event, support was provided to the broader ECEC sector with the exception of staff working within OSHC services there would be a sharp and immediate impact on staff morale which would likely result in large numbers of staff leaving OSHC services and exploring other, more highly paid opportunities within the broader ECEC sector. Some would likely be lost to the ECEC sector altogether.

In the medium term it would devalue the profession and the critical role our staff plan within OSHC services, the impacts of which would flow onto families in the form of reduced service offerings.

Thank you for the opportunity to contribute to this process. OSHCA is grateful to the ACCC for their work, members are able to provide additional data or insights as required and look forward to continuing to work with government as the strategy is implemented.

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