



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Early childhood education and care
Independent Market Monitoring Review

Report to the Minister

December 2023

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair

Sandra Gamble

Jonathan Coppel

Enquiries regarding this document should be directed to a staff member:

Heather Dear (02) 9019 1927

Jennifer Vincent (02) 9290 8418

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Chapter 1 >>

Executive summary

01

The value of investing to ensure that all children get the best start in life is increasingly evident to governments around the world.¹ Quality early childhood education and care assists with healthy early childhood development and can have long term benefits for children, their families, and the community. It also supports the workforce participation of parents and caregivers.

Under the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act), the Minister for Education and Early Learning must commission a person to review the childcare sector market every 2 years or other period prescribed by the regulations.² The Independent Pricing and Regulatory Tribunal (IPART) has been commissioned to undertake this role.

In addition to this role under the CEOF Act, IPART was asked to review and make recommendations on affordability, accessibility and consumer choice in the early childhood education and care sector in NSW. In this report we refer to this separate review as the IPART ECEC Review.³

While the two reviews cover similar areas, the CEOF Act requires the commissioned person (the independent market monitor) to focus on the childcare sector market and barriers to the workforce participation of parents and carers.⁴

1.1 What the Independent Market Monitor is required to review

The CEOF Act requires the commissioned person (the independent market monitor) to undertake a review into the childcare sector market, including by reviewing:

- a. areas where the commissioned person considers:
 - i there are childcare supply shortages, or
 - ii there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare, and
- b. the state of the childcare sector, including the following:
 - i workforce
 - ii pay and conditions
 - iii quality standards in the childcare sector.⁵

The NSW Childcare and Economic Opportunity Fund Board (Board) will consider this report in developing strategic investment plans for its activities.⁶ As this is the first review, it will also provide a baseline against which to measure the progress of the Childcare and Economic Opportunity Fund (Fund) towards achieving its objectives in future.

In commissioning IPART to undertake the independent market monitor review (IMMR), the Minister for Education and Early Learning has provided a set of expectations for the review including that we should consider:

- market trends, such as current parents and carers behaviours, technological advances or recent shifts in market structure
- workforce profile across metropolitan, regional, rural and remote areas, demographics and provider types

- market size and growth potential, with particular consideration of barriers to access related to growth in location or service size
- identifying different market segments, such as metropolitan, regional, rural and remote areas, demographic groups, including priority cohorts, or product categories related to the differences in provider types
- fees and out-of-pocket costs of childcare services for parents and carers, including how often ad hoc fees are passed on and how often fee increases occur, and workforce disincentive rates
- cost of providing the service and cost driver breakdowns
- market competition, including information on the competitive landscape of the market, such as market segmentation analysis
- opportunities for strategic partnerships, by providing information on the major childcare sector stakeholders
- key legal, economic, planning or other barriers to the provision of childcare services.

The Minister's expectations are included in full at Appendix A.

1.1.1 The Childcare and Economic Opportunity Fund

The Fund was established by the CEOF Act.⁷ The 2022-23 NSW Budget included an investment of up to \$5 billion in the Fund over the next decade to expand access to high quality, affordable childcare across NSW.⁸ This commitment was maintained in the 2023-24 NSW Budget.⁹ The CEOF Act establishes the Board, a statutory body with functions relating to the development and administering of programs to be funded by the Fund.¹⁰

The principal objective of the CEOF Act is to increase participation in the State's workforce, particularly for women, by making quality childcare more affordable and accessible.¹¹

To achieve this object, the CEOF Act aims to:

- a. reduce barriers to parents and carers participating in work, and
- b. improve affordability and accessibility of childcare, and
- c. support the early childhood education and care workforce and sector.¹²

The Fund commenced with the 2-year [Flexible Initiatives Trial](#) announced in September 2023. This trial will provide grants for early childhood education and care services to test and trial new or adapted operating models, aimed at increasing flexibility and addressing barriers to work and study for NSW families.¹³

The Fund will also be used to provide \$500 per child of fee relief to 3-year-old children attending eligible preschool programs in long day care centres, effective from early 2024.¹⁴

1.1.2 Scope of the independent market monitoring review

The NSW childcare sector market includes education and care for children from birth to 12 years old across all service types. As such, the IMMR covers community and mobile preschool, family day care, long day care, NSW Department of Education preschool, occasional care, and outside school hours care.

Occasional care is not 'childcare' for the purposes of the CEOF Act.^a However, we consider the supply, availability, and accessibility of occasional care impact the childcare sector market. Accordingly, we have considered occasional care in the IMMR and in this report. This is consistent with the Minister's expectations.

For future reviews the independent market monitor is to include an estimate of the amount of funding required to achieve the objective of the CEOF Act and otherwise fund the Board for at least the next 2 financial years.¹⁵ However, this is not required for the 2023 Report as an amount has been appropriated under section 18 of the CEOF Act for the financial years 2024-2026.¹⁶

As the independent market monitor, we provide our report to the Minister for Education and Early Learning.

As set out in the Minister's expectations, the main goal of this market review is to provide insights and information into the NSW childcare sector market that can be used to inform strategic decisions and actions, including:

1. areas where there are childcare supply shortages (s 5(1)(a)(i) of the Act), including current and planned childcare services, supply of childcare places, demand for childcare;
2. areas where there are higher barriers to parents and carers participating in work because of the affordability or accessibility, or both, of childcare (s 5(1)(a)(ii) of the Act), including:
 - the impact the cost of childcare has on preventing children from accessing early childhood education
 - the impact the cost of childcare has on discouraging persons from participating or increasing participation in work
 - the percentage of marginal income spent by families on childcare.
3. availability of qualified workforce to meet the levels of need across NSW (s 5(1)(b)(i) of the Act)
4. the state of pay and conditions in the sector (s 5(1)(b)(ii) of the Act)
5. the distribution of the quality provision of ECEC services (s 5(1)(b)(iii) of the Act) across service types and geographic areas.

^a Occasional care is not a type of care provided by an education and care service. Education and care service has meaning given by the [Children \(Education and Care Services\) National Law \(NSW\)](#) and excludes occasional care: [Education and Care Services National Regulations](#), s 5(2)(c).

1.1.3 How we have undertaken the independent market monitoring review

We have reviewed the early childhood education and care sector by considering the following. How it is delivered by:

- **Service type:** Long day care (LDC), family day care (FDC), outside school hours care (OSHC), NSW Department of Education preschool, community and mobile preschool, occasional care.
- **Provider type:** We use the Australian Children's Education and Care Quality Authority (ACECQA)'s provider type classifications - Private for-profit, Private not-for-profit community managed, Private not-for-profit other organisation, State/Territory and Local Government managed, State/Territory government schools, Independent schools, Catholic schools.

Where it is delivered and how children and families access services by location:

- **At the Statistical Area 2 (SA2) level** – as representing a community that interacts together socially and economically. SA2s generally have a population between 3,000 and 25,000 with an average of 10,000. NSW consists of 644 SA2s.¹⁷
- **At the remoteness classification level.** The 5 classes of remoteness are: Major Cities of Australia, Inner Regional Australia, Outer Regional Australia, Remote Australia, and Very Remote Australia, as shown in Figure 11.¹⁸

We have considered how aspects of the affordability and accessibility of early childhood education and care impacts priority groups, defined by:

- Aboriginal and Torres Strait Islander status
- Cultural and linguistic diversity
- Disability status
- Socio-economic disadvantage.

We have considered socio-economic disadvantage by using the Australian Bureau of Statistics (ABS) Socio-Economic Indexes for Areas (SEIFA) scores and deciles from the Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD), as well as household incomes^b.

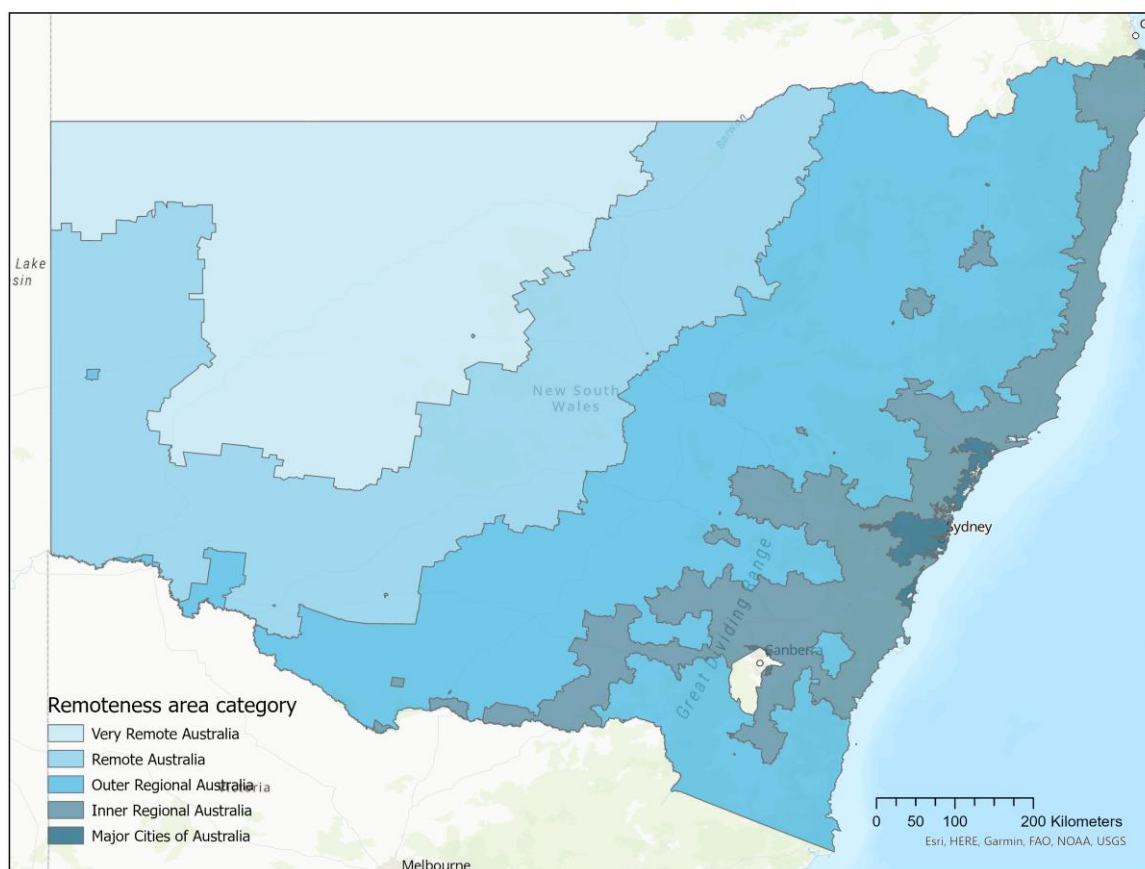
In September we released a [methodology paper](#) metrics and key performance indicators for the reporting tasks under our IMMR role. We held 2 workshops with stakeholders to discuss the questions raised in the methodology paper. We also received feedback in written submissions, which are available on our [website](#).

In response to this feedback, we made some minor amendments to the level of detail for assessing aspects of ECEC. For example, we decided to use the provider categories used by ACECQA as described above. We also included several new or amended indicators, as set out in the following sections and respective chapters.

The data sources we have used in preparing the IMMR are listed at Appendix F.1. Data analysed and presented is for NSW, unless otherwise stated.

^b Unless otherwise noted, references to household income in this report are all pre-tax income.

Figure 1.1 Remoteness Areas for Australia, NSW



Source: Australian Bureau of Statistics, Remoteness Areas Australian Statistical Geographical Standard (ASGS) Edition 3 and IPART analysis.

1.2 The IMMR is a baseline for assessing the NSW ECEC sector

As this is the first IMMR, our findings provide a baseline for assessing the state of the childcare sector and the progress of the Fund in meeting its objectives. The sections below briefly describe what we found.

1.2.1 Workforce shortages are impacting the supply of early childhood education and care services

We considered how the number and composition of services has changed over the previous 10 years, as well as the current distribution of early childhood education and care services and places. We found that:

- Since 2013, the number of long day care services has grown by more than 800, and the number of outside school hours care services more than doubled, while there has been a decline in family day care services and the number of preschools.
- Over half of all early childhood education and care services in NSW are provided by private for-profit operators, primarily as long day care in Major Cities.

- Community not-for-profit organisations are the main providers of preschool and services such as mobile preschools and occasional care, in all areas of the state.
- There are proportionally fewer ECEC places in areas of greater disadvantage, than in more advantaged areas. For example, over 20% of total places are in the most advantaged areas (decile 10) and only 7% in the most disadvantaged areas (decile 1) as ranked by the Socio-Economic Indexes for Areas (SEIFA) Index of Relative Socio-economic Advantage and Disadvantage (IRSAD).^c
- Current workforce shortages are impacting the supply of ECEC services across NSW, with services operating below their maximum licensed capacity.

The data we have used to examine the distribution of ECEC places across NSW is based on the number of places services are licensed for and is likely to overstate the number of places available for use by families. We consider that information on the number of places ECEC services are offering would be a more accurate measure of supply, and have made suggestions for how this could be collected while minimising reporting burdens for ECEC services.

Chapter 2 discusses these findings in more detail, along with the indicators for measuring the change in the supply of services and places in areas identified as underserved or experiencing a shortage of ECEC services.

1.2.2 Demand for ECEC services is projected to grow

We investigated current enrolment patterns by location as well as service and provider type, and how this has changed over the previous 5 years.^d We also analysed projected changes in the population and the potential impact this will have on demand for ECEC services over the next few decades. We found that:

- Across NSW around 450,000 children are enrolled in early childhood education and care services in a typical week, over 250,000 of whom were at long day care.
- Post COVID-19 enrolment at outside school hours care is higher than it was before the pandemic, however the number of children in family day care has declined. Enrolment in long day care has remained stable.
- In 2022, 82% of children in NSW were enrolled in 600 hours of preschool in the year before full-time schooling, and 75% of children were attending 600 hours.
- The NSW Department of Planning and Environment projects that the population of children aged 0-5 in NSW will grow by 61,771 or 10.5% by 2041. This growth is projected to occur in the Major Cities and Inner Regional areas of NSW, with other areas of the State expected to experience declining populations.

^c Every area is ordered from lowest to highest score, with the lowest 10% of areas given a decile number of one, the next lowest 10% of areas given a decile number of two and so on, up to the highest 10% of areas which are given a decile number of 10. This means that areas are divided up into 10 equal sized groups, based on their score, see Australian Bureau of Statistics, [Socio-Economic Indexes for Areas \(SEIFA\), Australia methodology](#).

^d We have CCS administrative enrolment data from 2018, so have only been able to examine demand over this period.

Chapter 4 discusses these findings in more detail.

1.2.3 There is a correlation between an undersupply of ECEC places and socio-economic disadvantage

To identify areas experiencing a shortage of ECEC services, we considered the ratio of ECEC places to the population aged 0-5 and 6-12 at the SA2 level. We also considered what this ratio would look like in 2041 (using the [NSW Department of Planning and Environment's population projections for 2021-2041](#)), without changes in the supply of services. We found that:

- there are several SA2 areas, predominantly in North-Eastern NSW, where there is fewer than one place per 4 children
- many of the SA2s in Western NSW only have 3-5 services covering a very large area
- there are many locations across NSW which do not have any outside school hours services.

We also developed a model that considers supply and maximum demand, including unmet demand for places in an SA2, based on the number of children enrolled and patterns of travel to attend ECEC services across SA2s. We found there is a correlation between socio-economic disadvantage and the undersupply of early childhood education and care places. We found that the areas with the greatest undersupply of ECEC places for 0-5-year-olds:

- for Greater Sydney are in Southwest and Western Sydney, and are amongst the most disadvantaged areas in NSW
- for the rest of NSW are dispersed through the state, several of which have a high proportion of Aboriginal and Torres Strait Islander children and are relatively disadvantaged.

We also found areas where the population growth over the last 10 years has outstripped the supply of ECEC places. For growth areas that are relatively more advantaged, we consider that the market is likely to respond to address these shortages over time.

Chapter 5 discusses these findings in more detail.

1.2.4 Families on low incomes face the highest affordability barriers to early childhood education and care services

We reviewed the affordability of early childhood education and care, and whether this creates a barrier to parents and carers participating in work. We found that:

- The average out-of-pocket cost to families was less than half of the service fee, across all services and ages.
- Average service fees and out-of-pocket costs were higher for children aged 0-2 years than 3-5 years in both long day care and family day care, reflecting higher staffing requirements for younger children.
- Families in Sydney face higher median out-of-pocket hourly costs for long day care, family day care and outside school hours care than those in other areas of NSW, particularly around inner Sydney.

- There are only minor variations in the fees charged by different provider types.
- Low-income households experience the highest workforce disincentive rates, particularly when they have two children in ECEC. However, this disincentive is dominated by the withdrawal of benefits, rather than the cost of early childhood education and care.

Chapter 6 discusses these findings in more detail, along with the indicators for measuring and assessing the affordability of ECEC services and the impact on workforce participation for families.

1.2.5 The intersectionality of factors can result in accessibility barriers to early childhood education and care services

All families should be able to access high quality early childhood education and care which suits their needs and aligns with their values. Access to early childhood education and care also supports parents who, would like to find work, increase their work hours or study for a qualification.

We examined how accessibility barriers impact different priority groups, including children with disability/additional needs, Aboriginal and Torres Strait Islander children and children from culturally and linguistically diverse backgrounds. We also considered accessibility barriers presented by different service types and those that are related to transport and information about early childhood education and care services.

We found that:

- The characteristics of community and NSW Department of Education preschool programs such as shorter operating hours and funding arrangements that can limit access, can present accessibility barriers for some families.
- Accessibility barriers linked to transport increase with remoteness and socio-economic disadvantage.
- Some families have greater difficulty navigating the early childhood system because information is not accessible for them.
- There is an intersectionality of factors contributing to higher levels of disadvantage and vulnerability that may indicate areas of the state and populations that have greater need for supports for families and for the educators and service staff providing their education and care. In particular:
 - there are higher proportions of children with disability/additional needs in areas of socio-economic disadvantage and Remote and Very Remote areas of the state
 - there is higher representation of Aboriginal and Torres Strait Islander children in Remote areas of the state and in enrolments in services in areas of relative socio-economic disadvantage.
- Cultural and linguistic background does not correlate with socio-economic disadvantage in the same way as we have seen for other priority groups, such as Aboriginal and Torres Strait Islander children and children with disability/additional needs.

Chapter 7 discusses these findings in more detail, along with indicators for assessing improvements in the accessibility of early childhood education and care services.

1.2.6 A qualified workforce is key to the supply of ECEC services

The availability of a qualified workforce is key to the supply of services and the number of places available for children. In turn, this supply is influenced by the pay and conditions offered, and access to qualifications. Understanding the workforce profile in NSW will help identify where programs can be targeted to increase the number of qualified educators. Similarly, a greater understanding of the pay and conditions of educators in the sector can be used to strengthen workforce strategies to retain and attract educators. We found that:

- There are almost 73,000 people working in early childhood education and care services of which 74% are permanent employees.
- The average length of tenure across the ECEC workforce is 5 years.
- More than half of the ECEC workforce have a Diploma or higher qualification.
- The average annual salary is \$45,985 across all services, with family day care educators earning on average \$66,694.
- The number of workforce vacancies across the sector has grown over recent years, and in October 2023 there were nearly 3,000 vacancies for childcare centre managers, early childhood teachers and child carers in NSW.

Chapter 8 discusses these findings in more detail, along with indicators for assessing the state of the NSW ECEC workforce.

1.2.7 Staff experience is related to high quality early childhood education and care

We examined quality standards across the early childhood education and care sector and considered any variations between provider and service types and geographic areas. We also reviewed relationships between the level of staff retention and the pay and conditions of a service and its quality rating.

We found that:

- Over 90% of services in NSW are rated as meeting the National Quality Standard (NQS), with more than 20% rated as exceeding.
- The proportion of services exceeding the NQS is highest in Major Cities and decreases with increasing remoteness. Across service types, quality ratings are highest for preschool and lowest for family day care.
- For long day care and family day care, services with a higher quality rating employ educators who have more experience in the sector.

Chapter 9 discusses these findings in more detail, along with the measures which are indicative of higher quality services.

1.3 Improved access to data would enable better decisions for families, service providers and policymakers

Governments across Australia collect vast amounts of data on the supply of, enrolment in, attendance at and subsidies paid for early childhood education and care services. However, as noted by the Productivity Commission in its recent Draft Report, data collected by the Australian Government is not routinely shared with states and territories.¹⁹ This follows the recommendation of the South Australian Royal Commission into Early Childhood Education and Care that the Commonwealth ensures the State Government has regularly updated access to Child Care Subsidy data to support system design and insight into system-wide participation.²⁰ More timely sharing of data between jurisdictions would assist in planning and targeting of ECEC services and government programs.

A centralised and well-maintained waiting list that parents, carers, services, and policy makers can access would allow better estimation of unmet demand for services and ultimately service delivery where it is needed most. The absence of such a resource can result in some areas with an oversupply of services and others undersupplied.

In addition, there is a lack of clarity about the number of places available to families. Data is only available on the maximum places that services are licensed for. With current workplace shortages, many services are operating below this maximum, however this is not visible in the data. We consider that information on the number of places ECEC services are offering would be a more accurate measure of supply.

This would require service providers to supply this data, and we are conscious of not increasing reporting burdens. Potentially, data on places offered, could be collected as part of ACECQA's annual service report and complement their work on the [National Workforce Strategy](#).

In assessing accessibility barriers, better data is required to enable a comparison of the proportion of children with disability/additional needs attending early childhood education and care services with the proportion of children with disability/additional needs in the general NSW population. In the absence of this data, alternate measures could include the number of complaints about exclusion of children with disability/additional needs or exclusionary enrolment practices to restrict access to early childhood education and care services.

Data on enrolment and completion rates for vocational education and early childhood education degrees is only available at the national level. Estimating the future supply of the ECEC workforce requires more transparent data on a NSW basis.

One of the overarching findings in IPART's ECEC Review is that the lack of comprehensive, integrated, accessible, high quality digital services and data about early childhood education and care makes it hard for families to find, choose and use services and impedes good decision-making for providers and policymakers. To address this our ECEC Review recommended a digital transformation and that the NSW Government should develop a digital service and data strategy.²¹

Our findings as the independent market monitor reinforce the importance of such a strategy.

1.4 What is covered in the IMMR

The rest of this report sets out the data and our findings on the early childhood education and care sector in NSW. It also includes feedback from families, the community and people working in the early childhood education and care sector, that we heard during the IPART ECEC Review and in undertaking the IMMR.

- Chapter 2 discusses the current supply of early childhood education and care services and places, by location, service, and provider type.
- Chapter 3 gives an overview of the market for early childhood education and care services.
- Chapter 4 examines the demand for early childhood education and care services across NSW.
- Chapter 5 brings together demand and supply to identify areas where there are shortages of ECEC services.
- Chapter 6 examines the affordability of early childhood education and care, how the out-of-pocket costs vary by location, service, or provider type, and the impact on different families.
- Chapter 7 considers the accessibility of early childhood education and care, particularly for priority groups.
- Chapter 8 examines the demographics of the ECEC workforce, employment conditions and pay, qualifications and ongoing training, and tenure in the sector by location, service type and provider type.
- Chapter 9 considers quality standards across the early childhood education and care sector and looks at variations between provider and service types and across geographic areas.
- Appendices A-F set out:
 - a. the Minister's Expectations
 - b. glossary of terms and acronyms used in this report
 - c. additional information on the supply of early childhood education and care services
 - d. further details on the demand and supply model and areas of undersupply
 - e. additional information on the affordability of early childhood education and care services
 - f. data sources used in this report.

Chapter 2

The supply of early childhood
education and care services in NSW

02

This chapter examines the supply of early childhood education and care services across NSW. We consider how the number and composition of services has changed over the previous 10 years, as well as the current distribution of early childhood education and care services. We found that:

- Since 2013, the number of long day care services has grown by more than 800, and the number of outside school hours care services more than doubled, while there has been a decline in family day care services and the number of preschools.
- Over half of all early childhood education and care services in NSW are provided by private for-profit operators, primarily as long day care in Major Cities.
- Community not-for-profit organisations are the main providers of preschool and services such as mobile preschools and occasional care, in all areas of the state.
- There are proportionally fewer ECEC places in areas of greater disadvantage, than in more advantaged areas. For example, over 20% of total places are in the most advantaged areas (decile 10) and only 7% in the most disadvantaged areas (decile 1) as ranked by the Socio-Economic Indexes for Areas (SEIFA) Index of Relative Socio-economic Advantage and Disadvantage (IRSAD).
- Current workforce shortages are impacting the supply of ECEC services across NSW.

The following sections discuss these findings in more detail.

2.1 Performance measures for the supply of ECEC services

Table 2.1 sets out the indicators for assessing the supply of early childhood education and care services. These indicators focus on measuring the change in the supply of services and places in areas identified as underserved or experiencing a shortage of ECEC services. Our findings against these indicators are discussed in more detail in this chapter.

The indicators reflect stakeholder feedback on our methodology paper, and include indicators related to the ECEC workforce. While there are separate indicators for the ECEC workforce (Section 8.1), we have included them as indicators here as well, given the critical impact the availability of a qualified workforce has on supply.

Table 2.1 Indicators and KPIs for supply of early childhood education and care services

Indicator	Calculation	Finding
S1 KPI: Reduce the number of regions identified as undersupplied		
The number of local areas (SA2) with a demand to supply ratio higher than 1 to 1.	Number of local areas (SA2) where demand is greater than supply based on model output.	Total SA2s under-supplied: <ul style="list-style-type: none"> For 0–5-year-olds: 69-245 SA2s For 6-12-year-olds: 108-311 SA2s at lower and upper estimates of demand respectively.
S2 KPI: Increase in number of places per child of relevant age by service type and location^a		
Number of places per child of relevant age by service type and location.	Chart distribution of places by service type and location (remoteness).	Total places in NSW: 373,737 By service type: <ul style="list-style-type: none"> LDC: 199,861 OSHC: 121,938 FDC^b: 20,118 Preschool: 27,697 Other^c: 4,123 Table 2.5 shows the number of places by service and provider type and location (remoteness).
S3 KPI: Increase in number of services by service type and location		
Number of services by service type and provider type and location.	Chart distribution of services by service type and provider type and location (remoteness).	Total services in NSW: 5,979 <ul style="list-style-type: none"> LDC: 3,460 FDC: 124 OSHC: 1,559 Preschool: 759 Other: 77 Table 2.3 shows the number of services by service and provider type and location (remoteness).
S4 KPI: Increase in number of places in areas of relative disadvantage		
Number of places by service type and provider type and SEIFA Index of Relative Advantage and Disadvantage decile.	Chart distribution of places by service type and provider type and location (remoteness) and SEIFA Index of Relative Advantage Disadvantage decile.	Number of places by SEIFA decile (IRSAD) <ol style="list-style-type: none"> 24,951 26,650 34,700 31,932 30,302 29,411 34,369 33,607 45,042 82,611.
S5 KPI: Increase in the number of trainees, and qualified educators in areas identified as undersupplied		
The number of trainees and qualified educators and teachers in SA2 areas identified as undersupplied.	Increase in the number of trainees, graduates of Certificate III and above working in SA2s identified as undersupplied – measured every 6 months.	We have identified areas of undersupply, see Chapter 5.2. The Board can use this information to decide where to target programs and financial assistance from the Fund.
S6 KPI: A reduction in the length of time it takes to fill staffing vacancies		
The length of time it takes to fill vacancies.	The number of staff vacancies for ECEC roles in NSW, reported by the Jobs and Skills Australia Internet Vacancy Index . Reporting by providers on the time taken to fill vacancies.	Total NSW vacancies Oct 2023 <ul style="list-style-type: none"> Childcare centre managers: 134 Early Childhood Teachers: 1,104 Child Carers: 1,686

Indicator	Calculation	Finding
		Time to fill vacancies is not currently measurable. It would require reporting by providers on the time taken to fill vacancies.

Note: LDC is long day care, FDC is family day care, OSHC is outside school hours care.

a. Places are not licensed in age sub-categories, so we are unable to show the number of places by age.

b. Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

c. Includes mobile preschools, occasional care, and Multifunctional Aboriginal Children's Services (MACS).

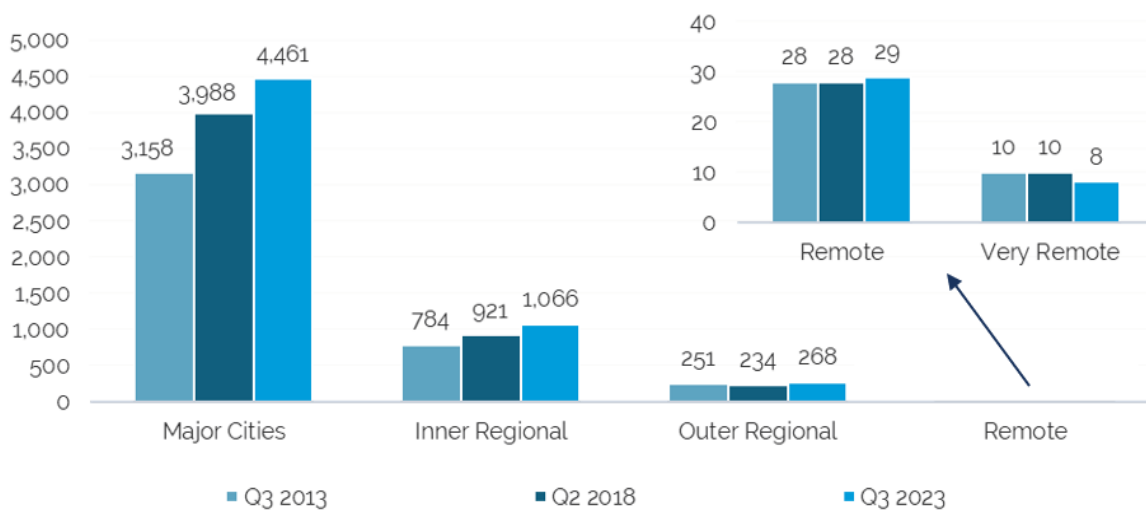
We considered whether approved development applications for services should be used as measure of new supply. An example of an existing tracker is the Australian Childcare Alliance (ACA) NSW's [Childcare Development Watch](#).²² While not included as a performance measure, it provides information of the potential location, size, and type of new ECEC services.

Stakeholders considered that services which are not meeting minimum standards should not be included in estimates of supply, as families should not be expected to enrol their children in services not meeting standards if this is the only option in their local area.²³ We have not excluded services that are not meeting minimum standards from measurements of total supply, instead we have included the proportion of services meeting minimum standards as one of the quality key performance indicators (section 9.1).

2.2 The supply of early childhood education and care services in NSW has changed since 2013

Over the 10 years since 2013, the number of early childhood education and care services has increased across NSW, except in Very Remote areas where it has declined by 20% (Figure 2.1). The largest growth has been in the Major Cities, where the number of services increased by 41%, followed by Inner Regional areas with a 36% increase in the number of services.

Figure 2.1 Number of services by remoteness category (2013-2023)

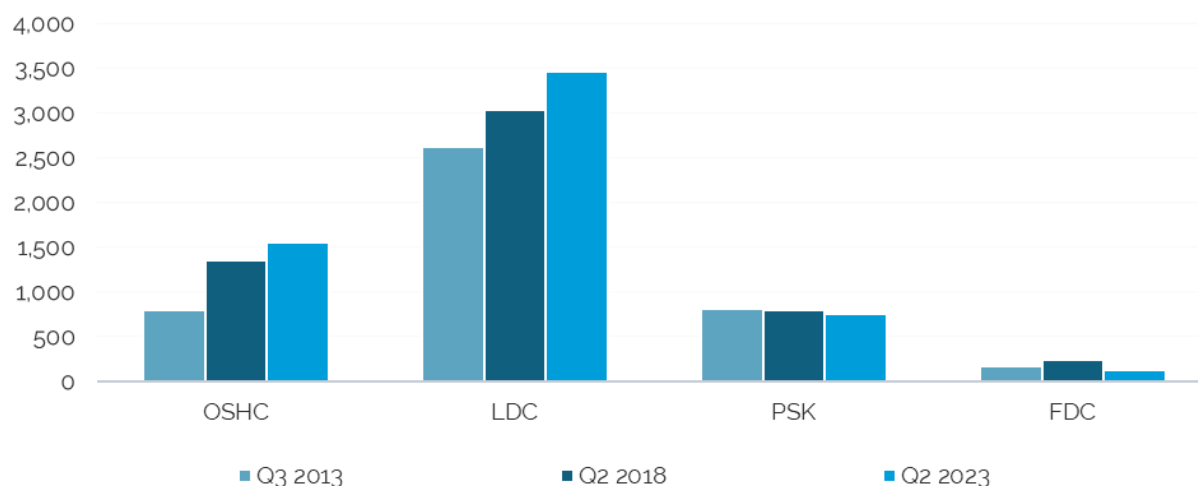


Note: Data doesn't include mobile preschools, occasional care or MACS.

Source: National Quality Agenda IT System (NQAITS) Quarterly data 2013-2023, and IPART analysis

This growth has primarily been in outside school hours care and long day care, which have grown by 95% and 32% respectively since 2013. In contrast, the number of family day care services decreased by 29% and preschools by 6% (Figure 2.2).

Figure 2.2 Number of services by service type (2013-2023)



Note: "OSHC" means outside school hours care, "LDC" means long day care, "PSK" means community preschools and NSW Department of Education preschools and "FDC" means family day care. Data doesn't include mobile preschools, occasional care or MACS. Source: NQAITS Quarterly data 2013-2023, and IPART analysis.

The number of services has increased for all provider types, except those provided by State government schools (preschools) which declined by 17%. The largest percentage increase was for Catholic schools (off a very small base), followed by private for-profit providers and private not-for-profit other organisations (Table 2.2).

Table 2.2 Growth in the number of services by provider type (2013-2023)

Provider Type	2013 Q3	2018 Q2	2023 Q2	% change
Private for profit	2,162	3,042	3,446	59%
Private not for profit community managed	1,148	1,356	1,328	16%
Private not for profit other organisations	369	438	532	44%
State/Territory and Local Government managed	315	351	336	7%
State/Territory government schools	118	120	98	-17%
Independent schools	69	88	87	26%
Catholic schools	22	33	73	232%
Total	4,203	5,428	5,900	40%

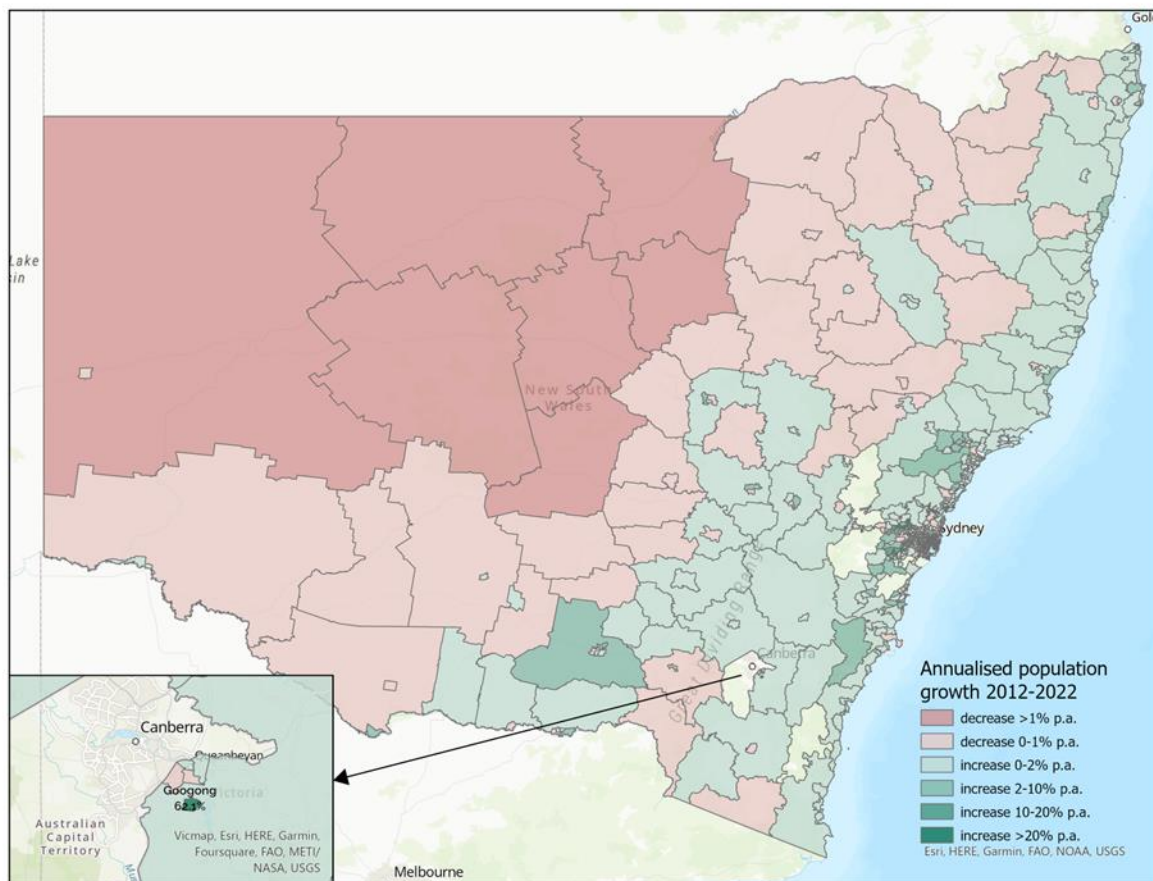
Note: The percentage increase in the number of total services over 10 years may differ depending on whether the number of total services were calculated by aggregating numbers by service type, provider type or remoteness area, due to missing data entries. Source: NQAITS Quarterly data 2013-2023, and IPART calculations.

2.2.1 Population growth 2012-22

Figure 2.3 and Figure 2.4 show how the population (all ages) has changed since 2012. As shown, the population has declined by more than 1% each year across the northwest of the NSW, and by up to 1% each year for surrounding areas across western and southern NSW. In contrast, coastal areas have grown up to 2% each year since 2012. Areas such as Albury East, Dubbo West and Port Macquarie West have grown by more than 2% each year.

The inset in Figure 2.3 shows Googong, located in the Queanbeyan-Palerang Regional Council, which grew by 62.1% a year (from 54 people in 2012 to 6,748 in 2022) due to the creation of a new town as part of a joint venture between development companies Peet and Mirvac.

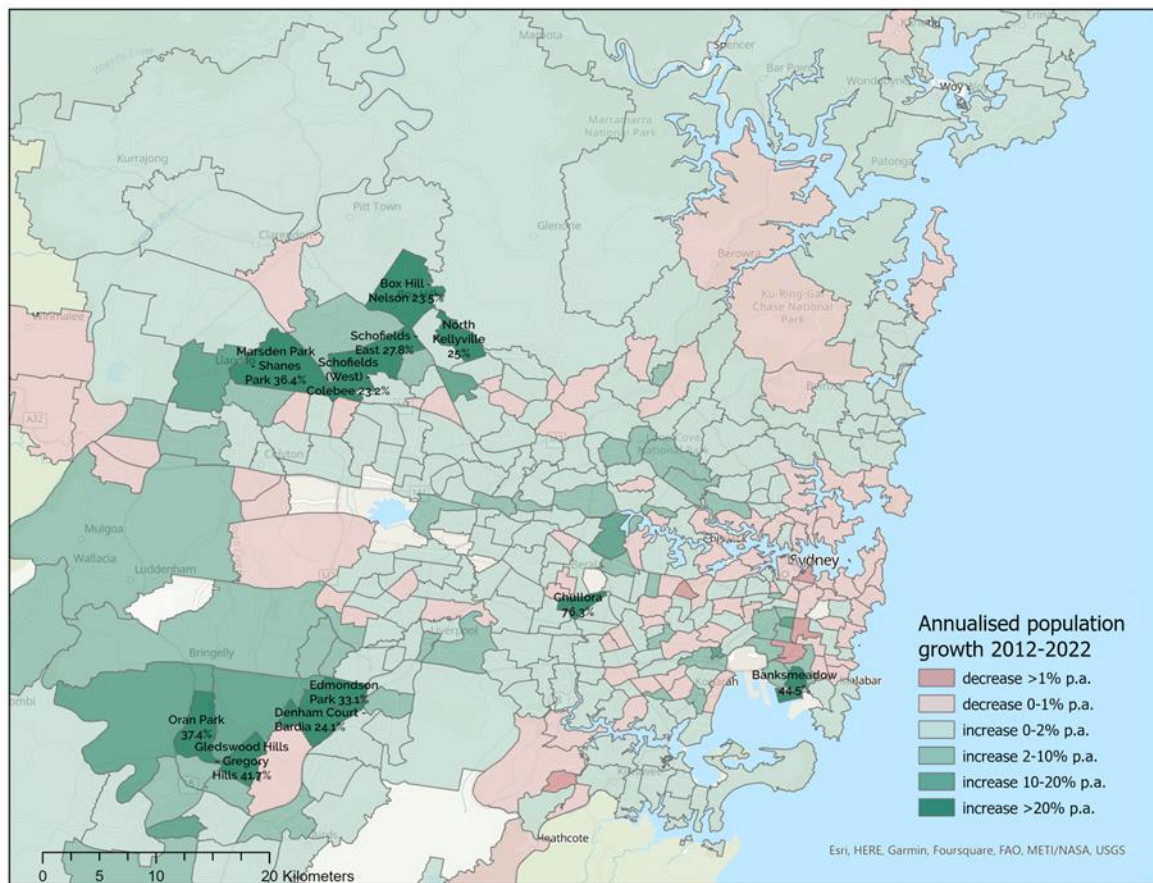
Figure 2.3 Rate of population growth by SA2, 2012-2022, NSW



Source: ABS, Population estimates by SA2 and above, 2001 to 2022 - Revised, Table 1 and IPART analysis.

As shown in Figure 2.4, several areas of Sydney have grown by more than 20% each year, primarily in the northwest and southwest growth zones. Chullora and Banksmeadow have also grown dramatically, although from extremely small populations in 2012. In contrast, areas close to the harbour and in the eastern suburbs have experienced declining population.

Figure 2.4 Rate of population growth by SA2, 2012-2022, Sydney



Source: ABS, Population estimates by SA2 and above, 2001 to 2022 - Revised, Table 1.

2.3 Current supply of early childhood education and care services

Table 2.3 shows the number of services by remoteness, service, and provider type in July 2023. The table includes the number of family day care service providers, rather than the number of educators working for each service.

Private for-profit providers are the main providers of delivery of long day care, particularly in Major Cities, and community not-for-profit providers dominate the delivery of preschool and services such as mobile preschools and occasional care, in all areas of the state.

In assessing the supply of early childhood education and care services, ACA NSW suggested we include services that are not captured in the National Quality Agenda IT System (NQAITS). Such services may include, for example, those delivered by cultural or faith groups or other services which are not regulated under the National Quality Framework (NQF). ACA NSW considered that not including those services could misleadingly suggest that some areas are undersupplied, when in fact there were services meeting the local demand.²⁴ Nevertheless, we do not consider unregulated services should be included in our analysis and have used data from the Quality Assurance and Regulatory Services Directorate within NSW Department of Education (NSW DoE).

Although not covered by the NQF, occasional care, mobile services, and Multifunctional Aboriginal Children's Services (MACS) are regulated under the *Children (Education and Care Services) Supplementary Provisions Act 2011* and *Children (Education and Care Services) Supplementary Provisions Regulation 2019*.²⁵ We have included them in our analysis where data is available.

Table 2.3 Number of services by provider and service type by remoteness, 2023

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote
Family day care^a				
Private for profit	60	5	1	0
Private not for profit community managed	10	10	4	0
Private not for profit other organisations	1	2	0	0
State/Territory and Local Government managed	16	11	3	1
Total family day care	87	28	8	1
Long day care				
Private for profit	2,211	377	38	3
Private not for profit community managed	204	76	36	9
Private not for profit other organisations	186	65	7	0
State/Territory and Local Government managed	162	17	9	2
Catholic schools	11	9	1	0
Independent schools	33	4	0	0
Total long day care^b	2,807	548	91	14
Outside school hours care				
Private for profit	566	150	26	1
Private not for profit community managed	349	72	15	1
Private not for profit other organisations	172	39	4	0
State/Territory and Local Government managed	47	33	5	1
Catholic schools	26	22	0	0
Independent schools	26	4	0	0
Total outside school hours care	1,186	320	50	3
Preschool				
Private for profit ^c	4	2	2	1
Private not for profit community managed	260	179	90	13
Private not for profit other organisations	38	13	3	2
State/Territory and Local Government managed	23	1	6	0
State/Territory government schools	79	10	5	4
Catholic schools	2	2	0	0
Independent schools	14	6	0	0
Total preschool	420	213	106	20
Mobile Preschools, Occasional Care and Multifunctional Aboriginal Children's Services (MACS)				
Private for profit ^d	0	1	0	1
Private not for profit community managed	25	22	10	1

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote
Private not for profit other organisations	2	0	0	0
State/Territory and Local Government managed	5	2	7	1
Mobile Preschools, Occasional Care and MACS	32	25	17	3
Total all service types	4,532	1134	272	41

a. This shows number of family day care service providers, not educators.

b. In addition, there are also about 50 long day care services that also provide a community preschool service and about 30 mobile services that are not captured as community preschools in the NQAITS data.

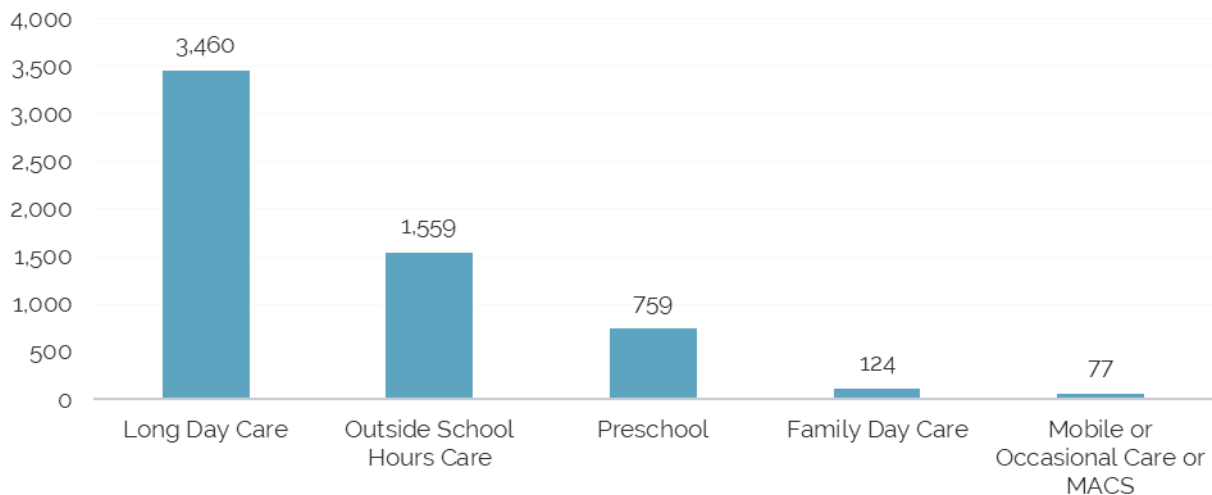
c. There are 9 preschool services classified as for-profit in the NQAITS data, NSW Department of Education has confirmed these are not for profit organisations.

d. This service is an incorporated entity operated by a not-for-profit organisation.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

As shown in Figure 2.5, over half of all early childhood education and care services are long day care.

Figure 2.5 Number of services by service type, 2023

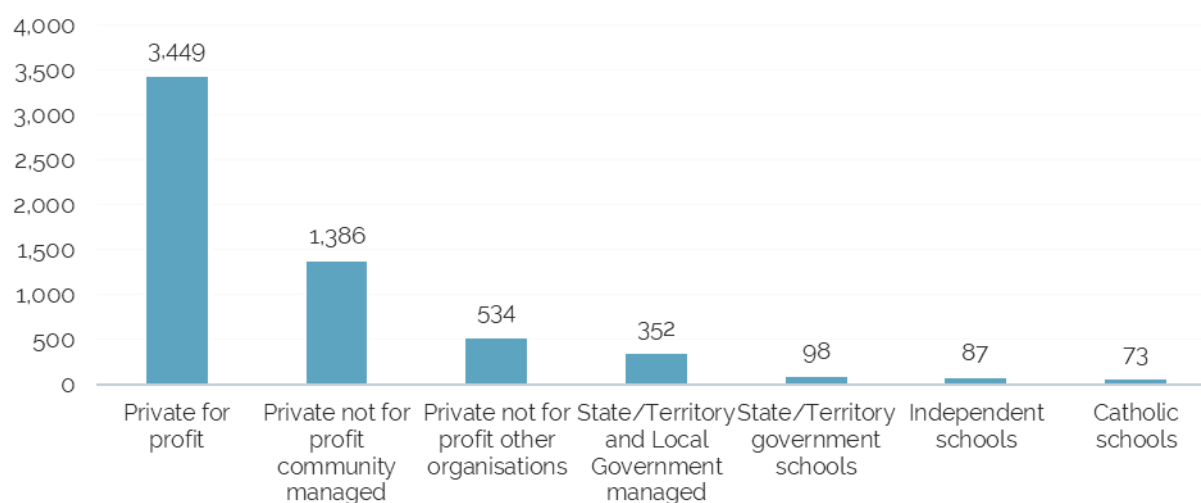


Note: This shows the number of family day care service providers, not educators.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

As shown in Figure 2.6 over half of all early childhood education and care services are provided by private for-profit operators.

Figure 2.6 Number of services by provider type, 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis.

2.3.1 The supply of early childhood education and care services by SA2

Table 2.4 shows the SA2s in Greater Sydney and the rest of NSW with the greatest number of early childhood education and care services. These areas appear to be spread throughout Sydney and the rest of NSW, predominantly in major regional cities and towns.

We haven't created a list of the SA2s with no ECEC services, as these are mostly industrial areas, national parks, or airports, and are not relevant to considering a shortage of ECEC services. We examine areas with a shortage of ECEC based on both demand and supply in Chapter 5.2.

Table 2.4 Areas with the greatest number of services for Greater Sydney and Rest of NSW, 2023 (SA2)

Greater Sydney (SA2)	No. of services	Rest of NSW (SA2)	No. of services
Dural - Kenthurst - Wisemans Ferry	27	Glendale - Cardiff - Hillsborough	28
Menai - Lucas Heights - Woronora	26	Nowra	28
Freshwater - Brookvale	25	Taree	23
Toongabbie - Constitution Hill	25	Lismore	22
Baulkham Hills - East	25	Orange	21
Penrith	25	Wagga Wagga - West	21
Mount Druitt - Whalan	25	East Maitland - Metford	21
Merrylands - Holroyd	24	Charlestown - Dudley	20
Sutherland - Kirrawee	24	Armidale	20
Chatswood - East	24	Wagga Wagga Surrounds	19

Note: Family day care data is services, not educators.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Appendix C.2 contains further details on the number of services per SA2, split by outside school hours care (OSHC) and non OSHC services.

2.4 Current supply of early childhood education and care places

Table 2.5 shows the number of places available in ECEC services in NSW by remoteness location, provider, and service type. While we have data for the number of FDC services, we do not have data on the number of educators.^e We have used Child Care Subsidy administrative data on the number of children in family day care by SA2 to approximate the number of places.

The number of places available is not the same as the number of children enrolled in ECEC services, as a place can be used by more than one child over the course of a week.

Table 2.5 Number of places by provider and service type by remoteness, 2023

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote
Family day care^a				
0-2	2,776	1,292	492	19
3-5	5,933	2,479	896	26
6+	5,196	740	264	5
Total family day care	13,905	4,511	1,652	50
Long day care				
Private for profit	128,014	23,162	2,260	80
Private not for profit community managed	10,049	3,922	1,755	313
Private not for profit other organisations	11,676	4,372	445	0
State/Territory and Local Government managed	7,930	770	464	74
Catholic schools	999	784	39	0
Independent schools	2,296	457	0	0
Total long day care	160,964	33,467	4,963	467
Outside school hours care				
Private for profit	46,072	7,472	543	15
Private not for profit community managed	34,685	3,134	523	16
Private not for profit other organisations	16,501	2,016	255	0
State/Territory and Local Government managed	3,196	1,613	144	30
Catholic schools	1,790	1,282	0	0
Independent schools	2,206	445	0	0
Total outside school hours care	104,450	15,962	1,465	61
Preschool				
Private for profit	119	89	40	39
Private not for profit community managed	10,417	6,674	2,866	344
Private not for profit other organisations	1,540	412	149	30
State/Territory and Local Government managed	982	30	257	0
State/Territory government schools	2,222	200	105	89
Catholic schools	110	54	0	0

^e Each educator can care for a maximum of 7 children, with a maximum of 4 children of preschool age or under: [Education and Care Services National Regulations](#), regulation 124(1).

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote
Independent schools	675	254	0	0
Total preschool	16,065	7,713	3,417	502
Mobile Preschools, Occasional Care and Multifunctional Aboriginal Children's Services (MACS)				
Private for profit	0	50	0	20
Private not for profit community managed	824	1,253	873	15
Private not for profit other organisations	59	0	0	0
State/Territory and Local Government managed	219	105	673	32
Mobile Preschools, Occasional Care and MACS	1,102	1,408	1,546	67
Total all service types	296,486	63,061	13,043	1,147

a. Family day care places are not included by provider management type but by age. Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

2.4.1 Areas with the highest number of places

Table 2.6 shows the SA2s in Greater Sydney and the rest of NSW with the greatest number of early childhood education and care places available. There is some variation between these areas and those with the greatest number of services (Table 2.4), possibly indicating the presence of larger services operating in these areas.

As with services, we have not listed the areas with no places here, as identifying shortages requires considering demand as well as supply, which we do in Chapter 5.2

Table 2.6 Areas with the highest number of places for Greater Sydney and Rest of NSW, 2023 (SA2)

Greater Sydney	No. of places	Rest of NSW	No. of places
Freshwater - Brookvale	2,194	Port Macquarie - West	1,590
Schofields - East	2,021	Glendale - Cardiff - Hillsborough	1,563
Baulkham Hills - East	1,976	Nowra	1,440
Kellyville - East	1,825	Dubbo - South	1,414
St Ives	1,773	Taree	1,393
Macquarie Park - Marsfield	1,704	Orange	1,326
Dural - Kenthurst - Wisemans Ferry	1,675	East Maitland - Metford	1,280
Bondi Junction - Waverley	1,640	Charlestown - Dudley	1,278
Lane Cove	1,636	Maitland	1,264
Baulkham Hills (West) - Bella Vista	1,628	Orange - North	1,207

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Many families will access ECEC services in areas outside the SA2 they live in, particularly in densely populated areas where SA2s are relatively small geographically. However, we note that the land size for SA2s can be quite variable from a single suburb in an inner city, to an expanded area around a regional town. Therefore, it may not be possible for families to access services in surrounding SA2s in less densely populated areas.

Appendix C.3 contains further details on the number of places per SA2, split by OSHC and non OSHC services.

Figure 5.1 and Figure 5.2 in Chapter 5 show the distribution of places to population across NSW and Greater Sydney.

2.4.2 Supply of places in areas of disadvantage

We have considered the supply of ECEC services and places across SEIFA deciles in NSW ranked by the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) (Box 2.1). Chapter 7.4 examines the accessibility of ECEC services for different priority cohorts in greater detail.

Box 2.1 Index of Relative Socio-economic Advantage and Disadvantage (IRSAD)

The Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) summarises information about the economic and social conditions of people and households within an area. This index includes both relative advantage and disadvantage measures.

A low score indicates relatively greater disadvantage and a lack of advantage in general. For example, an area could have a low score if there are: many households with low incomes, or many people in unskilled occupations, and a few households with high incomes, or few people in skilled occupations.

A high score indicates a relative lack of disadvantage and greater advantage in general. For example, an area may have a high score if there are: many households with high incomes, or many people in skilled occupations, and few households with low incomes, or few people in unskilled occupations.

Source: Australian Bureau of Statistics, [Socio-Economic Indexes for Areas \(SEIFA\)](#), Australia, accessed 7 November 2023.

Table 2.7 shows the number of places in early childhood education and care services by the SEIFA decile of the SA2 they are located in.

We found that there are proportionally fewer total places in areas of greater disadvantage, (deciles 1-3) than in more advantaged deciles (8-10). For example, over 20% of total places are in decile 10 and only 7% in decile 1. This is driven by the larger numbers of long day care and outside school hours care places in more advantaged areas. There are, however, a higher proportion of places in preschools, family day care, and mobile preschools, occasional care, and MACS in areas of greater disadvantage.

Table 2.7 Number of places by service type and SEIFA decile (IRSAD), 2023

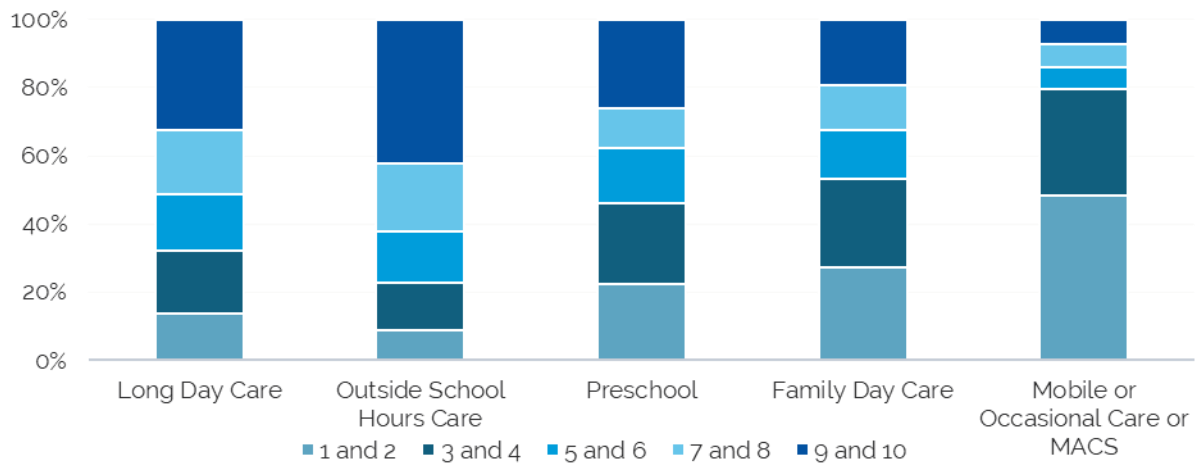
SEIFA IRSAD	LDC	OSHC	Preschool	FDC	Mobile Occ MACS
1	13,490	5,089	2,778	2,751	843
2	13,663	5,643	3,437	2,751	1,156
3	19,288	7,675	3,799	3,040	898
4	17,408	9,200	2,707	2,236	381
5	16,789	8,902	2,946	1,457	208
6	16,871	9,439	1,592	1,446	63
7	19,770	11,446	1,586	1,440	127
8	17,429	13,088	1,646	1,289	155
9	24,446	16,866	2,005	1,573	152
10	40,377	34,590	5,201	2,303	140
Total	199,351	121,938	27,697	20,283	4,123

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis.

Figure 2.7 shows the data in Table 2.7 as the proportion of places of each service type by SEIFA decile (deciles grouped in 2). We found that nearly a third of long day care places and over 40% of outside school hours care places are in the most advantaged areas (deciles 9 and 10). There are a higher proportion of family day care places and over 40% of places in mobile services, occasional care and MACS are in the most disadvantaged areas (deciles 1 and 2). Most preschool places are in the most advantaged and disadvantaged areas, with the deciles 6-8 having a lesser share of preschool places.

Figure 2.7 Proportion of places by service type and SEIFA decile (IRSAD), 2023



Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis.

Table 2.8 shows the number of places in early childhood education and care services by the provider type and SEIFA decile of the SA2 they are located in. There are a proportionally more private for-profit services in areas of greater advantage (22% of services in decile 10 compared to about 6% in each of deciles 1 and 2). This is also the case for private not-for profit community managed and other organisations. Services managed by State and Local Governments are reasonably evenly spread across the deciles. State Government School services are more prominent in the more disadvantaged deciles, with nearly 50% delivered in deciles 1 and 2.

Table 2.8 Number of places by provider type and SEIFA decile (IRSAD), 2023

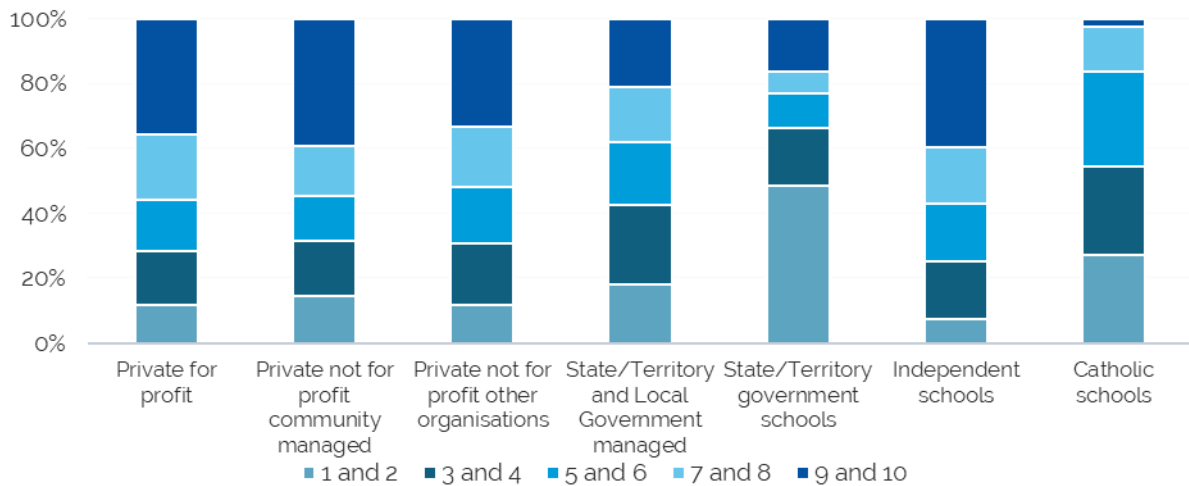
SEIFA Decile IRSAD	Private for profit	Private not for profit community managed	Private not for profit other organisations	State/Territory and Local Government managed	State/Territory government schools	Independent schools	Catholic schools
1	11,971	5,042	2,134	1,470	749	148	686
2	12,510	6,110	2,261	1,519	516	306	677
3	17,358	8,000	2,935	1,987	260	744	376
4	16,713	5,132	4,156	2,079	205	394	1,017
5	16,325	5,839	3,686	1,683	220	410	682
6	16,907	5,142	2,859	1,491	60	709	797
7	22,178	4,993	3,749	1,213	128	388	280
8	19,318	7,020	3,210	1,597	48	720	405
9	27,884	10,562	2,800	1,322	150	613	138
10	46,481	19,823	9,665	2,158	280	1,901	0
Total	207,645	77,663	37,455	16,519	2,616	6,333	5,058

Note: Does not include Family Day Care places as data on the number of educators has not been supplied.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis.

Figure 2.8 shows the data in Table 2.8 as the proportion of places of each service type by SEIFA decile (deciles grouped in 2). It demonstrates the higher proportion of places delivered by private for-profit services, private not-for-profit community managed and other organisations, and independent schools in areas of greater advantage. It also shows how prominent State Government preschools are in areas of greater disadvantage.

Figure 2.8 Proportion of places by provider type and SEIFA decile (IRSAD), 2023



Note: Does not include Family Day Care places as data on the number of educators has not been supplied.

Source: NSW Department of Education QARS, July 2023, ABS SEIFA IRSAD rankings, and IPART analysis.

2.4.3 The supply of ECEC places is constrained by workforce availability

The data we have used to examine the distribution of ECEC places across NSW is based on the number of places services are licensed for, that is, their maximum capacity. However, we are aware that this is likely to overstate the number of places available for use by families.

We heard from stakeholders that many service providers are operating under their licensed capacity levels due to workforce shortages.²⁶ If a service is operating at lower than its licensed number of places, this could be misinterpreted as a lack of demand.²⁷

The reasons why a service may be operating below its licensed capacity (whether due to a lack of staff and/or lack of demand) are not visible in the data currently available. Providers may also make decisions to operate below maximum approved places if it is not financially viable to employ additional staff to meet the qualification and ratio requirements of additional places.²⁸

Stakeholders suggested that the NQAITS could be used to improve reporting of actual supply of places and workforce shortages, but changes would need to be made to facilitate this.²⁹

We consider that information on the number of places ECEC services are offering would be a more accurate measure of supply, rather than only licensed places. However, service providers would need to supply this data, and we are conscious of not increasing reporting burdens. Data on places offered, and the reasons for operating below licensed capacity, such as a lack of staff, could be collected as part of the National Workforce Census. However, this Census is only conducted every 3 years. Alternatively, it could be collected as part of ACECQA's annual service report and complement their work on the [National Workforce Strategy](#).

Chapter 3 >>

The market for early childhood
education and care

03

In Australia, early childhood education and care services are delivered through a market-based model. Although Commonwealth, State and Territory Governments are involved in the sector through subsidies and quality regulation, services are delivered to the community primarily on a fee-for-service basis through mostly non-government providers.

As part of the IPART ECEC Review, we examined factors that drive supply of early childhood education and care services. The ACCC Childcare Inquiry has also examined competition in markets for childcare services. In this chapter, we set out some of the characteristics of the market for early childhood education and care services, including:

- the competitive landscape of the market
- market size and growth potential, including opportunities for strategic partnerships to encourage supply of services in areas where there may otherwise be a shortage of services
- cost of providing services.

3.1 The market for early childhood education and care services

In this section we describe the competitive landscape of the early childhood education and care market, including the mix of provider types, market concentration, nature of competition, market segmentation, and barriers to entry.

3.1.1 Services are provided by a mix of provider types

Early childhood education and care services are provided by a mix of different provider types. The Australian Children's Education and Care Quality Authority's (ACECQA) national licensing database categorises provider types as follows:

- Private for profit
- Private not for profit community managed
- Private not for profit other organisations
- State/Territory and Local Government managed
- Catholic schools
- Independent schools
- State/Territory government schools.

Private for-profit services make up approximately 58% of the early childhood education and care market in NSW. Community not-for-profit services at approximately 23% of the market make up the second largest concentration of services.

3.1.2 There is low market concentration

We found that the early childhood education and care market in NSW has low market concentration. Small providers (1 service) and medium providers (2-24 services) make up 80% of the market, with each holding 40% market share. The remaining 20% of the market is made up of large providers (greater than 24 services).

3.1.3 Services compete largely on non-price factors

In its June interim report, the ACCC Childcare Inquiry observed that competition in childcare seemed to emerge more substantively through non-price factors and service differentiation than price. In its September interim report, the ACCC Childcare Inquiry noted that this still appears to be the case. However, price does play an important role in childcare markets. The ACCC found that providers closely monitor competitors' prices which results in significant price convergence within local markets.³⁰ Our analysis of NSW prices also bears out this analysis (see section 6.3).

The ACCC reported that:

Some of the things we have seen large providers monitor include competitors' vacancies, formal quality ratings, centre features and presentation (for example, the perceived attractiveness of competitors' outdoor areas and facilities), hours of operation and inclusions (such as nappies and meals). These considerations largely reflect the things that drive parents' and guardians' demand for services, ... and suggest that competition can only be relied on to a very limited extent to put downward pressure on prices.³¹

3.1.4 Markets are segmented by location, child age, service type, utilisation rate and perceived willingness to pay

Market segmentation refers to the way similar consumers can be grouped together. Service providers can then tailor services, advertising, and information to particular groups of consumers. In the early childhood education and care market the most easily identified market segments are location, age of children, service type, utilisation rate (the amount of early childhood education and care a family wants) and perceived willingness to pay.

Segmentation by location

In its June interim report, the ACCC Childcare Inquiry found that parents tend to consider and use long day care services close to home, with the median distance to care in Sydney the lowest of all capital cities, at less than 2 kilometres.³² The ACCC also found that Sydney has the highest median number of potential competitors (more than double the national median) for each long day care service within both 2 kilometres of a service (13) and 3 kilometres of a service (17).³³ These findings indicate that markets for long day care are typically very localised. An implication of this is that many of these localised markets function well, and that intervention in the market would be most effective when targeted to areas where problems have been observed, rather than spread more broadly.

Segmentation by age

Early childhood education and care market in NSW is also segmented by age, as this corresponds to regulatory requirements for supervision, as well as service type. There are four distinct age categories:

- 0 to 2 years of age, catered for by long day care and family day care services. One educator is required for every 4 children being cared for in this age range.
- Over 2 to less than 3 years of age, catered for by long day care services and family day care services. One educator is required for every 5 children being cared for in this age range.
- 3 to less than 7 years (preschool) age (unless the child is in school), catered for by long day care services, preschool and family day care services. One educator is required for every 11 children being cared for in this age range.
- School-aged children (5-12 years of age) catered for by outside school hours care (OSHC) and family day care services. One educator is required for every 15 children being cared for in this age range.³⁴

Family day care educators can look after a maximum of 7 children, of which no more than 4 children can be preschool age or under.³⁵

One key implication of segmentation by age is the incentive for services to offer places for ages with lower cost staffing requirements due to ratios. This has most impact on long day care services who can offer services to 3-6 year olds at lower cost than 0-2 year olds.

However, segmentation by age also potentially incentivises flexible provision of family day care services in a way that meets the needs of communities, with family day care educators able to offer before and after school care to school-aged children and care for younger children during school hours.

Segmentation by service type

Families will often have preference for particular service types and may not consider, for example, family day care as a substitute for long day care. Preferences can also vary by age of child. This can be observed in the switching of children out of long day care into community or Government preschool for the year or two before school, as noted by the ACCC Childcare Inquiry in its September interim report.³⁶ The impact of this market segmentation is exacerbated by current funding streams which fund places in preschool programs differently when they are provided in long day care and when they are provided in preschools.

Any market intervention should carefully consider segmentation by service type and any substitution impacts that might result.

Segmentation by utilisation rate

The NSW Productivity Commission used utilisation rates to segment the market in the following way:³⁷

- **Non-users:** do not use any formal early childhood education and care services.
- **Low users:** access early childhood education and care services less than 15 hours per week or have multiple children who use a mix between the three categories.
- **High users:** access early childhood education and care services more than 15 hours per week for all children.

A service can increase its utilisation rate by offering additional days to families already enrolled at the centre rather than attempting to recruit children who are not yet enrolled, and this could be both more cost-effective and encourage higher quality services (by allowing a service to match vacancies with children and reducing costs and disruption of settling new children).

Segmentation by perceived willingness to pay

In IPART's ECEC Review, some stakeholders suggested that for-profit providers who consider establishing or expanding services may target areas where there is higher willingness to pay rather than areas with unmet demand. As a result, they may provide new services that compete with existing services, leading to oversupply in some areas and continued undersupply in others.³⁸

The ACCC Childcare Inquiry similarly found that providers' supply decisions are influenced by expectations of viability.³⁹

As discussed in Section 2.4.2, we found that there are more early childhood education and care places in areas of greater advantage, particularly due to the prevalence of for-profit long day care services, than in areas of greater disadvantage.

3.1.5 Service providers face some barriers to entry

In our ECEC review, we heard from stakeholders that barriers to entry include set-up or expansion costs (particularly where providers lack access to capital), the availability of suitable premises, lack of capacity to form management committees, and issues around approval for new or expanded services. Access to appropriately qualified staff was often cited as having a significant impact on the supply of early childhood education and care services.⁴⁰

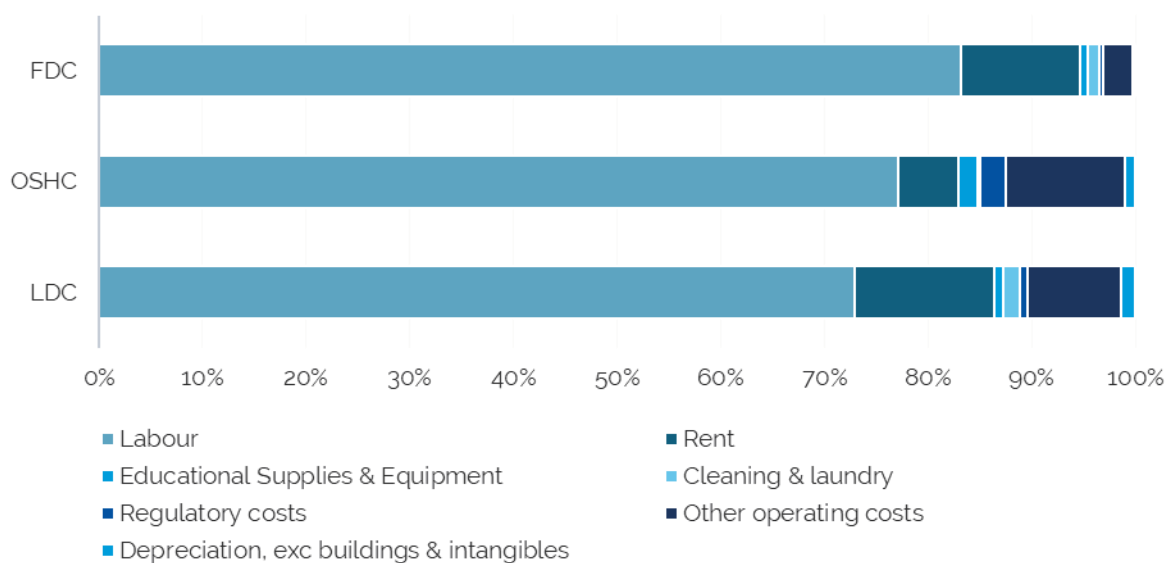
3.2 Costs of provision and cost drivers

Early childhood service providers incur operating costs (the costs of running their day-to-day operations) as well as capital costs (the costs of investing in property and equipment required to set up the service). These costs can differ substantially between providers, even when they deliver the same type of service (for example, long day care). This is due to many factors such as differences in real estate prices across NSW or the qualifications (and thus wages) of the workers they employ. A provider's individual cost profile influences what services it offers, how it delivers these services, and the fees it charges for them.

The biggest cost categories for early childhood service providers are labour costs, rent and property costs. Additional categories include consumables, cleaning and laundry, and depreciation. 'Other' costs include, for example, regulatory compliance costs,^f utilities, technology, insurance, and finance costs.

As shown in Figure 3.1, labour represents on average more than 75% of total costs. Rent accounts for as low as 6% of total costs for OSHC services and up to 13% for long day care. Other cost items represent a much smaller share of total costs.

Figure 3.1 Average cost of main expenditure categories for large providers per year per place offered in NSW 2022 (\$ nominal)



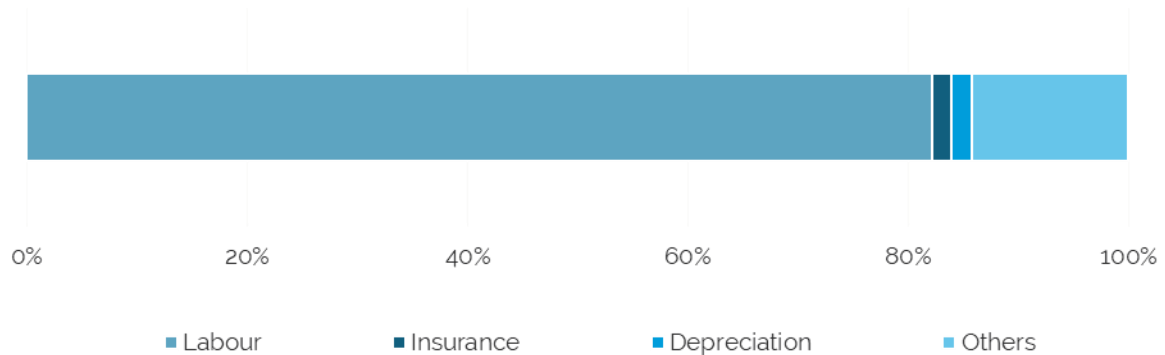
Note: These figures are calculated based on 2022 costs for large providers and the number of places they had available for children for long day care and OSHC. For family day care providers, we estimated costs using salary information for labour costs and proxies for rent costs based on ABS housing data.

Source: IPART ECEC Review, section 7.1

To obtain cost data on community preschools, we extracted cost information from publicly available financial reports (published by the Australian Charities and not-for-profit Commission) for a representative sample of 30 community preschools. As shown in Figure 3.2, labour costs represent over 80% of total costs. Most community preschools access peppercorn rents; and rent represents a small proportion of total costs.

^f Often, these costs are included in or categorised as labour costs, since the administrative burden of regulatory compliance requires additional worker hours.

Figure 3.2 Average proportion of main expenditure categories for not-for-profit community preschools per year per place offered in NSW 2022 (\$ nominal)



Source: IPART ECEC Review, section 7.1

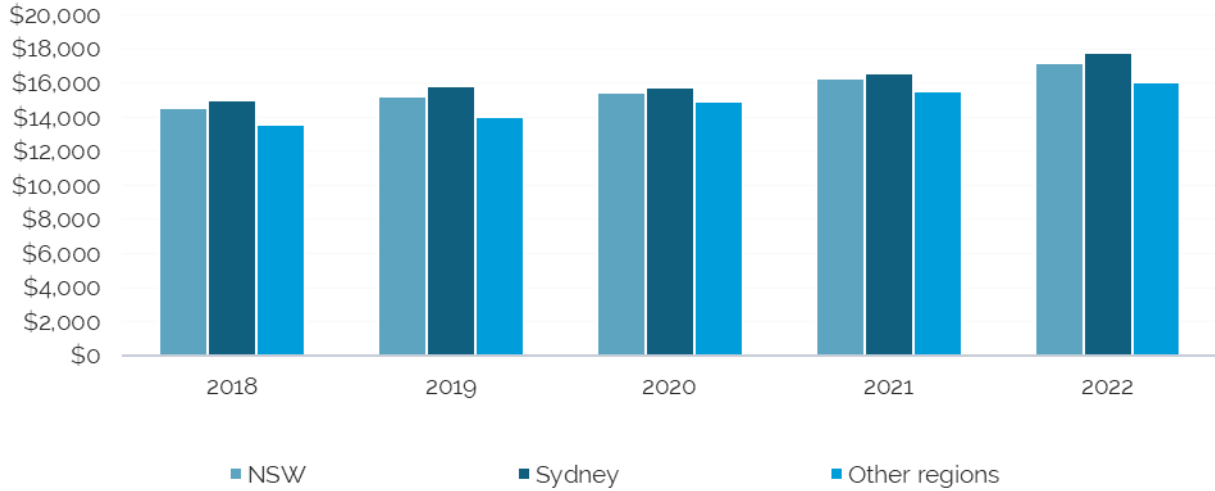
3.2.1 Labour represents around three quarters of the costs of service provision

Labour costs consist of wages paid to contact and non-contact employees, as well as the costs of training staff and using hiring agencies to fill vacant positions. Most labour costs are incurred to pay worker salaries and salary packages. In the past 5 years, labour costs have increased at a faster rate than the Wage Price Index (WPI), as workforce shortages have meant that providers often need to pay wages above award rates to attract workers or offer other benefits such as relocation allowances.

Although all providers are required to meet similar regulatory requirements in relation to educator to child ratios, and pay wages in line with standardised award rates, labour costs can differ substantially across providers. Different providers might employ a different mix of full-time, part-time, and casual workers, or hire workers with a different mix of qualifications. They might also have a different need to, and/or ability to, offer above award wages to meet staffing ratios.

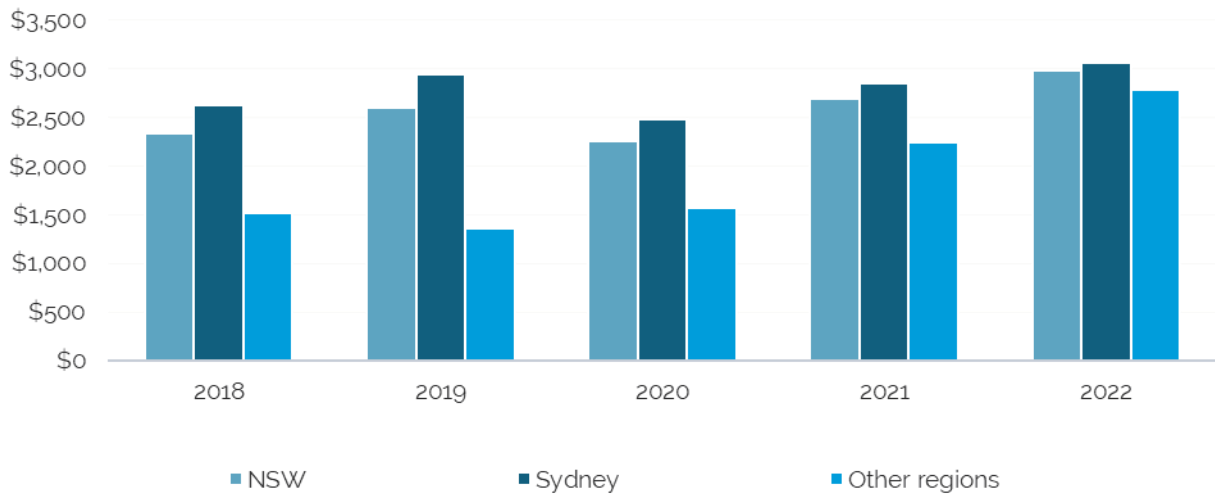
In 2022, labour costs for long day care and OSHC large providers were slightly higher on average in Sydney than in other areas (Figure 3.3, Figure 3.4). Not-for-profit large providers also incur higher labour costs on average than for-profit providers, especially for OSHC services (as shown in Figure 3.5 and Figure 3.6). Costs for OSHC services are lower than for long day care due to the lower number of workers required to meet staffing ratios.

Figure 3.3 Average labour costs per place offered per year - long day care large providers (\$ nominal)



Source: IPART ECEC Review.

Figure 3.4 Average labour costs per place offered per year - OSHC large providers (\$ nominal)



Source: IPART ECEC Review.

Figure 3.5 Average labour costs per place offered per year by provider type - long day care large providers 2018 to 2022 (\$ nominal)



Source: IPART ECEC Review.

Figure 3.6 Average labour costs per place offered per year by provider type – OSHC large providers 2018 to 2022 (\$ nominal)



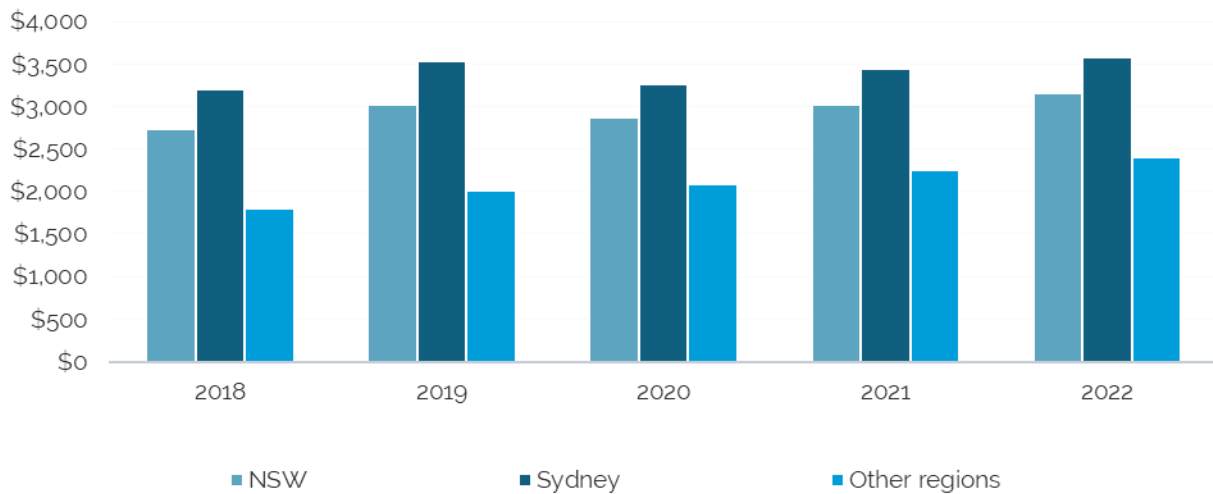
Source: IPART ECEC Review.

3.2.2 Rental and property costs are the second largest cost of service provision

Rent is the second largest category of costs for providers, and the one that varies the most across providers. Rental costs depend on factors such as the location of the service and the type and conditions of the lease agreement signed by the provider.

Rental costs are highest in Sydney but have risen substantially in all areas of NSW, due to underlying trends in real estate markets (Figure 3.7). Rental costs for not-for-profit providers are lower than for-profit providers, and the difference is consistent across service types (Figure 3.8). During our ECEC review, we heard that some not-for-profit providers access 'peppercorn' rents at very low or no cost. Not-for-profit providers could also be more likely to own their premises or receive them as a donation, further explaining their lower average rental costs.

Figure 3.7 Average rental costs per place offered per year – long day care large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

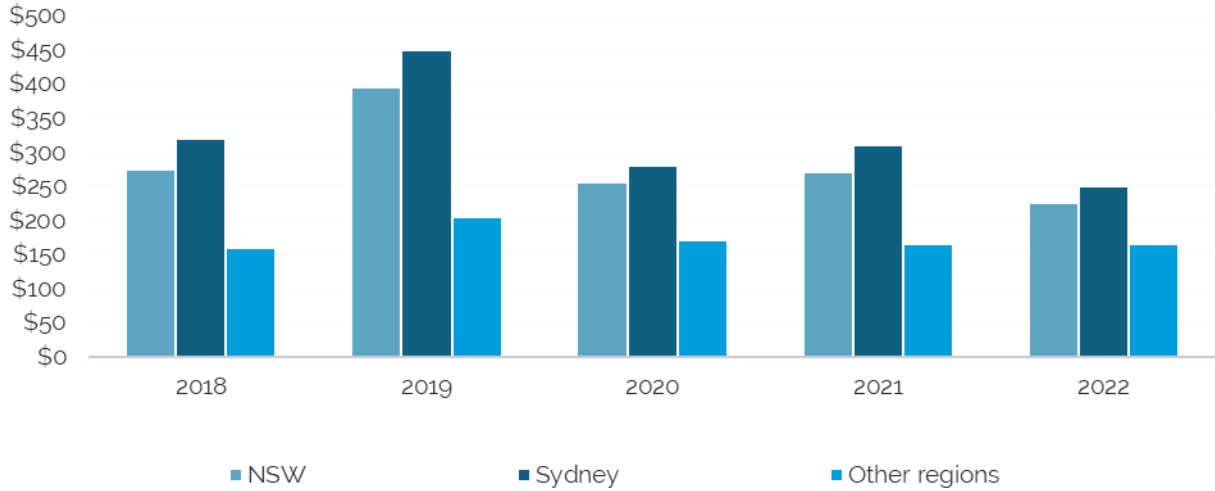
Figure 3.8 Average rental costs per long day care place offered per year by provider type 2022 (\$ nominal)



Source: Large provider data returns and IPART analysis.

Unlike other providers, OSHC providers pay licence fees to the school that hosts the service rather than rent. These licence fees are based on projected utilisation for the OSHC service (Figure 3.9 and Figure 3.10).

Figure 3.9 Average licensing costs per place offered per year – OSHC large providers (\$ nominal)



Source: Large provider data returns and IPART analysis.

Figure 3.10 Average licensing costs per OSHC place offered per year by provider type 2022 (\$ nominal)



Source: Large provider data returns and IPART analysis.

3.3 Opportunities for strategic partnerships

The early childhood education and care market, as currently constituted in NSW, provides opportunity for strategic partnerships to support growth in the sector.

3.3.1 Collaboration between small providers

There is an opportunity for small and medium providers to share business and administrative costs. This could include a shared services model providing information technology and human services.

There may also be scope for small and medium providers to collectively leverage purchasing power to obtain better deals on necessities or office equipment (such as IT hardware). While acknowledging that staffing costs are the largest cost item for services, this option may alleviate some of the other costs incurred by services.

3.3.2 Intervention in thin markets

As identified in IPART's ECEC Review, there is scope for Government intervention in thin markets, particularly those areas where demand and population appear to be low.⁴¹ This could include:

- Funding to establish family day care services in Remote and Very Remote areas of NSW. This could include funding the start-up costs for individual educators such as costs for equipment, property modifications for child safety, insurances, obtaining early childhood education and care qualifications, first aid training and a Working with Children Check.
- The NSW Department of Education, with its primary school presence in many regional and remote areas, could provide an opportunity to partner with early childhood education and care services in these areas. The Department already has a model that it could replicate in the early childhood education and care space with outside school hours services located on public school sites. The Department could put appropriate spaces out to tender for providers to provide a service for the local community.

This model has the advantage of not only providing services for the local community but also creating a pathway for young children to transition to school. Note that this is consistent with the Productivity Commission's draft recommendation 5.1 in its Draft Report, where it states that: *"The Australian Government could use a process of competitive tendering to provide services in markets where community representatives do not apply for grants."*⁴²

3.3.3 Better market coordination, advocacy and support

The Productivity Commission's Draft Report has highlighted the need for better coordination between different levels of government and policy and program objectives to achieve better outcomes.⁴³ IPART's ECEC Report has also highlighted the need for better coordination with local governments to achieve flexibility in service provision.⁴⁴

This could include:

- Working with local government to address barriers to the approval of new early childhood education and care services, extension of service hours or delays in development applications being approved.
- Working closely with sector participants to develop funding models and assist and support providers to access funding streams.
- Working closely with the sector to ensure supports and services are aligned with the needs of children by partnering with non-government organisations, and local and Commonwealth governments.

3.4 Technology is being used to help services and families communicate

Many services use technology, mostly in the form of apps, to assist families and educators, in managing communication, administrative tasks and staffing.

The types of features available on these apps are mostly administrative, for example, allowing families and/or carers to use a pin code to sign their child in and out, and educators can then confirm this attendance. They can also be used to provide waiting list information and a calendar of available times.

They are also used for automated billing and customisable payments, so that families and/or carers can choose when and how they pay their child's fees. Another common feature is for educators to document a child's learning and development. This involves updating the app with a child's milestone progress, as well as logging any health events that take place. Apps can also be used for digital incident reporting in line with the ACECQA's recommendations, and direct message with families. They can also be used by directors and educators for staff rostering, timesheets and payroll.

3.5 Early childhood education and care is being reviewed across Australia

As mentioned, separate to the independent market monitor review, IPART has also undertaken a review of accessibility, affordability and consumer choice in the NSW early childhood education and care sector.⁴⁵

The terms of reference for the IPART ECEC Review allow for its findings to be used by the person commissioned by the Minister under section 5(1) of the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act), to inform the independent market monitoring report.⁴⁶

Where possible we have shared data and information across both reviews, and findings from the extensive community and stakeholder consultation being undertaken as part of the IPART ECEC Review have been considered in preparing the IMMR report.

In addition to IPART's ECEC review, there are several other reviews into early childhood education and care currently being undertaken across Australia (Box 3.1). We consulted regularly with the respective organisations conducting these reviews, to minimise the impact of information requests on the sector and share insights.

Box 3.1 Other reviews into early childhood education and care

South Australia - [Royal Commission into Early Childhood and Care, 2022-23](#)

The South Australian Royal Commission conducted an inquiry into the extent to which South Australian families are supported in the first 1,000 days of a child's life, how to deliver a universal quality preschool program for 3 and 4-year-olds and outside school hours care access for preschool and primary age students.

The Royal Commission released its final report, with 43 recommendations, in August 2023. Some of the Royal Commission's key recommendations include:

- More frequent and easier access to child development checks, and better information about how families can support healthy child development
- Action on 'childcare deserts', including State Government providing services directly itself in some circumstances
- A minimum of 15 hours of preschool for 3-year-olds, provided at government preschools and long day care and up to 30 hours of preschool access for 3-year-olds and 4-year-olds who need more support
- Trialling preschool OSHC for government preschools, to better support working families
- Increase in available OSHC places across the state, and improved quality of OSHC services, through a targeted focus by the regulator on poorer performing services.

The Australian Competition & Consumer Commission (ACCC) - [Childcare Inquiry 2023](#)

The ACCC's inquiry is considering the costs incurred and the prices charged by providers since 1 July 2018. It examines how costs and prices differ by provider, location, the level of competition in the market, the characteristics of child in care and service quality.

The ACCC released an interim report in July 2023 and a second interim report in September 2023. It is due to submit its final report to the Treasurer by 31 December 2023.

Box 3.1 Other reviews into early childhood education and care

Australian Government Productivity Commission – [Inquiry into Early Childhood Education and Care 2023-2024](#)

The Productivity Commission is tasked with making recommendations that will support affordable, accessible, equitable and high-quality early childhood education and care that reduces barriers to workforce participation and supports children's learning and development, including considering a universal 90 per cent childcare subsidy rate.

The Productivity Commission released its draft report in November 2023, and will provide a final report to the Australian Government in June 2024.

Australian Children's Education and Care Quality Authority (ACECQA) – [Review of NQF Staffing and Qualifications Regulations](#)

ACECQA is currently reviewing staffing and qualifications regulations under the National Quality Framework, including the stricter NSW staffing requirements.

The review is one of the 21 actions contained in [Shaping Our Future](#), the co-designed ten-year national children's education and care workforce strategy. The review will inform options for Education Ministers to consider in December 2023.

Chapter 4 >>

Demand for early childhood
education and care in NSW



This chapter examines the demand for early childhood education and care services across NSW. We begin by considering how to estimate demand, including unmet demand, for early childhood education and care services. We investigate current enrolment patterns by location as well as service and provider type, and how this has changed over the previous 5 years.⁹ We also analyse projected changes in the population and the potential impact this will have on demand for ECEC services over the next few decades.

We found that:

- Across NSW around 450,000 children are enrolled in early childhood education and care services in a typical week, over 250,000 of whom were at long day care.
- Post COVID-19 enrolment at outside school hours care is higher than it was before the pandemic, however the number of children in family day care has declined. Enrolment in long day care has remained stable.
- In 2022, 82% of children in NSW were enrolled in 600 hours of preschool in the year before full-time schooling, and 75% of children were attending 600 hours.
- The NSW Department of Planning and Environment projects that the population of children aged 0-5 in NSW will grow by 61,771 or 10.5% by 2041. This growth is projected to occur in the Major Cities and Inner Regional areas of NSW, with other areas of the State expected to experience declining populations.

The following sections discuss these findings in more detail.

4.1 Estimating demand for ECEC services is complex

Measuring the demand for early childhood education and care services, particularly unmet or latent demand, and predicting future demand is complex. Stakeholders suggested a range of methods for estimating unmet demand for early childhood education and care services, broadly in line with those proposed in our [methodology paper](#), namely:

- population forecasts based on age and locations⁴⁷
- benchmarks for access to services based on age⁴⁸
- a centralised waiting list of demand from registered parents.⁴⁹

In addition, Community Early Learning Australia (CELA) suggested that planned major employment or development projects, especially in regional and remote areas, could be used to anticipate future demand. As such projects are reliant on attracting skilled workers, many of whom will require access to early childhood education and care services, future demand projections should include information from local government areas including considering these major projects.⁵⁰

The sections below discuss the different approaches for estimating unmet demand. How we have done so is discussed further in Chapter 5.2.

⁹ We have CCS administrative enrolment data from 2018, so have only been able to examine demand over this period.

4.1.1 Population can be used to estimate demand

Stakeholders had mixed reactions to using population as a measure of demand. For example, CELA supported a target of the number of places available based on population as it could help to identify areas that are currently missed due to high unemployment rates, where many families are not currently able to access services due to their ineligibility for the Child Care Subsidy (CCS).⁵¹

On the other hand, Local Government NSW considered it less useful as it assumes that all families want to utilise ECEC, noting that there are many reasons that some families make an active decision not to enrol their children in ECEC services – including cultural, financial, religious, and geographic considerations.⁵²

Population numbers also drive the mix of service types. Areas with a higher population are more likely to be able to support long day care services than more remote areas with lower populations, which tend to have a higher proportion of preschools.

Demand for ECEC will be less than the relevant aged population, as not all children will participate in ECEC. However, beyond actual enrolments, it remains a good starting point to measure current and future demand.

Three quarters of NSW's children live in Major Cities

At the 2021 Census there were 1,270,843 children aged 12 and under in NSW. As shown in Table 4.1, almost 95% lived in the Major Cities and Inner Regional areas of NSW, with only 0.5% living in Remote and Very Remote areas combined. For the remaining tables in this Chapter, we have combined the population for Remote and Very Remote areas, given the very small population of children in both.

Table 4.1 Population by remoteness category and age (ABS 2021)

Age	Major Cities	Inner Regional	Outer Regional	Remote	Very Remote	No usual address	Total
0-2	215,053	49,701	11,973	1,076	258	285	278,346
3-5	221,661	52,888	12,749	1,048	250	270	288,866
6-12	530,649	135,961	33,287	2,527	648	559	703,631
All 0-12	967,363	238,550	58,009	4,651	1,156	1,114	1,270,843
All ages	6,080,428	1,569,737	377,693	26,219	6,708	11,371	8,072,156

Source: 2021 ABS Census, Table Builder.

We have used the NSW Department of Planning and Environment's (NSW DPE) population projections for 2023 when comparing places to population to align with the data for the supply of ECEC services which is from July 2023. These projections are shown in Table 4.2 by remoteness.

Table 4.2 Population by remoteness category and age (NSW DPE 2023)

Age	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote	Total
0-2	218,996	49,965	11,610	942	281,512
3-5	218,007	55,316	13,233	1,102	287,657
6-12	536,879	138,241	31,811	2,479	709,410
All 0-12	973,882	243,521	56,653	4,523	1,278,579

Source: NSW Department of Planning and Environment population projections and IPART analysis.

4.1.2 Targets for participation in ECEC can be used to estimate unmet demand

We looked at whether we could use Commonwealth and State Government policies or target benchmarks for participation in early childhood education and care to estimate demand.

Policies for universal preschool programs usually have targets for participation in ECEC. For example, funding under the National [Preschool Reform Agreement](#) supports 15 hours of preschool per week (600 hours a year) for all children in the year before they start school. In NSW, [Start Strong for Community Preschools](#) program provides funding to deliver affordable quality preschool education for 3- to 5-year-old children enrolled in eligible community and mobile preschools in NSW. The program includes fee relief funding for community and mobile preschools to deliver at least 600 hours of low, or no cost preschool to eligible children.

Where there are stated targets or benchmarks for participation in ECEC, the difference between the benchmark and the proportion of the relevantly aged cohort currently enrolled in ECEC represents the unmet demand. For example, to achieve a target of 95% of 4-year-olds participating in ECEC, with 80% of 4-year-olds currently participating in ECEC, the unmet demand would be 15% of the 4-year-old population.

4.1.3 Waiting list data needs to be centralised and up to date to be useful in estimating unmet demand,

There was general agreement from stakeholders about the inaccuracy of using current waiting list data as a measure of unmet demand. There can be duplication with families joining multiple waiting lists at various services run by different providers. Lists are also not always kept up to date when families no longer require a place. In addition, and critically, it is not collected centrally.

Centralised up-to-date waiting list information would be very useful for estimating unmet demand. Development of a digital tool would allow families to join waiting lists online. This would be one of the outcomes of the proposed digital service and data strategy, which is a priority recommendation of the IPART ECEC Review. If the tool enabled a centralised single waiting list database, it would be helpful for families as well as potential service providers to identify areas of unmet demand.

4.1.4 Surveys do not provide reliable estimates of unmet demand

Another method for estimating unmet demand is through surveys which ask parents and carers whether they want to access early childhood education and care (or additional hours or days if they are currently using ECEC services) and are unable to do so.

However, surveys can overstate demand, as they only capture a stated preference, not a revealed preference. That is, people's actual decisions, behaviour, and actions. For example, the ABS's most recent Childhood Education and Care Survey, undertaken in June 2017, found that 8.1%^h of respondents in NSW required additional preschool or formal care. This comprised 5.1% who had used formal childcare or preschool in the past week, 1.0% who had used only informal childcare, and 2.0% who had not used any childcare or preschool. However, of those who reported the need for additional services, around only a third applied for some form of education and care.⁵³

As noted by the Productivity Commission, caution should be used when interpreting this data as they are not intended to represent the 'unmet demand' for formal childcare or preschool services. The data does not identify the likelihood that a parent will take steps to access the care or preschool they require or place their child in this care or preschool. Various factors including cost, location and the perceived suitability or quality of the service will have an influence on whether parents take these steps.⁵⁴

4.1.5 Families may choose not to participate in ECEC services

As noted in the IPART ECEC Review, there can be a range of reasons why families choose not to participate in ECEC services. These reasons may be related to a family's values, preferences, circumstances, and access to information. For example, they may:

- prefer parental care, especially for young children aged 0-2 years
- rely on extended family or community networks for care and support as a preference or because of affordability
- feel that they are best equipped to care for their children with disability/additional needs
- feel they do not need other care arrangements
- lack awareness of the value of early childhood education and care.⁵⁵

Around 16% of the parents responding to the IPART ECEC Review's Issues Paper survey who had a child that was not enrolled in a service, reported that this was because they prefer care to be provided by a family member or friend.⁵⁶ The NSW Productivity Commission also found that many families who do not use any services do so out of personal preference, rather than due to affordability or availability issues.⁵⁷

Where known, adjustments could be made to demand forecasts for certain communities or locations to account for preferences for using ECEC services.

^h The 95% confidence interval for the estimate is between 6.7% and 9.5%.

4.2 Current demand for early childhood education and care

Across NSW around 450,000 children are enrolled in early childhood education and care services.ⁱ We have used Commonwealth Department of Education Child Care Subsidy administrative data at the child and service level to examine the current levels of enrolment by age, location, and service type for long day care, family day care, and outside school hours care. For preschool enrolment we have used data from the 2022 Community Preschool and NSW Department of Education Preschool Censuses. We have also investigated how enrolment patterns have changed for different service types since 2018.

4.2.1 Enrolment in a typical week

The tables below show the number of children enrolled in a typical week^j in long day care, family day care and outside school hours care and Community and NSW Department of education preschools.

Just over a quarter of a million children are in long day care in a typical week, with over 95% of these in Major Cities and Inner Regional areas (Table 4.3). This is consistent with the distribution of the population, as discussed in Section 4.1.1.

Table 4.3 Children in long day care in a typical week, by remoteness, 2022

Remoteness	Age			Total	Total %
	0-2 years	3-5 years	6+		
Major Cities	42,560	140,830	15,100	198,480	78.3%
Inner Regional	10,550	30,260	4,350	45,160	17.8%
Outer Regional	1,690	5,060	770	7,520	3.0%
Remote	100	270	20	390	0.2%
Very Remote	20	40	10	60	0.0%
Unknown	510	1,280	160	1,940	0.8%
Total	55,430	177,740	20,410	253,550	100%

Note: Numbers of children are rounded to the nearest 10.

Source: Cth Department of Education CCS data and IPART analysis.

As shown in Table 4.4, the number of children enrolled in family day care in a typical week is much lower, at around 8% of the number enrolled in long day care. Of the total number of children enrolled in family day care, children in Inner and Outer Regional areas represent a larger proportion than they do for long day care. In contrast, a smaller proportion of children in Major Cities are enrolled in family day care.

ⁱ Enrolments for preschools is from the whole of 2022, for LDC, FDC and OSHC it is from July to December 2022.

^j A typical week is the week in the year with the median number of children enrolled.

Table 4.4 Children in family day care in a typical week, by remoteness, 2022

Remoteness	Age			Total	Total %
	0-2 years	3-5 years	6+		
Major Cities	2,780	5,930	5,200	13,910	67.8%
Inner Regional	1,290	2,480	740	4,510	22.0%
Outer Regional	490	900	260	1,650	8.0%
Remote	20	30	<10	40	0.2%
Very Remote	<10	<10	<10	10	0.0%
Unknown	140	190	70	390	1.9%
Total	4,720	9,530	6,270	20,510	100%

Note: Numbers of children are rounded to the nearest 10. Fewer than 10 children shown as <10.

Source: Cth Department of Education CCS data and IPART analysis

As shown in Table 4.5, most children enrolled in outside school hours care in a typical week are in the Major Cities. There are relatively few children in Outer Regional, Remote and Very Remote areas accessing outside school hours care. As noted in section 2.3, there are 50 OSHC services in Outer Regional areas, and only 3 in Remote and Very Remote locations.

Table 4.5 Children in outside school hours care in a typical week, by remoteness 2022

Remoteness	Age			Total	Total by location %
	<6years	6-12 years	13+		
Major Cities	910	108,170	1,130	110,210	86.4%
Inner Regional	80	14,750	180	15,010	11.8%
Outer Regional	10	1,160	10	1,170	0.9%
Remote	<10	40	<10	40	0.0%
Very Remote	<10	<10	<10	<10	
Unknown	20	1,140	10	1,170	0.9%
Total	1,020	125,260	1,330	127,600	100%

Note: Numbers of children are rounded to the nearest 10. Fewer than 10 children shown as <10.

Source: Cth Department of Education CCS data and IPART analysis.

As shown in Table 4.6, over 51,000 children were enrolled in a preschool in 2022, of whom over 90% were at a community preschool. Enrolment at NSW Department of Education preschools is concentrated in Major Cities. In contrast, 46% of children enrolled in community preschools were outside the Major Cities in NSW.

Table 4.6 Children in preschool in a typical week, by remoteness (2022)

Remoteness	Community Preschool	Community Preschool % by location	NSW DoE Preschool	NSW DoE Preschool % by location	Total Preschool
Major Cities	25,620	54.2%	3,630	85.6%	29,250
Inner Regional	14,630	31.0%	330	7.8%	14,960
Outer Regional	6,400	13.5%	180	4.2%	6,580
Remote	510	1.1%	70	1.7%	580
Very Remote	90	0.2%	30	0.7%	120
Unknown	<10		<10		<10
Total	47,250	100%	4,240	100%	51,490

Note: Numbers of children are rounded to the nearest 10. Fewer than 10 children shown as <10.

Source: 2022 Community Preschool and NSW Government preschool censuses and IPART analysis

4.2.2 Numbers enrolled as a proportion of population by age

We found the proportion of children aged 3-5 years enrolled in early childhood education and care services is several times higher than the proportion of children aged 0-2 years old who are enrolled (Table 4.7). This was particularly observable in Outer Regional, Remote and Very Remote locations.

We have combined the data for Remote and Very Remote areas due to the very small population numbers particularly in Very Remote areas. Even with this, caution is required in interpreting these results. It is also likely that several children aged 3-5 years are enrolled in more than one service each week, for example a few days of preschool and a few days in another service, which would overstate the proportion of the population enrolled, particularly in areas with a smaller population.

Table 4.7 Proportion of children enrolled in ECEC services, remoteness and age

Remoteness area	Proportion of 0-2 year olds	Proportion of 3-5 year olds
Major Cities	21%	79%
Inner Regional	24%	90%
Outer Regional	18%	98%
Remote and Very Remote	10%	80%

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, ABS Population Data, and IPART analysis.

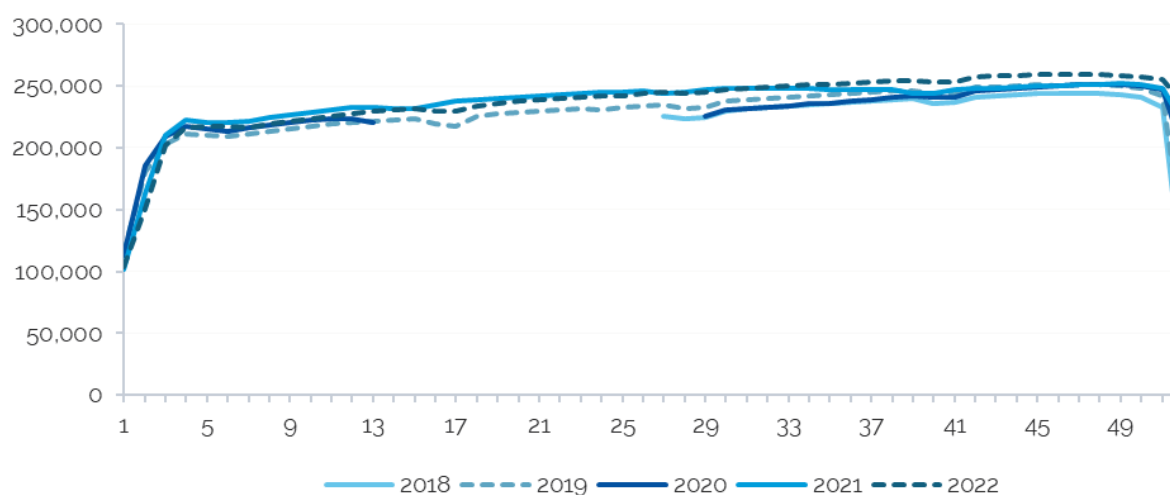
4.3 Enrolment patterns have changed since COVID-19

The figures below show the number of children enrolled in long day care, family day care and outside school hours care per week for the years 2018^k to 2022. This period includes the COVID-19 pandemic, and there is a gap in the data for 2020 across all service types.

4.3.1 Enrolment has remained stable at long day care

As shown in Figure 4.1, the number of children enrolled in long day care each week throughout the year has been relatively stable from 2018-2022, dipping down at the beginning and end of each year over the holiday period.

Figure 4.1 Long day care – number of unique children per week (2018-22)



Note: based on calendar year

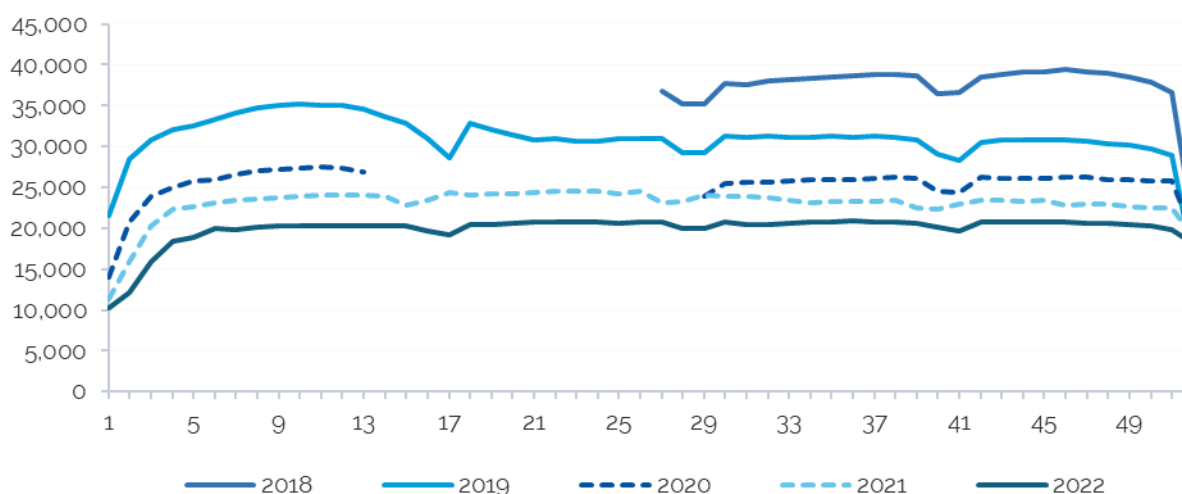
Source: Cth Department of Education CCS data and IPART analysis.

4.3.2 Enrolment in family day care has fallen since 2018

However, as shown in Figure 4.2, the number of children enrolled in family day care has been decreasing each year. This is reflected in the decrease in family day care providers discussed in Chapter 2.2.

^k Note: only 6 months of data for 2018.

Figure 4.2 Family day care – number of unique children per week (2018-2022)



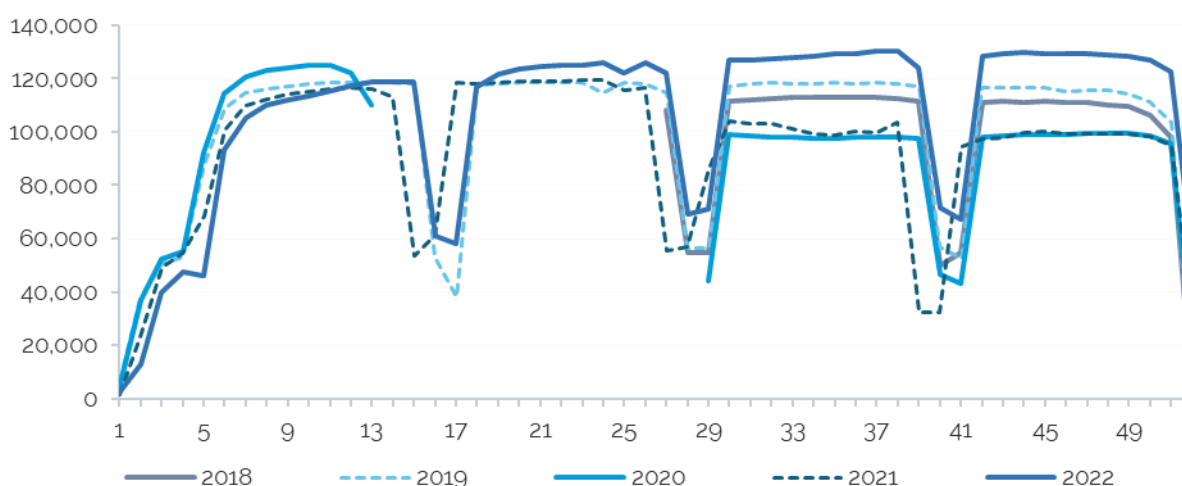
Note: based on calendar year

Source: Cth Department of Education CCS data and IPART calculations.

4.3.3 Enrolment in outside hours care has recovered post COVID

Child Care Subsidy data indicates that enrolment in outside school hours care rebounded strongly in 2022 following decreases in 2020 and 2021 during the COVID-19 pandemic lockdowns and school closures, as shown in Figure 4.3. The dips throughout the year reflect school holiday periods.

Figure 4.3 Outside school hours care – number of unique children per week (2018-2022)



Note: based on calendar year

Source: Cth Department of Education CCS data and IPART calculations.

4.4 Participation in preschool programs

The ABS's 2022 preschool education release found that over 175,000 children aged 3 to 6 years in NSW were enrolled in a preschool program. Of these, over 155,000 were attending 600 hours a year (15 hours a week).⁵⁸ This includes children at centre-based day care services which deliver a preschool program, that is, a structured, play based learning program, delivered by a degree qualified teacher, aimed at children in the year or two before they commence full-time schooling.⁵⁹

As shown in Table 4.8, 82% of children in NSW were enrolled in 600 hours of preschool in the year before full-time schooling (YBFS); and 75% of children were attending 600 hours.¹ A higher proportion of Aboriginal and Torres Strait Islander children were enrolled and also attending, however a slightly lower proportion were attending for 600 hours in the year before starting school.

Table 4.8 Enrolment and attendance in a preschool program year before school, NSW, 2022

	Total children	Population YBFS %	Aboriginal and Torres Strait Islander children	Proportion YBFS %
Enrolled	90,530	85%	6,369	96%
Enrolled 600 hours	87,412	82%	6,082	91%
Attending	89,283	84%	6,161	93%
Attending 600 hours	79,483	75%	4,877	73%
Population YBFS	106,323		6,656	

Note: 600 hours in a year, 15 hours a week.

Source: ABS, *Preschool Education 2022*, Table 30 and ABS, *Preschool Education methodology 2022*.

4.5 Demand for ECEC is forecast to grow in urban areas

In considering future demand for early childhood education and care, we reviewed the NSW Department of Planning and Environment's forecasts for the number of children (aged 0-5 and 6-12) and where they live in NSW for the period up to 2041.

¹ A child was recorded as attending a preschool program if the child was enrolled and present for at least one hour during the reference period. Children who did not attend a preschool program during the reference period (e.g. children who were absent due to illness or extended holiday leave) were not considered to have attended a preschool program. The reference period for NSW was 1 August - 12 August 2022.

4.5.1 The population of children aged 0-5 in NSW is forecast to grow

As shown in Table 4.9, the NSW Department of Planning and Environment projects that the population of children aged 0-5 in NSW will grow by 61,771 or 10.5% by 2041. This growth is projected to occur in the Major Cities and Inner Regional areas of NSW, with growth of 11.3% and 12.2% respectively. For all other areas, the population of children aged 0-5 is expected to decline over the next few decades.

The significant increase projected for the population of children aged 0-5 has implications for the planning of additional early childhood education and care services.

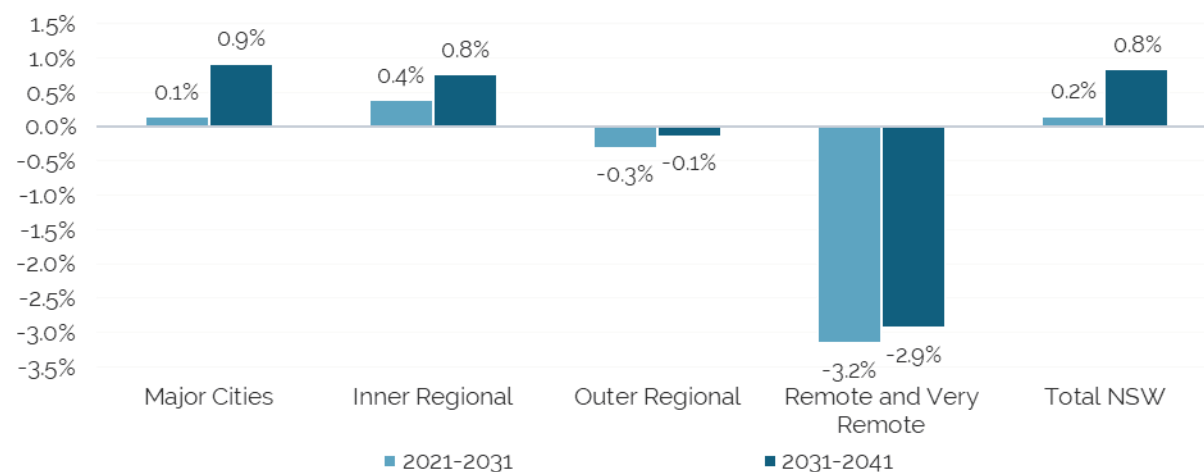
Table 4.9 Forecast change in population aged 0-5 years by remoteness category, 2021-2041

Remoteness Classification	2021	2031	2041	Change	%change 20 years	Annual growth 20 years
Major Cities	452,596	459,229	503,552	50,957	11.3%	0.5%
Inner Regional	106,218	110,387	119,184	12,966	12.2%	0.6%
Outer Regional	25,043	24,266	23,914	-1,129	-4.5%	-0.2%
Remote and Very Remote	2,215	1,606	1,192	-1,023	-46.2%	-3.0%
Total NSW	586,071	595,489	647,842	61,771	10.5%	0.5%

Source: NSW Department of Planning and Environment population projections and IPART analysis

Figure 4.4 shows the projected annualised population growth for children aged 0-5 in NSW is projected to increase annually by 0.2% over the 10 years from 2021-2031 and by 0.8% annually between 2031-2041. The increases are projected for Major Cities and Inner Regional areas. The population of children aged 0-5 is projected to decrease throughout the rest of NSW. As noted above, the number of children living in Remote and Very Remote locations is very small, so a relatively small change in population represents a large percentage.

Figure 4.4 Forecast annualised population growth by remoteness category for children aged 0-5, for 2021-31 and 2031-2041



Source: NSW Department of Planning and Environment population projections and IPART analysis

The NSW Department of Planning and Environment is also forecasting the population aged 6-12 to grow, although at a slower rate than for 0-5-year-olds. Table 4.10 shows that the population of children aged 6-12 in NSW will grow by 19,907 or 2.8% by 2041. Again, this growth is projected to occur in the Major Cities and Inner Regional areas of NSW, with growth of 2.9% and 5.5% respectively. For all other areas, the population of children aged 6-12 is expected to decline over the next few decades.

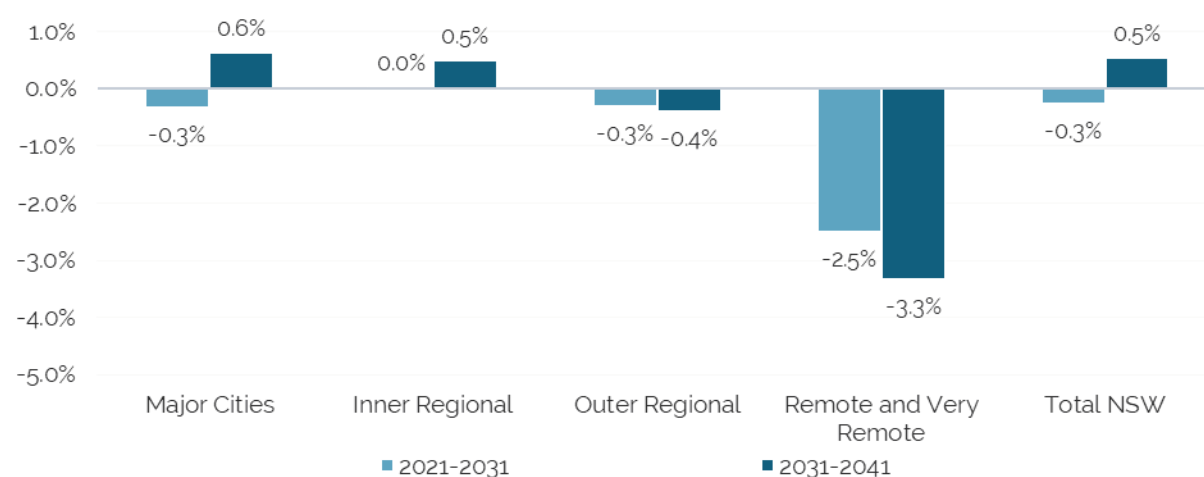
Table 4.10 Forecast change in population aged 6-12 years by remoteness category, 2021-2041

Remoteness Classification	2021	2031	2041	Change	%change 20 years	Annual growth 20 years
Major Cities	539,836	521,788	555,517	15,680	2.9%	0.1%
Inner Regional	139,160	139,623	146,799	7,640	5.5%	0.3%
Outer Regional	32,305	31,290	30,038	-2,267	-7.0%	-0.4%
Remote and Very Remote	2,558	1,983	1,412	-1,146	-44.8%	-2.9%
Total NSW	713,859	694,684	733,766	19,907	2.8%	0.1%

Source: NSW Department of Planning and Environment population projections and IPART analysis

Figure 4.5 shows the projected annualised population growth for children aged 6-12 in NSW is projected to decrease annually by 0.3% over the 10 years from 2021-2031 and increase by 0.5% annually between 2031-2041. The population of 6-12-year-olds is projected to decrease annually across all regions between 2021 to 2031. Between 2031 and 2041, the population is expected to grow annually in Major Cities and Inner Regional areas but continue to decrease throughout the rest of NSW.

Figure 4.5 Forecast annualised population growth by remoteness category for children aged 6-12, for 2021-31 and 2031-2041

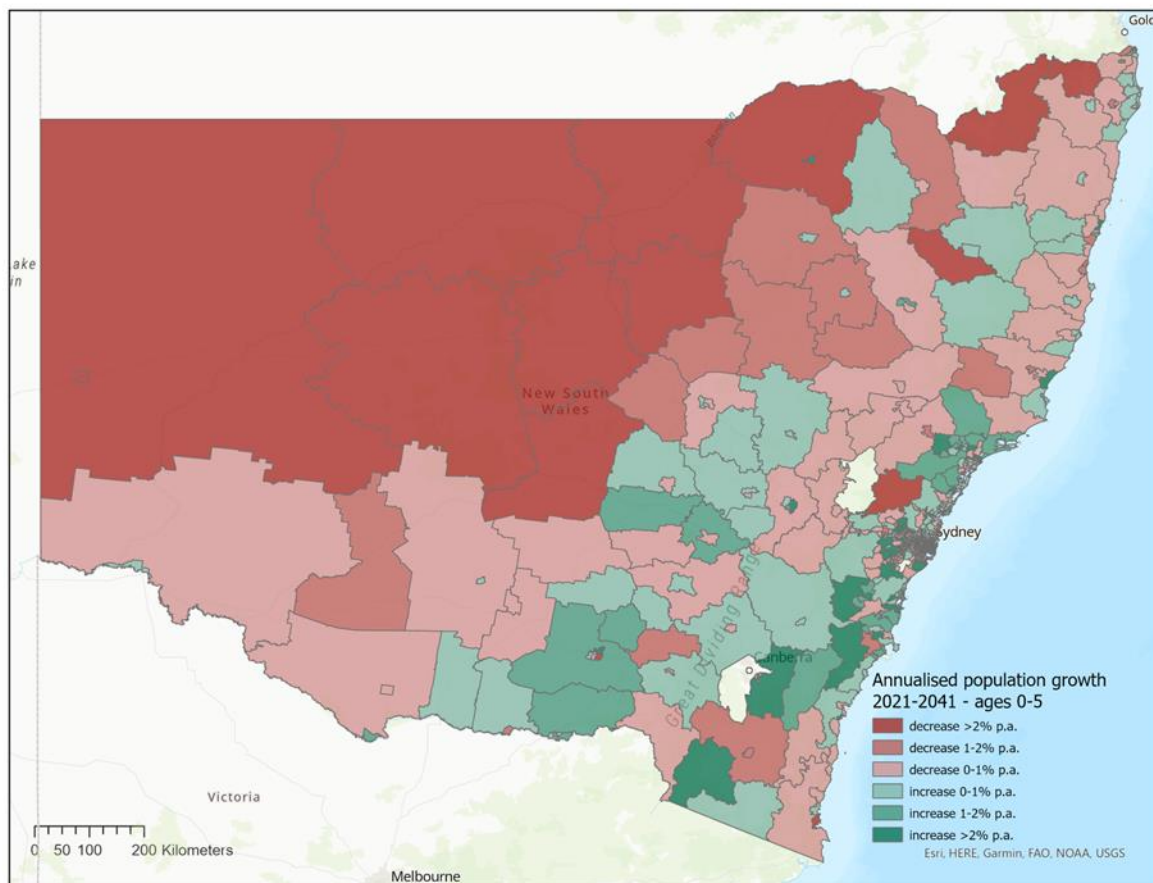


Source: NSW Department of Planning and Environment population projections and IPART analysis

The following figures show the forecast annualised population growth by SA2 across NSW from 2021 to 2041. As shown in Figure 4.6, the population aged 0-5 is projected to decrease by 1-2% each year throughout much of Far West and North Coast NSW. There are projected areas of population growth through the Illawarra Shoalhaven, Central West and parts of the Riverina Murray, New England, and Hunter regions of NSW.

These projected growth patterns need to be considered when planning the delivery of early childhood education and care services. The role for the NSW Government is likely to increase in areas with declining population as it becomes less viable for the other providers to deliver services in.

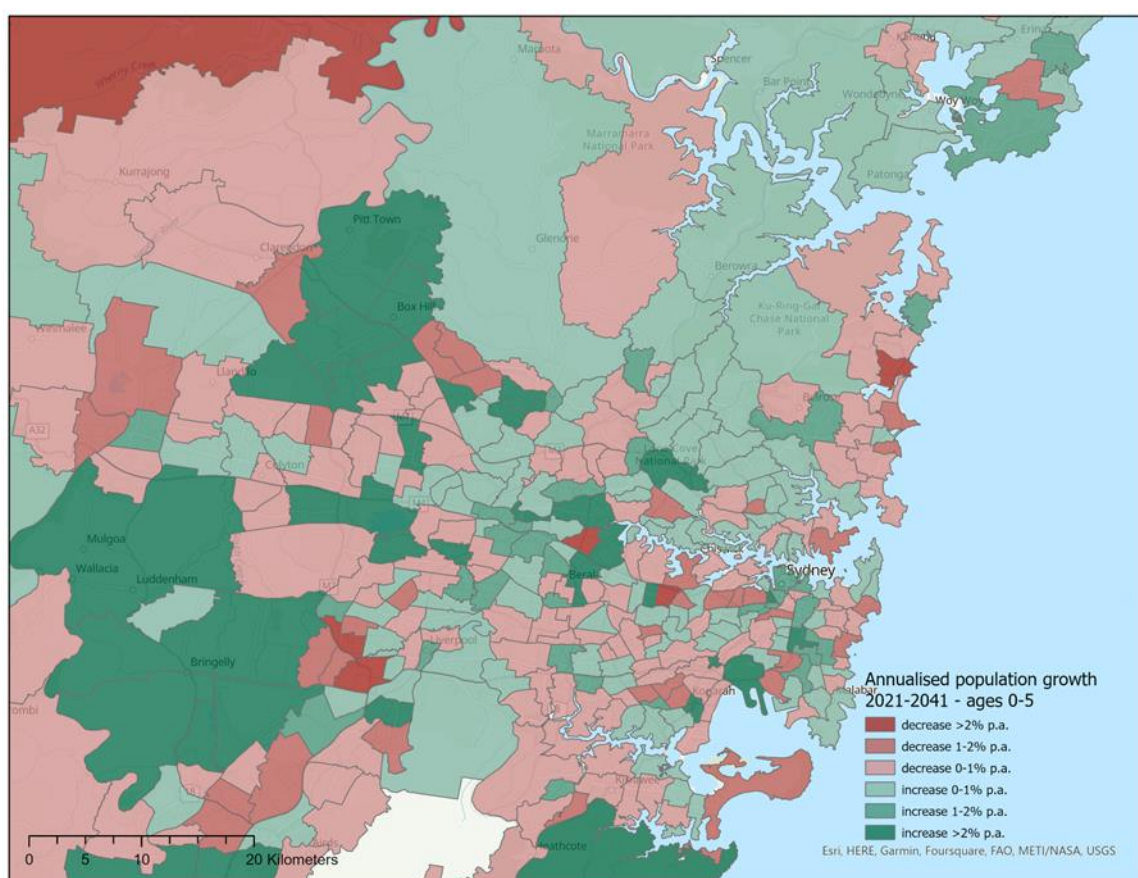
Figure 4.6 Forecast annualised population growth of children aged 0-5 in NSW by SA2, 2021-2041



Source: NSW Department of Planning and Environment population projections and IPART analysis

As shown in Figure 4.7, across Sydney the pattern of growth in the population of 0–5-year-olds is projected to be quite mixed. The southwest, particularly around the Western Sydney Aerotropolis, and in the northwest are projected to grow by a more than 2% a year. In areas such as Cobbitty-Bringelly the population of 0–5-year-olds is projected to grow from 294 in 2021 to 3,626 in 2041; while in Box Hill-Nelson the population of 0–5-year-olds is projected to grow from 807 in 2021 to 3,765 in 2041. This is likely to greatly increase demand for early childhood education and care services in these areas.

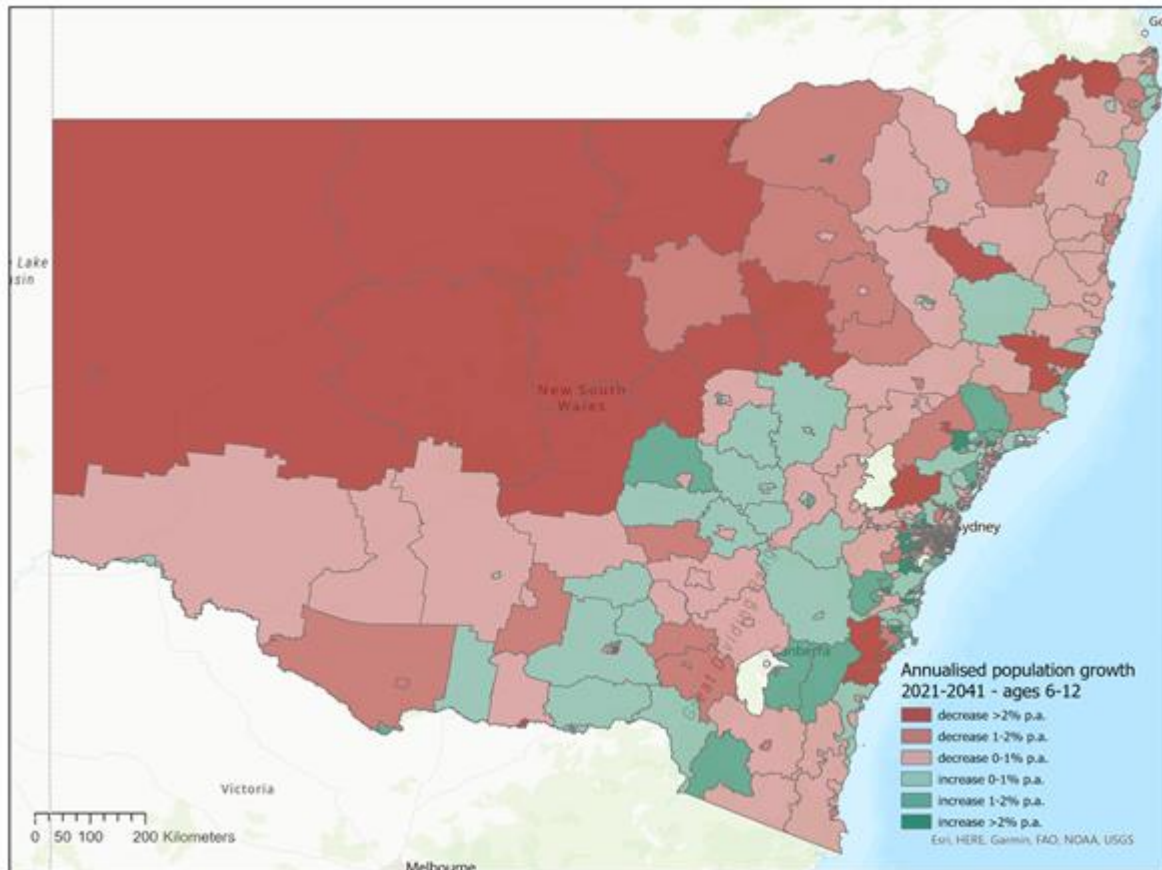
Figure 4.7 Forecast annualised population growth of children aged 0-5 in Sydney by SA2, 2021-2041



Source: NSW Department of Planning and Environment population projections and IPART analysis

Figure 4.8 shows the forecast population growth for children aged 6-12 from 2021 to 2041 by SA2. As with younger children, the population of 6- to 12-year-olds is projected to decrease across much of western and northern NSW, with some areas in the Central West and Riverina expected to grow.

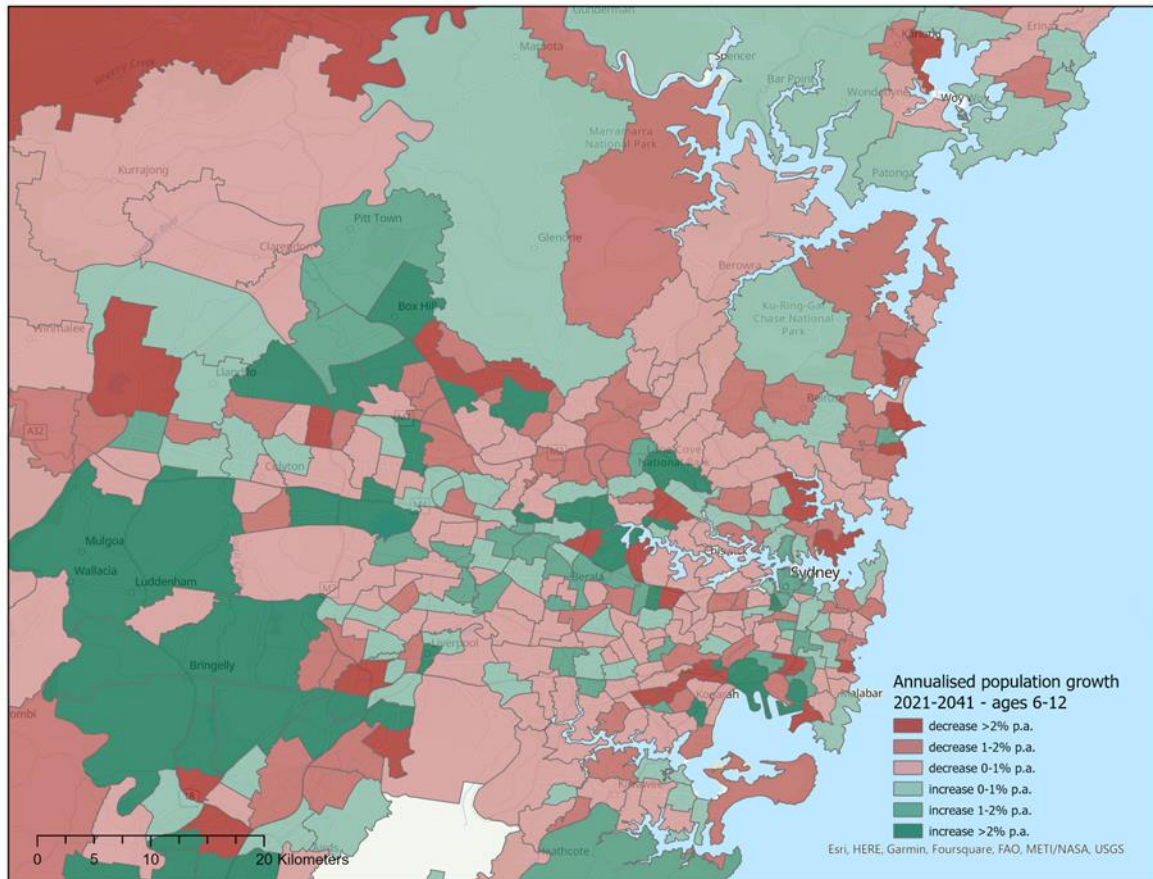
Figure 4.8 Forecast annualised population growth of children aged 6-12 in NSW by SA2, 2021-2041



Source: NSW Department of Planning and Environment population projections and IPART analysis

As shown in Figure 4.9 the projected pattern of growth in the population of 6-12-year-olds across Sydney is similar to that for 0-5-year-olds.

Figure 4.9 Forecast annualised population growth of children aged 6-12 in Sydney by SA2, 2021-2041



Source: NSW Department of Planning and Environment population projections and IPART analysis

Chapter 5 >>

Areas with a shortage of ECEC services

05

This chapter investigates the areas of NSW experiencing a shortage of early childhood education and care services and places. We begin by considering the ratio of ECEC places to the population aged 0-5 and 6-12 at the Statistical Area 2 (SA2) level. We also consider what this ratio would look like in 2041, without changes in the supply of services. We found that:

- there are several SA2 areas, predominantly in North-Eastern NSW, where there is fewer than one place per 4 children
- many of the SA2s in Western NSW only have 3-5 services covering a very large area
- there are many locations across NSW which do not have any outside school hours services.

We also developed a model that considers supply and maximum demand, including unmet demand for places in an SA2, based on the number of children enrolled and patterns of travel to attend ECEC services across SA2s. We found there is a correlation between socio-economic disadvantage and undersupply of early childhood education and care places.

We also found areas where the population growth over the last 10 years has outstripped the supply of ECEC places. For growth areas that are relatively more advantaged, we consider that the market is likely to respond to address these shortages over time.

The following sections discuss these findings in more detail.

5.1 Identifying shortages based on the distribution of ECEC places

We mapped the ratio of early childhood education and care places to population as an indication of where there are currently shortages of places.

We then mapped the 2041 projected population against current places to highlight areas that are likely to face shortages in the future, without new services and places being delivered in these areas.

We also mapped where there are few or no services at all.

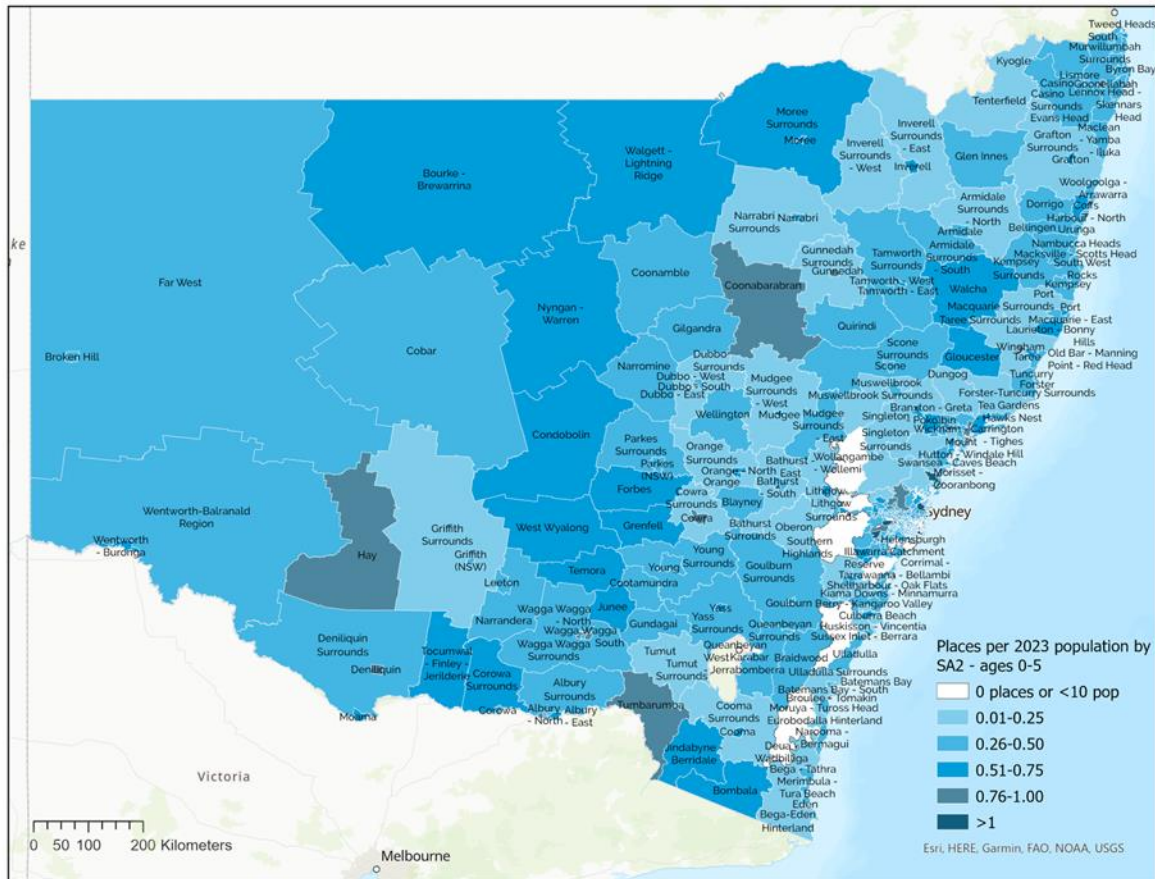
5.1.1 The current distribution of places to population for 0-5 year olds

Figure 5.1 shows the ratio of early childhood education and care places (excluding outside school hours care) to the population aged 0-5 by SA2 across NSW. Family day care (FDC) places have been estimated using Child Care Subsidy (CCS) administrative data on the number of children enrolled in a typical week in between July and December 2022, as we do not have data on FDC educators or places.

We found that there are several SA2 areas, predominantly in North-Eastern NSW, where there is fewer than one place per 4 children (shown as 0.25 or less on the map). Within many of these SA2s there is a town centre (classified as a different SA2) with a higher number of places per child. For parent or carers with access to suitable transport there may be options to access these services in the local town outside their SA2.

In Far Western NSW we found there are between 2 to 4 children per place (0.26 to 0.50). However, as SA2s are relatively large geographically in these less populated areas, this does not necessarily mean that services are easily accessible for families in these areas.

Figure 5.1 Early childhood education and care places per population aged 0-5, NSW 2023

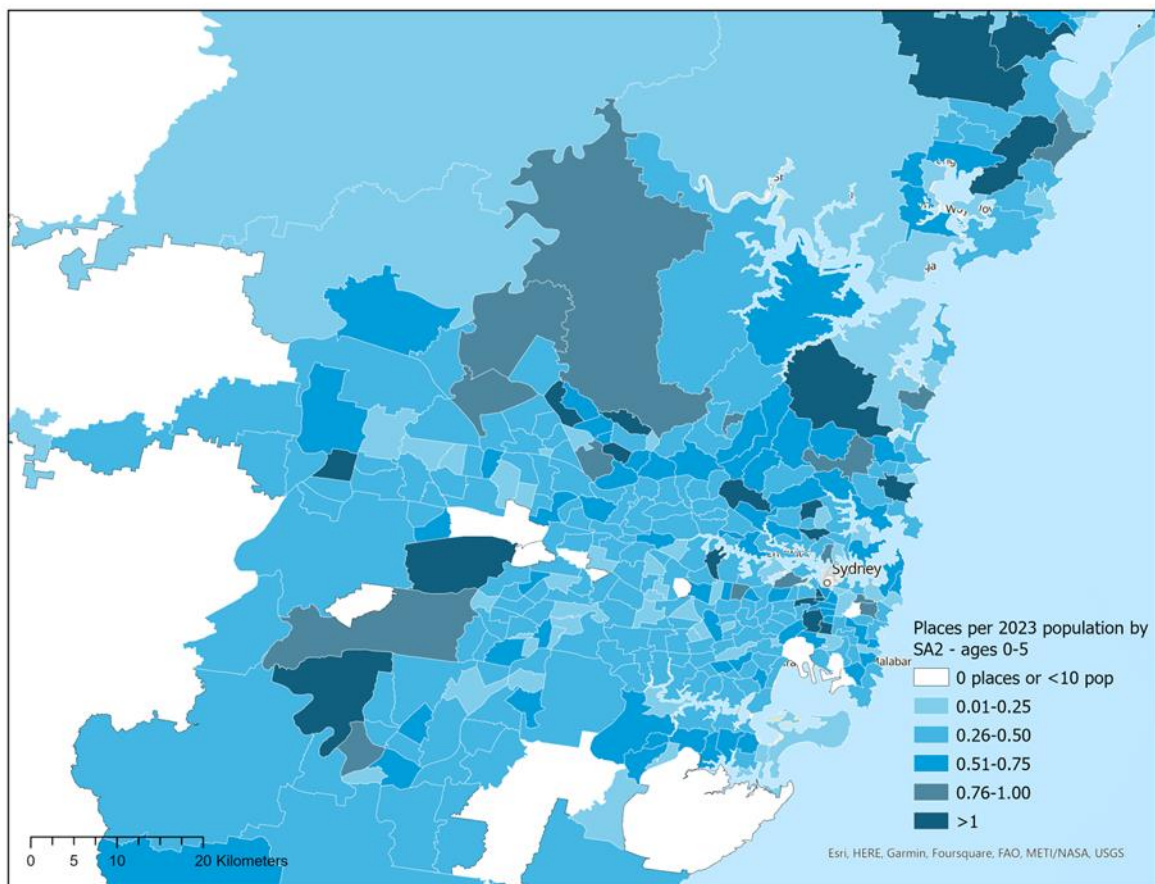


Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in between Jul-Dec 2022.
 Source: NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, and IPART analysis.

Figure 5.2 shows the ratio of early childhood education and care places (excluding outside school hours care) to the population aged 0-5 by SA2 for Sydney.

The darkest shaded areas are where we found more than one place per child in the population, and these are scattered throughout Sydney. Large areas of southern Sydney are shown to have one place for every 2 to 4 children. There are a few SA2s that we have identified as not having any ECEC places. However, these include industrial areas (e.g. Port Botany Industrial, Smithfield Industrial, Yennora Industrial), the Royal National Park, Sydney Airport and Rookwood Cemetery.

Figure 5.2 Early childhood education and care places per population aged 0-5, Greater Sydney, 2023



Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in between Jul-Dec 2022.

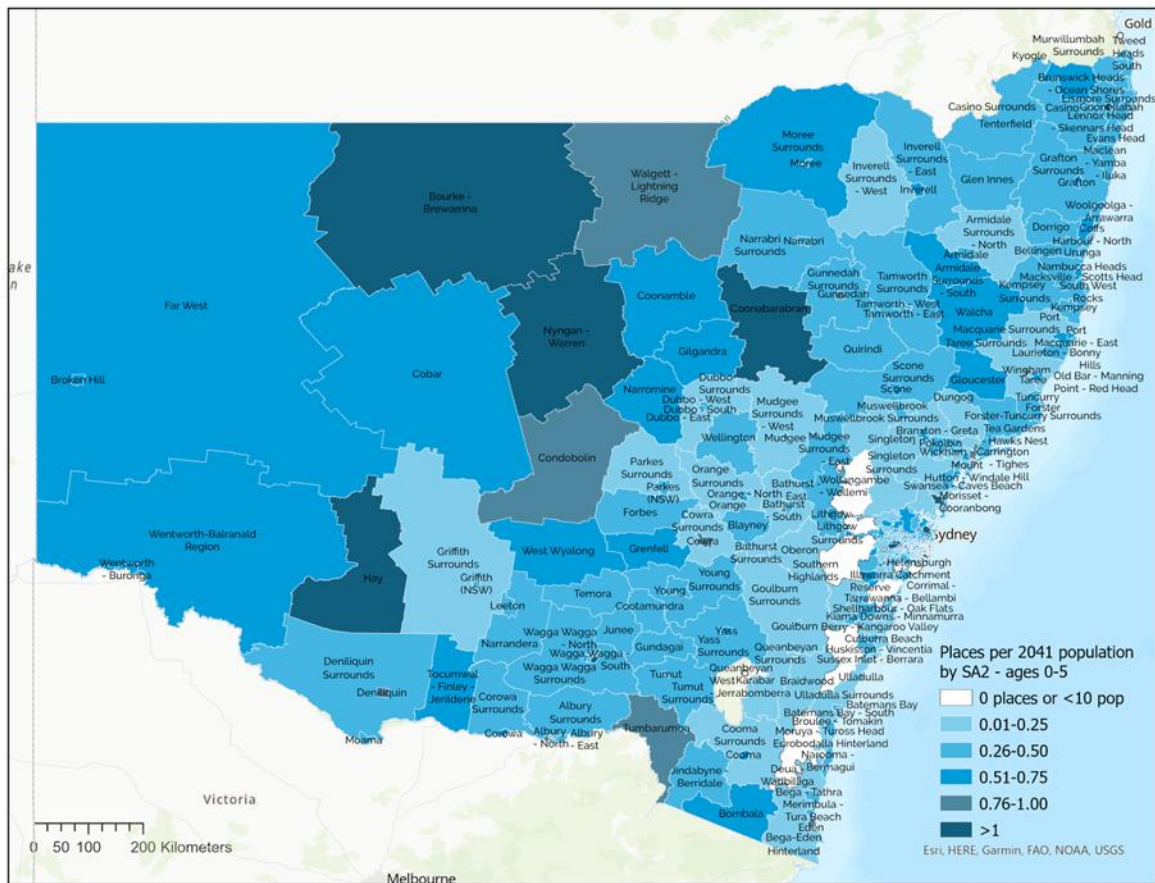
Source: NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections and IPART analysis.

5.1.2 Forecasting the ratio of today's ECEC places to the population in 2041

To give an idea of what the current supply of early childhood education and care places would mean for the future population distribution, we modelled the current supply of places by SA2 against the projected population of 0-5-year-old children in 2041.

As shown in Figure 5.3, areas where the population is projected to decline will become oversupplied with more than one place per child (shown here as the darkest blue are the SA2s of Bourke Brewarrina, Nyngan Warren, Coonabarabran, Hay).

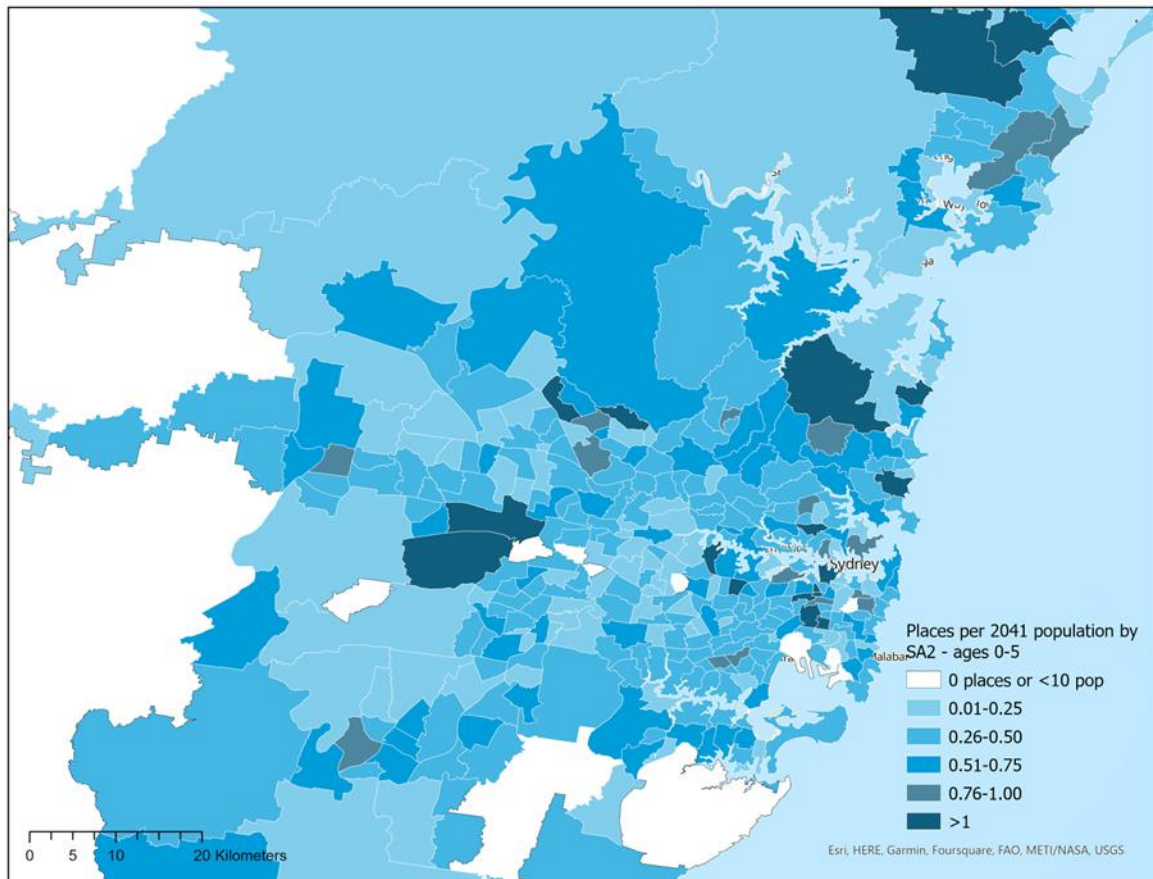
Figure 5.3 Early childhood education and care places per population aged 0-5, NSW, 2041



Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in between Jul-Dec 2022.
 Source: NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections and IPART analysis.

Figure 5.4 shows the projected population of 0–5-year-olds in Sydney in 2041 with the current supply of ECEC places. It shows that areas that currently have at least one place per 2 children (Figure 5.2), will have less than one place per 4 children by 2041 (shown as 0.01-0.25 places per population, that is, areas shaded the lightest blue), without the supply of additional ECEC services.

Figure 5.4 Early childhood education and care places per population aged 0-5, Greater Sydney, 2041



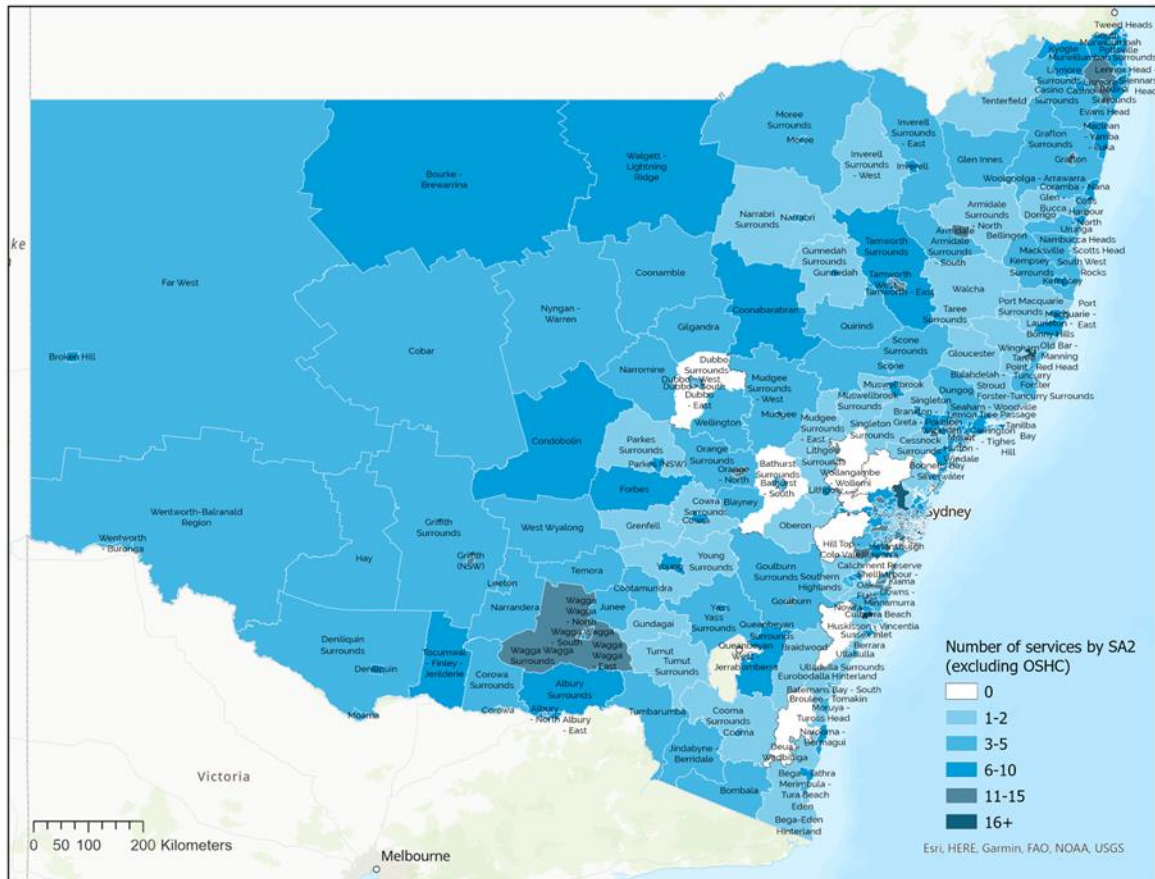
Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in between Jul–Dec 2022.
 Source: NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections and IPART analysis.

5.1.3 There are areas of NSW with very few or no ECEC services

We examined the supply of services by SA2 to identify areas with no or very few services. As noted in Chapter 2.4.1, there are SA2s where the lack of ECEC services is expected, such as in industrial zones, and national parks. However as shown in the following figures, there are large areas of NSW with very few services.

As shown in Figure 5.5, many of the SA2s in Western NSW only have 3-5 services covering a very large area. The areas shown in white with no services include the SA2s of Dubbo Surrounds and Bathurst Surrounds, both of which have large cities in the centre (classed as separate SA2s).

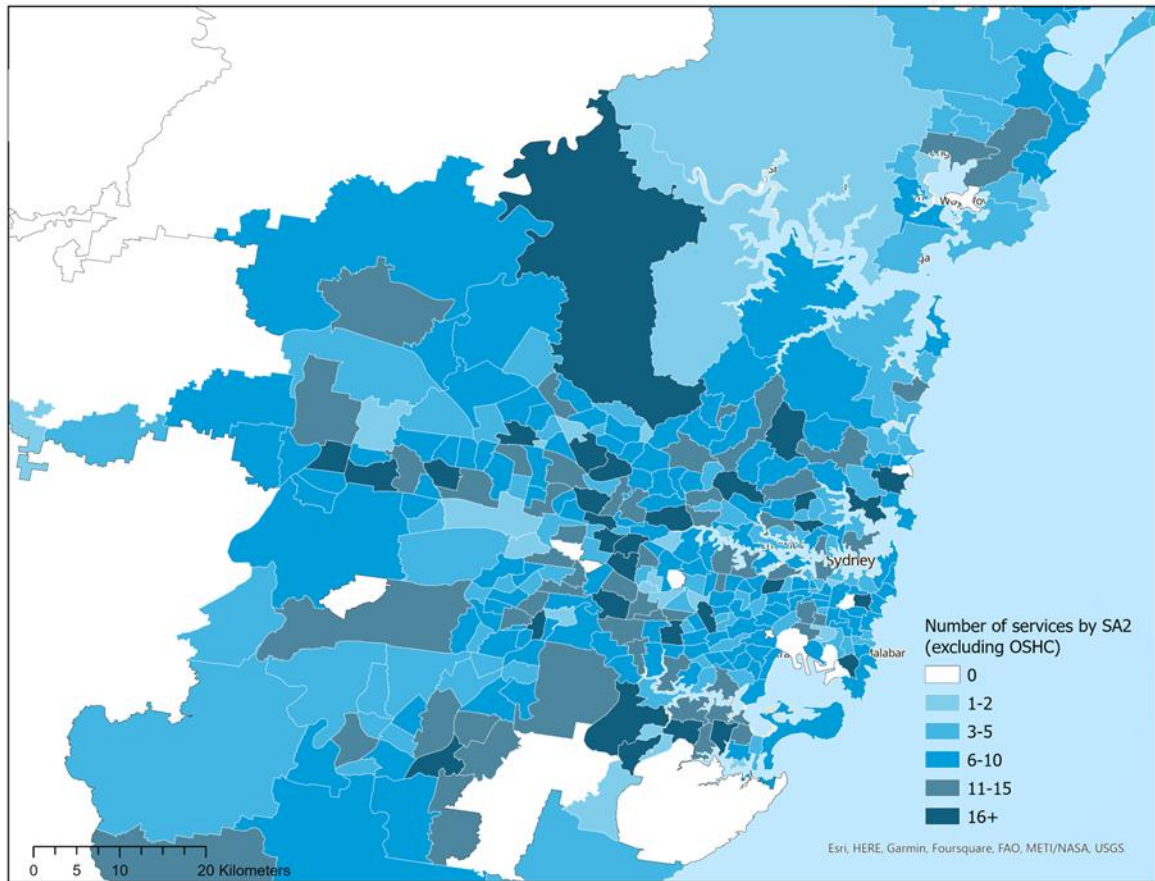
Figure 5.5 Number of early childhood education and care services by SA2, NSW (excluding OSHC), 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Figure 5.6 shows that the density of long day care, family day care and preschool services is patchworked across Sydney. The areas showing as having no services include industrial areas and Sydney airport.

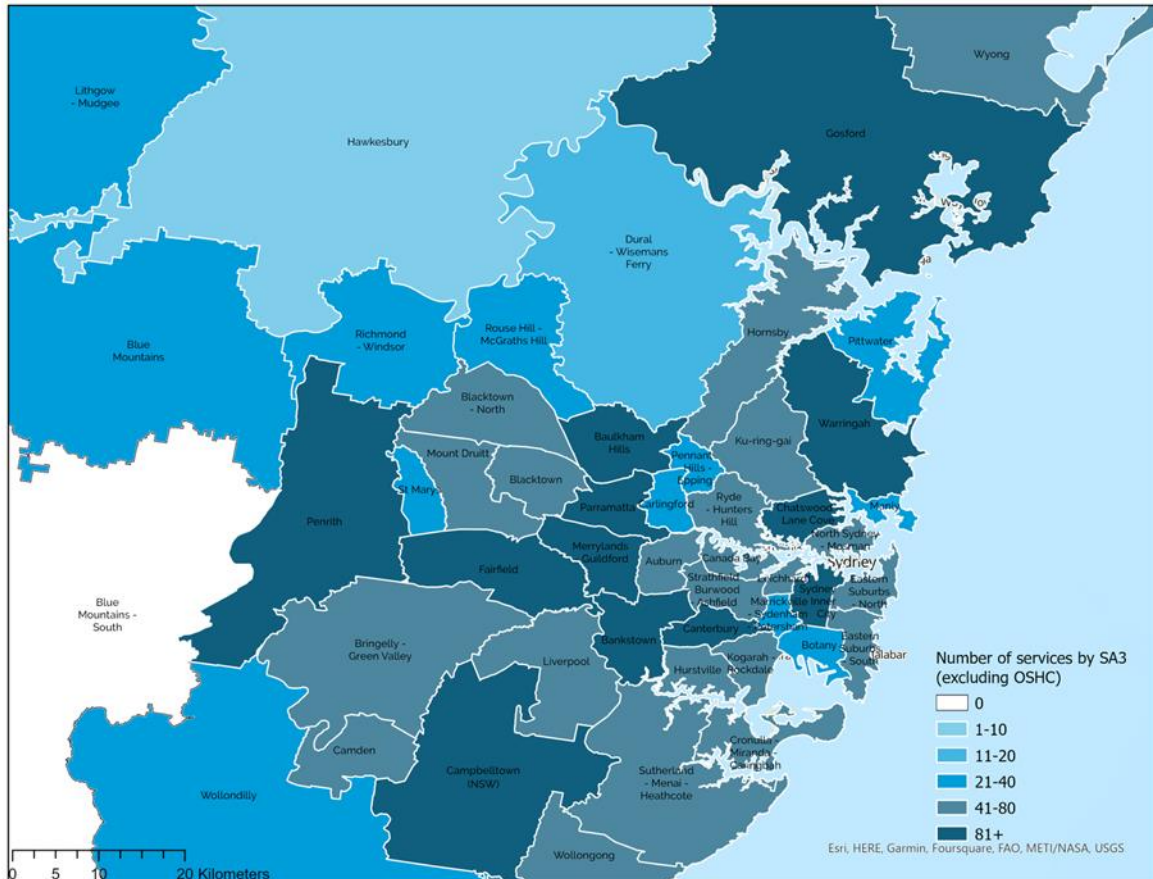
Figure 5.6 Number of early childhood education and care services by SA2, Sydney (excluding OSHC), 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis.

We have also considered the supply of services at the SA3 area in Greater Sydney, as the relatively small geographic size of SA2s in densely populated areas mean that families are potentially able to travel between SA2s to access ECEC services. Figure 5.7 shows the density of long day care, family day care and preschool services at the SA3 level.

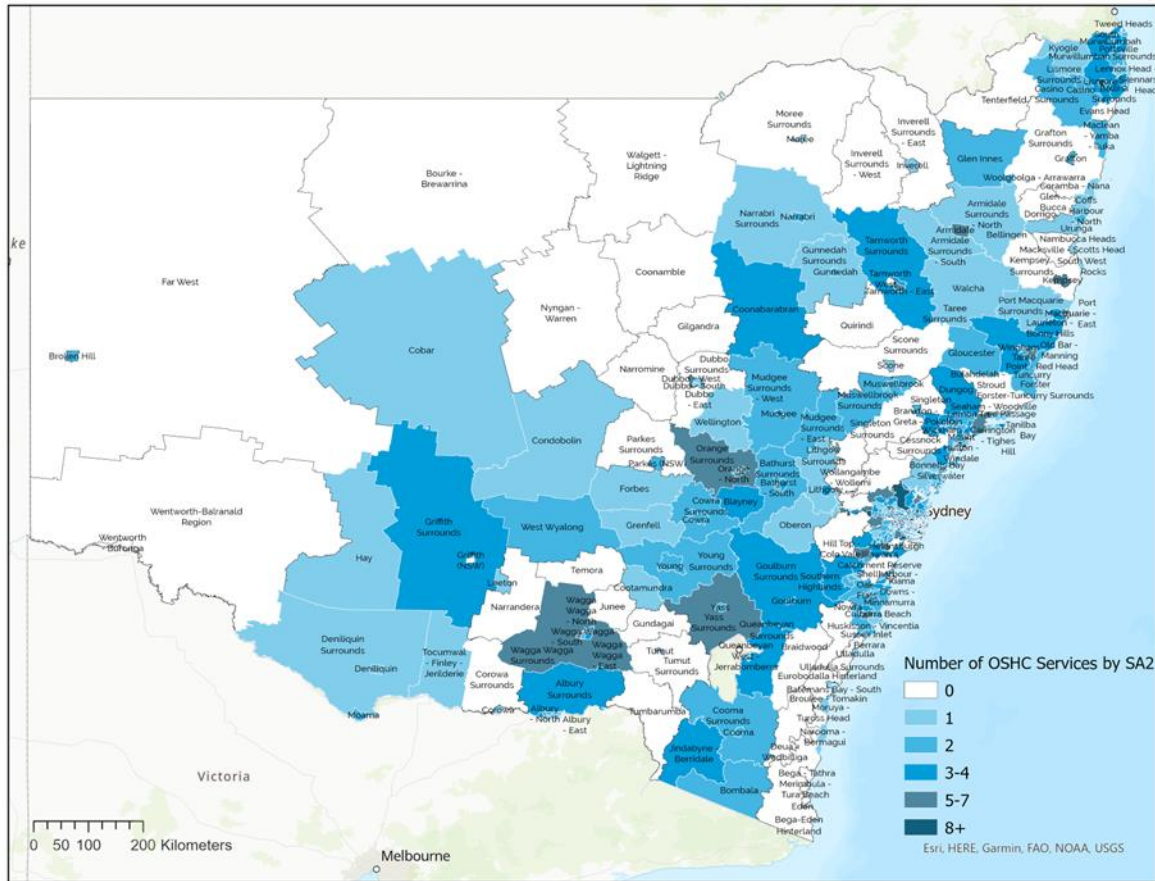
Figure 5.7 Number of early childhood education and care services by SA3, Greater Sydney (excluding OSHC), 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Figure 5.8 shows there are many locations across NSW which do not have any outside school hours services.

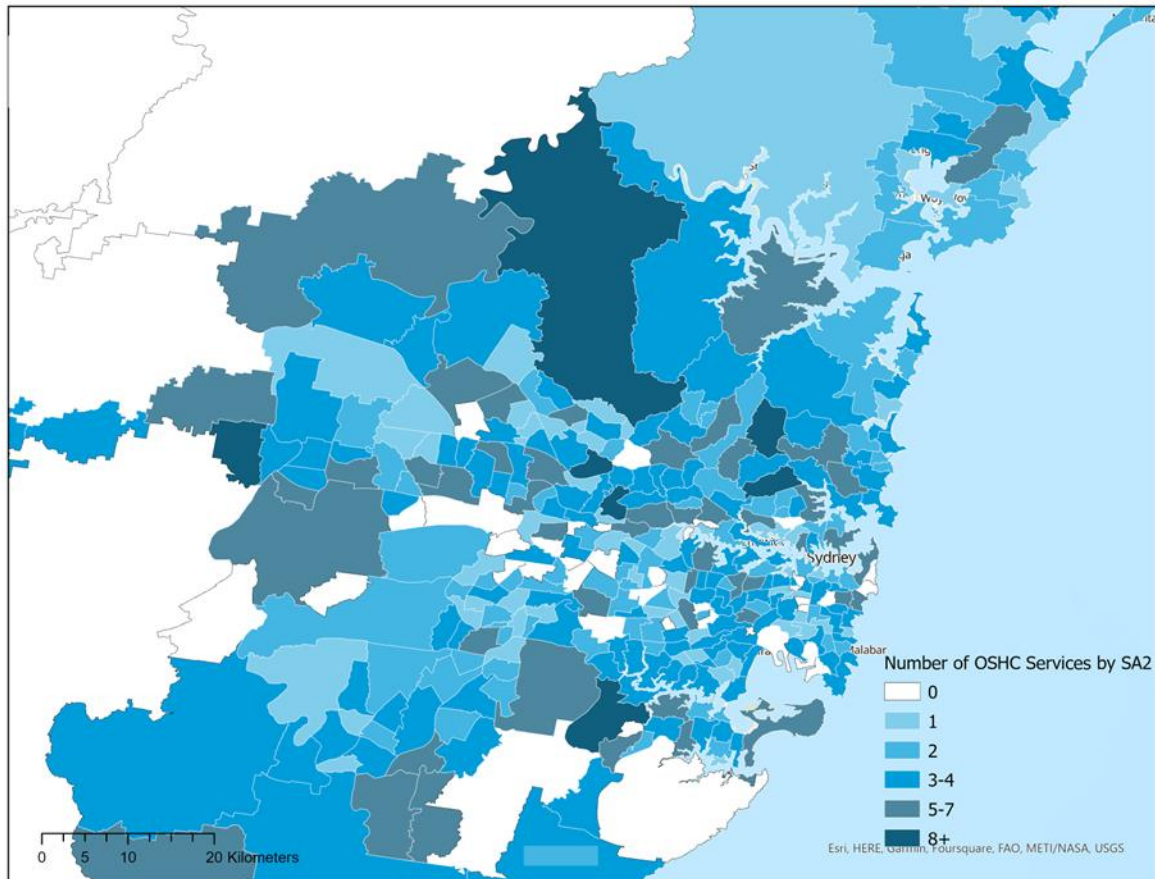
Figure 5.8 Number of outside school hours care services by SA2, NSW, 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis.

As shown in Figure 5.9, there are many areas across Greater Sydney that appear well serviced with outside school hours care. As OSHC services are usually delivered on school grounds, access is largely dependent on whether there is a service at the school the child attends.

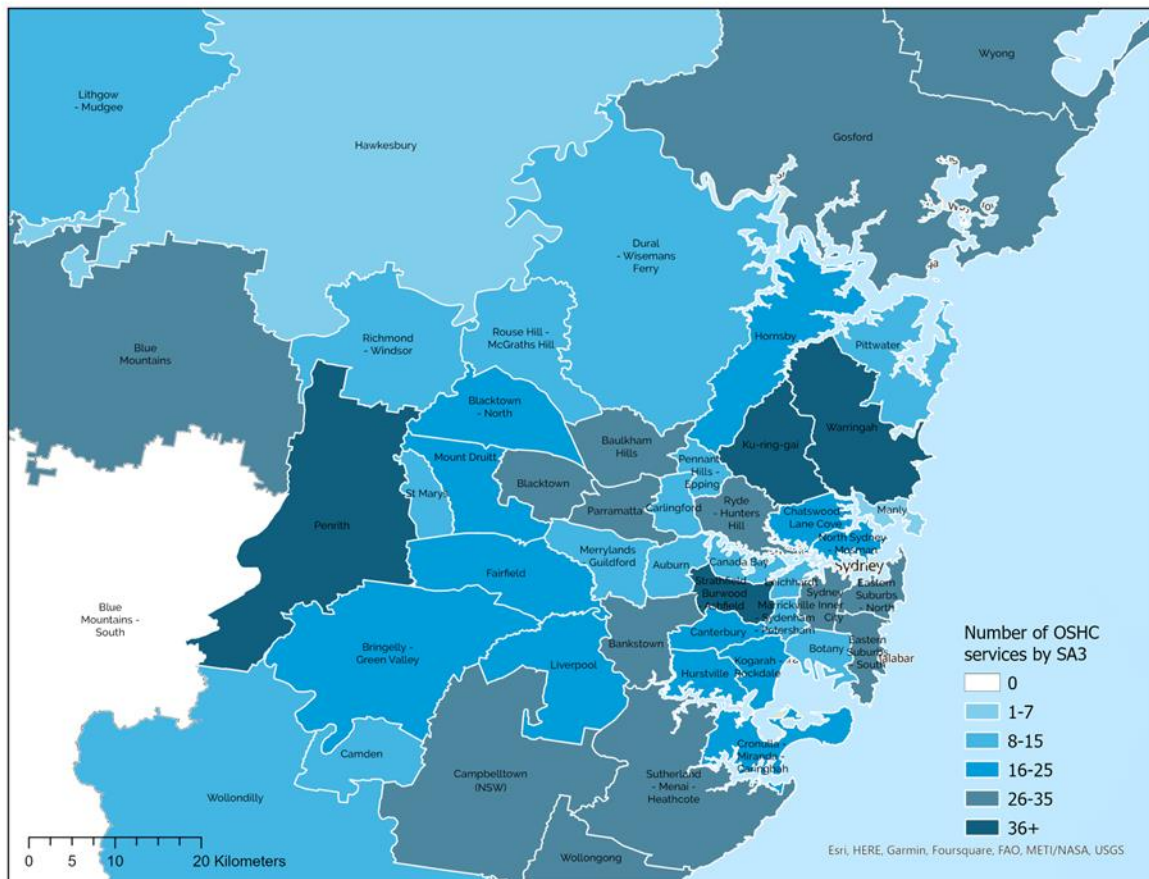
Figure 5.9 Number of outside school hours care service by SA2, Greater Sydney, 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis

Figure 5.10 shows the distribution of outside school hours services by SA3 across Greater Sydney. As shown, the SA3s of Penrith, Ku-ring-gai, Warringah, and Strathfield-Burwood-Ashfield have the most OSHC services.

Figure 5.10 Number of outside school hours care service by SA3, Greater Sydney, 2023



Source: NSW Department of Education QARS, July 2023 and IPART analysis

5.2 Identifying shortages by modelling demand and supply

The analysis in section 5.1 uses a simple number of places per relevantly-aged child population in the same SA2 as the measure of adequacy of supply. This assumes that children only attend (and would only wish to attend) an ECEC service in the SA2 in which they live. However, we know from CCS administrative data that half of children aged 0-5, and over 40% of children aged 6-12 attend an ECEC service in a different SA2 from their place of residence.

To develop the analysis of shortages further, we developed a model that considers maximum demand, including unmet demand, for places in an SA2, based on current data on the number of children enrolled and current patterns of travel to attend ECEC services.

We have also previously discussed the segmentation of the market for ECEC by age, as demand and supply patterns for 0-2- and 3-5-year-olds are different, with preschools serving only 3-5-year-olds, long day care serving 0-5-year-olds, and family day care 0- to 12-year-olds. Ideally, we would prefer to model supply adequacy for 0-2s independently from supply adequacy for 3-5s. However, because ECEC places are not licensed in these age sub-categories, we are unable to do this. Instead, we have separately examined enrolment rates by age by SA3 of child residence as an indicator of potential under-supply.

We have also flagged the Socio-Economic Indexes for Areas (SEIFA) Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) decile and the percentage of the population aged 0-12 represented by priority groups^m in areas with identified under-supply, to help assess the level of need for intervention to address under-supply based on intersecting factors.

This section sets out our modelling approach and our findings on areas of under-supply.

5.2.1 We used data about current enrolment patterns

We used a representative week of Child Care Subsidy administrative data from 2022, which includes both child residential location and service attended location for long day care and outside school hours care. For family day care, the data only includes child residential location and not place of care location. We therefore assumed that children are enrolled in family day care in the same SA2 as their home address.

Family day care service data does not include the number of places offered. We assumed the number of places in family day care to be the number of children enrolled in family day care during the representative week.

We used data about government preschools from the NSW Department of Education Preschool Census 2022 which includes the service location but not the residential location of enrolled children. We assumed that children enrolled in department preschools live in the same SA2 that the preschool is located in.

We used community preschool data from the 2022 Community Preschool Census which includes child residential location as well as service attended location.

^m The proportion of each priority group in the relevant SA2 is based on the proportion of the priority group in the population for the relevant SA3.

5.2.2 We estimated rates of maximum demand for early childhood education and care services for three age groups

We estimated full time equivalent maximum demand for places. That is, if every child whose family wanted ECEC was able to get a place for the number of days a week they wanted, how many places would be required? We took the following steps:

- For each SA3 we calculated the full-time equivalent enrolment of children who live in that SA3 (but do not necessarily attend ECEC in that SA3) as a percentage of the child population in that SA3 in three age groups: 0-2, 3-5 and 6-12.
- We ordered these enrolment percentages from lowest to highest.
- For the higher estimate of the rates of maximum demand, we used the highest actual full time equivalent enrolment rate for any SA3 as a proportion of its relevant aged population, or the highest point where the distribution across all SA3 regions tapers off, for each age group.
- We assumed that this level of enrolment represents fully met demand in all SA2s across the state, without taking into account possible variations in levels of demand based on systematic demographic, employment or income factors, or random variations between SA2 populations (which may occur due to the smaller population size at SA2 level).
- For the lower estimate of the rates of maximum demand, we used the median actual full time equivalent enrolment rate of all SA3s, for each age group.
- For the lower estimate, we assumed that the rates of maximum demand can vary across the state, and that the rate of maximum demand in SA3s with lower than median current enrolments is likely to not be as high as the rate of maximum demand in areas with higher than median current enrolments.

Table 5.1 shows our higher and lower estimates of the rates of full-time equivalent demand for ECEC services across 3 different age groups.

Table 5.1 Higher and lower estimates of the rates of full-time equivalent demand for ECEC services for population aged 0-12, NSW.

Scenario	0 to 2-year-olds	3 to 5-year-olds	6-12-year-olds
Lower estimate of demand	13.4%	48.7%	9.1%
Higher estimate of demand	20.3%	57.9%	17.2%

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses and IPART analysis

Appendix D.1 shows the distribution of enrolment to population by SA3 and the lower and higher estimates of rate of demand for each age group.

5.2.3 The model calculates demand by SA2 of child residence and allocates it to a location based on current patterns of travel to attend ECEC

For each SA2, the model uses the estimate of maximum demand (including unmet demand) and applies this estimated rate (or actual current rate of enrolment, whichever is higher) to the relevantly aged child population in that SA2. Demand is adjusted for each SA2 based on current patterns of travel to ECEC.

For example:

- Say that SA2 Alpha has 100 resident children aged 0-2 currently enrolled in 10 full time equivalent places in SA2 Beta, and 100 resident children aged 3-5 currently enrolled in 40 full time equivalent places in SA2 Beta
- SA2 Beta has no resident children but does have a 50 place long day care centre
- Our estimate of maximum demand is 20% for 0-2s and 40% for 3-5s
- Calculated demand from SA2 Alpha is $0.2 * 100 + 0.4 * 100 = 60$
- This demand for 60 places is applied in SA2 Beta and compared to the 50 available places in SA2 Beta – SA2 Beta is considered to be under-supplied.

This approach has the benefit of considering preferences for ECEC close to work location in addition to close to the home location. It also considers demand for ECEC places located where people are currently prepared to travel for ECEC rather than using a simple “distance from home” or “stay within SA2” rule which does not allow for local conditions.

5.2.4 We used the model to estimate the demand to supply ratio by SA2 for both our lower and upper estimates of demand

We calculated demand in each SA2 and then ranked SA2s by their demand to supply ratio. We have defined an area as undersupplied if demand exceeds supply for ECEC services, that is the ratio of demand to supply is greater than 100%.

The following section shows the 15 most undersupplied SA2 areas by age group and region (Greater Sydney or rest of NSW). The tables of most undersupplied areas also show the percentage of population aged 0-12 for different priority groups, including children with disability/additional needs, Aboriginal and Torres Strait Islander children and children from culturally and linguistically diverse backgrounds. The average across SA3s in NSW for these priority groups is shown in Table 5.2.

Table 5.2 Average percentage of children aged 0-12 in the population from priority groups across SA3s in NSW

Scenario	Children from culturally and linguistically diverse backgrounds	Aboriginal and Torres Strait Islander children	Children with disability/ additional needs
Average across NSW	18%	8%	8%

Source: 2021 ABS Census and IPART analysis.

5.2.5 The most under-supplied SA2s - lower estimate of demand

We found there is a correlation between socio-economic disadvantage and undersupply of early childhood education and care places. We observed this at both the lower and higher estimates of demand. The results for the higher estimate of demand are shown separately in Appendix D.2.

There are also areas where the population growth over the last 10 years has outstripped the supply of ECEC places. For growth areas that have a higher SEIFA ranking, we consider that the market is likely to respond to address these shortages over time, based on our and the ACCC's findings about where ECEC services are most likely to locate.

As shown in Table 5.3, most of the 15 most undersupplied SA2s in Greater Sydney for children aged 0-5 are in the most disadvantaged deciles (1-3). All are in Southwest and Western Sydney, as shown in Figure 5.11. Only Chullora has a relatively higher SEIFA score. However, over 70% of children enrolled in ECEC in Chullora are from surrounding areas of disadvantage, possibly because there is a shortage of ECEC places in these areas. This compounds the impact across the local area.

We also note the high proportion of children from culturally and linguistically diverse backgrounds in these areas.

Table 5.3 Most undersupplied areas in Greater Sydney, for population aged 0-5, by SA2 – lower demand estimate

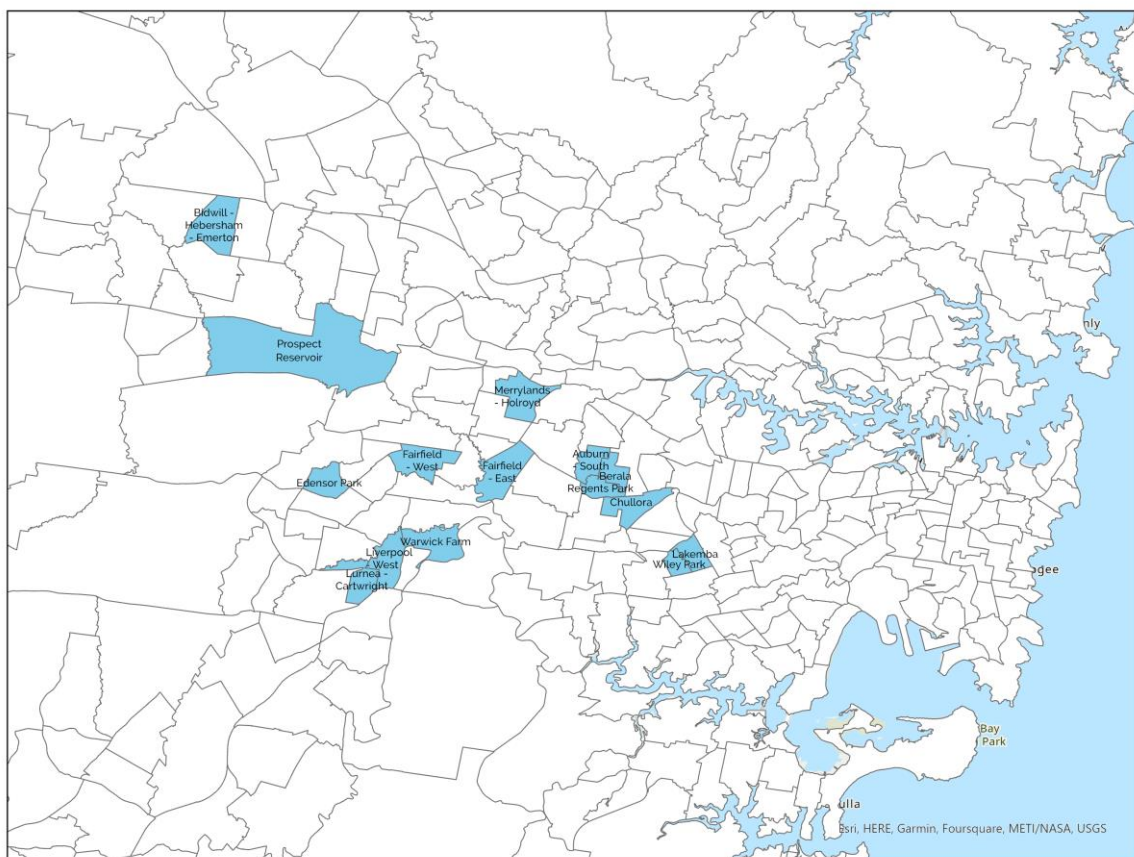
Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Warwick Farm	Major Cities	43%	2%	8%	1	47
2	Regents Park	Major Cities	63%	0%	5%	3	77
3	Lakemba	Major Cities	51%	1%	5%	1	364
4	Berala	Major Cities	63%	0%	5%	3	89
5	Liverpool - West	Major Cities	43%	2%	8%	1	608
6	Prospect Reservoir	Major Cities	32%	9%	9%	-	199
7	Wiley Park	Major Cities	51%	1%	5%	2	174
8	Chullora	Major Cities	47%	1%	6%	8	63
9	Bidwill - Hebersham - Emerton	Major Cities	32%	9%	9%	1	260
10	Lurnea - Cartwright	Major Cities	43%	2%	8%	1	296
11	Edensor Park	Major Cities	56%	1%	7%	3	195
12	Fairfield - West	Major Cities	56%	1%	7%	1	215
13	Fairfield - East	Major Cities	48%	1%	7%	1	335
14	Auburn - South	Major Cities	63%	0%	5%	3	354
15	Merrylands - Holroyd	Major Cities	48%	1%	7%	3	930

a. This is the current number of ECEC places for 0-5-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data. Note: "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018, and IPART analysis.

We note the inclusion of Prospect Reservoir in the top 15 most undersupplied areas for Greater Sydney under both the lower and higher estimate (Appendix D.2) of demand. There are very few children aged 0-5 years living in the Prospect Reservoir SA2. However, there are 2 services with a total of 199 places, with all children enrolled in these services coming from outside the Prospect Reservoir SA2. Thus, the estimated additional demand for places in Prospect Reservoir SA2 is driven in the model by demand from children in the SA2s from which children currently travel to ECEC services in Prospect Reservoir.

Figure 5.11 Map of most undersupplied areas in Greater Sydney, for population aged 0-5, by SA2 – lower demand estimate



Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections and IPART analysis

Table 5.4 shows the 15 most undersupplied areas for population aged 6-12 years in Greater Sydney at the lower estimate of demand. As we found for children aged 0-5 years, the undersupply of ECEC places is mainly in Southwest and Western Sydney, with some areas in the Gosford SA3. Kellyville Ridge -The Ponds was also identified as one of the most undersupplied SA2s in Greater Sydney. This is likely because it is an expanding residential area which almost doubled its population between 2011 and 2021. This is also likely to be the case for Harrington Park, where the population has grown by more than 70% over the same period.

Aside from these two new development areas, and Avoca Beach – Copacabana in the Gosford SA3, we again found a correlation between disadvantage and the undersupply of ECEC places for children aged 6-12 in Greater Sydney.

Table 5.4 Most undersupplied areas for Greater Sydney, aged 6-12, by SA2 – lower estimate of demand

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Lethbridge Park - Tregear	Major Cities	32%	9%	9%	1	68
2	Kogarah	Major Cities	44%	1%	5%	7	62
3	Fairfield - East	Major Cities	48%	1%	7%	1	78
4	Kellyville Ridge - The Ponds	Major Cities	42%	2%	6%	10	223
5	Avoca Beach - Copacabana	Major Cities	9%	7%	7%	9	62
6	St Clair	Major Cities	21%	8%	10%	5	266
7	Lakemba	Major Cities	51%	1%	5%	1	135
8	Greenfield Park - Prairiewood	Major Cities	56%	1%	7%	2	39
9	Canley Vale - Canley Heights	Major Cities	56%	1%	7%	1	133
10	Woy Woy - Blackwall	Major Cities	9%	7%	7%	3	146
11	Cabramatta West - Mount Pritchard	Major Cities	56%	1%	7%	1	88
12	Bidwill - Hebersham - Emerton	Major Cities	32%	9%	9%	1	52
13	Harrington Park	Major Cities	10%	6%	7%	9	132
14	Wiley Park	Major Cities	51%	1%	5%	2	62
15	Condell Park	Major Cities	47%	1%	6%	4	41

a. This is the current number of ECEC places for 6-12-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data. Note: The list excludes 3 SA2s with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018, and IPART analysis.

Table 5.5 shows the 15 most undersupplied areas for the rest of NSW in the lower estimate of demand for population aged 0-5. Many of these areas have a relatively high proportion of Aboriginal and Torres Strait Islander children. We again found a relationship between undersupply and disadvantage, with most areas being ranked in the lower SEIFA deciles, the exceptions being Kiama and Queanbeyan.

Table 5.5 Most undersupplied areas for Rest of NSW, for population aged 0-5, by SA2 – lower demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Parkes Surrounds	Outer Regional	3%	20%	10%	3	68
2	Tenterfield	Outer Regional	3%	19%	10%	2	69
3	Sussex Inlet - Berrara	Inner Regional	5%	14%	10%	2	30
4	Tea Gardens - Hawks Nest	Inner Regional	4%	14%	8%	4	48
5	Lithgow Surrounds	Inner Regional	3%	13%	11%	3	126
6	Culburra Beach	Inner Regional	5%	14%	10%	3	54
7	Armidale Surrounds - North	Inner Regional	10%	16%	9%	4	57
8	Kiama Downs - Minnamurra	Major Cities	6%	8%	7%	8	85
9	Leeton	Outer Regional	12%	13%	9%	2	224
10	Port Macquarie - East	Inner Regional	5%	12%	9%	5	186
11	Urunga	Inner Regional	11%	11%	7%	3	87
12	Merimbula - Tura Beach	Outer Regional	4%	12%	9%	4	268
13	Queanbeyan	Major Cities	12%	6%	7%	6	522
14	Albury - South	Inner Regional	8%	7%	11%	5	626
15	Kiama Hinterland - Gerringong	Inner Regional	6%	8%	7%	8	131

a. This is the current number of ECEC places for 0–5-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data. Note: The list excludes 1 SA2 (Huskisson – Vincentia) with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis

Table 5.6 shows the 15 most undersupplied areas for the rest of NSW at the lower estimate of demand for population aged 6-12. We again found a relationship between undersupply and disadvantage, with most areas being ranked in the lower SEIFA deciles, many of which also have a relatively high proportion of Aboriginal and Torres Strait Islander children.

Table 5.6 Most undersupplied areas for Rest of NSW, for population aged 6-12, by SA2 – lower demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Quirindi	Outer Regional	5%	24%	9%	2	10
2	Narromine	Outer Regional	6%	27%	9%	3	11
3	Griffith (NSW)	Outer Regional	12%	13%	9%	3	14
4	Condobolin	Outer Regional	3%	20%	10%	3	17
5	Bega-Eden Hinterland	Outer Regional	4%	12%	9%	4	20
6	Cootamundra	Inner Regional	9%	11%	9%	2	19
7	Bega - Tathra	Outer Regional	4%	12%	9%	3	24
8	Bangalow	Inner Regional	8%	6%	8%	9	20
9	Moree	Outer Regional	3%	27%	9%	2	39
10	Tumut	Inner Regional	5%	12%	10%	2	30
11	Scone	Inner Regional	4%	17%	11%	3	30
12	Leeton	Outer Regional	12%	13%	9%	2	52
13	Tumut Surrounds	Inner Regional	5%	12%	10%	3	13
14	Evans Head	Inner Regional	8%	6%	8%	3	10
15	Mittagong	Inner Regional	7%	4%	8%	6	46

a. This is the current number of ECEC places for 6-12-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data. Note: The list excludes 16 SA2s with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis

Areas of undersupply may require intervention to increase supply

As noted in our ECEC Review, services tend to cluster in areas where there is a higher capacity to pay. We heard that for-profit providers establishing or expanding services may target areas where there is higher willingness to pay rather than areas with unmet demand. As a result, they may provide new services that compete with existing services, leading to oversupply in some areas and continued undersupply in others.⁶⁰

Further, the ACCC, in its June Interim Report, found that average fees for centre-based long day care services are higher in areas with more services, and that there is also a connection between the number of services and the level of socio-economic advantage of an area. The ACCC considers "this suggests that providers may be more likely to operate in more advantaged areas and charge higher fees, as they expect households have a higher willingness or capacity to pay".⁶¹

In contrast, the areas we have identified as undersupplied are the ones more likely to require government invention to address the undersupply. In addition, in the areas identified as undersupplied outside Sydney, there is also a relatively high proportion of Aboriginal and Torres Strait Islander children. As noted in Chapter 7.4.2, the intersectionality of factors contributing to higher levels of disadvantage and vulnerability may indicate areas of the state and populations that have greater need for supports for families and for the educators and service staff providing their education and care.

5.2.6 Assessing under-supply separately for children aged 0-2 and 3-5 years

As noted above, an SA2 could appear to be adequately supplied with places for 0–5 year old children while being under-supplied for 0-2 year old or 3-5 year old children, because the data on number of places available is not split by age group.

As a proxy for possible under-supply, we list below the SA3s with the lowest full-time equivalent enrolment rates separately for children aged 0-2 years and for 3-5 years. This is an indicator of under-supply if the reason for the lower enrolment rates is an inability to access a place (or as many days as desired). As this is based on child residential location only, and is at SA3 level, it is a less precise locational indicator than the modelled estimates and should be considered in conjunction with them.

Table 5.7 shows the SA3s with the lowest full-time equivalent enrolment rates for population aged 0-2. Half of these SA3s (Auburn, Griffith-Murrumbidgee, Fairfield, and Mount Druitt) encompass at least one of the SA2s identified in the top 15 most undersupplied list for population aged 0-5 under the lower or higher estimate of demand. Although the other SA3s listed in Table 5.7 also have low enrolment rates, they do not encompass any SA2s with identified under-supply, and have adequate supply to meet the median level of demand across NSW.

Table 5.7 Areas with lowest full-time equivalent enrolment rates in NSW for population aged 0-2, by SA3

Nr	SA3 Name	Enrolment Rate	CALD	Indig	Disab
1	Broken Hill and Far West	6%	3%	22%	10%
2	Auburn	7%	63%	0%	5%
3	Lower Murray	7%	4%	12%	9%
4	Upper Hunter	7%	4%	17%	11%
5	Griffith - Murrumbidgee (West)	8%	12%	13%	9%
6	Fairfield	8%	56%	1%	7%
7	Mount Druitt	8%	32%	9%	9%
8	Dural - Wisemans Ferry	8%	14%	2%	7%

Note: The list excludes 3 SA3s with limited child population. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Table 5.8 shows the 7 SA3s with the lowest full-time equivalent enrolment rates for population aged 3-5. Five of these SA3s encompass at least one of SA2s in the top 15 most undersupplied list for population aged 0-5 under the lower or higher estimate of demand. The remaining two SA3s (Lower Murray and Dural-Wisemans Ferry) were also identified in Table 5.7 and have adequate supply to meet the median level of demand across NSW.

Table 5.8 Areas with lowest full-time equivalent enrolment rates in NSW for population aged 3-5, by SA3

Nr	SA3 Name	Enrolment Rate	CALD	Indig	Disab
1	Dural - Wisemans Ferry	36%	14%	2%	7%
2	Inverell - Tenterfield	38%	3%	19%	10%
3	Fairfield	38%	56%	1%	7%
4	Canterbury	38%	51%	1%	5%
5	Lower Murray	39%	4%	12%	9%
6	Mount Druitt	39%	32%	9%	9%
7	Merrylands - Guildford	39%	48%	1%	7%

Note: The list excludes 3 SA3s with limited child population. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Chapter 6 >>

Affordability of ECEC and workforce participation

Body text for the explanatory text

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The independent market monitor is required to review the areas where affordability presents a barrier for families accessing early childhood education and care (ECEC), and in turn creates a barrier to parents and carers participating in work.⁶²

Affordability is influenced and driven by multiple factors, including:

- the out-of-pocket cost to families of using early childhood education and care servicesⁿ
- family (or carer) characteristics such as the age and number of children, household income level and family composition
- how much additional income could be earned by using (or using more) early childhood education and care services
- family (or carer) perceptions of value for money and lifestyle choices, or preference for a certain type or quality of service⁶³

Therefore, what is considered affordable will be different for families across NSW.

In this chapter we examine how the out-of-pocket costs of early childhood education and care vary by location, service, or provider type. We consider the impact on families of different sizes and incomes. We have also examined how the affordability of services impacts the workforce participation and hours worked of parents and carers.

We found that:

- The average out-of-pocket cost to families was less than half of the service fee, across all services and ages.
- Average service fees and out-of-pocket costs were higher for children aged 0-2 years than 3-5 years in both long day care and family day care, reflecting higher staffing requirements for younger children.
- Families in Sydney face higher median out-of-pocket hourly costs for long day care, family day care and outside school hours care than those in other areas of NSW, particularly around inner Sydney.
- There are only minor variations in the fees charged by different provider types.
- Low-income households experience the highest workforce disincentive rates,^o particularly when they have two children in ECEC. However, this disincentive is dominated by the withdrawal of government benefits, rather than the cost of early childhood education and care.

ⁿ Out-of-pocket costs are the fees charged by a service provider, less any subsidy or rebate.

^o The Workforce Disincentive Rate (WDR) is the proportion of any extra dollar earned that is lost to the family (generally the second income earner) after taking account of additional income tax paid, loss of family payments, loss of childcare subsidy (as it tapers off with increasing income) and increased out-of-pocket childcare costs.

6.1 Performance measures for assessing affordability barriers

Table 6.1 sets out the indicators for assessing the affordability of early childhood education and care, and its impact on workforce participation. The indicators reflect stakeholder feedback on our methodology paper. Our findings against these indicators are discussed in more detail in this chapter.

Table 6.1 Indicators of affordability and workforce participation

Indicator	Calculation	Finding
A1	KPI: Reduced net childcare costs for households	
Out-of-pocket costs	<ul style="list-style-type: none"> (Fee charged – Child Care Subsidy)/hours enrolled. (Fees charged - Preschool fee relief)/hours enrolled 	Average OOP fees/child/hour for NSW <ul style="list-style-type: none"> LDC 0-2 years \$5.20; 3-5 years \$4.95 FDC: 0-2 years \$4.88; 3-5 years \$4.60 OSHC: \$3.64 NSW DoE preschool: \$0 Community preschool: \$0-\$16/day Occasional care: \$3.95
	Rationale: Provides a direct measure of the costs of ECEC faced by families.	
WFP	KPI: Increase parental workforce participation	
Hours worked per year by parents (men and women separately)	<ul style="list-style-type: none"> Number of parents working or looking for work/Number of parents (for women and men separately). Hours worked by parents per year/number of parents (for women and men separately). 	For families with children aged 0-14 <ul style="list-style-type: none"> both parents are employed in 72% of couple families 67% of single mothers are employed 70% of single fathers are employed. Hours worked per year for parents (men and women separately) is not currently measurable.
	Rationale: One of the Fund's main objectives is to increase parental labour force participation, particularly of women.	

Note: LDC is long day care, FDC is family day care, OSHC is outside school hours care, NSW DoE is NSW Department of Education, OOP is out-of-pocket.

6.2 Commonwealth and NSW subsidies available to families

In NSW, there are a range of Commonwealth and State subsidies available to assist families with the costs of using early childhood education and care services.

6.2.1 Child Care Subsidy is available for approved services

The Child Care Subsidy (CCS) is an Australian Government subsidy paid directly to approved services to reduce the costs to families of using eligible early childhood education and care services. The service types that are approved for CCS are:

- Centre Based Day Care – long day care (LDC) and occasional care
- Outside School Hours Care (OSHC)
- Family Day Care (FDC)
- In Home Care.⁶⁴

Parents or carers are required to work or do other recognised activities (such as training, actively looking for work, volunteering) to receive CCS.⁶⁵ The hours of subsidised care a family can get each fortnight depends on their activity level (in the case of families with 2 parents or carers, the lower of the 2 activity levels are used⁶⁶), as shown in Table 6.2. We note that the Productivity Commission and the ACCC have made draft recommendations that the activity test be relaxed or removed.⁶⁷

Table 6.2 Activity levels and maximum hours of subsidised ECEC, 2023

Activity level each fortnight	Hours of subsidised care per fortnight per child
Less than 8 hours	0 hours above \$80,000 24 hours for families with incomes below \$80,000
Between 8 and 16 hours	36 hours
Between 16 and 48 hours	72 hours
More than 48 hours	100 hours

Source: *A New Tax System (Family Assistance) Act 1999* (Cth), Schedule 2, clauses 12(1) and 13(1).

Families can get at least 36 hours of subsidised care per fortnight for each Aboriginal and/or Torres Strait Islander child in their care, without an activity test.

The amount of subsidy a family is eligible to receive for their child(ren) depends on:

- the family's total yearly income
- the hourly rate cap for the type of childcare they use
- the number of children in their care
- the number of recognised activity hours that parents/carers do each fortnight.⁶⁸

The Commonwealth Department of Education CCS administrative data we have used to assess affordability precedes changes to the maximum subsidy rate and the maximum eligible household income introduced on 10 July 2023. Previously, the highest rate of CCS was 85%, and it decreased progressively for families with incomes above \$72,466, cutting out for families with incomes higher than \$356,756.⁶⁹ As shown in Table 6.3, the highest rate is now 90% for families with incomes up to \$80,000, and the income threshold at which families can receive CCS has increased to \$530,000. It is expected that out-of-pocket costs for families will decrease relative to our findings, following these changes.⁷⁰

Table 6.3 Rates of Child Care Subsidy, from 10 July 2023

Family income	Standard CCS rate
\$0-\$80,000	90%
Between \$80,000 and \$530,00	Decreasing from 90% the percentage decreases by 1% for every \$5,000 of income a family earns
\$530,000 or more	0%

Source: *A New Tax System (Family Assistance) Act 1999 (Cth)*, Schedule 2, clause 3.

Families with more than one child aged 5 or under in ECEC may receive a higher CCS for the second and any subsequent children. A higher rate of 95% applies for families with incomes up to \$138,118, decreasing incrementally until \$362,408, after which it no longer applies.⁷¹

The hourly rate cap is the maximum amount of subsidy available. Fees are generally set on a daily or sessional basis, with the hourly rate a notional concept based on the sessional fee divided by the length of the session. The hourly rate cap increased by 7.8% from 10 July 2023 (Table 6.4). The fee charged by the service provider can exceed these hourly rates, however anything above the cap is not subsidised.

Table 6.4 Hourly rate caps by service type and child age

Service type	Children below school age		Children above school age	
	2022-23	2023-24	2022-23	2023-24
Centre Based Day Care	\$12.74	\$13.73	\$11.15	\$12.02
Outside School Hours Care	\$12.74	\$13.73	\$11.15	\$12.02
Family Day Care	\$11.80	\$12.72	\$11.80	\$12.72

Sources: Australian Government, Services Australia, *A guide to Australian Government payments, 20 September 2023 to 31 December 2023*, p 9; and Australian Government, Services Australia, *A guide to Australian Government payments, 20 March 2023 to 30 June 2023*, p 8.

6.2.2 Commonwealth Additional Child Care Subsidy (ACCS)

Some families who are eligible for CCS funding can apply for the ACCS to receive extra financial help to cover the costs of using early childhood education and care services. To be eligible for the ACCS, a parent/carer must be eligible for the CCS⁷² and meet one of the following requirements for funding:

- an eligible grandparent getting an income support payment⁷³
- transitioning to work from certain income support payments⁷⁴
- experiencing temporary financial hardship⁷⁵

- caring for a child who is at risk of harm, abuse or neglect.⁷⁶

6.2.3 NSW Government preschool fee-relief

Preschool fee-relief funding reduces preschool fees up to a maximum of \$4,220 per year for 3–5-year-old children who attend community and mobile preschools and \$2,110 per year for eligible preschool programs for 4–5-year-old children in long day care. From 2024, fee-relief will also include a trial of \$500 fee-relief for 3-year-old children in long day care preschool programs.⁷⁷

The amount of fee-relief a family can receive is scaled by the number of hours a child is enrolled in preschool. To receive the full rate of fee-relief, a child must be enrolled in preschool for at least 15 hours a week (600 hours per year).⁷⁸

Families with children attending NSW Department of Education (NSW DoE) preschools are currently supported through separate funding arrangements to provide enrolled children 600 hours of free preschool per year.⁷⁹

Table 6.5 shows the subsidies available across the different ECEC service types.

Table 6.5 Available subsidies and eligibility by service type

Subsidy/rebate	Long day care	Family day care	Outside school hours care	Preschool (incl. mobile)	Occasional care
Commonwealth CCS	✓	✓	✓	✗	✓ (If within long day care)
Commonwealth ACCS	✓	✓	✓	✗	✓ (If within long day care)
NSW Government preschool fee-relief	✓ (Only for eligible programs)	✗	✗	✓	✗

Source: NSW Department of Education, Australian Government Services Australia

6.2.4 Additional out-of-pocket costs to families that are not subsidised

Some families will incur additional out-of-pocket costs when using early childhood education and care services. When these costs are not (or unable to be) incorporated into the service fee structure, they are unable to be subsidised by CCS or fee-relief. Some common additional out-of-pocket costs to families include:

- waiting list fees
- enrolment fees
- late fees
- building fund contributions

- educational excursions and incursions
- extracurricular activities.

6.3 The cost to families of early childhood education and care across NSW

The out-of-pocket costs for a family using early childhood education and care services is influenced by the fees charged and the amount of CCS or fee-relief the family is eligible to receive. The sections below examine how the average costs to families in NSW can also vary by service and provider type, the location of the service, the age of the child, family income band, and the number of children in the family.

Although we have examined out-of-pocket costs on these bases, it is important to note that averages can mask variations in the costs faced by families.

6.3.1 Average family out-of-pocket costs across NSW

The average family out-of-pocket cost per child varies depending on the age of the child, the type of service and its location.

Table 6.6 shows the average service fee and out-of-pocket cost per child to families in NSW who used early childhood education and care services in 2021-22. The out-of-pocket costs are the costs to families after CCS and/or fee relief has been applied. It does not include the cost of additional items such as nappies, excursions, extracurricular activities and building fund contributions.

The average service fee was lower than the 2021-22 CCS hourly rate cap for long day care and outside school hours care. The average family day care service fee was slightly higher than the CCS hourly rate cap for 2021-22.^P As mentioned, NSW Department of Education preschool services were, and are currently, provided to families free of charge.

The average out-of-pocket cost to families was less than half of the service fee, across all services and ages. Average service fees and out-of-pocket costs were higher for children aged 0-2 years than 3-5 years in both long day care and family day care, reflecting higher staffing requirements for younger children. As a percentage of the total fee, the out-of-pocket cost was highest on average for outside school hours care, and lowest for occasional care. The average service fee for OSHC was lower than other forms of care, reflecting the lower staff requirements.

^P The hourly rate cap for children below school age in 2021-22 was \$12.31 for LDC and OSHC and \$11.40 for FDC. See Australian Government, Services Australia, *A guide to Australian Government payments, 1 January 2022 to 19 March 2022*, p 8.

Table 6.6 Average service fees and family out-of-pocket cost per child, 2021-22 (\$ nominal)

Service type	Service fees/hour	Out-of-pocket cost/hour	Out of pocket fees %
Long day care			
0-2 years	\$11.88	\$5.21	44%
3-5 years	\$11.20	\$4.95	44%
Family day care			
0-2 years	\$11.65	\$4.88	42%
3-5 years	\$11.41	\$4.60	40%
Outside School Hours Care	\$7.66	\$3.64	47%
Preschool – NSW Department of Education	\$0.00	\$0.00	-
Preschool – community and mobile^a			
Average for fee paying children		\$16/day	
Non-fee paying children		\$0/day	
Occasional care	\$11.27	\$3.95	35%

a. Community Preschool daily fees – from the CPS census for 2022: for 62% of children there are no fees, for the remaining 38% of children the average daily fee is \$16.

Source: Cth Department of Education CCS child data, NSW DoE preschool data, CPS census data, and IPART analysis.

As noted above, these findings precede the recent increases to the amount of CCS families can receive. As mentioned earlier, the out-of-pocket costs to families of using long day care, family day care, and outside school hours care and occasional care services are expected to be lower in 2023-24 than those in Table 6.6.

6.3.2 Affordability by location and service type

As shown in Table 6.7, average service fees, and out-of-pocket costs for long day care are higher for children aged 0-2 years old across all locations, reflecting higher staffing requirements for this age group. Hourly service fees are highest in Major Cities and decrease with increasing remoteness. This reflects higher costs of service provision and possibly higher household capacity to pay. It is noted however, that despite lower service costs, out-of-pocket costs are marginally higher in Remote and Very Remote locations than in Outer Regional locations, possibly due to fewer families receiving Child Care Subsidy.

Table 6.7 Long day care average out-of-pocket costs per child, by age group and location (\$2021-22)

Remoteness area	Service fee/hour	Out-of-pocket cost/hour	Out of pocket fees %
0-2-year-olds			
Major Cities	\$12.18	\$5.62	46.2%
Inner Regional	\$10.81	\$3.66	33.8%
Outer Regional	\$10.40	\$3.33	32.0%
Remote and Very Remote	\$9.60	\$3.50	36.4%
3-5-year-olds			
Major Cities	\$11.39	\$5.25	46.0%
Inner Regional	\$10.45	\$3.71	35.5%
Outer Regional	\$9.89	\$3.32	33.6%
Remote and Very Remote	\$9.11	\$3.45	37.9%
6+ year olds			
Major Cities	\$10.91	\$5.01	45.9%
Inner Regional	\$10.10	\$3.72	36.9%
Outer Regional	\$9.53	\$3.37	35.3%
Remote and Very Remote	\$9.16	\$3.53	38.6%

Source: Cth Department of Education CCS child data, and IPART analysis

As shown in Table 6.8, on average, families in Remote and Very Remote locations face higher average service fees and out-of-pocket costs per hour for family day care than elsewhere in NSW. (The only exception being higher out-of-pocket costs for children aged 0-2 years old in Major Cities). Higher hourly service fees in Remote and Very Remote NSW may be due the hours of operation of the service and the fact there is only one family day care provider in these areas (see Table 2.3).

Table 6.8 Family day care average out-of-pocket costs per child, by age group and location (\$2021-22)

Remoteness area	Service fee/hour	Out-of-pocket cost/hour	Out of pocket fees %
0-2-year-olds			
Major Cities of Australia	\$11.79	\$5.30	45.0%
Inner Regional Australia	\$11.39	\$3.96	34.7%
Outer Regional Australia	\$11.06	\$3.81	34.5%
Remote and Very Remote Australia	\$12.31	\$5.18	42.1%
3-5-year-olds			
Major Cities of Australia	\$11.48	\$4.79	41.8%
Inner Regional Australia	\$11.28	\$4.13	36.6%
Outer Regional Australia	\$11.01	\$3.97	36.0%
Remote and Very Remote Australia	\$12.05	\$4.95	41.1%
6+ year olds			
Major Cities of Australia	\$11.03	\$2.95	26.7%
Inner Regional Australia	\$10.76	\$3.52	32.7%
Outer Regional Australia	\$10.87	\$3.87	35.6%
Remote and Very Remote Australia	\$12.25	\$5.21	42.6%

Source: Cth Department of Education CCS child data, and IPART analysis

The average hourly service fee and out-of-pocket costs for outside school hours care is lower than for long day care and family day care, reflecting the lower staffing requirements and therefore lower operating costs for OSHC. As shown in Table 6.9, the average service fee per hour is relatively stable across NSW, except in Remote and Very Remote locations (there are 3 OSHC services in these locations, see Table 2.3), where it is around 20% higher. However, families in the Major Cities face the highest out-of-pocket costs for OSHC.

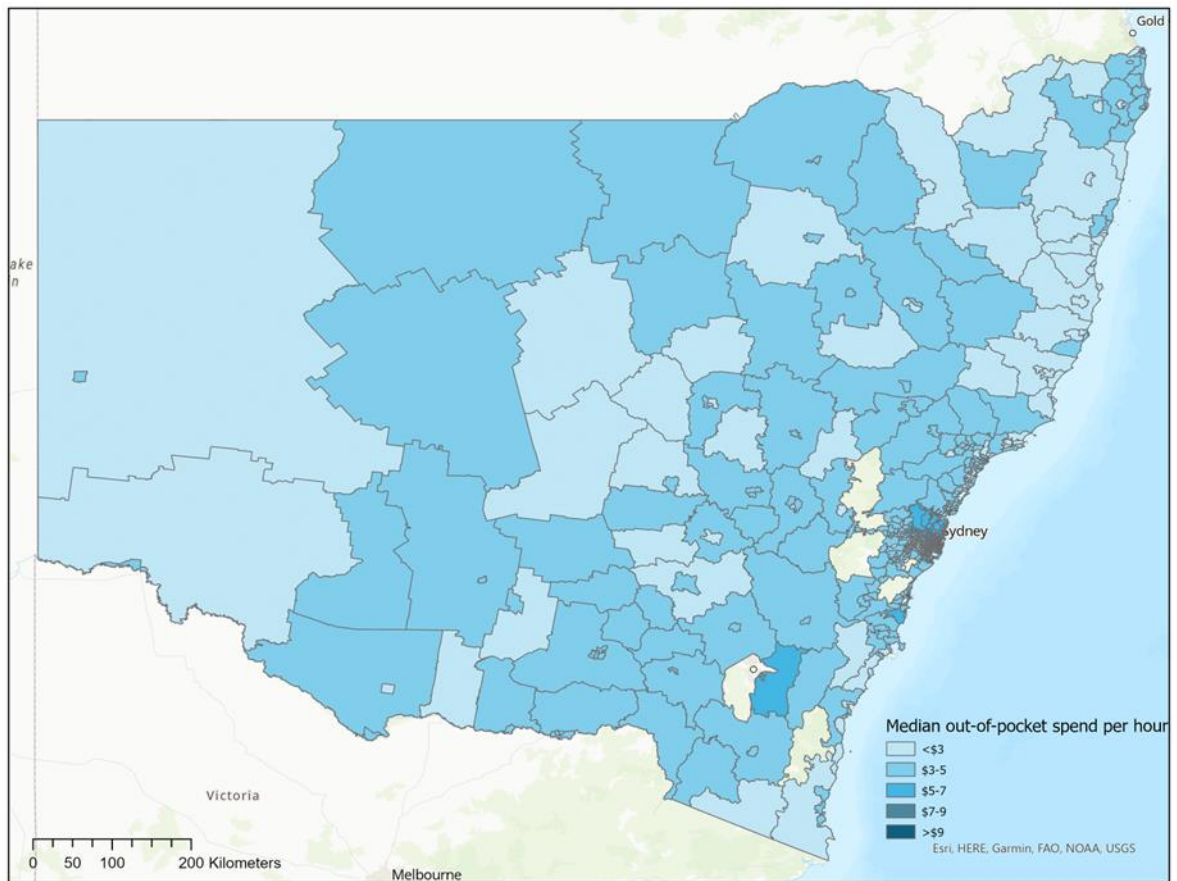
Table 6.9 Outside school hours care average out-of-pocket costs per child, by location, for all ages (\$2021-22)

Remoteness area	Service fee/hour	Out-of-pocket cost/hour	Out of pocket fees %
Major Cities of Australia	\$7.65	\$3.75	49.1%
Inner Regional Australia	\$7.72	\$2.92	37.8%
Outer Regional Australia	\$7.72	\$2.90	37.6%
Remote and Very Remote Australia	\$9.33	\$3.62	38.8%

Source: Cth Department of Education CCS child data, and IPART analysis

Figure 6.1 shows the median out-of-pocket hourly cost to families across NSW for long day care, family day care and outside school hours care, in 2021-22. It shows that outside Sydney, the median out-of-pocket cost to families, with one or more child, was less than \$5 an hour.

Figure 6.1 Median family out-of-pocket cost/hour in NSW by location (SA2) 2021-22 (\$ nominal)

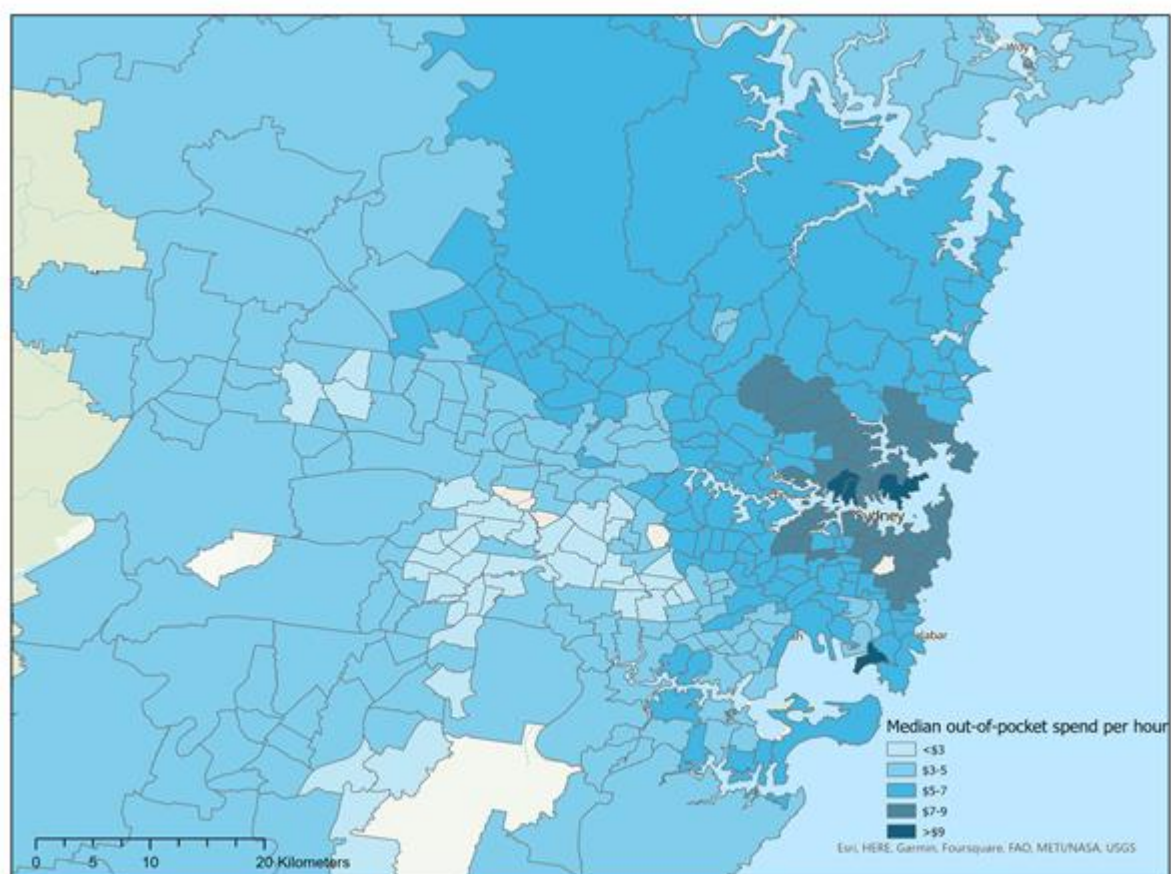


Note: Includes families with one or more children.

Source: Cth Department of Education CCS data and IPART analysis

Figure 6.2 shows the median out-of-pocket hourly cost to families for long day care, family day care and outside school hours care, across Sydney in 2021-22. It shows that families in Greater Sydney generally had higher out-of-pocket costs than those in other areas of NSW. It also shows that higher median costs are concentrated around inner Sydney and are lower in the west and southwest of Sydney.

Figure 6.2 Median family out-of-pocket cost/hour in Greater Sydney by location (SA2) 2021-22 (\$ nominal)



Note: Includes families with one or more children.

Source: Cth Department of Education CCS data and IPART analysis

6.3.3 Average service fees vary slightly by provider type

Table 6.10 shows the average service fee and out-of-pocket cost per child to families in NSW by provider type for family day care, long day care and outside school hours care. The out-of-pocket costs are the costs to families after CCS has been applied. It does not include the cost of additional items such as nappies, excursions, extracurricular activities and building fund contributions.

The average service fee was lower than the hourly CCS rate cap for 2021-22 across all service and provider types except family day care provided by state and territory or local governments.

The average out-of-pocket cost to families was less than or equal to half of the service fee, across all services and providers, except long day care and outside school hours care managed by independent schools.

As noted previously, these findings precede the recent increases to the amount of CCS families can receive. Therefore, out-of-pocket costs to families in 2023-24 are expected to be lower than those in Table 6.10.

Table 6.10 Average service fees and family out-of-pocket cost per child in NSW by provider type 2021-22 (\$ nominal)

Provider Type	Service fee/hour	Out-of-pocket cost/hour	Out of pocket fees %
Family day care			
Private for profit	\$11.25	\$3.73	33%
Private not for profit community managed	\$11.31	\$4.24	37%
Private not for profit other organisations	\$11.04	\$4.46	40%
State/Territory and Local Government managed	\$11.71	\$5.16	44%
Long day care			
Private for profit	\$11.39	\$5.02	44%
Private not for profit community managed	\$10.91	\$4.72	43%
Private not for profit other organisations	\$11.87	\$5.21	44%
State/Territory and Local Government managed	\$10.79	\$4.75	44%
Catholic schools	\$10.78	\$4.26	40%
Independent schools	\$12.13	\$6.69	55%
Outside school hours care			
Private for profit	\$7.78	\$3.59	46%
Private not for profit community managed	\$7.44	\$3.75	50%
Private not for profit other organisations	\$7.70	\$3.57	46%
State/Territory and Local Government managed	\$8.31	\$3.42	41%
Catholic schools	\$7.60	\$3.27	43%
Independent schools	\$7.86	\$4.30	55%

Source: Cth Department of Education CCS data and IPART analysis

6.4 Affordability varies depending on family income and size

In considering how the cost of early childhood education and care services varies by location, and impacts on households, we started by examining the areas where families are paying the highest out-of-pocket costs and paying the highest proportion of their income for early childhood education and care services.

We also looked at how affordability varies by household income band, the number of children in the family enrolled in ECEC services and the relative advantage and disadvantage of the SA2.

6.4.1 Areas with the highest out-of-pocket for ECEC services

Table 6.11 shows the areas within the Greater Sydney region with the highest median annual out-of-pocket costs for early childhood education and care services. This includes long day care, family day care and outside school hours care. We note that these areas are clustered in the Lower North Shore and Eastern Suburbs of Sydney, where on average families have a higher capacity to pay. The exception being Chippendale, situated south of the CBD, where the median annual out-of-pocket fees for ECEC represents 7% of household income.

Appendix E.1 sets out the areas with the highest median out-of-pocket fees for each service type. The costs are higher for long day care and family day care than those shown here, which include outside school hours care.

Table 6.11 Highest family out-of-pocket fees – Greater Sydney by SA2, 2021-22

SA2 Name	Median Yearly OOP Fees per Family	Median Yearly Family Income	Percentage of Income
St Leonards - Naremburn	\$8,986	\$191,116	5%
Potts Point - Woolloomooloo	\$8,984	\$186,312	5%
North Sydney - Lavender Bay	\$8,849	\$197,947	4%
Crows Nest - Waverton	\$8,704	\$188,422	5%
Bellevue Hill	\$8,690	\$234,126	4%
Sydney (North) - Millers Point	\$8,687	\$180,481	5%
Mosman - South	\$8,568	\$238,030	4%
Bondi Junction - Waverley	\$8,394	\$184,539	5%
Bondi Beach - North Bondi	\$8,329	\$198,505	4%
Chippendale	\$8,291	\$119,971	7%

Source: Cth Department of Education CCS data and IPART analysis

Table 6.12 shows the areas for the rest of NSW (outside Greater Sydney) with the highest median annual out-of-pocket fees for early childhood education and care services. As noted above, this includes long day care, family day care and outside school hours care.

We found that most of the SA2 below are located around Queanbeyan and Newcastle, and in the City of Wollongong local government area, the only exceptions being Bangalow in the Northern Rivers and Wagga Wagga in the Riverina.

Table 6.12 Highest family out-of-pocket fees – Rest of NSW by SA2, 2021-22

SA2 Name	Median Yearly OOP Fees per Family	Median Yearly Family Income	Percentage of Income
Googong	\$7,040	\$179,135	4%
Merewether - The Junction	\$5,550	\$156,248	4%
Thirroul - Austinmer - Coalcliff	\$5,151	\$147,305	3%
Helensburgh	\$4,461	\$144,789	3%
Queanbeyan Surrounds	\$4,433	\$162,282	3%
Bangalow	\$4,425	\$118,995	4%
Wickham - Carrington - Tighes Hill	\$4,423	\$126,739	3%
Queanbeyan West - Jerrabomberra	\$4,405	\$173,190	3%
Wagga Wagga - North	\$4,374	\$121,786	4%
Valentine - Eleebana	\$4,353	\$130,481	3%

Source: Cth Department of Education CCS data and IPART analysis

6.4.2 Areas with the highest out-of-pocket fees as a proportion of income

In addition to investigating the SA2s with the highest out-of-pocket fees, we examined where families are paying the highest proportion of their income for early childhood education and care services.

Table 6.13 shows the areas within the Greater Sydney region paying the highest proportion of median family income for ECEC services. Three of these SA2s also had the highest out-of-pocket costs (Table 6.11), however the remaining SA2s indicate a greater distribution of areas in Sydney where families are paying a high proportion of their income for ECEC services.

Table 6.13 Highest out-of-pocket costs as a proportion of family income – Greater Sydney by SA2, 2021-22

SA2 Name	Median Yearly OOP Fees per Family	Median Yearly Family Income	Percentage of Income
Chippendale	\$8,291	\$119,971	7%
Rhodes	\$7,155	\$125,265	6%
Waterloo	\$7,930	\$139,935	6%
Sydney (South) - Haymarket	\$5,962	\$107,078	6%
Burwood (NSW)	\$5,066	\$97,760	5%
Rosebery - Beaconsfield	\$7,710	\$150,171	5%
Strathfield - East	\$5,746	\$113,447	5%
Chatswood - East	\$6,352	\$127,187	5%
Zetland	\$6,706	\$138,834	5%
Potts Point - Woollloomooloo	\$8,984	\$186,312	5%

Source: Cth Department of Education CCS data and IPART analysis

Table 6.14 shows the areas for the rest of NSW (outside Greater Sydney) paying the highest proportion of median family income for ECEC services. Although there are other areas outside Sydney paying a similar proportion of family income, the areas that made this list have much lower incomes. We found that the areas paying the highest proportion of family income for ECEC are spread throughout NSW, with a concentration in and around Port Macquarie.

Table 6.14 Highest out-of-pocket costs as a proportion of family income – Rest of NSW by SA2, 2021-22

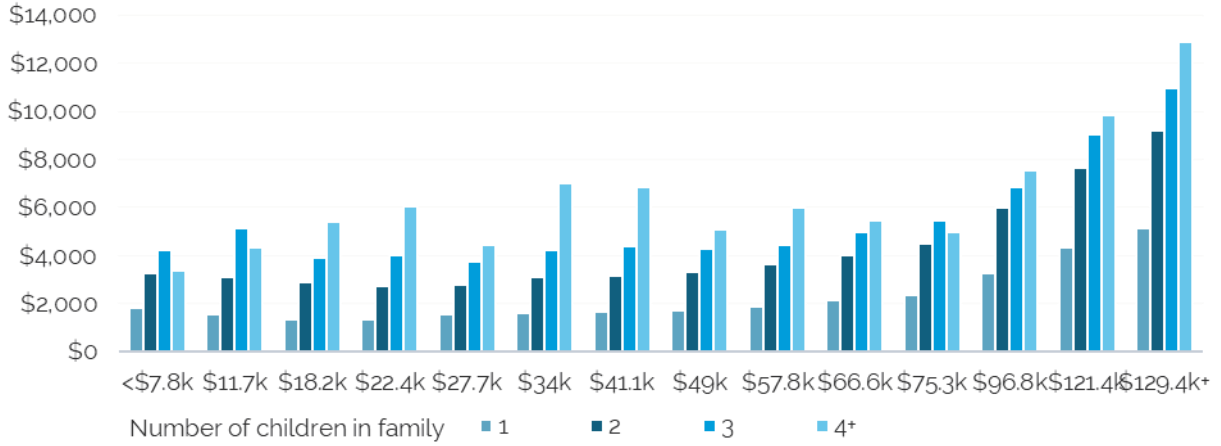
SA2 Name	Median Yearly OOP Fees per Family	Median Yearly Family Income	Percentage of Income
Young	\$3,373	\$80,092	4%
Port Macquarie - West	\$3,366	\$80,115	4%
Tuncurry	\$2,470	\$59,128	4%
Ballina	\$3,393	\$81,271	4%
Bourke - Brewarrina	\$3,654	\$87,630	4%
Port Macquarie - South	\$3,855	\$92,563	4%
Corowa	\$3,355	\$80,704	4%
Wauchope	\$3,420	\$83,273	4%
Temora	\$3,347	\$81,900	4%
Port Macquarie Surrounds	\$3,255	\$80,916	4%

Source: Cth Department of Education CCS data and IPART analysis

6.4.3 Affordability by income band and number of children

Figure 6.3 show the median out-of-pocket per family by the number of children enrolled in early childhood education and care, and income band. We found in some cases families with 3 children are paying more than families with 4 children, particularly those with very low incomes (Figure 6.3). As mentioned in section 6.2.1, families with more than one child under 5 enrolled in ECEC are eligible for higher rates of CCS for the second and subsequent children.

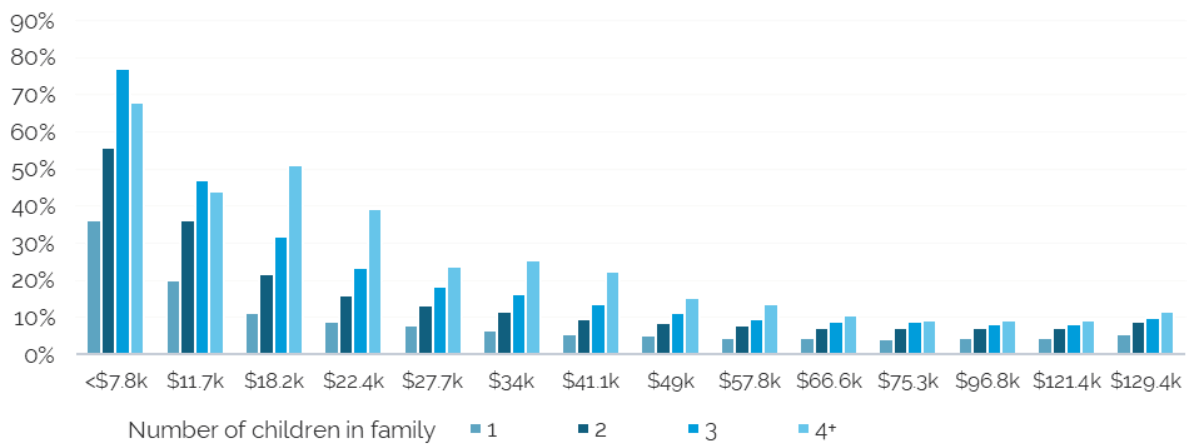
Figure 6.3 Median yearly out-of-pocket costs per family by number of children, and by income band 2022 (\$2021-22)



Note: Costs are per family, not per child.
 Source: Cth Department of Education CCS data and IPART analysis

We found that, for families with very low incomes and multiple children enrolled in ECEC, out-of-pocket costs represent more than 50% of household disposable (post-tax) income (Figure 6.4). This is not sustainable for these families. As household income increases, the out-of-pocket costs of ECEC as a proportion of income decreases.

Figure 6.4 Out-of-pocket fees per family as a percentage of disposable household income by number of children and income band 2022 (\$2021-22)



Note: Costs are per family, not per child. Estimates are based on the mid-point of the range of the [adjusted taxable income](#) bracket. Tax rates from 2021-22 have been applied to estimate disposable income. The estimates may underestimate the proportion of income that out-of-pocket costs represent as they include out-of-pocket costs for OSHC services, which are typically much lower than those for long day care and family day care.
 Source: Cth Department of Education CCS data and IPART analysis

Our findings are similar to those made by the ACCC and Productivity Commission (as part of their national inquiries), that despite Australian households with low incomes receiving a greater government contribution and paying less out-of-pocket for childcare, these households, nevertheless, end up spending more of their disposable (after tax) income on childcare. The ACCC found that across Australia, about half of households in the lowest income decile spent between about 5% and 21% of their disposable income on childcare – with some other low-income households spending more than this.⁸⁰

Research conducted by the Mitchell Institute into the affordability of early childhood education and care services recommends using an affordability benchmark of no more than 7% of household disposable income spent on these services.⁸¹ When using this benchmark, it found that services are 'unaffordable' for about 39% of Australian families.⁸²

The Organisation for Economic Co-operation and Development (OECD) estimates that in Australia, a family with 2 children under 3 years old enrolled in early childhood education and care services would typically spend 22% of their disposable household income^a compared to the OECD average of 13%.⁸³ We found that on average, families in NSW typically spend between 5% to 13% of their disposable household income per year on accessing early childhood education and care services, depending on the number of children in the family using these services.^r

6.4.4 Out-of-pocket costs are higher in areas of greater advantage

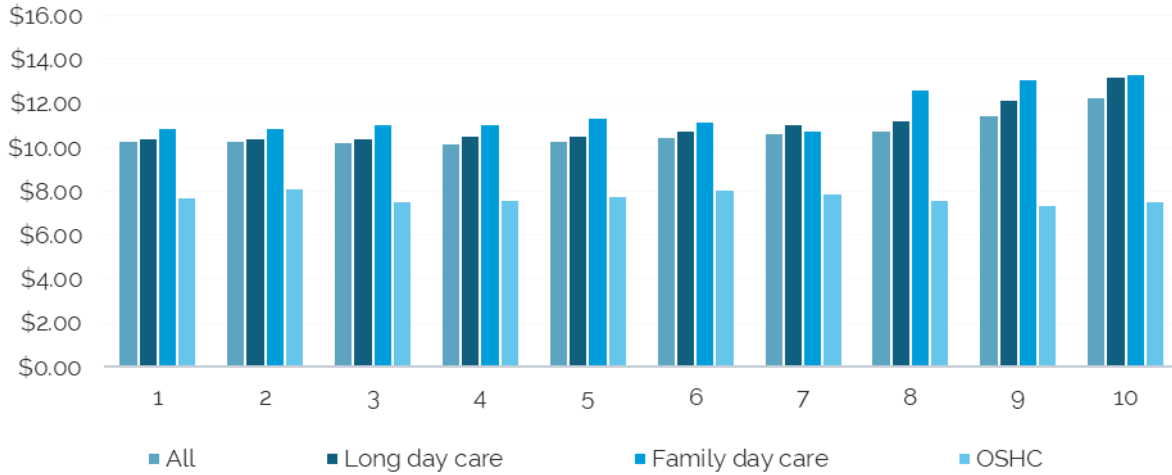
Figure 6.5 shows the average fees per hour by service type, across Socio-Economic Indexes for Areas (SEIFA) deciles in NSW ranked by the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) (Box 2.1). We found that for all services except outside school hours care, service fees are lower than the average in areas which are relatively more disadvantaged and less advantaged. We found that service fees are highest in areas of relatively lower disadvantage and greater advantage.

Fees for outside school hours care are more variable across the SEIFA deciles, with the average service fee being slightly lower in areas with a higher SEIFA decile. The IPART ECEC Review found that this was likely the case as more children in these areas tend to use OSHC services than in lower SEIFA decile areas, allowing providers to spread their costs over more children.⁸⁴

^a Based on a couple earning an average Australian wage and after subsidies have been applied. Figures in OECD data may not be reflective of increases to the CCS introduced in July 2023.

^r Noting that our findings predate the increases to the CCS introduced in July 2023.

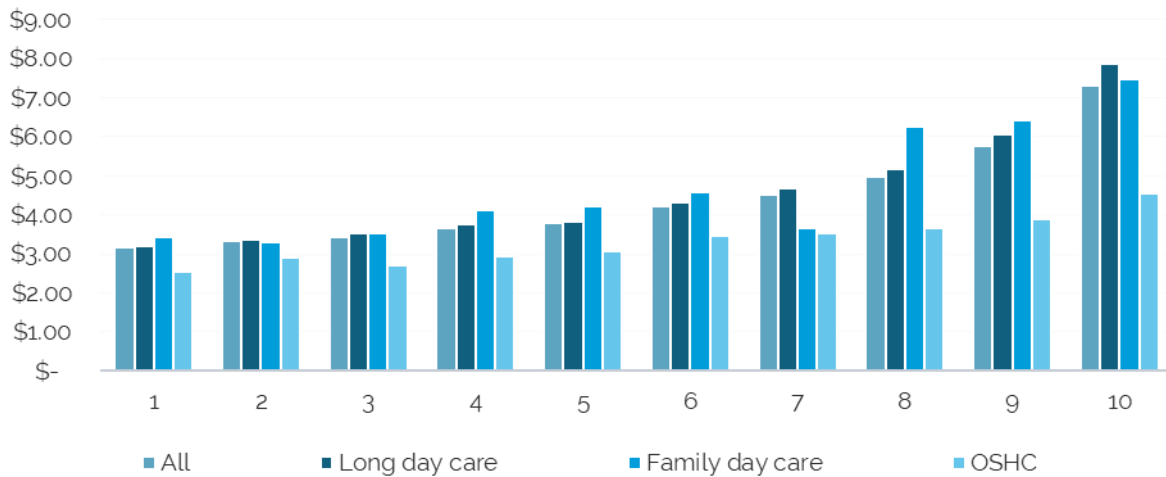
Figure 6.5 Average service fees per hour for early childhood education and care, by SEIFA decile (IRSAD), \$2021-22



Source: ABS SEIFA IRSAD rankings, Cth Department of Education CCS data and IPART analysis

We found the more advantaged an area is, the higher its out-of-pocket costs (Figure 6.6). This reflects the slightly higher service fees for most services shown in Figure 6.5, and lower rates of CCS that households in more advantaged areas receive.

Figure 6.6 Average out-of-pockets costs per hour for early childhood education and care, by SEIFA decile (IRSAD), \$2021-22

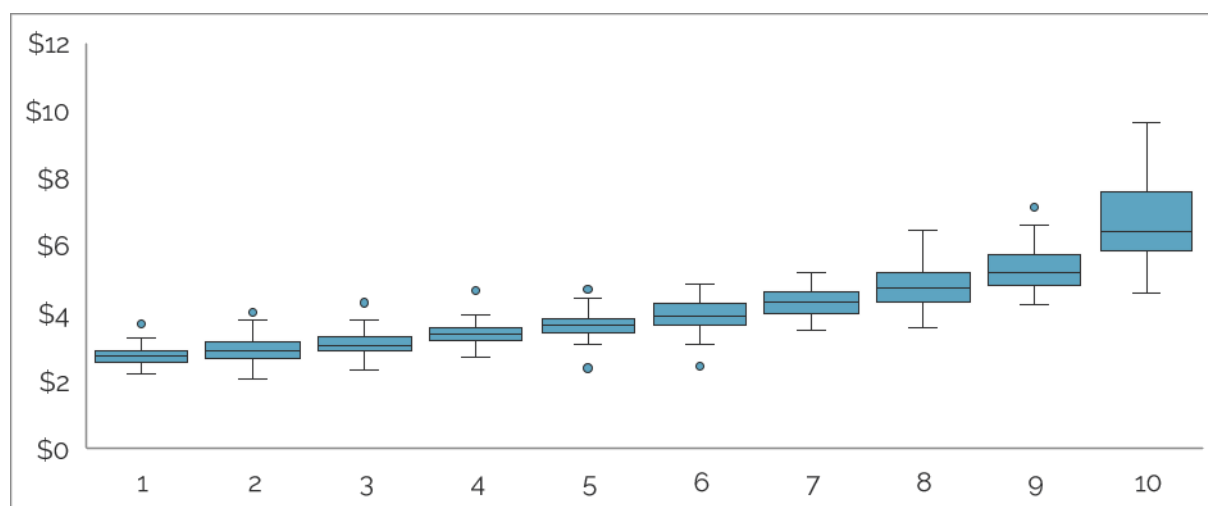


Source: ABS SEIFA IRSAD rankings, Cth Department of Education CCS data and IPART analysis

Figure 6.7 shows the distribution of median out-of-pocket fees paid by families for ECEC services (long day care, family day care and outside school hours care) for each SEIFA decile, by SA2. We found relatively little variation in median out-of-pocket costs in areas of the same SEIFA decile. We also found that the median out-of-pocket fee paid by families increases the more advantaged the area⁵ is.

Each box in Figure 6.7 shows the interquartile range and represents the middle 50% of fees for that decile. The top of the box is the 75th percentile, the bottom of the box is the 25th percentile, and the line across each box is the median. The length of the upper 'whisker' is the highest value that is no greater than the third quartile plus 1.5 times the interquartile range. The lower 'whisker' is the lowest value that is no less than the first quartile plus 1.5 times the interquartile range. Outliers beyond the 'whiskers' are shown as dots.

Figure 6.7 Median family ECEC out of pocket fee per hour by SEIFA decile (IRSAD), SA2



Source: ABS SEIFA rankings, Cth Department of Education CCS data and IPART analysis

Appendix E.3 shows the distribution of median out-of-pocket fees per child for long day care, family day care and outside school hours care, by SEIFA decile.

6.5 The impact of childcare accessibility and costs on the workforce participation of families

The principal objective of the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act) is to increase participation in the State's workforce, particularly for women, by making quality childcare more affordable and accessible.⁸⁵

⁵ A low score indicates relatively greater disadvantage and a lack of advantage in general in the Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD).

The Productivity Commission found in its 2023 Report on Government Services that of the 68,000 people in NSW in 2022 who reported that they were not in the labour force due to caring for children, 32.5% reported this was due to a childcare service-related reason. This was down from 44.7% of 98,900 people in 2015. The most common childcare service-related reason provided for not being in the labour force was the cost of childcare (24.1%). The most common non-childcare service-related reason was a preference to look after children (30.4%) or children were 'too young or too old' for childcare services (15.9%).⁸⁶

6.5.1 Workforce participation rates among parents

One of the performance measures monitored as part of the IMMR is the workforce participation of parents. Ideally, the indicator would be the number of hours worked per year for parents (by gender) however this data is not currently available. We have used data from the ABS on the workforce participation of families in terms of full time and part time employment, for couple and single parent families.

In June 2023, there were 863,500 families in NSW with children aged between 0 and 14. Of these, 685,00 were couple families and 178,500 families with one parent.

Table 6.15 sets out the workforce participation of couple families with children aged between 0 and 14 years. In almost three quarters of these families, both parents are employed, with both parents working full time in nearly half of these couple families.

Table 6.15 Workforce participation, couple families with children aged 0-14 years, June 2023

Workforce status	Number of families '000
Both parents employed	495.8
Both parents full-time	245.0
Both parents part-time	23.9
One parent full-time, one parent part-time	226.8
One parent employed	146.8
One parent full-time, other parent not employed	123.1
One parent part-time, other parent not employed	23.7
Neither parent employed	26.3

Source: Australian Bureau of Statistics, 6224.0.55.001 [Labour Force Status of Families June 2023](#), Table 8.1, and IPART analysis

Table 6.16 shows that 86% of single parent families are single mother families. Of these single mothers, two thirds are employed, two-thirds of which are full time. In single father families, just under 70% of fathers are employed, 90% of which are full time.

Table 6.16 Workforce participation, single parent families with children aged 0-14 years, June 2023

Workforce status	Number of families '000
Single mother families	154.0
Mother employed	102.5
Mother full-time	68.8
Mother part-time	33.7
Mother unemployed	6.7
Mother not in labour force	43.0
Single father families	24.5
Father employed	17.1
Father full-time	15.4
Father part-time	1.7
Father unemployed	2.2
Father not in labour force	5.2

Source: Australian Bureau of Statistics, 6224.0.55.001 Labour Force Status of Families June 2023, Table 8.1, and IPART analysis

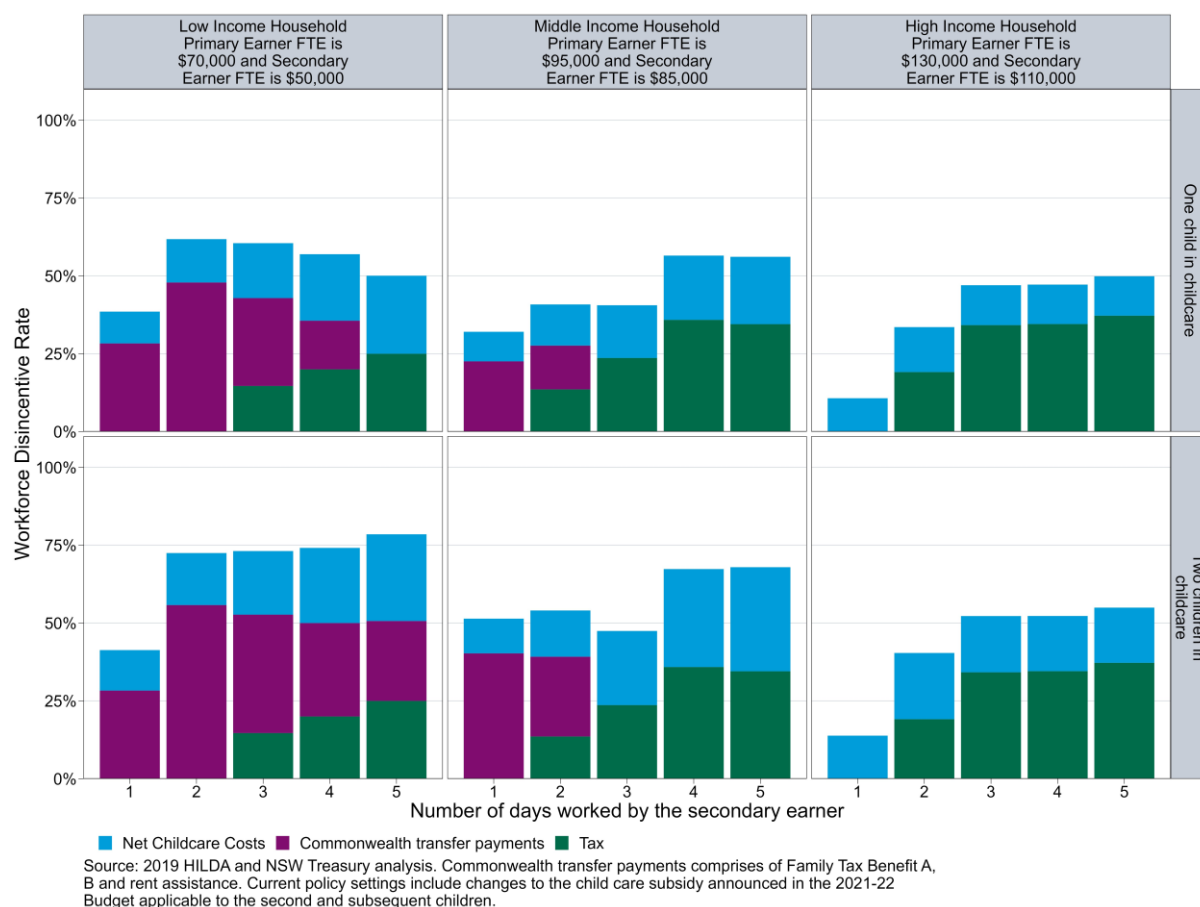
6.5.2 Workforce disincentive rates

The structure of the tax and transfer system can be a significant driver of differences in workforce participation between men and women.⁸⁷ Even amongst couples without children, women are likely to earn less than a male partner.⁸⁸ This means that where a couple decides they will not both work full-time after having a child, there are financial incentives for women to be the partner who leaves the workforce or works reduced hours. The tax and transfer system compounds this disincentive by applying a household income test to certain payments, including the Family Tax Benefit and the Commonwealth CCS.

The combined impact of tax, net costs of early childhood education and care and the withdrawal of benefits other than the CCS on take-home pay for secondary earners is known as the workforce disincentive rate. It will vary for each household depending on the household's specific characteristics, including the income of each partner, the number of children, and the number of additional days worked.

In 2022, NSW Treasury modelled workforce disincentive rates for example households based on tax and benefit settings for 2021-22.⁸⁹ They found that a low-income household with two children faced the highest workforce disincentive rate, with a secondary earner taking home between 21 and 28 cents in the dollar if they want to work between 2 and 5 days a week. We have reproduced NSW Treasury's analysis in Figure 6.8.

Figure 6.8 Workforce disincentive rates faced by the secondary earner, 2021-22 policy settings

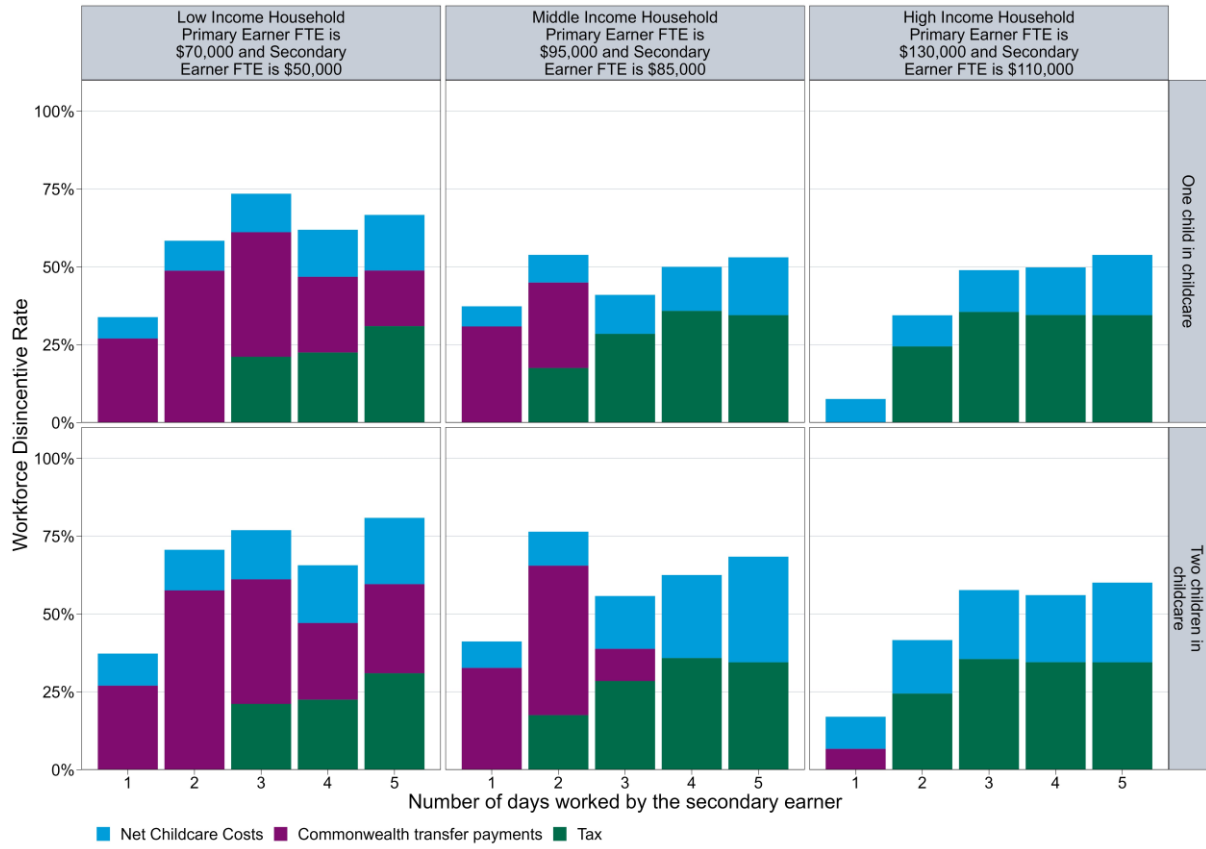


We repeated Treasury's modelling for the same cameo households using 2023-24 tax and benefit settings. Figure 6.9 shows the results.

We found that:

- A low-income household continues to experience the highest workforce disincentive rates, particularly when they have two children in ECEC.
- The disincentive rate for a lower income household is dominated by the withdrawal of benefits.
- Withdrawal of benefits similarly has a large impact for a middle-income household when the secondary income earner works one or two days a week.
- Net childcare costs are a major contributor to disincentive rates only when the secondary income earner in a middle-income household with two children works 4 or 5 days, effectively doubling the income tax rate for the secondary income earner once they work full-time.

Figure 6.9 Workforce disincentive rates faced by the secondary earner, 2023-24 policy settings



Source: 2019 HILDA and NSW Treasury analysis. Commonwealth transfer payments comprises of Family Tax Benefit A, B and rent assistance. Current policy settings include changes to the child care subsidy announced in the 2023 Budget applicable to the second and subsequent children.

Chapter 7 >>

Accessibility barriers

07

One of the key tasks for the independent market monitor is to review areas where there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare. Access to high quality early childhood education and care services is also important for early childhood outcomes, as participation can contribute to developmental outcomes, social wellbeing, and inclusion to ensure the best start for children as they transition to school.⁹⁰

IPART's ECEC review examined and made findings and recommendations on accessibility and inclusion in ECEC.⁹¹ For the IMMR we have developed indicators to assess the accessibility of ECEC over time.

In this chapter we examine how accessibility barriers impact different priority groups, including children with disability/additional needs, Aboriginal and Torres Strait Islander children and children from culturally and linguistically diverse backgrounds. We also consider accessibility barriers presented by different service types and those that are related to transport and information about early childhood education and care services.

We found that:

- The characteristics of community and NSW Department of Education preschool programs, such as shorter operating hours and funding arrangements that can limit access, can present accessibility barriers for some families.
- Accessibility barriers linked to transport increase with remoteness and socio-economic disadvantage.
- Some families have greater difficulty navigating the early childhood system because information is not accessible for them.
- There is an intersectionality of factors contributing to higher levels of disadvantage and vulnerability that may indicate areas of the state and populations that have greater need for supports for families and for the educators and service staff providing their education and care. In particular:
 - there are higher proportions of children with disability/additional needs in areas of socio-economic disadvantage and Remote and Very Remote areas of the state.
 - there is higher representation of Aboriginal and Torres Strait Islander children in Remote areas of the state and in enrolments in services in areas of relative socio-economic disadvantage.
- Cultural and linguistic background does not intersect with socio-economic disadvantage in the same way as we have seen for other priority groups, such as Aboriginal and Torres Strait Islander children and children with disability/additional needs.

The following sections discuss these findings in more detail.

7.1 Performance measures for assessing the accessibility of ECEC services

Table 7.1 sets out the indicators for assessing improvements in the accessibility of early childhood education and care services, particularly for children from households identified as priorities. The indicators reflect stakeholder feedback on our methodology paper including:

- **Using attendance, rather than enrolment as an indicator of accessibility and participation** in early childhood education and care services.

The Restacking the Odds (RSTO) consortia^t consider that enrolment data is not an accurate indicator of children's access to and participation in ECEC, as there is a substantial divergence between ECEC enrolment and attendance. While attendance is not currently widely reported, it is collected at the service level and steps are in place to improve reporting to meet obligations under the Preschool Reform Agreement.⁹²

- **600 hours a year in early childhood education and care for the 2 years before school.** This is in line with the NSW Government's [Start Strong program](#) for 600 hours (15 hours a week) of preschool (in both community preschools and long day care centres).

Community Early Learning Australia suggested time on waiting lists as an indicator of accessibility, especially for children with inclusion support needs. CELA considers that a reduction in time on waiting lists for families with children with disability/additional needs would indicate a greater level of inclusion across the sector.⁹³

We have not included this as an indicator, however, for the following reasons:

- When a family applies to an early childhood service, they may be reluctant to advise if their child has a disability/additional needs if they are worried the service may not accept their child.
- For some families, their child's disability/additional needs may not be identified or diagnosed at the time of application.
- Time on waiting lists is currently not measurable due to the lack of centralised and reliable waiting list data.

The City of Sydney also suggested whether people are accessing their preferred ECEC service, and their preferred days of care as additional accessibility indicators.⁹⁴ While these are indicators of accessibility, this information is not currently collected, and we have not included it at this stage.

As noted in Table 7.1 and in section 7.4, the lack of comparable community population data makes it difficult to measure the proportion of children from some priority groups participating in ECEC services.

Our findings against these indicators are listed and are discussed in more detail in this chapter.

^t RSTO is a collaboration between Murdoch Children's Research Institute, Social Ventures Australia, and Bain & Company.

Table 7.1 Indicators of the accessibility of ECEC services

Indicator	Calculation	Finding
AC1	KPI Improved access through increasing number of children attending services in areas identified as needing support	
Attendance in services by children in identified areas. ^a	Increase in number of children attending services in identified areas.	We have identified areas of disadvantage and where there may be accessibility barriers for priority groups. The Board can use this information to decide where to target programs and financial assistance from the Fund.
AC2	Increased participation in services by children from households identified as priorities	
Proportion of children from priority groups who attend ECEC for 15 hours or more per week (600 hours a year).	<ul style="list-style-type: none"> Number of children attending 15+ hours ECEC per week from households identified as priorities/population; and/or Number of children attending 15+ hours ECEC per week from households identified as priorities/community population of children in priority groups. 	<p>In 2022, 73% of Aboriginal and Torres Strait Islander children were attending 600 hours of preschool program year before formal school.</p> <p>This is not currently measurable for other groups of children from priority groups, as the community population is not available (especially additional needs).</p>
Rationale: Shows the proportion of children from priority groups meeting the recommended minimum involvement in ECEC in the 2 years before school.		
AC3	Children attend ECEC for 15 hours per week for the 2 years before starting formal school, or 600 hours per year	
Proportion of all children attending ECEC for 15 hours or more per week for the two years before starting formal school, or 600 hours per year	<p>Numerator: Number of children who receive 15+ hours of ECEC two years before commencing formal schooling, or 600 hours per year</p> <p>Denominator: Community population of children aged 3-5 years</p>	In 2022, 75% of all children were attending 600 hours of preschool program year before formal school.
Rationale: Shows the proportion of children meeting the recommended minimum involvement in ECEC in the 2 years before school.		
AC4	Participation in services by children in regional and remote NSW	
Attendance in services by children in regional and remote NSW. ^a	<ul style="list-style-type: none"> Number of children attending from regional and remote NSW/population; and/or Number of children attending from regional and remote NSW/total enrolments in NSW. 	<p>Enrolment in ECEC as proportion of population in:</p> <p>Outer Regional Areas:</p> <ul style="list-style-type: none"> 18% of 0–2 year-olds 98% of 3–5 year-olds <p>Remote and Very Remote Areas:</p> <ul style="list-style-type: none"> 10% of 0–2 year-olds 80% of 3–5 year-olds. <p>Caution is needed in interpreting this data as children may be enrolled in more than one service, which overstates the proportion of the population enrolled, particularly in areas with small populations.</p>

Note: The Board is the NSW Childcare and Economic Opportunity Fund Board, and the Fund is the Childcare and Economic Opportunity Fund.

a. Attendance is a better indicator of accessibility than enrolment, and the suggested KPI for AC1 is an increase in the number of children attending services. However, the finding is based on enrolment numbers as attendance data is not currently available for most services. As part of the [Preschool Reform Agreement](#), state based targets for attendance are being developed, which will require centralised collection of attendance data. In future IMMRs, it is hoped to make findings based on attendance.

The Minister's Expectations (Appendix A) ask us to consider information on priority cohorts (e.g. Aboriginal communities or families with children with disability). In our ECEC review, we identified families with children with disability/additional needs as a cohort facing barriers to access and inclusion.⁹⁵ Box 7.1 explains how we used this term in our ECEC review and how we use it in this report. We also found that the following types of families potentially faced greater barriers to access or inclusion:

- families living in Outer Regional and Remote and Very Remote areas
- families with children under 2 years old
- families from culturally and linguistically diverse backgrounds
- families experiencing disadvantage and vulnerability.

Box 7.1 Children with disability/additional needs – how we use this term

In this report, we use the term "children with disability/additional needs" to refer to children:

- with a formal diagnosis of disability or developmental delay (e.g. physical, intellectual and sensory disabilities; neurodevelopmental disorders; and health conditions)
- without a formal diagnosis, but who may display behaviours consistent with a diagnosis of disability or developmental delay
- with mental health, behavioural and wellbeing difficulties, including those who have experienced trauma.

We acknowledge that it can be difficult for some families to access health services to receive assessment, diagnosis and therapy for their children. We have chosen to use the broad term of "children with disability/additional needs" to encompass the range of needs of children who require additional support from early childhood educators.

7.2 A number of factors impact the accessibility of ECEC services

Accessibility can be described through several complex and overlapping factors that influence which families can or choose to enrol their children in early childhood education and care services and the experiences of families and children when they attend services:

- Availability of services (i.e. time/location/flexibility) and choice
 - Are there services in a family's local area that meet that family's needs and preferences?
 - Can the family reach the locations of services?
 - Are there enough suitable places available?
 - Do the times and days available suit the family's needs?
- Inclusion (and non-discrimination)
 - Are there services which are inclusive and culturally safe for all families?
 - Are there services which reflect the family's culture, values and aspirations?
 - Do the available services cater for the needs of the family and their child/ren?
 - Are any children or families being excluded from a service?
- Affordability
 - Can the family afford to attend available services?
- Information
 - Can families access information to make informed decisions and effectively navigate the early childhood system?

These factors contribute to a family's overall experience of the early childhood system. In our ECEC Review, we explore these factors of accessibility in greater detail and make a range of recommendations to improve accessibility of early childhood education and care services.⁹⁶

7.3 Location and service availability affect accessibility

There are a range of circumstances that can make it more difficult for families to access services that meet their needs and preferences. Access and choice can be limited by the availability of services in the places and times that work for families.

Service availability factors that affect families' access to services include:

- availability of services and different service types near home
- costs of transport and access to transport
- hours of care offered by local services, including their flexibility
- availability of early childhood places at local services
- availability of local services which meet the diverse needs of family, such as services equipped to adequately provide education and care for children with disability/additional needs.⁹⁷

These issues tend to affect some families more often than others, such as Aboriginal and Torres Strait Islander families, families in outer-regional and remote areas, families with sole parents, and families with parents who are casual or shift workers.

7.3.1 Characteristics of some service types currently create accessibility barriers

There are characteristics of some service types that create accessibility barriers for some families. These include:

- the days and hours a service operates
- the number of days a child can access the service
- the funding arrangements that underpin service availability.

For example, community and NSW Department of Education preschool services typically run programs that enable children to attend either 2 or 3 days per week from around 9am until 3pm, during periods of the year that generally align with public school terms.

These programs are supported by [NSW Start Strong](#) funding arrangements that provide fee relief to families with 3–5-year-old children in community and mobile preschools for 600 hours a year (15 hours a week) and free attendance for children in NSW Department of Education preschools. The policy rationale for these funding arrangements is to ensure as many children as possible can attend quality preschool programs in the 2 years before they start school.

However, the design of these community and NSW Department of Education preschool programs can result in barriers to access for:

- families with working parents who need their children to attend early childhood education and care services for longer hours and more days than are provided by the preschool program.
- children experiencing disadvantage and vulnerability who may benefit from greater access to early childhood education and care services.

These accessibility barriers particularly impact families in areas of the state where there are no other service types (such as long day care or family day care), where other services do not have available places, or where families perceive that other available services are not inclusive or culturally safe for their child. These barriers are most likely to arise in outer regional and remote areas of the state where there are fewer long day care services and they can particularly impact Aboriginal and Torres Strait Islander families, families from culturally and linguistically diverse backgrounds and children with disability/additional needs.

In our ECEC Review, we made 2 recommendations to address these accessibility barriers.⁹⁸

7.3.2 Accessibility barriers linked to transport increase with remoteness and socio-economic disadvantage

As we outlined in our ECEC Review, access to transport can determine if a family is able to access early childhood education and care, regardless of how many services are in their local area.⁹⁹ Families need access to safe, reliable, and affordable transport options.

A family may experience transport disadvantage if they have trouble accessing transport, or have difficulties associated with the costs of maintaining private transport.¹⁰⁰ Families with young children are particularly vulnerable to the impacts of transport disadvantage. Some families are more likely than others to experience transport disadvantage, including:

- low-income families
- culturally and linguistically diverse families
- Aboriginal and Torres Strait Islander families
- families that include someone with a disability/additional needs
- families living in Outer-regional and remote areas
- Outer Regional and Remote and Very Remote areas.¹⁰¹

No data is currently collected about how families use transport to access early childhood education and care services that would enable further analysis of the extent to which transport disadvantage impacts overall accessibility. However, stakeholders have described these accessibility impacts. For example:

- SNAICC^u NSW Early Years Support and Aboriginal Community-Controlled Organisations (ACCOs) identify¹⁰² that there are areas of the state where Aboriginal children do not attend services in certain weather conditions, including extreme heat and rain, because families do not have access to transport and the local Aboriginal Community Controlled Organisation operated service does not have a bus to transport children.
- Parents responding to our ECEC Review Issues Paper survey included:
 - A parent with a disability, who cannot drive, but who could walk to an early childhood service if there was a service close to home or take public transport if it were available.
 - A parent who takes their children to an early childhood service by taxi, 5 days a week, because they have no other transport options.¹⁰³
- CELA notes that travel time can be an access barrier for many families, especially if they also have children of school age and therefore multiple drop off locations.¹⁰⁴

Some services offer wrap-around support in the form of bus programs to support local children's attendance. However, we understand that the capacity of services to provide this support depends on their funding arrangements and that many services, including ACCO-operated services, are unable to provide transport for children to support their attendance. In our ECEC Review, we have recommended the NSW Government work with the sector to develop a model of wrap-around supports for families experiencing disadvantage and vulnerability that could include support with access to transport.¹⁰⁵

^u SNAICC – National voice for our children is the national non-governmental peak body for Aboriginal and Torres Strait Islander children. It is governed by a board of directors made up of Aboriginal and Torres Strait Islander community-controlled children's and families' services.

In addition to wrap-around supports for families experiencing disadvantage and vulnerability, we have recommended that the NSW Government should advocate to the Commonwealth Government that it provide additional financial support for families in outer-regional and remote areas of the state to help with the additional costs these families encounter to access services.¹⁰⁶

7.3.3 Information barriers are greater for some families

Some families have greater difficulty navigating the early childhood system because information is not accessible for them. Some families may have trouble accessing or using digital devices or the internet, while others may not be able to confidently communicate in English. These accessibility barriers disproportionately affect families from culturally and linguistically diverse backgrounds, families experiencing socio-economic disadvantage and geographically isolated families in outer-regional and remote locations.

Families who experience barriers that impact their ability to find and understand information may:

- miss out on information about the value of early childhood education and care
- find it difficult to locate and understand information to help them choose a service that meets their family's needs
- find it difficult to enrol in a service, or understand how to enrol in a service
- find it difficult to apply for the Child Care Subsidy or understand how to apply for the subsidy and other rebates and funding programs.

Our ECEC Review includes a range of recommendations to address the barriers some families experience in accessing information that enables them to navigate the early childhood system.¹⁰⁷

7.4 We have identified accessibility barriers for priority groups

We have examined barriers to accessibility of early childhood education and care services for the following priority groups:

- Aboriginal and Torres Strait Islander children
- Children with disability/additional needs
- Children from culturally and linguistically diverse backgrounds.

7.4.1 Children with disability/ additional needs

Data available from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows the proportion of children enrolled in different service types that are identified as having a disability/additional needs. This is represented in Table 7.2.

Table 7.2 Proportion of children in services with disability/additional needs

Service type	Proportion of children with disability/additional needs (%)
Centre based day care	7.1
Family day care	1.7
Outside school hours care	4.3
Outside school hours care – vacation	6.0
Community preschool	7.2
Government preschool	6.1

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

In our ECEC Review, stakeholders told us that families with children with disability/additional needs experience unique challenges in accessing early childhood education and care services and some families are excluded from services. We heard about a range of exclusionary enrolments practices that can make it more difficult for these families to access services.¹⁰⁸

Data limitations affect analysis for children with disability/additional needs

Ideally, we would compare the representation of children with disability/additional needs in early childhood education and care services with their representation in the general population to understand:

- whether there are some children for whom early childhood education and care services are inaccessible
- whether inaccessibility is related to location or particular disabilities/additional needs.

There are 2 general population data sets that include children with disability/additional needs:

- Australian Bureau of Statistics Survey of Disability and Carers (SDAC)
- National Disability Insurance Scheme (NDIS) participant data.

In practice it is difficult to compare the representation of children with disability/additional needs in early childhood education and care services with these other data sets and undertake analysis of factors contributing to accessibility. This is because the ABS and NDIS data sets use different categories and definitions, shown in Table 7.3.

Table 7.3 Data sets identifying children with disability/additional needs

Characteristics	ECEC data sets – NSW DoE (preschools) Workforce Census	ABS Survey of Disability, Aging and Carers (SDAC)	NDIS participant data
Frequency	Every 3 years Most recent release 2021	Every 3-6 years Last release 2019 for 2018 reference period Next release 2024 for 2022 reference period	Quarterly data published
Age brackets	Each year group from 0-11 years 12+ years	0-4 years 5-15 years	0-6 years 7-14 years
Categories/diagnosis	<ul style="list-style-type: none"> • Learning and apply knowledge • Communication • Mobility • Self-care • Interpersonal interactions and relationships • Other 	Disability – any limitation, restriction or impairment which restricts everyday activities and has lasted, or is likely to last, for at least 6 months. Broken down into: <ul style="list-style-type: none"> • Intellectual • Sensory and speech • Psychosocial • Physical restriction • Other • Head injury, stroke or acquired brain injury 	Individuals with NDIS plan by disability group: <ul style="list-style-type: none"> • Acquired brain injury • Autism • Cerebral Palsy • Developmental delay • Down Syndrome • Global developmental delay • Hearing impairment • Intellectual disability • Multiple Sclerosis • Other • Other neurological • Other physical • Other sensory/speech • Psychosocial disability • Spinal cord injury • Stroke • Visual impairment

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, ABS, [Disability, Ageing and Carers, Australia: Summary of Findings, 2018](#), NDIS, [Participant datasets](#), and IPART analysis

The categories of disability/additional needs identified in the early childhood data sets are broader than the categories used by the SDAC and NDIS, so we would expect to see higher proportions of children with disability/additional needs in early childhood education and care services than children reflected in these other data sets.

Table 7.4 shows the proportion of children with disability/additional needs in early childhood education and care services compared with children with disability identified in the SDAC and children with NDIS plans. As we identified above, this is an imperfect comparison, and it highlights the difficulty in quantifying and analysing accessibility barriers for this group of children based on available data.

Table 7.4 Children with disability/additional needs identified in different data sets

Broad age group	ECEC data sets – NSW DoE (preschools) Workforce Census	ABS Survey of Disability, Aging and Carers (SDAC) for NSW	NDIS participant data for NSW
0-5 years (ECEC) 0-4 years (SDAC) 0-6 years (NDIS)	6.7%	3.8%	4.7%
6+ years (ECEC) 5-14 years (SDAC) 7-14 years (NDIS)	4.7%	9.2%	5.8%
0-14 years for SDAC and NDIS All ECEC	6.1%	7.4%	5.3%

Note: ECEC data represents % of all children enrolled in ECEC services; SDAC and NDIS data represents % of NSW population for relevant age groups.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, ABS, ABS, [Disability, Ageing and Carers, Australia: Summary of Findings, 2018](#), NDIS, [Participant datasets](#), and IPART analysis.

The ABS Survey of Disability, Aging and Carers and the NDIS participant data show that there are significantly fewer children identified as having a disability, or with an NDIS plan, in early childhood (0-4 years for SDAC and 0-6 years for NDIS) compared with children in primary and early high school years (5-15 years for SDAC and 7-14 years for NDIS). This is likely to reflect the gradual identification and diagnosis of conditions in children as they engage with health, education and social services.

Yet, a lower proportion of primary school-aged children with disability/additional needs access outside school hours care (OSHC) (4.7%) than younger children accessing other early childhood education and care services (6.7%). This may reflect accessibility barriers for primary school-aged children with disability/additional needs, such as a reluctance of services to enrol these children.

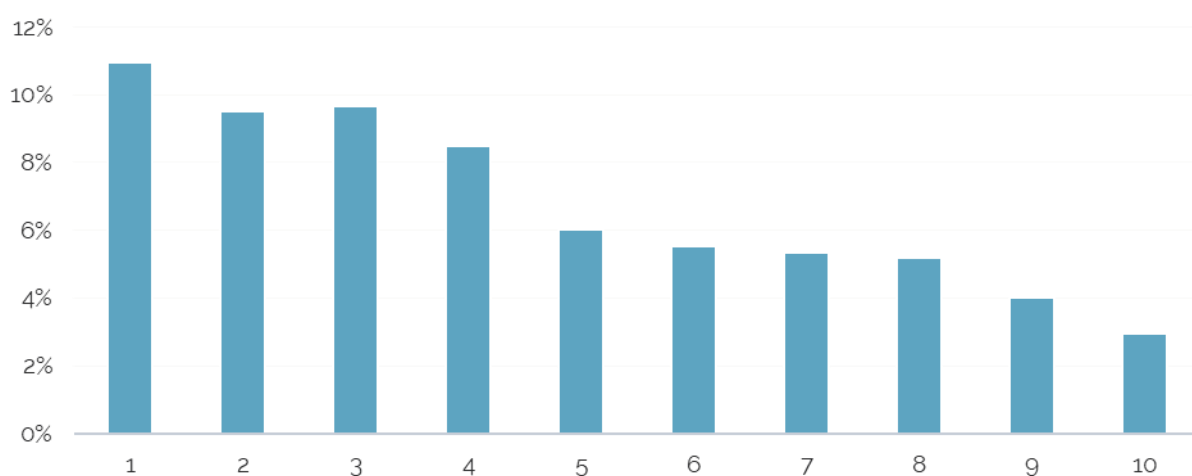
In our ECEC review, stakeholders offered some reasons for OSHC services being reluctant to enrol children with disability/additional needs, including:

- A lack of qualification requirements and high turnover of staff can mean some OSHC staff are not equipped to provide inclusive education and care.
- OSHC services co-located with schools are often limited in their access to adequate space and facilities. This particularly impacts children with disability/additional needs, who may require quiet spaces, including to help them transition from the school day to OSHC. It also restricts the capacity of educators to prepare for an OSHC session, hold private discussions with parents and store OSHC resources.
- Services perceive that the support available from the Commonwealth Inclusion Support Program is inadequate to enable inclusive service provision.¹⁰⁹

Proportions of children with disability/additional needs enrolled in services are higher in areas of social disadvantage and also increase with remoteness

Data from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows that the proportions of children with disability/additional needs enrolled in early childhood education and care services are higher in areas of socio-economic disadvantage, measured by the ABS Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)^v. This is represented in Figure 7.1.

Figure 7.1 Proportions of children with disability/additional needs enrolled in NSW services by area of socio-economic disadvantage (SEIFA Decile, IRSAD)



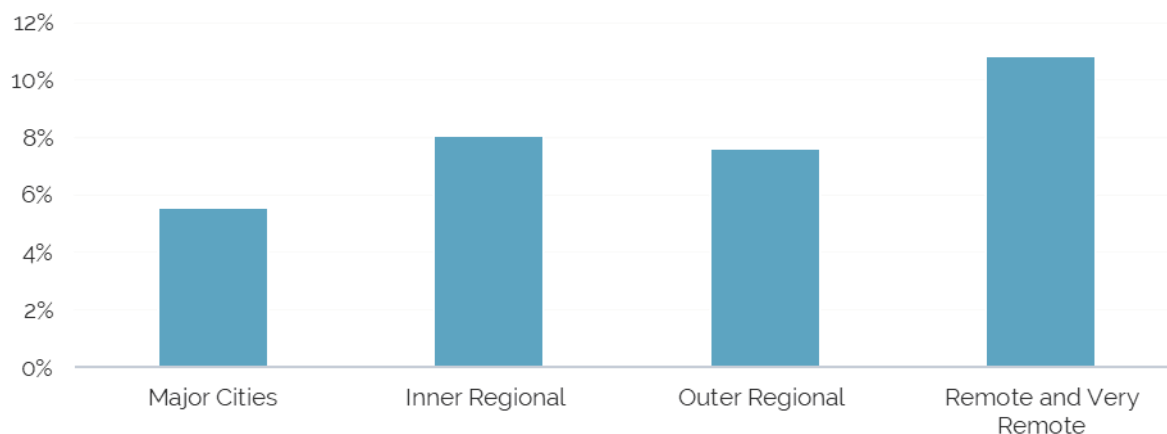
Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

The same data sources also show that the proportions of children with disability/additional needs enrolled in early childhood education and care services in NSW increase with level of remoteness, as measured by the Australian Statistical Geography Standard (ASGS) Edition 3 Remoteness Areas^{ww}. This is represented in Figure 7.2.

^v The IRSAD is one of 4 indices that comprise the Socio-Economic Indexes for Areas (SEIFA), developed by the ABS, that ranks areas that ranks areas in Australia according to relative socio-economic advantage and disadvantage. SEIFA Band 1 represents areas with the highest levels of socio-economic disadvantage, while SEIFA Band 10 represent areas with the highest levels of socio-economic advantage.

^{ww} The ASGS Remoteness Structure defines 5 classes of relative geographic remoteness across Australia: Major Cities of Australia, Inner Regional Australia, Outer Regional Australia, Remote Australia and Very Remote Australia.

Figure 7.2 Proportions of children with disability/additional needs enrolled in NSW services by remoteness area



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

These results indicate that early childhood education and care services in areas of relative socio-economic disadvantage and those remote and very remote areas of NSW have greater need for supports for families with children with disability/additional needs and for the educators and service staff providing their education and care. This may include:

- Greater support and funding under the Commonwealth Inclusion Support Program (for long day care, family day care and outside school hours care services) and the NSW Disability and Inclusion Program (for community and Department of Education preschools).
- Tailored wrap-around supports for families to help them access other education, health and social services that may help to improve their social and developmental outcomes, as we have proposed in our ECEC Review.
- Mentoring and professional development initiatives to support educators in these areas.
- Addressing the difficulties that families in regional and remote areas have in accessing allied health professionals to provide therapy for children with disability/additional needs.

Given the higher proportions of children with disability/additional needs in areas of socio-economic disadvantage and Remote and Very Remote areas of the state, it follows that the greatest needs for these supports are in areas that are both Remote and socio-economically disadvantaged.

Ideally, we would compare the results of our analysis with a distribution of children with disability/additional needs within the general population to gain insight into possible underlying causes of the differences in enrolments of children with disability/additional needs by levels of relative socio-economic advantage and remoteness. However, this comparison is not possible because of limitations with general population data, as outlined above.

7.4.2 Aboriginal and Torres Strait Islander children

Data available from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows that enrolment of Aboriginal and Torres Strait Islander children aged 0-12 in early childhood education and care services (5.1% of all children enrolled) is in similar proportions to their representation in the general population (6.3% of all children aged 0-12).

However, feedback from stakeholders suggests that these figures do not tell the full story. We have heard that:

- In some areas of NSW, Aboriginal and Torres Strait Islander children have no access to services because there are no services close to home or their families cannot access reliable transport.¹¹⁰
- Some Aboriginal and Torres Strait Islander families choose to not send their children to early childhood education and care services where they perceive the services are not culturally safe.¹¹¹
- Some Aboriginal and Torres Strait Islander children are unable to access services for the number of days and hours they need.¹¹²

Proportions of Aboriginal and Torres Strait Islander children increase with remoteness

As Table 7.5 shows, proportions of Aboriginal and Torres Strait Islander children within the general population increase with remoteness, therefore the accessibility issues outlined above are likely to be more prevalent in more remote areas of the state.

Table 7.5 Locations of Aboriginal and Torres Strait Islander children compared with general population (NSW)

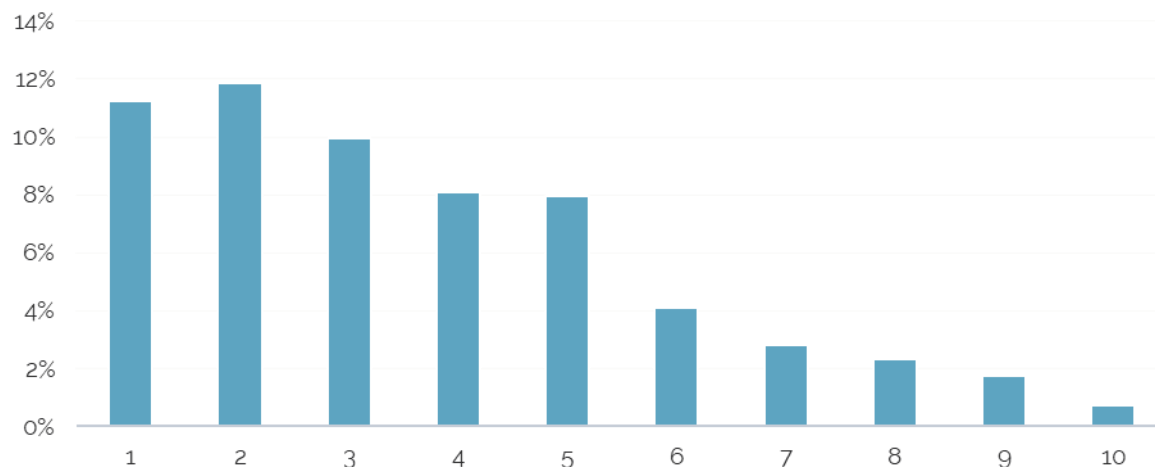
Location by remoteness area	General population children 0-12 years	Aboriginal children 0-12 years	Aboriginal children 0-12 years (%)
Major Cities	967,363	38,156	3.9
Inner Regional	238,550	30,000	12.6
Outer Regional and Remote	64,930	11,840	18.2

Source: 2021 ABS Census

Proportions of Aboriginal and Torres Strait Islander children enrolled in services are higher in areas of socio-economic disadvantage

Data from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows that the proportions of Aboriginal and Torres Strait Islander children enrolled in early childhood education and care services are higher in areas of socio-economic disadvantage, measured by the ABS Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD). This is represented in Figure 7.3.

Figure 7.3 Proportions of Aboriginal and Torres Strait Islander children enrolled in NSW services by area of socio-economic disadvantage (SEIFA Decile, IRSAD)



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

The higher representation of Aboriginal and Torres Strait Islander children in remote areas of the state and in enrolments in services in areas of relative socio-economic disadvantage is significant because of how these factors intersect and contribute to higher overall levels of disadvantage and vulnerability. SNAICC NSW Early Years Support noted this intersectionality and the significance for Aboriginal and Torres Strait Islander children in its submission to our ECEC Review:

Because Aboriginal and Torres Strait Islander children are more likely to have concurrent disadvantages than their non-Indigenous peers, they are more likely to have poorer developmental outcomes.

...this disadvantage is further exacerbated by an alarming trend toward a widening gap in the quality of early childhood education and care services between NSW's most advantaged and disadvantaged communities. Evidence shows that disadvantaged children benefit most from attending high quality ECE programs but gain nothing and may even be harmed by attending low quality programs. In practice, this means that Aboriginal and Torres Strait Islander children who live in Australia's most disadvantaged communities, and who stand to gain the most from quality early childhood education and care, are less likely to have access to it.¹¹³

The intersectionality of factors contributing to higher levels of disadvantage and vulnerability indicates areas of the state and populations that have greater need for supports for families and for the educators and service staff providing their education and care. For Aboriginal and Torres Strait Islander children and families these supports may include:

- Tailored wrap-around supports for families to help them access other education, health and social services that may help to improve their social and developmental outcomes, as we have proposed in our ECEC Review.¹¹⁴
- Mentoring and professional development initiatives to support educators in these areas.

- Additional subsidies or fee relief to make services more affordable for low-income families and support greater attendance for vulnerable children, as we proposed in our ECEC Review.¹¹⁵

There are higher proportions of Aboriginal and Torres Strait Islander children enrolled in some service types

Table 7.6 shows that there are higher proportions of Aboriginal and Torres Strait Islander children enrolled in NSW Government preschools, community preschools and not-for-profit centre based day care services compared with other service types. This may be related to the availability of services in the areas Aboriginal and Torres Strait Islander families are located and it may also reflect the perceived level of cultural safety and inclusion provided by these service types compared with other service types.

Table 7.6 Proportions of Aboriginal and Torres Strait Islander children enrolled by service type

Service type	Aboriginal and Torres Strait Islander children as a proportion of all enrolled children
NSW Government preschool	16%
Community preschool	11%
Centre based day care – not-for-profit	8%
Centre based day care – for-profit	4%
Family day care – not-for-profit	6%
Family day care – for-profit	2%
Outside school hours care – not-for-profit	3%
Outside school hours care – for-profit	3%
Outside school hours care vacation – not-for-profit	4%
Outside school hours care vacation – for-profit	5%

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

7.4.3 Children from culturally and linguistically diverse backgrounds

Children from culturally and linguistically diverse backgrounds are identified in the relevant early childhood data (NSW Department of Education for preschools) and the Workforce Census for Child Care Subsidy-funded services) as children from families where a language other than English is spoken at home.

This data shows that:

- 26% of children aged 0-2 in early childhood education and care services are from families where a language other than English is spoken at home
- 27% of children aged 3-5 in early childhood education and care services are from families where a language other than English is spoken at home
- 18% of children aged 6-12 in early childhood education and care services are from families where a language other than English is spoken at home.

This compares with ABS population data that shows that:

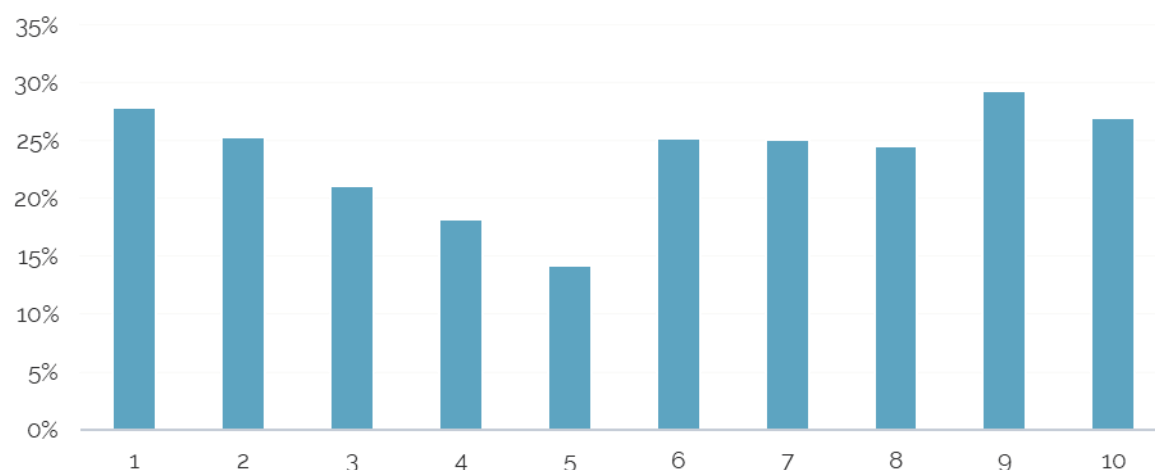
- 25% of children aged 0-2 and 3-5 in NSW are from families where a language other than English is spoken at home
- 23% of children aged 6-12 in NSW are from families where a language other than English is spoken at home.

This comparison suggests that children from culturally and linguistically diverse backgrounds in NSW are enrolled in early childhood education and care services in roughly the same proportions as they represent in the general NSW population. Our analysis of early childhood enrolment and general population data also shows that children from culturally and linguistically diverse backgrounds are enrolled in ECEC in similar or higher proportions as they represent in the general NSW population across all geographical areas (at the Statistical Area 4 level) across the state.

Proportions of children from culturally and linguistically diverse backgrounds enrolled in services are similar across all areas of socio-economic disadvantage

Data from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows that the proportions of children from culturally and linguistically diverse backgrounds enrolled in early childhood education and care services do not vary significantly across areas of socio-economic disadvantage, measured by the ABS Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD). This is represented in Figure 7.4.

Figure 7.4 Proportions of children from culturally and linguistically diverse backgrounds enrolled in NSW services by area of socio-economic disadvantage (SEIFA Decile, IRSAD)



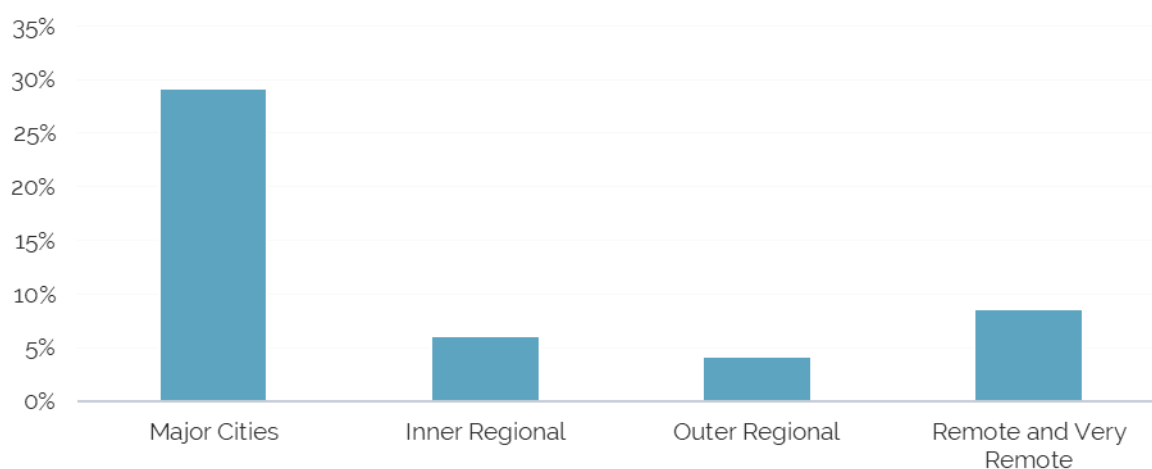
Source: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

This may suggest that cultural and linguistic background does not intersect with socio-economic disadvantage in the same way as we have seen for other priority groups, such as Aboriginal children and children with disability/additional needs.

Proportions of children from culturally and linguistically diverse backgrounds enrolled in services are highest in major cities

Data from the NSW Department of Education (for preschools) and the Workforce Census (for other types of service) shows that the proportions of children from culturally and linguistically diverse backgrounds enrolled in early childhood education and care services in NSW are highest in Major Cities, as measured by the Remoteness Areas. This is represented in Figure 7.5.

Figure 7.5 Proportions of children from culturally and linguistically diverse backgrounds enrolled in NSW services by remoteness area



Source: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

This may indicate that it is most important to target and resource initiatives to address accessibility and cultural safety for these children and families in major city locations.

There are higher proportions of children from culturally and linguistically diverse families enrolled in some service types

Table 7.7 shows that there are higher proportions of children from culturally and linguistically diverse backgrounds enrolled in NSW Government preschools and for-profit family day care services compared with other service types. This suggests that government preschools and family day care are particularly important for these families. For family day care, this representation is consistent with feedback we received from stakeholders in our ECEC Review, that families from culturally and linguistically diverse backgrounds value close educator-child relationships.¹¹⁶

Table 7.7 Proportions of children from culturally and linguistically diverse backgrounds enrolled by service type

Service type	Children from culturally and linguistically diverse backgrounds as a proportion of all enrolled children
NSW Government preschool	52%
Community preschool	23%
Centre based day care – not-for-profit	22%
Centre based day care – for-profit	30%
Family day care – not-for-profit	14%
Family day care – for-profit	54%
Outside school hours care – not-for-profit	20%
Outside school hours care – for-profit	12%
Outside school hours care vacation – not-for-profit	18%
Outside school hours care vacation – for-profit	16%

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis

Chapter 8 >>

The early childhood education and care workforce



The availability of a qualified workforce is key to the supply of services and the number of places available for children. In turn, this supply is influenced by the pay and conditions offered, and access to qualifications. Understanding of the workforce profile in NSW will help identify where programs can be targeted to increase the number of qualified educators. Similarly, a greater understanding of the pay and conditions of educators in the sector can be used to strengthen workforce strategies to retain and attract educators.

The sections below consider the demographics of the workforce, employment conditions and pay, qualifications and ongoing training, and tenure in the sector by location, service type and provider type. We have used data from the 2021 Early Childhood Education and Care National Workforce Census (National Workforce Census), the 2022 Community Preschool and NSW Government preschool censuses and NSW Department of Education Quality Assurance and Regulatory Services (QARS) data on services.

The National Workforce Census undertaken by the Commonwealth Department of Education provides comprehensive information on the early childhood education and care workforce. However, it is only conducted every 3 years,^x and changes in the workforce since 2021 will not be comprehensively measured until the next census, expected in 2024. We have also examined current data on workforce shortages, recruitment and rates of training and education (section 8.3).

We found that:

- There are almost 73,000 people working in early childhood education and care services, over half of whom work in long day care centres in Major Cities, the vast majority in for-profit centres.
- The median age is 35 years, and 93% of the workforce are women.
- 74% are permanent employees.
- The average length of tenure across the ECEC workforce is 5 years.
- More than half of the ECEC workforce have a Diploma or higher qualification.
- The average annual salary is \$45,985 across all services, with family day care educators earning on average \$66,694.
- In October 2023 there were nearly 3,000 vacancies for childcare centre managers, early childhood teachers and child carers in NSW.

The following sections discuss these findings in more detail.

^x Note, prior to the 2021 Census, the most recent Census was undertaken in 2016. The Census scheduled for 2019 was delayed due to the commencement of the Child Care Subsidy Scheme, it was further delayed in 2020 due to the pandemic.

8.1 Performance measures for a thriving ECEC workforce and current findings

Table 8.1 sets out the key performance indicators for assessing the state of the NSW ECEC workforce. These indicators focus on ensuring the sustainability of a qualified workforce to deliver high quality early childhood education and care services for all children. Our findings against these indicators are discussed in more detail in this chapter.

The indicators reflect stakeholder feedback on our methodology paper, including:

- The inclusion of enrolment rates, as well as graduation rates, as higher enrolment rates can indicate improved perception of the sector and the measure of future workforce supply. Further, where there is significant discrepancy between enrolment and graduation rates, it can indicate there are barriers to completion which must be addressed.¹¹⁷
- Measuring the number of staff with a diploma in line with the National Quality Standard requirement for 50% of staff to hold a diploma qualification or higher.¹¹⁸
- Additional indicators for vocational satisfaction and increased retention.¹¹⁹

Reductions in commuting time for staff working in undersupplied areas, was also suggested as a key performance indicator.¹²⁰ While reducing the travel time for educators and teachers is important and likely to play a role in increasing retention rates, we have not included it as separate performance measure. The data is not currently collected, and it would likely be onerous for services to do so.

We note that enrolment and graduation rates are out-of-scope as performance measures for the Childcare and Economic Opportunity Fund (CEO Fund). Nevertheless, we consider they are useful indicators of future workforce supply. The Australian Children's Education and Care Quality Authority (ACECQA) tracks and publishes enrolments and completions on a national basis.¹²¹

As noted in Table 8.1, the KPI for W3 is not currently measurable as it requires data on the impact workforce shortages on the number of places offered by ECEC services. As discussed in Section 2.4.3, information on the number of places offered could be collected as part of ACECQA's annual service report.

Table 8.1 Indicators and findings for a thriving early childhood education and care workforce

Indicator	Calculation	Finding
W1 KPI: Increase in the number of students or workers enrolling and becoming qualified educators		
<ul style="list-style-type: none"> Enrolment rate of students studying to be educators and entering sector Completion rate of students studying to be educators and entering sector. 	<ul style="list-style-type: none"> Number of people enrolling in studies to become qualified educators. Number of people completing studies to become qualified educators. 	<p>Data is only available for the whole of Australia, not NSW separately.</p> <p>Vocational education Enrolments (2021):</p> <ul style="list-style-type: none"> Cert III 64,075 Diploma in ECEC 49,770 <p>Completions (2021):</p> <ul style="list-style-type: none"> Cert III 15,320 Diploma in ECEC 13,525 <p>Completion rates (2019):</p> <ul style="list-style-type: none"> Cert III in ECEC 52.3% Diploma of ECEC 61.5% <p>Degree Early Childhood</p> <ul style="list-style-type: none"> 30% completion (within 4 years of 2017 commencement) 2,051 completed in (2020) 4,288 commenced in (2020) 29% employed in ECEC settings (2021).
<p>Rationale: the rate of students and workers enrolling and becoming qualified teachers is an indicator of future workforce size and viability.</p>		
W2 KPI: Increase in the number of qualified educators working in the ECEC sector		
<ul style="list-style-type: none"> Percentage of qualified staff with Certificate III or higher qualification working in the ECEC sector. Increase in the number of diploma qualified staff. Number of educators per child 	<ul style="list-style-type: none"> Percentage of qualified staff with Certificate III or higher working in the ECEC sector. Change in the number diploma qualified (and above) staff in the ECEC sector. Number of educators/number of children in population 	<ul style="list-style-type: none"> As at 2021, 83% of the ECEC workforce had a Cert III or higher qualification. As at 2021, 51% of the ECEC workforce had a Diploma or higher qualification. Increase to be measured over time. <p>Number of educators/number of children in population not currently measurable as we do not have data on the number of FDC educators.</p>
<p>Rationale: Highly qualified staff are vital for quality service and are likely to be invested in ECEC careers. Qualification levels are a limiter on service availability given the requirement for 50% of educators per centre-based service caring for children preschool age and under to have or be actively working towards a diploma or higher, and all other educators at those centres to have or be actively working towards a Cert III or higher.¹²²</p>		
W3 KPI: Increase in the number of trainees and qualified educators and teachers in undersupplied areas		
Increase in places used due to availability of trainees and qualified educators and teachers	Number of places used that were previously reduced due to lack of trainees or qualified educators and teachers.	<p>Not currently measurable. Requires data on the reduction in places due to workforce shortages.</p> <p>Data on places offered should be collected to provide an accurate measure of supply.</p>
<p>Rationale: A qualified workforce is vital for the provision of ECEC places,</p>		
W4 KPI: Increase in educators that meet needs of priority groups.		
<ul style="list-style-type: none"> Number of educators with training relevant to priority groups. Number of educators from priority groups. 	<ul style="list-style-type: none"> Number of educators undertaking training relevant to priority groups Number of educators from priority groups. 	<p>Educators with training to support:</p> <ul style="list-style-type: none"> Cultural diversity 14% Children with disabilities/additional needs 14% Aboriginal and/or Torres Strait Islander cultural awareness or training in reconciliation 11%.

Indicator	Calculation	Finding
		Data on the number of educators from priority groups is not captured in National Workforce Census.
Rationale: Educators that meet the needs of priority groups increase the accessibility of ECEC services for children from these groups.		
W5	KPI: Higher rates of staff retention	
<ul style="list-style-type: none"> Rates of staff turnover, length of tenure. Number of staff employed under permanent arrangements. Reduction in staff leaving the ECEC sector due pay or conditions or vocational dissatisfaction. Reduction in staffing waivers. 	<ul style="list-style-type: none"> Rates of staff turnover, length of tenure. Number of staff employed under permanent arrangements. Reduction in staff leaving the ECEC sector due pay or conditions or vocational dissatisfaction. Reduction in staffing waivers. 	<ul style="list-style-type: none"> Average length of tenure across the ECEC workforce: 5 years Percentage of permanent staff in ECEC workforce: 74% Percentage of staff retained compared to previous period: Not currently measurable. Number of trainees, early childhood educators and teachers who have left the early childhood education and care sector due to pay and conditions or vocational dissatisfaction. Not currently measurable.
Rationale: Attraction and retention of staff are important indicators of ECEC career viability. Low retention and high attraction may also indicate low job-satisfaction.		

Note: FDC is family day care.

8.2 The early childhood education and care workforce profile

We found that there were almost 73,000 people working in early childhood education and care services in 2021 (long day care, family day care and outside school hours care) and in 2022 (preschools) (Table 8.2). Over a third of these people were working in private for-profit long day care centres in Major Cities.

Table 8.2 Number of workers by provider type, service type, and remoteness category

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote	Total
Long day care					
Private for profit	29,377	5,141	539	24	35,081
Private not for profit community managed	3,382	1,194	471	90	5,137
Private not for profit other organisations	3,408	1,300	136	0	4,884
State/Territory and Local Government managed	2,493	227	136	30	2,886
Independent schools	503	131	0	0	634
Catholic schools	247	158	11	0	416
Total long day care	39,410	8,151	1,293	144	48,998
Family day care					
Private for profit	1,852	223	22	0	2,097
Private not for profit community managed	482	325	132	0	939
Private not for profit other organisations	166	82	0	0	248

Provider Type	Major Cities	Inner Regional	Outer Regional	Remote and Very Remote	Total
State/Territory and Local Government managed	657	327	47	25	1,056
Total family day care	3,157	957	201	25	4,340
Outside school hours care					
Private for profit	3,635	392	3	3	4,033
Private not for profit community managed	3,497	347	49	0	3,893
Private not for profit other organisations	1,069	201	16	0	1,286
State/Territory and Local Government managed	216	220	19	5	460
Independent schools	236	26	0	0	262
Catholic schools	120	84	0	0	204
Total outside school hours care	8,773	1,270	87	8	10,138
Preschool					
Private for profit	32	23	17	10	82
Private not for profit community managed	3,408	2,253	1,222	124	7,007
Private not for profit other organisations	459	156	30	5	650
State/Territory and Local Government managed	360	7	158	0	525
State/Territory government schools	265	31	13	12	321
Independent schools	135	83	0	0	218
Catholic schools	36	25	0	0	61
Total preschool	4,695	2,578	1,440	151	8,864
Mobile Preschools, Occasional Care and Multifunctional Aboriginal Children's Services (MACS)					
Private not for profit community managed	91	84	0	0	175
Private not for profit other organisations	29	0	0	0	29
State/Territory and Local Government managed	5	0	24	6	35
Total mobile preschools, occasional care and MACS	125	84	24	6	239
Total all service types	56,160	13,043	3,052	338	72,593

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

We found that almost half of all employees were working as aides, and over a quarter as teachers (Table 8.3).

Table 8.3 Number of employees for each role, by remoteness, service type, provider type

	Principal	Teacher	Aide	Other contact	Non contact	FDC/IHC ^a
Remoteness						
Major Cities	5,700	15,363	27,041	1,505	3,982	2,505
Inner Regional	1,320	3,333	6,285	319	1,073	814
Outer Regional	347	709	1,439	92	315	158
Remote and Very Remote	46	64	143	19	49	21
Total	7,413	19,469	34,908	1,935	5,419	3,498
Service type						
Long day care	4,171	14,588	25,582	949	3,640	0
Family day care	433	212	11	32	154	3,498
Preschool	889	2,297	4,376	548	768	0
Outside school hours care	1,867	2,233	4,679	390	796	0
Mobile preschools, occasional care and MACS	22	80	107	2	28	0
Provider type						
Private for profit	4,286	12,062	19,593	926	2,696	1,658
Private not for profit community managed	1,811	4,272	7,913	697	1,572	724
Private not for profit other organisations	654	1,694	3,802	128	557	215
State/Territory and Local government managed	430	812	2,357	104	358	901
State/Territory government school	0	164	157	0	0	0
Independent schools	119	261	533	56	145	0
Catholic schools	81	134	398	10	58	0

a. Family day care and in home care.

Note: Totals for service and provider types may not be same as totals by remoteness because of slight data gaps.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

8.2.1 The workforce is predominantly female, and has been working in the sector a relatively short time

We examined demographic characteristics of the ECEC workforce such as gender and age, as well as the years of experience working in the sector and working for their current service (Table 8.4).

The ECEC workforce is predominantly female across all service types and provider types, and the proportion of female workers is higher than 90% for all service types except for outside school hours care. The median age of the workforce is 35 years old and is higher for family day care and preschool services. The median age is lowest for OSHC at 26 years old, and it is lower for for-profit providers than not-for-profit providers.

We found that employees in preschool, family day care services and in not-for-profit services have more experience working in the sector and for their current service, than workers in other ECEC service and provider types. The median tenure in ECEC is 5 years; employees of OSHC services have the shortest median tenure at 3 years. We found that these demographic characteristics do not vary substantially across different areas.

Table 8.4 Demographics of workforce by service type and provider type

	% Female	Age	Years of experience in ECEC	Years of experience with current service
Remoteness				
Major Cities	93%	34	5	2
Inner Regional	95%	36	6	2
Outer Regional	96%	38	7	3
Remote and Very Remote	92%	35	5	1
Total	93%	35	5	2
Service type				
Long day care	95%	33	5	2
Family day care	97%	46	7	3
Preschool	94%	44	9	4
Outside school hours care	80%	26	3	2
Mobile preschools, occasional care and MACS	98%	37	6	3
Provider type				
Private for profit	94%	31	4	2
Private not for profit community managed	93%	40	7	3
Private not for profit other organisations	93%	36	6	3
State/Territory and Local government managed	97%	43	9	4
Independent schools	87%	40	7	3
Catholic schools	95%	31	5	2

Note: all numbers in this table are medians

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

8.2.2 Employment conditions of the ECEC workforce

Table 8.5 shows the proportion of employees working under different arrangements (i.e. as permanent employees, on a fixed term contract, or on a casual basis) and whether they are full time or part time. We found that most staff in long day care and preschool are permanent employees, with almost half working full time in long day care, and almost half part time in preschools.

Family day care services employ very few educators on a casual basis, however almost a third are on fixed term contracts. This contrasts with other service types where relatively few workers are employed on a fixed term contract. Almost half of OSHC employees work on a casual part time basis. The proportion of casual workers is also higher for not-for-profit providers compared to for-profit providers.

Table 8.5 Proportion of workers under different contract types, by service type and provider type

	Permanent full time	Permanent part time	Fixed term	Casual full time	Casual part time
Remoteness					
Major Cities	40%	34%	3%	2%	21%
Inner Regional	29%	47%	4%	1%	18%
Outer Regional	30%	43%	3%	2%	22%
Remote and Very Remote	33%	38%	1%	6%	21%
Total	38%	36%	3%	2%	20%
Service type					
Long day care	45%	36%	3%	1%	14%
Family day care	39%	25%	32%	2%	3%
Preschool	24%	46%	0%	4%	26%
Outside school hours care	15%	33%	1%	2%	48%
Mobile preschools, occasional care and MACS	32%	40%	5%	0%	23%
Provider type					
Private for profit	44%	35%	3%	1%	17%
Private not for profit community managed	26%	42%	2%	2%	27%
Private not for profit other organisations	31%	37%	8%	1%	23%
State/Territory and Local government managed	41%	27%	6%	3%	23%
Independent schools	39%	34%	4%	1%	22%
Catholic schools	43%	37%	3%	1%	17%

Note: Percentages are calculated as the proportion of workers in each contract type over the total of workers for which the dataset has information on contract types

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

8.2.3 Qualifications and ongoing study of the workforce

The required educational qualifications differ by service type as shown in Table 8.6.

Table 8.6 Qualification requirements by service type

Service	Requirement
Centre-based services with children preschool age or under ^a	<ul style="list-style-type: none"> At least 50% of educators must be diploma level qualified or higher, or actively working towards that qualification. All other educators must be Cert III level qualified or higher, or actively working towards that qualification.
OSHC services	No qualifications needed apart from first aid training.
Family day care services	<ul style="list-style-type: none"> Family day care educators must hold an approved Cert III level (or higher) qualification (this is from 1 July 2023), and educators who immediately before 1 July 2023 were actively working towards a Cert III have until 1 July 2024 to complete it. Family day care coordinators must hold an approved diploma level education and care qualification.

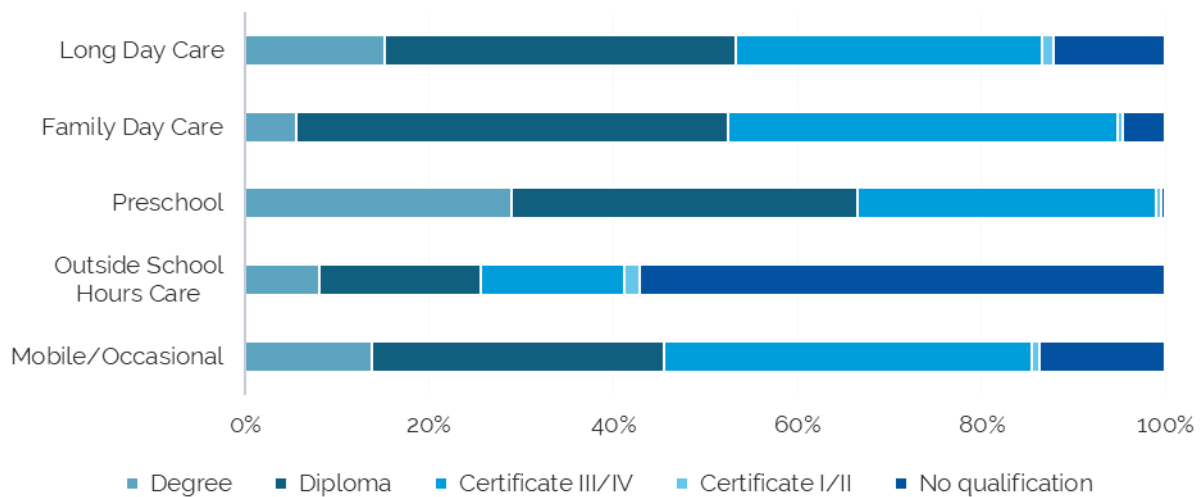
a. Centre-based services refers to long day care as well as preschool.

Note: All services must also meet minimum requirements for first aid, anaphylaxis management and emergency asthma management training.

Source: *Education and Care Services National Regulations*, regulations 126(1), 127, 128, 136 and 415(1).

Figure 8.1 shows the proportion of employees by highest qualification for each service type.

Figure 8.1 Highest qualifications of employees, by service type



Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

Table 8.7 shows the proportion of employees by their highest qualification. We found that for most service types, the highest qualification for around two-thirds of employees was a diploma or a Certificate III or IV, with the remaining third either holding a degree or not having any formal qualification. The exceptions are preschool services, where degree holders are almost a third of total educators, and OSHC services, where more than half of the educators do not hold a qualification.^y Not-for-profit providers employ slightly more degree qualified educators than for-profit providers, as do providers in urban areas compared to providers in Remote and Very Remote areas.

Table 8.7 Highest qualifications, by remoteness, provider type, service type

	Degree	Diploma	Certs III & IV	Other Cert	No Quals
Remoteness					
Major Cities	15%	37%	30%	1%	17%
Inner Regional	15%	33%	37%	1%	14%
Outer Regional	15%	34%	40%	2%	9%
Remote and Very Remote	11%	25%	45%	1%	17%
Total	15%	36%	32%	1%	16%
Provider Type					
Private for profit	13%	38%	32%	1%	16%
Private not for profit community managed	18%	32%	30%	1%	18%
Private not for profit other organisations	19%	34%	32%	1%	14%
State/Territory and Local Government managed	17%	38%	35%	1%	9%
State/Territory government schools	49%	13%	38%	1%	0%
Independent schools	29%	27%	20%	1%	22%
Catholic schools	13%	35%	32%	2%	18%
Service Type					
Long Day Care	15%	38%	33%	1%	12%
Family Day Care	6%	47%	42%	1%	5%
Preschool	29%	38%	32%	1%	0%
Outside School Hours Care	8%	18%	16%	2%	57%
Mobile preschools, occasional care and MACS	14%	32%	40%	1%	14%

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis

^y Independent schools have a similar profile to preschools, but the sample size for independent schools in this table is very small.

We found that the proportion of the workforce currently undertaking further studies increases with remoteness, from 21% in Major Cities to 43% in Remote areas (Table 8.8). A quarter of the long day care workforce is undertaking further studies, while only 4% of family day care workers are. A higher proportion of for-profit provider employees are undertaking further studies than not-for-profit provider employees. Across NSW, around two-thirds of educators currently enrolled in further studies are studying for a childcare qualification, while the rest is pursuing a teaching qualification. However, the opposite is true for preschool and OSHC educators.

Table 8.8 Percentage of workers enrolled in further studies, by remoteness, provider type, service type

	Enrolled in further study	Field of further study teaching ^a	Field of further study childcare ^a
Remoteness			
Major Cities	21%	38%	62%
Inner Regional	24%	32%	68%
Outer Regional	27%	36%	64%
Remote and Very Remote	43%	34%	66%
Total	22%	37%	63%
Provider Type^b			
Private for profit	26%	32%	68%
Private not for profit community managed	16%	51%	49%
Private not for profit other organisations	16%	45%	55%
State/Territory and Local Government managed	13%	41%	59%
Independent schools	15%	54%	46%
Catholic schools	30%	32%	68%
Service Type^b			
Long Day Care	25%	31%	69%
Family Day Care	4%	24%	76%
Preschool	12%	61%	39%
Outside School Hours Care	19%	66%	34%
Mobile preschools, occasional care and MACS	24%	28%	72%

a. The percentages for teaching studies and childcare studies refer to the number of workers studying either category, of those workers that are pursuing further studies.

b. Data on further studies is not captured in the NSW Government Preschool Census.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

8.2.4 Training relevant to priority groups

Table 8.9 shows the proportion of the workforce that have been trained to support priority groups such as culturally and linguistically diverse children, children with disabilities/additional needs, and Aboriginal and Torres Strait Islander children. This proportion is slightly higher in remote areas compared to urban and regional areas. It is also higher for for-profit providers compared to not-for-profit providers. The percentage of the workforce with relevant training is similar across the three categories of priority groups.

Table 8.9 Proportion of ECEC workforce with training to support priority groups

	Training to support cultural diversity	Training to support children with disabilities / additional needs	Aboriginal and Torres Strait Islander cultural awareness or training in reconciliation
Remoteness			
Major Cities	14%	14%	11%
Inner Regional	13%	13%	12%
Outer Regional	9%	9%	8%
Remote and Very Remote	20%	15%	13%
Total	14%	14%	11%
Provider Type			
Private for profit	17%	15%	11%
Private not for profit community managed	9%	11%	9%
Private not for profit other organisations	11%	11%	15%
State/Territory and Local Government managed	12%	13%	12%
Independent schools	10%	15%	9%
Catholic schools	14%	16%	14%
Service Type			
Long Day Care	17%	16%	13%
Family Day Care	18%	15%	14%
Outside School Hours Care	10%	15%	7%
Mobile preschools, occasional care and MACS	18%	26%	27%

Note: data on training to support priority groups is not captured in the NSW Government Preschool Census.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

8.2.5 The pay of the ECEC workforce

Table 8.10 shows how we have analysed data on salaries paid to the ECEC workforce and how they vary across areas, provider types, and service types. On average, annual wages are higher in Major Cities than in the rest of NSW. The wage premiums^z are similar across areas, although slightly higher in Remote and Very Remote areas.

Across service types, family day care salaries are significantly higher than for other service types and attract the highest premiums. OSHC salaries are lower than other service types. For-profit providers pay on average higher salaries than private not-for-profit providers, but lower premiums. State/Territory and Independent schools pay the highest salaries.

Table 8.10 Average annual wages for ECEC workers by remoteness, provider type, service type

	Average annual wage	Average wage as % of award
Remoteness		
Major Cities of Australia	\$47,510	103.7%
Inner Regional Australia	\$45,432	103.0%
Outer Regional Australia	\$44,177	103.2%
Remote and Very Remote Australia	\$40,317	104.1%
Total	\$47,015	103.6%
Provider Type		
Private for profit	\$47,067	102.8%
Private not for profit community managed	\$43,546	103.6%
Private not for profit other organisations	\$46,609	107.9%
State/Territory and Local Government managed	\$55,319	104.7%
Independent schools	\$56,789	105.1%
Catholic schools	\$45,516	101.1%
Service Type		
Long Day Care	\$48,225	103.6%
Family Day Care	\$66,694	107.2%
Preschool	\$42,717	102.4%
Outside School Hours Care	\$32,507	103.1%
Mobile preschools, occasional care and MACS	\$41,965	104.0%

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, and IPART analysis.

^z Our calculation of award premiums is based on the 2021 National Workforce Census, as well as 2022 Community Preschool and NSW Government preschool censuses. For each of their employees, providers report the salary they paid them, whether the salary was above the award rate for the role, and by how much. Not all providers report this information, so the sample for workers with award and premium information is smaller than the total. Premiums and wages are also reported by range (for example, 10% to 25% above award) rather than precise figures.

8.3 Workforce shortages are impacting the supply of services

Workforce shortages are having a significant impact on the supply of services. As discussed in chapter 2.4.3, workforce shortages can result in the number of places offered being capped at below a centre's licensed capacity, rooms being closed for months at a time, and parents being asked to not bring their children to the service on a particular day due to staff shortages. This impacts children's quality of care and learning as well as the workforce participation of their parents.

As discussed in the IPART ECEC Review, the factors that contribute to a workforce shortage include remuneration, negative attitudes to the profession, a lack of career development, and compliance and administrative burden. In addition, in rural and regional areas, the availability of housing and employment opportunities for partners of early childhood education and care workers present further barriers. The sections below set out the number of vacancies in the sector, incentives being offered to attract staff, and the rates of students completing education and training to become early childhood educators and carers.

8.3.1 Workforce vacancies highlight the current ECEC workforce issues

In October 2023 there were nearly 3,000 vacancies for childcare centre managers, early childhood teachers and child carers in NSW (Table 8.11), as recorded by Jobs and Skills Australia in its monthly count of online job advertisements. Vacancies across all these categories have doubled over the previous 4 years.

These vacancies have been recorded by the Australian Government since 2006, and all 3 categories have been experiencing a steady increase in vacancies since then.¹²³

Table 8.11 Vacancies in early childhood education and care workforce, NSW

Occupation	October 2019	October 2020	October 2021	October 2022	October 2023
Child Care Centre Managers (ANZSCO code 1341)	52	80	80	118	134
Early Childhood (Pre-primary School) Teachers (ANZSCO code 2411)	505	575	594	852	1,104
Child carers (ANZSCO code 4211)	831	732	833	1,441	1,686

Source: Australian Government, Jobs and Skills Australia, [Internet Vacancy Index](#), Internet Vacancies ANZSCO4, Occupations, State and Territories.

8.3.2 Jobs are advertised with benefits to attract staff

Many job advertisements for staff in the early childhood education and care sector include incentives to attract staff. These incentives commonly include:

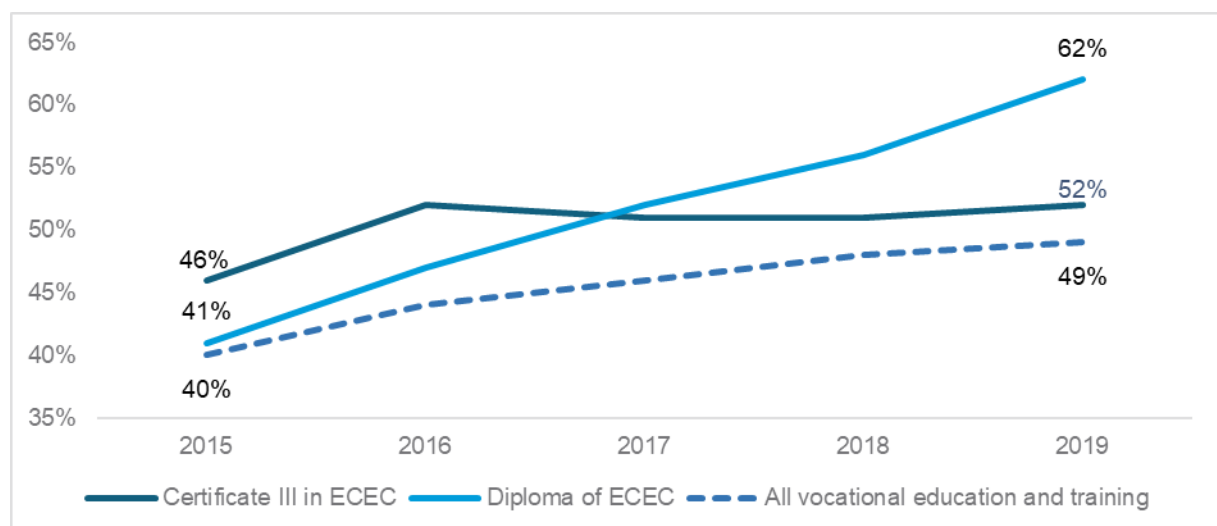
- salary at above award wages
- professional development
- extra leave
- discounted childcare for staff, typically 50%.

Current job advertisements on websites such as The Sector,¹²⁴ Seek,¹²⁵ Childcarejob.com.au,¹²⁶ and Indeed,¹²⁷ show that the most common benefit offered is the opportunity for professional development/education/training and career growth. These benefits are not exclusive to particular roles, they are offered for roles ranging from preschool room leaders, early childhood teachers, diploma trained educators, and directors.

8.3.3 Completion rates are indicators of future workforce

Vocational education completion rates in Australia have been increasing for the ECEC sector over the past eight years.¹²⁸ Figure 8.2 shows that completion rates for Certificate III in ECEC and Diploma of ECEC continue to be higher than that of all vocational education and training in Australia. Completion of Certificate III in ECEC was higher than that of a Diploma of ECEC until 2017, and since then the completion of Diplomas has been increasing at a faster rate than that of the Certificate III.

Figure 8.2 Vocational education completion rates, Australia

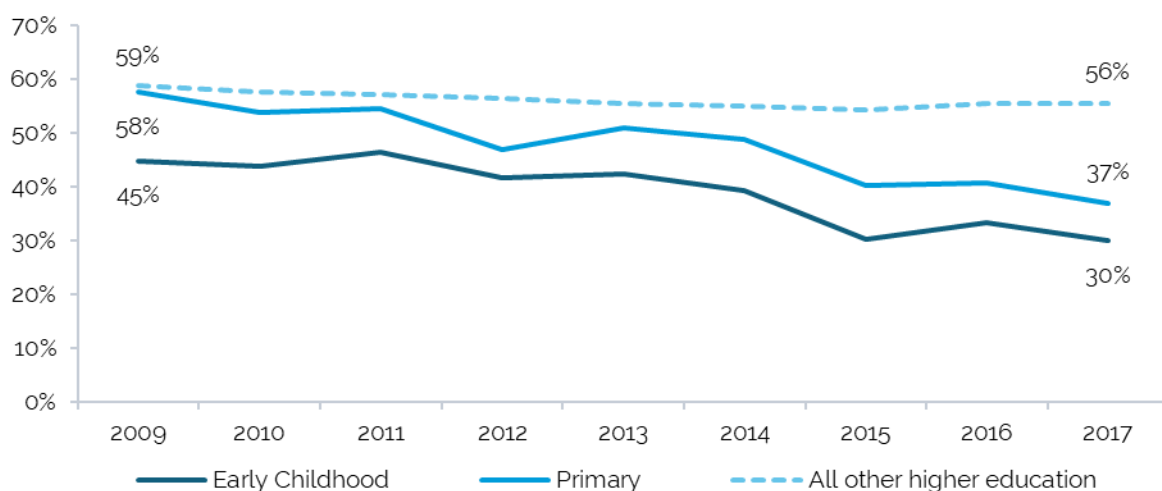


Source: Australian Children's Education & Care Quality Authority, NQF Annual Performance Report, December 2022, p 39.

Figure 8.3 shows that less than one third (30%) of early childhood initial teacher education students who commenced their studies in 2017 completed their studies within 4 years, compared to 45% of students who commenced in 2009.

As noted by ACECQA, this may in part be due to an increased proportion of students completing their studies part-time while they are employed in the sector, as part of the 'actively working towards' provisions in the National Regulations. The 4-year completion rates for both early childhood and primary initial teacher training degrees are markedly lower than the completion rate for all higher education degrees.¹²⁹

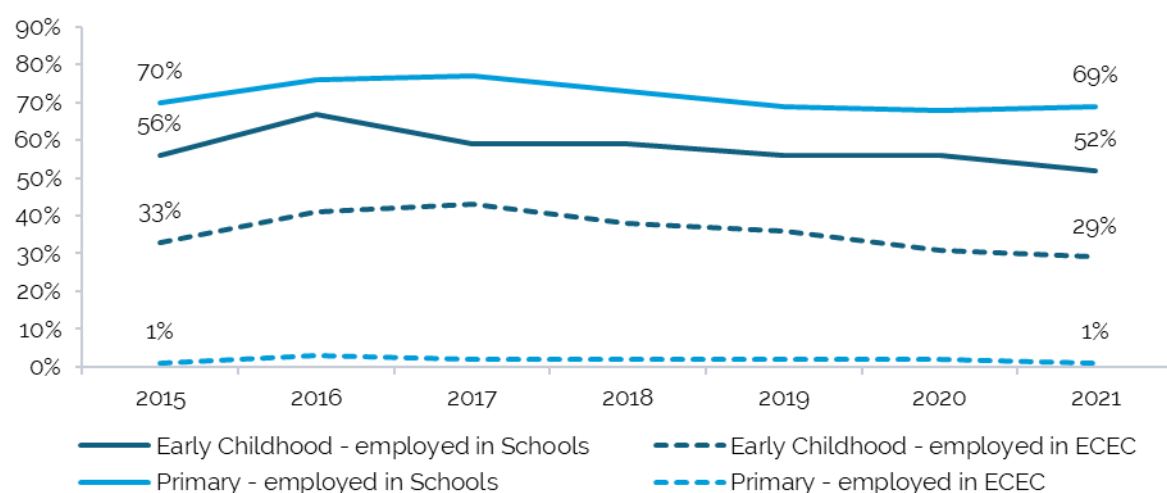
Figure 8.3 Completion rates of Bachelor of Education (Early Childhood), Bachelor of Education (Primary) and all other 4-year degrees, Australia



Source: Australian Children's Education & Care Quality Authority, [NQF Annual Performance Report](#), December 2022. p 42.

Figure 8.4 shows the outcomes for graduates of Bachelor of Education (Early Childhood) and Bachelor of Education (Primary) higher education degrees in Australia. This data shows that most graduates of these degrees, whether they studied Early Childhood or Primary education, end up being employed in schools, rather than in early childhood settings. More than 50% of Early Childhood graduates were employed in schools each year from 2015 - 2021, however only 1% of Primary graduates were employed in early childhood during this time.

Figure 8.4 Employment outcomes for higher education graduates, Australia



Source: Australian Children's Education & Care Quality Authority, [NQF Annual Performance Report](#), December 2022, p 43.

8.3.4 Staffing waivers can be an indicator of workforce shortages

As described in , approved providers may apply for, and be issued with, a staffing waiver when a service is not able to employ a person to fulfil a role within the service. For this reason, staffing waivers may provide a good indication about the workforce challenges (and the location of these challenges) facing the sector. However, data on staffing waivers should be treated with caution as they may mask the true extent of workforce challenges. This is because some services may choose to restrict services (such as reducing enrolment) rather than apply for a waiver.

Box 8.1 Waivers of *Education and Care National Regulations*

Under the *Children (Education and Care Services) National Law (NSW)* (the National Law), an approved service provider may apply to the Regulatory Authority for a waiver from one or more of certain prescribed requirements of the *Education and Care Services National Regulations* (the National Regulations). Services may apply for, and receive, more than one waiver.

The prescribed requirements that can be waived mainly relate to physical environment (e.g. indoor and outdoor space requirements) and staffing (e.g. staff qualifications). Providers can apply for a service waiver, where an issue is likely to be ongoing, or a temporary waiver, where the issue can be addressed within 12 months. The Regulatory Authority may place conditions on a waiver.

If a service is issued with a waiver, the service is either taken to comply (for a service waiver) or not required to comply (for a temporary waiver) with the requirement of the National Regulations that has been waived.

All applications for service or temporary waivers are assessed on a case-by-case basis. In considering whether the grant of a service waiver is appropriate, the Regulatory Authority may have regard to any matters disclosed in the application and any other matter the Regulatory Authority thinks fit. In considering whether the grant of a temporary waiver is appropriate, the Regulatory Authority must have regard to whether special circumstances disclosed in the application reasonably justify the grant of the temporary waiver.

Source: *Children (Education and Care Services) National Law (NSW)*, Part 3, Div 5 and 6; *Education and Care Services National Regulations*, Part 2.2, Div 5 and 6.

In NSW, there are currently 893 staffing waivers in force across 694 services. These relate to general educator qualifications and early childhood teacher requirements. Most staffing waivers are in for-profit long day care services and relate to early childhood teacher staffing requirements¹³⁰ (Table 8.12). Only 11 waivers relate to general educator qualifications (Table 8.13).¹³¹

Table 8.12 Waivers currently in force in NSW - early childhood teacher requirements

Service Type	Major Cities	Inner Regional	Outer Regional	Remote	Unknown	Total NSW
Long Day Care (For-profit)	653	120	18		2	793
Long Day Care (Not-for-Profit)	30	37	15	1		83
Preschool		2	2			4
		2				2
Total	683	161	35	1	2	882

Note: There are currently none for Very Remote Areas.

Source: NSW Regulatory Authority (NSW Department of Education) ,1 November 2023

Table 8.13 Waivers currently in force in NSW - general educator qualifications

Service Type	Major Cities	Inner Regional	Outer Regional	Total NSW	
Long Day Care (For-profit)		1	3	4	
Long Day Care (Not-for-Profit)			1	3	4
Preschool			2	1	3
Total		1	6	4	11

Note: There are currently none for Remote and Very Remote Areas.

Source: NSW Regulatory Authority (NSW Department of Education) 1 November 2023

The high number of waivers relating to early childhood teacher requirements may be due in part to the stricter educator to child ratios and educator qualification requirements in NSW compared to the rest of Australia. However, despite this, NSW (11.5%) ranks fourth among Australian jurisdictions in the proportion of services with a staffing waiver, behind Western Australia (17.2%), Northern Territory (14.4%) and Queensland (14.1%). The national average is 10%.¹³²

The impact that staffing waivers have on the quality of early childhood education and care services will vary by the size of service and the number of staff. Smaller services with fewer early childhood teachers, may be impacted to a greater degree by waivers in place due to ongoing staff shortages.

Chapter 9 >>

Quality standards and the NSW early
childhood education and care sector



Children can benefit more from early childhood education and care services if they are of high quality. Government policy recognises this, for example by regulating quality standards through the National Quality Framework (NQF). The NQF provides a national approach to regulation, assessment, and quality improvement for services across Australia.

The independent market monitor is required, in its review of the childcare sector market, to review the quality standards in the childcare sector in NSW. However, this does not involve reviewing the ratings of individual services or the rating and assessment system itself.

The sections below set out how we have examined quality standards across the early childhood education and care sector and considered any variations between provider and service types and geographic areas. We have also reviewed relationships between the level of staff retention and the pay and conditions of a service and its quality rating.

We found that:

- Over 90% of services in NSW are rated as meeting the National Quality Standard (NQS), with more than 20% rated as exceeding.
- The proportion of services exceeding the NQS is highest in Major Cities and decreases with increasing remoteness. Across service types, quality ratings are highest for preschool and lowest for family day care.
- For long day care and family day care, services with a higher quality rating employ educators that have more experience in the sector.

The following sections discuss these findings in more detail.

9.1 Performance measures for a high quality ECEC sector

As quality standards are regulated through the NQF, the independent market monitoring review (IMMR) is not measuring the quality of individual early childhood education and care services in NSW. Rather, the performance measures and indicators in Table 9.1 include factors which are likely to be indicative of higher quality services, as well as a snapshot of the overall quality ratings of ECEC services in NSW. They are not intended as performance measures for the NSW Childcare and Economic Opportunity Fund.

The indicators reflect stakeholder feedback on our methodology paper. Our findings against these indicators are discussed in more detail in this chapter.

Table 9.1 Indicators for a high-quality early childhood education and care sector

Indicator	Calculation	Finding
Q1 KPI: Higher proportion of permanent educators (full-time and part-time)		
Proportion of permanent educators (full-time and part-time)	Number of permanent educators/number of educators	Proportion of workforce who are permanent: <ul style="list-style-type: none"> • Full time 38% • Part-time 36%
Rationale: Permanent educators are significant for the long-term supply of staff for services. They are also likely to provide higher quality ECEC by establishing continuing relationships with families and children.		
Q2 KPI: Increased proportion of qualified staff per child		
Number of educators per child (note the National Regulations impose minimum requirements for qualifications for some services.).	Number of staff per qualification level/total number of staff (for certificate I-IV, diploma, degree, post-graduate degree)	Proportion of qualified workforce: <ul style="list-style-type: none"> • Degree: 15% • Diploma: 36% • Cert III or IV: 32% • Other Cert: 1% • No Quals: 16%
Rationale: The number of children per staff member is a key determinant of the quality of service and is legally regulated.		
Q3 KPI: Improved quality ratings, particularly for ECEC services delivering services to priority groups^a		
Percentage of services at each quality rating by service type, provider type and location	Number of services at a particular quality rating/total number of services	Percentage of services rated as: <ul style="list-style-type: none"> • Excellent 0.3% • Exceeding NQS 21% • Meeting NQS 68.9% • Working towards NQS 9.7% • Sig. improvement required 0.1%
Rationale: NQS quality ratings are the most comprehensive and reliable measure of service quality in Australia, evaluating 7 quality areas and setting a high benchmark.		
Q4 KPI: A reduction in the number of services not meeting minimum standards		
Proportion of services meeting minimum standards or above	Number of services meeting minimum standards or above/total number of services	90.2% of services are rated as Meeting NQS or above
Rationale: Services meeting minimum standards or above deliver a higher quality service and better outcomes.		

a. The finding at Q3 is for all services in NSW, as insufficient information is available regarding enrolment by priority groups at particular services.

9.2 Quality ratings by service type

We examined how the quality rating under the NQS varies across areas, provider types, and service types (Table 9.2).

Almost all services are rated between Exceeding NQS, Meeting NQS, or Working towards the NQS. We found that around 90% of services meet the requirements, and 20% of services are rated as Exceeding NQS or above. The proportion of services Exceeding NQS or above is highest in Major Cities and decreases with remoteness. Not-for-profit providers are also more likely to be rated as Exceeding NQS or above compared to for-profit providers. Across service types, quality ratings are highest for preschool and lowest for family day care.

Table 9.2 Number of services by overall quality rating under the NQS, by remoteness, service type, provider type

	Excellent	Exceeding NQS	Meeting NQS	Working towards NQS	Significant Improvement Required
Remoteness					
Major cities	10	894	2,788	400	2
Inner regional	4	192	670	98	2
Outer regional	2	33	185	16	1
Remote and Very Remote	0	2	31	4	0
Total	16	1,121	3,674	518	5
Service type					
Long day care	7	648	2,200	292	3
Family day care	0	7	78	46	1
Preschool	8	360	419	24	0
OSHC	1	106	977	156	1
Provider type					
Private for-profit	2	406	2,187	377	4
Private not-for-profit community managed	7	399	824	88	0
Private not-for-profit other organisation	3	139	311	25	1
State/Territory and Local Government managed	1	104	210	12	0
State/Territory government schools	2	51	44	1	0
Independent schools	1	15	51	11	0
Catholic schools	0	7	47	4	0

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

9.2.1 Relationship between the quality of a service and its staff

We looked at the interactions between workforce characteristics (such as qualification profile and years of experience) and quality ratings (Table 9.3 and Table 9.4).

For long day care and family day care, we found that services with a higher quality rating employ educators that have more experience in the sector and more experience working for the current service, on average. This does not seem to be the case for OSHC and preschool (noting that the available sample size for preschool workers in this table is small).

Table 9.3 Median years of experience in ECEC, by service type and quality rating

Service type	Excellent	Exceeding NQS	Meeting NQS	Working towards NQS
Long day care	7.0	6.0	5.0	4.0
Family day care		11.0	10.0	5.0
Preschool	8.0	10.0	9.0	8.0
OSHC		3.0	3.0	3.0

Note: Services rated as requiring Significant Improvement Required or with provisional ratings have been excluded from this table as there are not enough observations to calculate medians.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

Table 9.4 Median years of experience with current service, by service type and quality rating

Service type	Excellent	Exceeding NQS	Meeting NQS	Working towards NQS
Long day care	4.0	3.0	2.0	2.0
Family day care	5.0	4.0	3.0	3.0
Preschool	3.0	4.0	4.0	3.0
OSHC	-	2.0	1.0	2.0

Note: Services rated as requiring Significant Improvement Required or with provisional ratings have been excluded from this table as there are not enough observations to calculate medians.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

We found that for all service types except OSHC, services with higher quality ratings had a lower proportion of permanent workers (or a higher rate of casualisation of workforce). This is perhaps counterintuitive as a higher proportion of permanent staff might be expected to result in higher quality ratings (Table 9.5).

Table 9.5 Percentage of workers in a permanent contract (full time and part time) by service type and quality rating

Service type	Excellent	Exceeding NQS	Meeting NQS	Working towards NQS
Long day care	78%	79%	81%	82%
Family day care	-	58%	63%	64%
Preschool	58%	70%	71%	71%
OSHC	-	50%	49%	45%

Note: Services rated as requiring Significant Improvement Required or with provisional ratings have been excluded from this table as there are not enough observations to calculate medians.

Sources: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, and IPART analysis.

We looked at staff tenure (i.e. a worker's years of experience with their current employer) in more detail and examined how it varies with grades in each of the 7 quality areas under the NQS (Box 9.1). For family day care, we found that higher grades in most quality areas are associated with higher median tenure of educators. As shown in Figure 9.1, this relationship is present to a lesser extent for long day care and preschool in some quality areas.

Box 9.1 National Quality Standard – quality areas

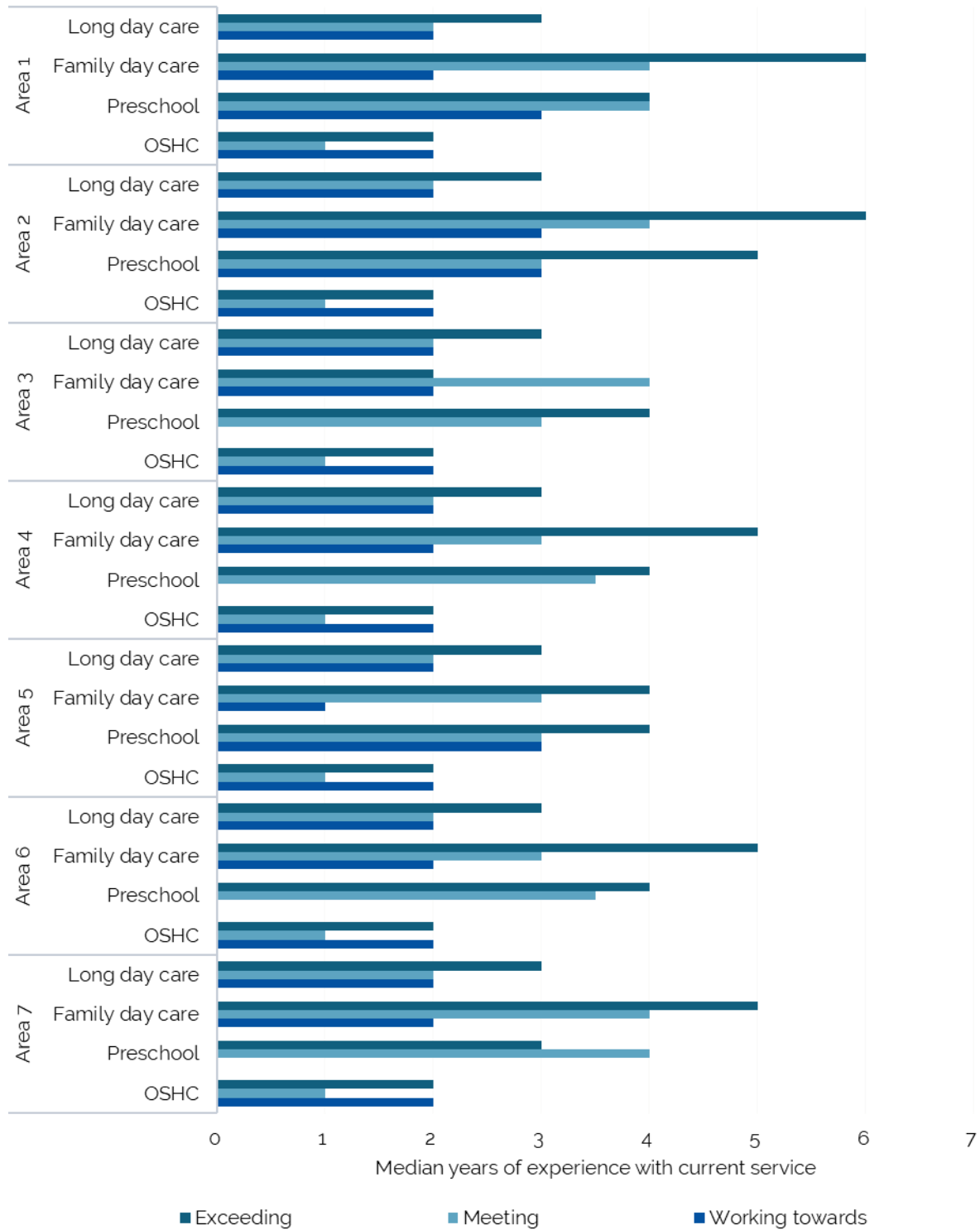
The National Quality Standard (NQS) sets a national benchmark for early childhood education and care and outside school hours care services in Australia. The NQS includes 7 quality areas that are important outcomes for children.

Services are assessed and rated by their regulatory authority against the NQS and given a rating for each of the 7 quality areas and an overall rating based on these results. The 7 quality areas are:

- Quality Area 1 – Educational program and practice
- Quality Area 2 – Children's health and safety
- Quality Area 3 – Physical environment
- Quality Area 4 – Staffing arrangements
- Quality Area 5 – Relationships with children
- Quality Area 6 – Collaborative partnerships with families and communities
- Quality Area 7 – Governance and leadership.

Source: Australian Children's Education and Care Quality Authority (ACECQA), [National Quality Standard](#), accessed 21 November 2023.

Figure 9.1 Median years of experience working with current service, by quality rating for each NQS quality area



Source: 2021 National Workforce Census, 2022 Community Preschool and NSW Government preschool censuses, NQAITS, and IPART analysis.

9.2.2 Frequency of assessment and rating of services

Assessment and rating of early childhood education and care services in NSW is undertaken by the NSW Department of Education Quality Assurance and Regulatory Services Directorate as the NSW Regulatory Authority. The Regulatory Authority applies a risk-based approach to assessment and rating, as it does with all its regulatory processes.

Initially new services are given a period to embed their practices (approximately 12 months) before they are assessed and rated by the Regulatory Authority. Services not yet assessed and rated hold the provisional rating of 'Provisional – Not Yet Assessed'.

Once a service has been assessed and rated, there is no set period for reassessment of a service. Following the initial assessment and rating, reassessment is undertaken on a risk basis. This means that the Regulatory Authority considers a range of factors in determining how often services should be re-assessed. These include but are not limited to:

- the length of time since last assessment
- the current quality rating
- history of compliance
- history of complaints and reportable incidents
- changes in service ownership.

The Regulatory Authority has the power to reassess (or partially reassess) a service at any time. An approved provider may also apply to have a service reassessed and re-rated. An application for reassessment and re-rating can only be made once every two years unless the Regulatory Authority agrees otherwise.¹³³

At 1 July 2023, approximately 70% of services in NSW had been assessed and rated in the last 4 years with 51% in the last 3 years.

Appendices

Appendix A >>

Childcare and Economic Opportunity
Fund: Independent Market Monitoring
Review 2023



A.1 Minister's Expectations

The Minister's Expectations is developed to articulate the expectations for the Independent Market Monitoring Review by the Commissioned person to meet the principal objective of the *Childcare and Economic Opportunity Fund Act*. This document also outlines the legislative requirements, information that the review should consider, proposed timeframe, resources, consultation and reporting requirements.

Background

Overview

An independent market monitoring review (the Review) of the early childhood education and care sector ('ECEC' or 'childcare') is a requirement under Part 2, section 5 of the *Childcare and Economic Opportunity Fund Act 2022* (the Act).

The Fund, together with Commonwealth Government reforms, are estimated to support the delivery of approximately an additional 47,000 ongoing and affordable childcare places in NSW.

The Minister for Education and Early Learning (Minister) must commission a person (the commissioned person) to undertake a review into the childcare sector market, including by reviewing areas where the commissioned person considers there are childcare supply shortages, or there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare. The commissioned person is also to review the state of the childcare sector, including workforce, pay and conditions, and quality standards in the childcare sector.

Appointment

The Minister appoints the commissioned person. The Minister can change the commissioned person between review cycles.

Capability

The commissioned person must be independent from the Board and have the expertise prescribed by the Regulations.

Public release

After undertaking the Review, the commissioned person must prepare a report setting out the findings of the Review, including the matters set out in subsection (1)(a) and (b) of the Act, and give the report to the Minister (Report). The Report must be tabled in each House of Parliament with the annual report tabled under section 22 of the Act.

Frequency

The Review and Report must be prepared every 2 years or other period prescribed by regulations.

Legislative requirement

Section 5(1) of the Act provides that the Review will examine the NSW childcare sector market, including:

- a. Areas where the commissioned person considers:
 - i there are childcare supply shortages, or
 - ii there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare, and
- b. The state of the childcare sector, including:
 - i workforce
 - ii pay and conditions
 - iii quality standards in the childcare sector.

The NSW childcare sector market includes education and care for children from birth to 12 years old across all ECEC service types (community and mobile preschool, family day care, long day care, NSW Department of Education preschool, occasional care, and out of school hours care). Playgroups are excluded.

Out of scope for 2023 Report

In accordance with section 6(1) of the Act, future reports (for financial year 2026–27 onwards) must include an estimate of the amount required to achieve the objective of the Act and otherwise fund the Board for at least the next 2 financial years after the date on which the report is given to the Minister.

In accordance with section 6(3) of the Act, an estimated amount is not required for the 2023 Report because an amount is appropriated under section 18 of the Act.

Objectives

The Review is intended to provide an examination and analysis of the NSW early childhood education and care sector, with the goal of understanding the current state of the market and identifying any trends or issues that may impact the market's future performance.

The main goal of this market review is to provide insights and information into the NSW childcare sector market that can be used to inform strategic decisions and actions, including:

1. areas where there are childcare supply shortages (s 5(1)(a)(i) of the Act), including current and planned childcare services, supply of childcare places, demand for childcare;
2. areas where there are higher barriers to parents and carers participating in work because of the affordability or accessibility, or both, of childcare (s 5(1)(a)(ii) of the Act), including:

- the impact the cost of childcare has on preventing children from accessing early childhood education
 - the impact the cost of childcare has on discouraging persons from participating or increasing participation in work.
 - The percentage of marginal income spent by families on childcare.
3. availability of qualified workforce to meet the levels of need across NSW (s 5(1)(b)(i) of the Act)
 4. the state of pay and conditions in the sector (s 5(1)(b)(ii) of the Act); and
 5. the distribution of the quality provision of ECEC services (s 5(1)(b)(iii) of the Act) across service types and geographic areas.

The Review should consider information on:

1. market trends, such as current parents and carers (consumer) behaviours, technological advances, or recent shifts in market structure
2. workforce profile across metropolitan, regional, rural and remote areas, demographics and provider types
3. market size and growth potential, with particular consideration of barriers to access related to growth in location or service size
4. identifying different market segments, such as metropolitan, regional, rural and remote areas, demographic groups, including priority cohorts (e.g. Aboriginal communities or families with children with disability), or product categories related to the differences in provider types to improve consumer choice
5. fees and out-of-pocket costs of childcare services for parents and carers, including how often ad hoc fees are passed on and how often fee increases occur, and workforce disincentive rates
6. cost of providing the service and cost driver breakdowns
7. market competition, including information on the competitive landscape of the market, such as market segmentation analysis
8. identifying opportunities for strategic partnerships, by providing information on the major childcare sector stakeholders
9. key, legal, economic, planning or other barriers to the provision of childcare services.

Commissioned person powers

As per section 7 of the Act, the commissioned person may require another person to give information and answer questions. Specifically:

1. A commissioned person may require another person to:
 - a. give the commissioned person information the commissioned person reasonably requires for the preparation of a market monitoring report (relevant information), or
 - b. answer questions in relation to relevant information if the commissioned person believes on reasonable grounds that the other person has knowledge of the relevant information.
2. A commissioned person may require a person to give information or to answer questions under section 7 only if the commissioned person:
 - a. has made reasonable efforts to obtain the information without using this section, including by seeking information from the Department of Education and other government agencies of NSW or the Commonwealth
 - b. has been unable to obtain the information.
3. The requirement under subsection (1)(a) must be in a written notice given to the other person and must specify the following:
 - a. the information that must be given,
 - b. the form in which the information must be given,
 - c. the time within which the information must be given.
4. The commissioned person may, by written notice, require the other person to attend at a specified place and time to answer questions under subsection (1)(b) if:
 - a. attendance at the place is reasonably required for the questions to be properly put and answered, and
 - b. the place and time is a reasonable place and time:
 - i. nominated by the other person, or
 - ii. if a reasonable place and time is not nominated by the other person— nominated by the commissioned person.
5. Relevant information may include information about the following:
 - a. current and planned childcare services
 - b. costs of childcare services, including the cost of providing childcare services
 - c. demand for childcare services
 - d. legal, economic or other barriers to the provision of childcare services
 - e. information prescribed by the regulations.

6. Persons who may be required to give information or to answer questions under section 7 include the following:
 - a. persons who own, control or operate childcare services
 - b. persons who use childcare services
 - c. persons who work in the childcare sector
 - d. persons who have expert knowledge about the childcare sector
 - e. persons prescribed by the regulations.

Timeline

Proposed Review milestones leading up to 30 December 2023:

- Commissioned person to conduct the Review: March 2023 to end December 2023 (10 months)
- Commissioned person to provide final Report to the Minister for Education and Early Learning: December 2023
- Minister for Education and Early Learning to table the Report in Parliament (alongside CEO Fund Annual report): December 2024.

Reporting

The Commissioned person will be required to provide the Report to the Minister for Education and Early Learning. The Report will include information regarding the approach, methodology, and findings of the Review.

The Commissioned person, where legally permitted, will provide the Minister for Education and Early Learning with supporting data that was used to inform the Review. The Commissioned person will seek information from stakeholders on a basis that permits data sharing with the Minister.

Note: The Act gives the commissioned person powers to compel relevant information and answer questions from any person (including people who work in the sector). This information may be disclosed in the Report, which will be publicly released.

Reviewer qualifications

The commissioned person must:

- a. be independent from the Board
- b. have the expertise prescribed by the regulations.

Consultation

The commissioned person is required to consult with families and communities (including Aboriginal and Torres Strait Islander communities), NSW ECEC providers and sector, NSW Government agencies, NSW local government, the Australian Government Department of Education, and other interested parties.

Appendix B >>

Glossary and acronyms

B

B.1 Glossary

Table B.1 Glossary of terms used in report

Term	Meaning
Australian Children's Education and Care Quality Authority (ACECQA)	The independent national body established to support states and territories in delivering best-practice regulation of early childhood education and care services and ensure national consistency in administering the National Quality Framework (NQF) to improve quality outcomes for children.
Centre based day care	Centre based day care is typically provided in centres approved by regulators to provide quality early childhood education and care. Centre based day care includes long day care, outside school hours care, preschool and occasional care.
Child Care Subsidy (CCS)	The Commonwealth Government program to help families with service fees. Through the CCS, eligible families enrolling their children in a service offered by an approved provider receive reductions on the fees they pay for the service.
Early childhood education and care	Education and care services provided to children aged 0 to 12 years in a variety of settings, including long day care, family day care, preschool (including mobile, community and Department of Education preschools), out of school hours care and occasional care. Does not include school services or playgroups.
Family day care	Family day care is a type of early childhood education and care usually provided in the home of an educator.
Long day care	A service licensed under the National Quality Framework that provides early childhood education and care services for at least 40 weeks a year and is thus eligible for Child Care Subsidy funding. It can include any pattern or arrangement of care provided in this setting but is primarily focused on children up to 6 years of age.
Multifunctional Aboriginal Children's Services	Multifunctional Aboriginal Children's Services (MACS) are not-for-profit community-based services established to meet the social and development needs of Aboriginal and Torres Strait Islander children. They provide long day care and at least one other form of care or activity, such as before and after school care, playgroups, nutrition programs and/or parenting programs based on local needs.
National Quality Framework	The National Quality Framework (NQF) provides a national approach to regulation, assessment and quality improvement for early childhood education and care and outside school hours care services across Australia. The NQF includes the: <ul style="list-style-type: none"> • National Law and National Regulations • National Quality Standard • assessment and quality rating process • national learning frameworks.
National Quality Standard	The National Quality Standard (NQS) sets a national benchmark for early childhood education and care and outside school hours care services in Australia. The NQS includes 7 quality areas that services are assessed and rated against by their regulatory authority. Services are given a rating for each of the 7 quality areas and an overall rating based on these results.
National Workforce Census	The Early Childhood Education and Care National Workforce Census held by the Commonwealth Department of Education to collect information on staff demographics, types of work, qualifications and experience in the early childhood education and care sector.
Occasional care	Occasional care services provide flexible early childhood education and care for children aged to 6 years. Unlike long day care, children don't need to be enrolled for particular days each week.
Out-of-pocket costs	The fees paid by households after taking account of the Child Care Subsidy (including Additional Child Care Subsidy and excluding any subsidy amount withheld) and other subsidies such as preschool fee relief.
Outside school hours care	Outside school hours care provides care before and after school hours and during school vacations for children who normally attend school.
Provider	An entity or individual approved by the Regulatory Authority to provide early childhood education and care services.

Term	Meaning
Provider type	The Australian Children's Education and Care Quality Authority's (ACECQA) national licensing database categorises provider types are: <ul style="list-style-type: none"> • Private for profit • Private not for profit community managed • Private not for profit other organisations • State/Territory and Local Government managed • Catholic schools • Independent schools • State/Territory government schools
Preschool	A service that provides early childhood education and care to children aged 3-5 years for fewer than 40 weeks a year and thus is not eligible for Child Care Subsidy funding. Alternative terms used for preschool in other states and territories include kindergarten, pre-preparatory and reception.
Preschool program	An early childhood education program, delivered by a qualified teacher to children aged 3-5 years, focusing on the year before school, in long day care or in preschool.
Priority groups	In this report, priority groups are defined by: <ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander Status • Culturally and Linguistic Diverse background • Disability status • Socio-economic disadvantage.
QARS	The Quality Assurance and Regulatory Services Directorate within the NSW Department of Education operates as the NSW Regulatory Authority for early childhood education and care. QARS regulates, monitors, and supports more than 6,000 ECEC services across NSW.
Remoteness Areas	Remoteness Areas (RA) divide Australia into five classes of remoteness which are characterised by a measure of relative geographic access to services. These 5 classes are: <ul style="list-style-type: none"> • Major Cities of Australia • Inner Regional Australia • Outer Regional Australia • Remote Australia • Very Remote Australia.
Socio-Economic Indexes for Areas (SEIFA)	Developed by the Australian Bureau of Statistics (ABS), SEIFA combines Census data such as income, education, employment, occupation, housing and family structure to summarise the socio-economic characteristics of an area. Each area receives a SEIFA score indicating how relatively advantaged or disadvantaged that area is compared with other areas. There are 4 SEIFA indexes: <ul style="list-style-type: none"> • the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) • the Index of Relative Socio-economic Disadvantage (IRSD) • the Index of Education and Occupation (IEO) • the Index of Economic Resources (IER).
Statistical Area 2	Statistical Areas Level 2 (SA2s) are medium-sized general-purpose areas built up from whole Statistical Areas Level 1 (SA1s). Their purpose is to represent a community that interacts together socially and economically. SA2s generally have a population between 3,000 and 25,000 with an average of about 10,000 people. NSW consists of 644 SA2s.
Statistical Area 3	Statistical Areas Level 3 (SA3s) are geographic areas built from whole Statistical Areas Level 2 (SA2s). They are designed for the output of regional data clustering groups of SA2s that have similar regional characteristics. NSW consists of 93 SA3s.

B.2 Acronyms

Table B.2 Acronyms used in report

Acronym	Explanation
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCS	Additional Child Care Subsidy
ACECQA	Australian Children's Education and Care Quality Authority
CCS	Child Care Subsidy
Cth DoE CCS	Commonwealth Department of Education – Child Care Subsidy data
Cth DoE NWC	Commonwealth Department of Education – National Workforce Census data
Department	NSW Department of Education
ECEC	Early childhood education and care
FDC	Family day care
HILDA	Household, Income and Labour Dynamics in Australia Survey data
IMMR	Independent Market Monitoring Review
Fund	Childcare and Economic Opportunity Fund
IPART	Independent Pricing and Regulatory Tribunal
IPART ECEC Review	IPART review under section 12A of the <i>Independent Pricing and Regulatory Tribunal Act 1992</i> into early childhood education and care
LDC	Long day care
MACS	Multifunctional Aboriginal Children's Services
NQA ITS	National Quality Agenda Information Technology System
NSW DoE	NSW Department of Education
NQF	National Quality Framework
NQS	National Quality Standard
NWC	National Workforce Census
OSHC	Outside school hours care
SA2	Statistical Areas Level 2
SEIFA	Socio-Economic Indexes for Areas

Appendix C 

Further details on the supply of early
childhood education services



C.1 Ratio of places to population by SA3

We considered the ratio of places to population on an SA3 basis, as especially within metropolitan areas (Figure C.1), it is likely that families will travel outside the SA2 they live in to access ECEC services.

As shown in Table C.1, areas with the highest proportion of places to population in Greater Sydney have between 2 places per 5 children (0.4) and 3 places per 5 children (0.6). Outside Sydney, Newcastle has the highest proportion of places to population with 2 places per 5 children (0.4), while other areas have just under one place per 3 children.

Table C.1 Areas with the highest proportion of places to population for Greater Sydney and Rest of NSW, 2023 (SA3)

Greater Sydney (SA3)	Places/pop	Rest of NSW (SA3)	Places/pop
Sydney Inner City	0.6	Newcastle	0.4
Marrickville - Sydenham - Petersham	0.5	Maitland	0.3
Leichhardt	0.5	Lake Macquarie - East	0.3
Dural - Wisemans Ferry	0.4	Taree - Gloucester	0.3
Rouse Hill - McGraths Hill	0.4	Lord Howe Island	0.3
Ku-ring-gai	0.4	Richmond Valley - Hinterland	0.3
Ryde - Hunters Hill	0.4	Port Macquarie	0.3
Chatswood - Lane Cove	0.4	Snowy Mountains	0.3
Baulkham Hills	0.4	Lachlan Valley	0.3
North Sydney - Mosman	0.4	Upper Murray exc. Albury	0.3

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

C.2 Areas with the greatest number of services by SA2

Table C.2 lists the areas with the greatest number of services (excluding outside school hours care services) by SA2 area for Greater Sydney as well as the Rest of NSW.

We found that Toongabbie-Constitution Hill, Freshwater-Brookvale, Merrylands Holroyd, Chatswood-East, and Penrith have the greatest number of services in Greater Sydney. The area with the greatest number of services in the Rest of NSW is Nowra, with 23 services. Six areas in Greater Sydney have 20 or more services while only one area in the Rest of NSW has 20 or more services.

Table C.2 Areas with the greatest number of services for Greater Sydney and Rest of NSW, 2023 (SA2) – excluding outside school hours care

Greater Sydney (SA2)	No. of services	Rest of NSW (SA2)	No. of services
Toongabbie - Constitution Hill	22	Nowra	23
Freshwater - Brookvale	22	Taree	17
Merrylands - Holroyd	22	Glendale - Cardiff - Hillsborough	16
Chatswood - East	22	Wagga Wagga - West	15
Penrith	22	Dubbo - South	15
Sutherland - Kirrawee	20	East Maitland - Metford	15
Bass Hill - Georges Hall	19	Armidale	15
Mount Druitt - Whalan	19	Dapto - Avondale	15
Punchbowl	19	Orange	14
Quakers Hill	18	Goulburn	14

Note: Family day care data is services, not educators.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Table C.3 lists the areas with the greatest number of outside school hours care services by SA2 area for Greater Sydney as well as the Rest of NSW.

We found that Dural-Kenthurst-Wisemans Ferry, North Parramatta, Lindfield-Roseville, and Menai-Lucas Heights-Woronora have the greatest number of services in Greater Sydney. The area with the greatest number of services in the Rest of NSW is Glendale – Cardiff - Hillsborough with 12 services. Glendale – Cardiff - Hillsborough is the only SA2 across NSW (including Greater Sydney) with more than ten outside school hours care services.

Table C.3 Areas with the greatest number of outside school hours care services for Greater Sydney and Rest of NSW, 2023 (SA2)

Greater Sydney (SA2)	No. of services	Rest of NSW (SA2)	No. of services
Dural - Kenthurst - Wisemans Ferry	9	Glendale - Cardiff - Hillsborough	12
North Parramatta	9	Charlestown - Dudley	9
Lindfield - Roseville	9	Lismore	8
Menai - Lucas Heights - Woronora	9	Orange	7
Baulkham Hills - East	8	Wagga Wagga Surrounds	7
St Ives	8	East Maitland - Metford	6
Blaxland - Warrimoo - Lapstone	8	Port Macquarie - West	6
Pymble	7	Wagga Wagga - West	6
Oyster Bay - Como - Jannali	7	Kempsey	6
Wahroonga (East) - Warrawee	7	Woonona - Bulli - Russell Vale	6

Note: Family day care data is services, not educators.

Source: NSW Department of Education QARS, July 2023 and IPART analysis

C.3 Areas with the greatest number of places

Table C.4 lists the areas with the greatest number of places (excluding outside school hours places) by SA2 area for Greater Sydney as well as the Rest of NSW.

We found that Freshwater-Brookvale has the greatest number of places in Greater Sydney, while Dubbo-South has the greatest number of places in the Rest of NSW.

There are four areas in Greater Sydney (Freshwater-Brookvale, Chatswood-East, Penrith and Toongabbie-Constitution Hill) with the greatest number of places that also appear in Table C.1 with the greatest number of services.

Similarly there are five areas in the Rest of NSW (Dubbo-South, Nowra, Orange, Taree, Glendale-Cardiff-Hillsborough) with the greatest number of places that also appear in Table C.2 with the greatest number of services.

Comparison between Table C.2 and Table C.4 suggests that the number of places in an area provides a better indication of available early childhood education in an SA2 area than the number of services.

Table C.4 Areas with the greatest number of places for Greater Sydney and Rest of NSW, 2023 (SA2) – excluding outside school hours care

Greater Sydney (SA2)	No. of places	Rest of NSW (SA2)	No. of places
Freshwater - Brookvale	1,702	Dubbo - South	1,345
St Leonards - Naremburn	1,546	Nowra	1,183
Macquarie Park - Marsfield	1,533	Orange - North	1,139
Chatswood - East	1,385	Maitland	1,023
Penrith	1,284	Port Macquarie - West	963
Baulkham Hills (West) - Bella Vista	1,151	Orange	898
Dural - Kenthurst - Wisemans Ferry	1,145	Taree	889
Toongabbie - Constitution Hill	1,129	Glendale - Cardiff - Hillsborough	842
Erskineville - Alexandria	1,057	Hamilton - Broadmeadow	839
Rouse Hill - Beaumont Hills	1,007	Wagga Wagga - East	813

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Table C.5 lists the areas with the greatest number of outside school hours places by SA2 area for Greater Sydney as well as the Rest of NSW.

We found that Schofields-East is the area with the greatest number of places in Greater Sydney. The area with the greatest number of outside school hours places in the Rest of NSW is Glendale - Cardiff - Hillsborough.

There are four areas in Greater Sydney (Baulkham Hills – East, Wahroonga (East) – Warrawee, St Ives, Pymble) with the greatest number of outside school hours places that also appear in Table C.3 with the greatest number of outside school hours services.

Similarly, there are five areas in the Rest of NSW (Glendale - Cardiff – Hillsborough, Port Macquarie – West, Charlestown – Dudley, East Maitland – Metford, Woonona - Bulli - Russell Vale, Lismore) with the greatest number of outside school hours places that also appear in Table C.3 with the greatest number of outside school hours services.

Table C.5 Areas with the greatest number of outside school hours places for Greater Sydney and Rest of NSW, 2023 (SA2)

Greater Sydney (SA2)	No. of places	Rest of NSW (SA2)	No. of places
Schofields - East	1,424	Glendale - Cardiff - Hillsborough	721
Kellyville - East	1,121	Port Macquarie - West	627
Baulkham Hills - East	1,008	Charlestown - Dudley	602
Wahroonga (East) - Warrawee	901	Adamstown - Kotara	577
St Ives	852	East Maitland - Metford	534
Lane Cove	812	Woonona - Bulli - Russell Vale	527
Bondi - Tamarama - Bronte	766	Lismore	508
Quakers Hill	751	Queanbeyan	505
Pymble	747	Taree	504
Engadine	739	Lambton - New Lambton	489

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

C.4 Areas with the highest proportion of places to population, SA3

Table C.6 lists the areas with the highest proportion of places to child population (excluding outside school hours services) by SA3 area for Greater Sydney as well as the Rest of NSW.

We found that Sydney Inner City had the greatest number of places per population in Greater Sydney. The area with the greatest number of places per population in the Rest of NSW is Lord Howe Island. Both SA3s had enough places for approximately 80% of its population.

Table C.6 Areas with the highest proportion of places to population for Greater Sydney and Rest of NSW, 2023 (SA3) - excluding outside school hours care

Greater Sydney (SA3)	Places/pop	Rest of NSW (SA3)	Places/pop
Sydney Inner City	0.8	Lord Howe Island	0.8
Dural - Wisemans Ferry	0.7	Lower Murray	0.6
Rouse Hill - McGraths Hill	0.7	Upper Murray exc. Albury	0.6
Chatswood - Lane Cove	0.6	Maitland	0.5
Leichhardt	0.6	Lachlan Valley	0.5
Baulkham Hills	0.6	Wagga Wagga	0.5
Ku-ring-gai	0.6	Tumut - Tumbarumba	0.5
Ryde - Hunters Hill	0.5	Bourke - Cobar - Coonamble	0.5
Warringah	0.5	Snowy Mountains	0.5
Canada Bay	0.5	Albury	0.5

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Table C.7 lists the areas with the greatest number of outside school hours places to child population by SA3 area for Greater Sydney as well as the Rest of NSW.

We found that Marrickville-Sydenham-Petersham had the greatest number of places to child population in Greater Sydney. The area with the greatest number of outside school hours places to child population in the Rest of NSW is Newcastle.

Table C.7 Areas with the highest proportion of outside school hours care places to population for Greater Sydney and Rest of NSW, 2023 (SA3)

Greater Sydney (SA3)	Places/pop	Rest of NSW (SA3)	Places/pop
Marrickville - Sydenham - Petersham	0.5	Newcastle	0.3
Leichhardt	0.4	Lake Macquarie - East	0.3
Sydney Inner City	0.4	Taree - Gloucester	0.2
North Sydney - Mosman	0.3	Wollongong	0.2
Pennant Hills - Epping	0.3	Port Macquarie	0.2
Eastern Suburbs - North	0.3	Queanbeyan	0.2
Strathfield - Burwood - Ashfield	0.3	Maitland	0.2
Hornsby	0.3	Great Lakes	0.2
Ku-ring-gai	0.3	Richmond Valley - Hinterland	0.2
Blacktown - North	0.3	Bathurst	0.2

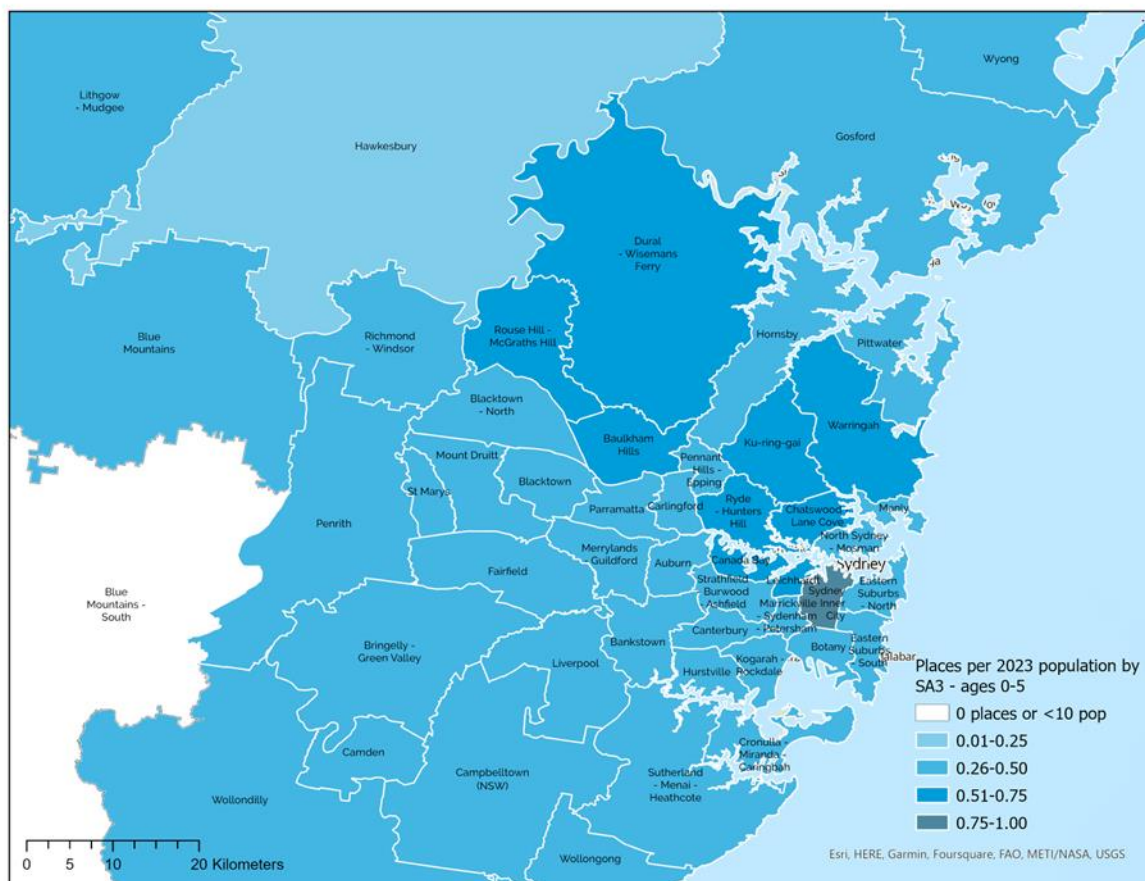
Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023 and IPART analysis.

Figure C.1 shows the ratio of early childhood education and care places (excluding outside school hours care) to the population aged 0-5 by SA3 for Sydney.

The only area with a ratio of more than 3 places for every 4 children was the Sydney Inner City. Some areas in the north of Sydney, including the Hills District and Ku-ring-gai- and some surrounding areas, had between 2 to 3 places for every 4 children. However, most SA3 areas in Greater Sydney have one place for every 2 to 4 children, except for Hawkesbury and Blue Mountains-South, which had less than one place for every 4 children.

Figure C.1 Early childhood education and care places per population aged 0-5, Greater Sydney, 2023



Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in between Jul-Dec 2022.

Source: NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections and IPART

C.5 Places available in areas of greatest disadvantage

Table C.8 lists the 10 most disadvantaged areas across the rest of NSW, as ranked by the Index of Relative Socio-economic Advantage and Disadvantage. We investigated the number of early childhood education and care places and the ratio of places to population in these areas.

We found the number of places available for 0-5-year-olds ranges from 4 places to 5 children (0.8), to just under one place per 3 children. For 6-12-year-olds, the number of places available ranges from one place per 3 children to less than one place per 10 children.

Table C.8 Supply of ECEC in SA2s of greatest disadvantage, Rest of NSW (SEIFA IRSAD)

Greater Sydney (SA2)	IRSAD score	Places 0-5	Places/pop 0-5	Places 6-12	Places/pop 6-12
Tamworth - West	810	261	0.4	4	0.0
Kempsey	845	570	0.5	274	0.2
Taree	861	889	0.6	504	0.3
Casino	862	475	0.4	134	0.1
Nambucca Heads	863	145	0.4	81	0.2
Beresfield - Hexham	863	288	0.5	202	0.3
Cessnock	869	667	0.3	210	0.1
Mount Hutton - Windale	869	457	0.7	62	0.1
Port Kembla - Warrawong	870	235	0.3	86	0.1
Raymond Terrace	872	673	0.8	178	0.1

Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: ABS, *Statistical Area Level 2, Indexes, SEIFA 2021*, Index of Relative Socio-economic Advantage and Disadvantage, NSW Department of Education QARS, July 2023 and IPART analysis.

Table C.9 lists the 10 most disadvantaged areas in Greater Sydney, as ranked by the Index of Relative Socio-economic Advantage and Disadvantage. We investigated the number of early childhood education and care places and the ratio of places to population in these areas.

We found the number of places available for 0–5-year-olds ranges from more than one place per 2 children, to one place per 10 children. For 6–12-year-olds, there is around one place per 10 or more children across these areas.

Table C.9 Supply of ECEC by SA2 of greatest disadvantage in Greater Sydney (SEIFA IRSAD)

Greater Sydney (SA2)	IRSAD score	Places 0-5	Places/pop 0-5	Places 6-12	Places/pop 6-12
Ashcroft - Busby - Miller	778	641	0.4	219	0.1
Bidwill - Hebersham - Emerton	807	260	0.1	52	0.0
Fairfield	828	595	0.5	209	0.1
Cabramatta - Lansvale	832	258	0.2	164	0.1
Lurnea - Cartwright	835	296	0.2	222	0.2
Lethbridge Park - Tregear	861	471	0.2	68	0.0
Fairfield - East	861	335	0.3	78	0.1
Warwick Farm	862	47	0.1	57	0.1
Canley Vale - Canley Heights	864	521	0.3	133	0.1
Liverpool - West	867	608	0.6	188	0.1

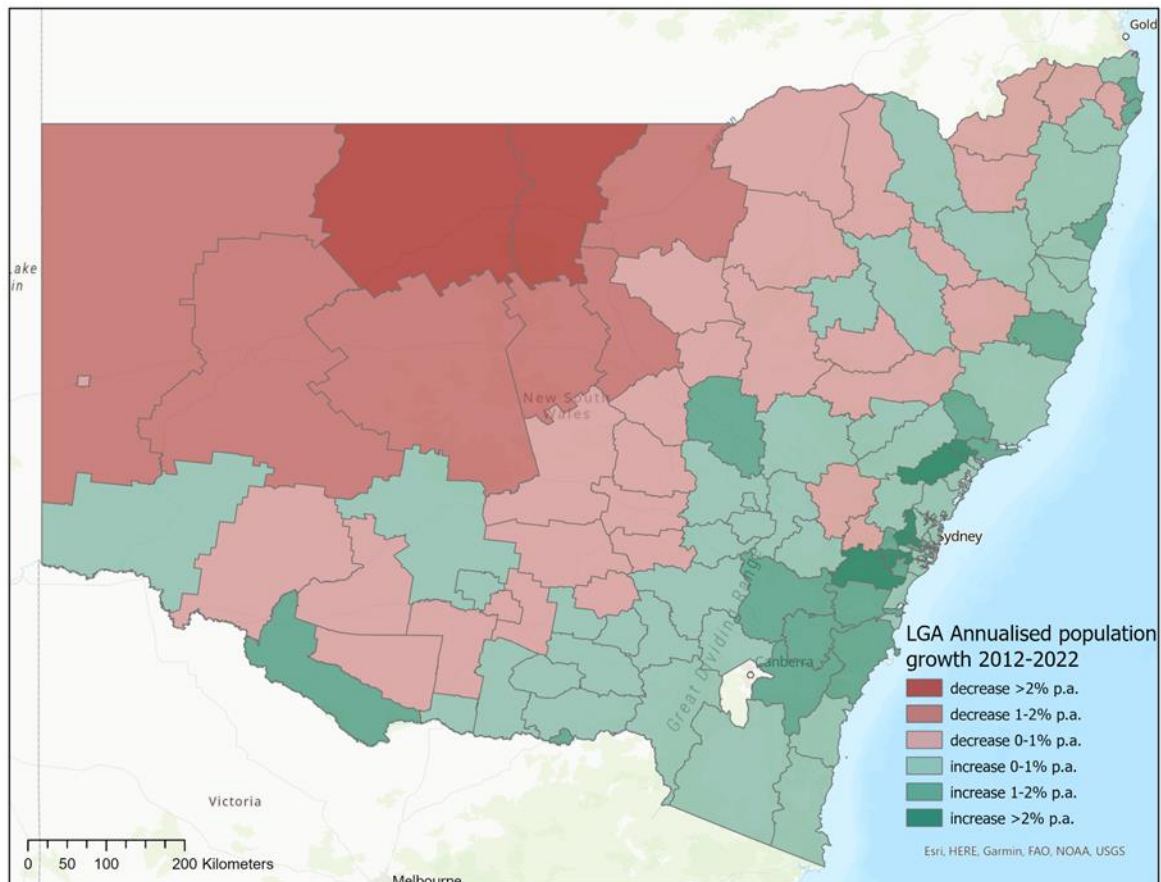
Note: Family day care places have been estimated using CCS administrative data on the number of children enrolled in a typical week in Jul-Dec 2022.

Source: ABS, *Statistical Area Level 2, Indexes, SEIFA 2021*, Index of Relative Socio-economic Advantage and Disadvantage, NSW Department of Education QARS, July 2023 and IPART analysis.

C.6 Population growth by LGA

Figure C.2 shows the rate of population growth of NSW by local government area. The map shows that coastal areas and the south of the state have grown while the far western areas of the state have declining populations.

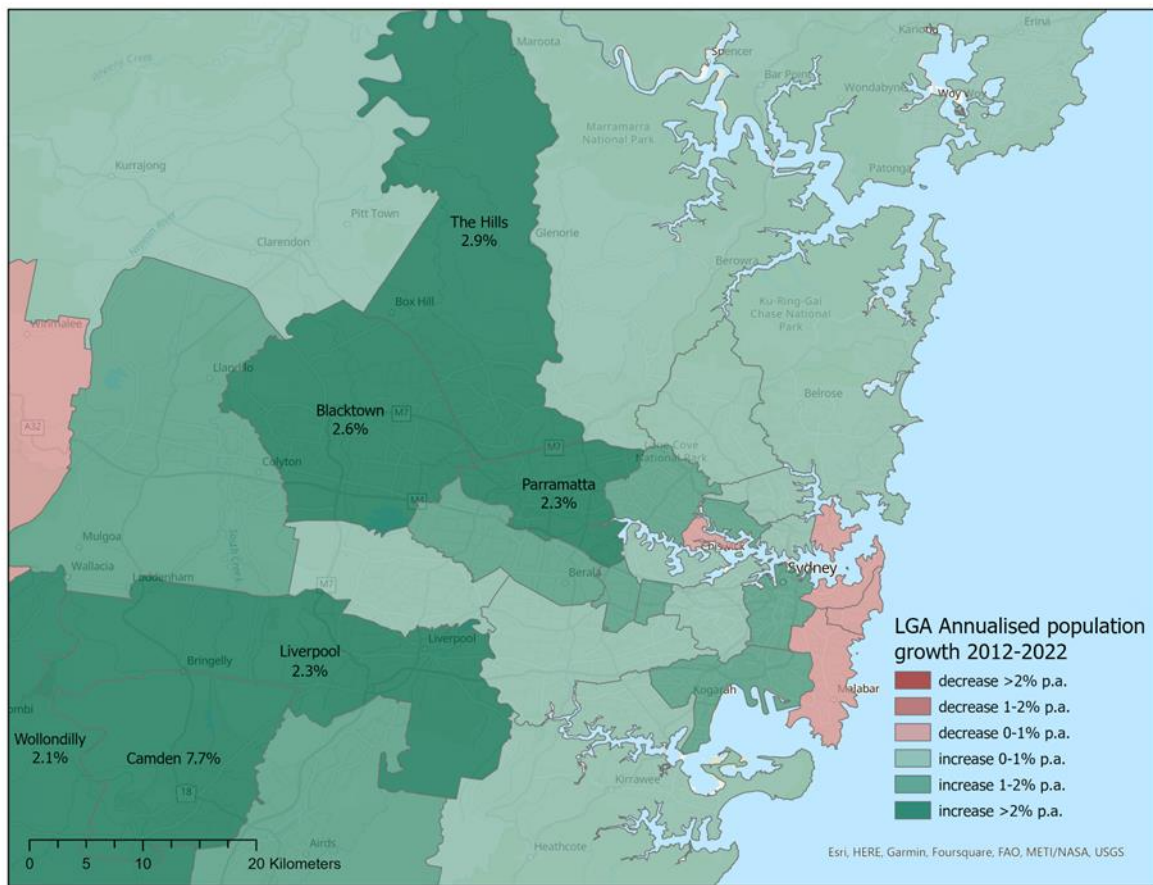
Figure C.2 Rate of population growth by LGA 2012-22, NSW



Source: ABS, Population estimates by LGA, Significant Urban Area, Remoteness Area, Commonwealth Electoral Division and State Electoral Division, 2001 to 2022 - Revised, Table 1 and IPART analysis

Figure C.3 shows the annualised rate of population growth in Greater Sydney by local government area (LGA). We found that the LGAs in the eastern suburbs of Sydney have experienced a decline in population (decrease of between 0-1% p.a.), while most of the LGAs in Sydney are grown since 2012, by between 0-1% to greater than 2% per annum. The LGAs in the northwest and southwest have grown by upwards of 2% per annum over the previous 10 years.

Figure C.3 Rate of population growth by LGA 2012-22, Sydney



Source: ABS, Population estimates by LGA, Significant Urban Area, Remoteness Area, Commonwealth Electoral Division and State Electoral Division, 2001 to 2022 - Revised, Table 1 and IPART analysis

Appendix D 

Further details on the demand supply
model and areas of undersupply

D

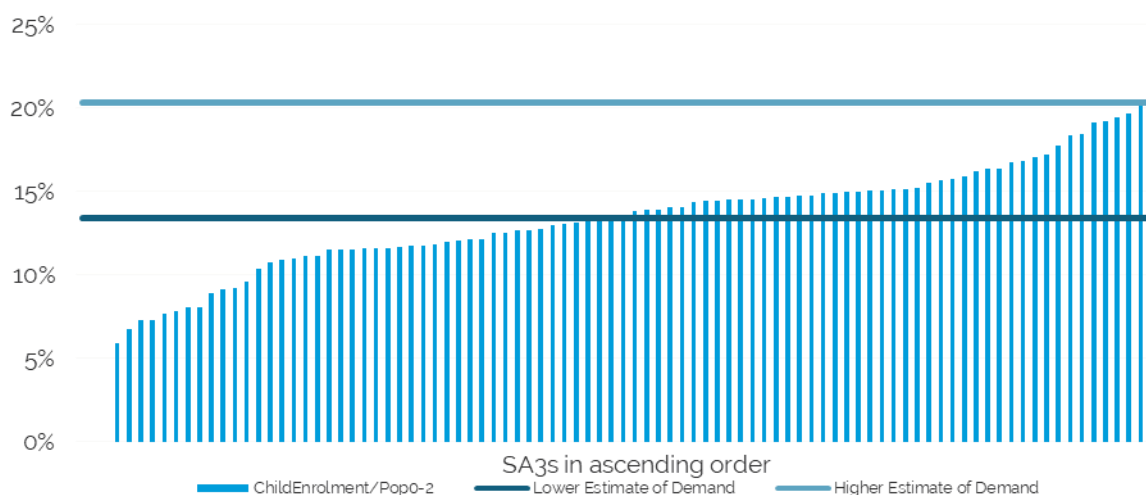
D.1 Estimating the higher and lower levels of demand

We estimated the demand for each SA2 and age group by taking the number of enrolments by service location divided by its relevant population. The lower estimate of demand is the highest of either the actual enrolment by population or the median of all Statistical Area 3 (SA3) regions. The higher estimate of demand is the highest of either the actual enrolment by population or the highest point where the distribution across the SA3 regions tapers off. We assumed the demand for ECEC services in a particular SA3 is the same across all the SA2s within its boundary.

There are 92 SA3s in NSW and these are ordered from lowest to highest enrolments by population for each age group in the figures below.

For Figure D.1, the median of enrolments by population for 0 to 2-year-olds for ECEC services, which formed the lower estimate of demand, was 13%. We considered where the distribution tapers off to be the higher estimate of demand, this was 20% for 0 to 2-year-olds.

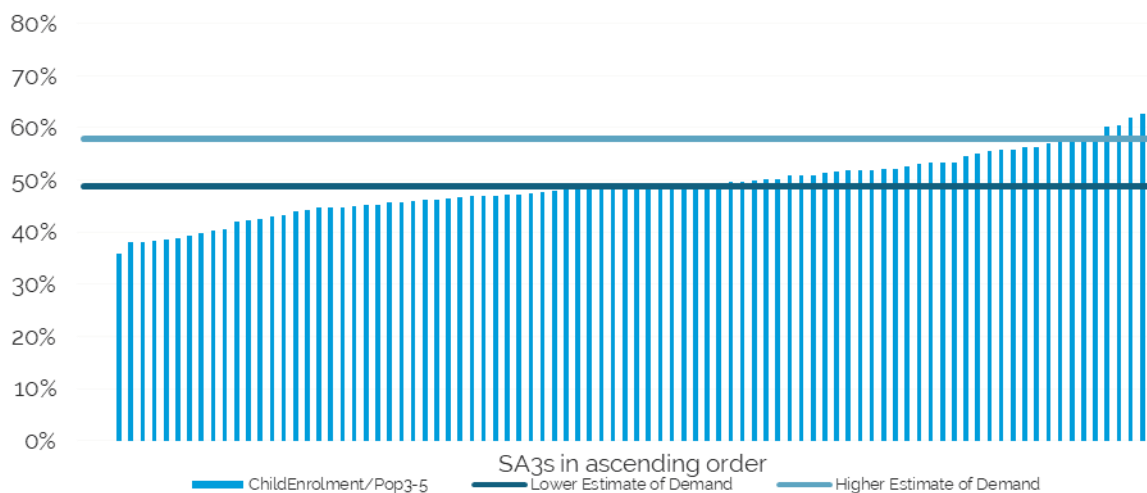
Figure D.1 Enrolments by Population (0 to 2-year-olds) by SA3



Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Planning and Environment Population Projections and IPART analysis

For Figure D.2, the median of enrolments by population for 3 to 5-year-olds for ECEC services, which formed the lower estimate of demand, was 49%. We considered where the distribution tapers off to be the higher estimate of demand, this was 58% for 3 to 5-year-olds.

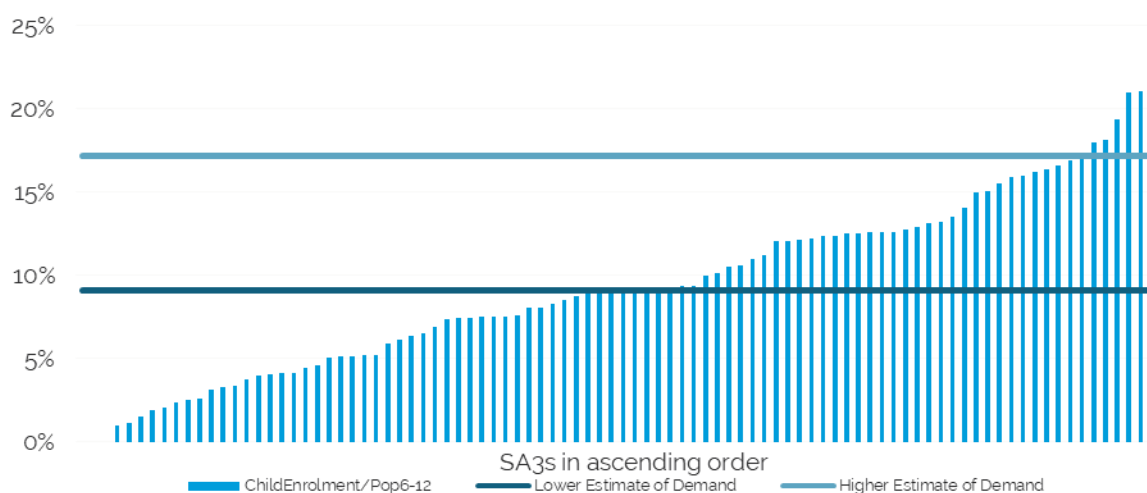
Figure D.2 Enrolments by Population (3 to 5-year-olds)



Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Planning and Environment Population Projections and IPART analysis

For Figure D.3, the median of enrolments by population for 6 to 12-year-olds for ECEC services, which formed the lower estimate of demand, was 9%. We considered where the distribution tapers off to be the higher estimate of demand, this was 17% for 6 to 12-year-olds.

Figure D.3 Enrolments by Population (6 to 12-year-olds)



Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Planning and Environment Population Projections and IPART analysis

D.2 Results of the model at the higher estimate of demand

Table D.1 shows the 15 most undersupplied areas for Greater Sydney in the higher estimate of demand for population aged 0-5.

Again, we found that most undersupplied areas are in Southwest and Western Sydney and had lower SEIFA rankings, which we can identify as areas of disadvantage. The 15 SA2s on the list came from the following 7 SA3s: Liverpool, Auburn, Canterbury, Mount Druitt, Fairfield, Bankstown, and Merrylands-Guildford.

Table D.1 Most undersupplied areas for Greater Sydney for population aged 0-5, by SA2 - higher demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Regents Park	Major Cities	63%	0%	5%	3	77
2	Warwick Farm	Major Cities	43%	2%	8%	1	47
3	Lakemba	Major Cities	51%	1%	5%	1	364
4	Berala	Major Cities	63%	0%	5%	3	89
5	Prospect Reservoir	Major Cities	32%	9%	9%	-	199
6	Wiley Park	Major Cities	51%	1%	5%	2	174
7	Liverpool - West	Major Cities	43%	2%	8%	1	608
8	Auburn - South	Major Cities	63%	0%	5%	3	354
9	Lurnea - Cartwright	Major Cities	43%	2%	8%	1	296
10	Bidwill - Hebersham - Emerton	Major Cities	32%	9%	9%	1	260
11	Fairfield - East	Major Cities	48%	1%	7%	1	335
12	Chullora	Major Cities	47%	1%	6%	8	63
13	Fairfield - West	Major Cities	56%	1%	7%	1	215
14	Merrylands - Holroyd	Major Cities	48%	1%	7%	3	930
15	Guildford West - Merrylands West	Major Cities	48%	1%	7%	3	268

a. This is the number of ECEC places for 0-5-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data.

Note: "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Table D.2 shows the 15 most undersupplied areas for Greater Sydney at the higher estimate of demand for population aged 6-12. We found that most undersupplied areas are in Southwest and Western Sydney, and within the Gosford SA3. Most of the SA2s on the list came from the following 5 SA3s: Gosford, Canterbury, Mount Druitt, Fairfield, and Merrylands-Guildford.

We also found that there is a relationship between undersupply and disadvantage as 13 out of the 15 most undersupplied areas are in the lower SEIFA deciles.

Table D.2 Most undersupplied areas for Greater Sydney for population aged 6-12, by SA2 – higher demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Lethbridge Park - Tregear	Major Cities	32%	9%	9%	1	68
2	Fairfield - East	Major Cities	48%	1%	7%	1	78
3	Avoca Beach - Copacabana	Major Cities	9%	7%	7%	9	62
4	Lakemba	Major Cities	51%	1%	5%	1	135
5	Greenfield Park - Prairiewood	Major Cities	56%	1%	7%	2	39
6	Canley Vale - Canley Heights	Major Cities	56%	1%	7%	1	133
7	Bidwill - Hebersham - Emerton	Major Cities	32%	9%	9%	1	52
8	St Clair	Major Cities	21%	8%	10%	5	266
9	Cabramatta West - Mount Pritchard	Major Cities	56%	1%	7%	1	88
10	Wiley Park	Major Cities	51%	1%	5%	2	62
11	Condell Park	Major Cities	47%	1%	6%	4	41
12	Woy Woy - Blackwall	Major Cities	9%	7%	7%	3	146
13	Cabramatta - Lansvale	Major Cities	56%	1%	7%	1	164
14	Guildford - South Granville	Major Cities	48%	1%	7%	1	171
15	Kogarah	Major Cities	44%	1%	5%	7	62

a. This is the number of ECEC places for 6-12-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data.

Note: The list excludes 3 SA2s with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Table D.3 shows the 15 most undersupplied areas for the rest of NSW at the higher estimate of demand for the population aged 0-5. We again found that the areas faced with a shortage of ECEC services, were also like to be experiencing relative disadvantage, with several areas also having a higher proportion of Aboriginal and Torres Strait Islander children.

Table D.3 Most undersupplied areas for Rest of NSW for population aged 0-5, by SA2 – higher demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Tenterfield	Outer Regional	3%	19%	10%	2	69
2	Parkes Surrounds	Outer Regional	3%	20%	10%	3	68
3	Sussex Inlet - Berrara	Inner Regional	5%	14%	10%	2	30
4	Tea Gardens - Hawks Nest	Inner Regional	4%	14%	8%	4	48
5	Armidale Surrounds - North	Inner Regional	10%	16%	9%	4	57
6	Lithgow Surrounds	Inner Regional	3%	13%	11%	3	126
7	Leeton	Outer Regional	12%	13%	9%	2	224
8	Urunga	Inner Regional	11%	11%	7%	3	87
9	Kiama Downs - Minnamurra	Major Cities	6%	8%	7%	8	85
10	Merimbula - Tura Beach	Outer Regional	4%	12%	9%	4	268
11	Inverell Surrounds - West	Outer Regional	3%	19%	10%	3	82
12	Culburra Beach	Inner Regional	5%	14%	10%	3	54
13	Port Macquarie - East	Inner Regional	5%	12%	9%	5	186
14	Queanbeyan	Major Cities	12%	6%	7%	6	522
15	Kiama Hinterland - Gerringong	Inner Regional	6%	8%	7%	8	131

a. This is the number of ECEC places for 0-5-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data.

Note: The list excludes 1 SA2 (Huskisson - Vincentia) with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Table D.4 shows the 15 most undersupplied areas for the rest of NSW at the higher estimate of demand for the population aged 6-12. The areas identified as undersupplied at both the lower and higher estimate of demand were the same. We again found that the areas faced with a shortage of ECEC services, in this case for children aged 6-12 years, were also likely to be experiencing relative disadvantage, and have a relatively high proportion of Aboriginal and Torres Strait Islander children.

Table D.4 Most undersupplied areas for Rest of NSW for population aged 6-12, by SA2 – higher demand estimate

Nr	SA2 Name	Remoteness	CALD	Indig	Disab	SEIFA	Places ^a
1	Quirindi	Outer Regional	5%	24%	9%	2	10
2	Narromine	Outer Regional	6%	27%	9%	3	11
3	Griffith (NSW)	Outer Regional	12%	13%	9%	3	14
4	Condobolin	Outer Regional	3%	20%	10%	3	17
5	Bega-Eden Hinterland	Outer Regional	4%	12%	9%	4	20
6	Cootamundra	Inner Regional	9%	11%	9%	2	19
7	Bega - Tathra	Outer Regional	4%	12%	9%	3	24
8	Moree	Outer Regional	3%	27%	9%	2	39
9	Bangalow	Inner Regional	8%	6%	8%	9	20
10	Tumut	Inner Regional	5%	12%	10%	2	30
11	Scone	Inner Regional	4%	17%	11%	3	30
12	Leeton	Outer Regional	12%	13%	9%	2	52
13	Tumut Surrounds	Inner Regional	5%	12%	10%	3	13
14	Evans Head	Inner Regional	8%	6%	8%	3	10
15	Mittagong	Inner Regional	7%	4%	8%	6	46

a. This is the number of ECEC places for 6-12-year-olds in the SA2 at July 2023, based on NSW Department of Education QARS data.

Note: The list excludes 16 SA2s with less than 10 places. "CALD" refers to children from culturally and linguistically diverse backgrounds, "Indig" refers to Aboriginal and Torres Strait Islander children and "Disab" refers to children with disability/additional needs.

Source: Cth Department of Education CCS data, 2022 Community Preschool and NSW Government preschool censuses, NSW Department of Education QARS, July 2023, NSW Department of Planning and Environment Population Projections, ABS Census 2021, ABS, Disability, Ageing and Carers, Australia: Summary of Findings, 2018 and IPART analysis.

Appendix E >>

Affordability by SA2



E

The sections below set out the areas (SA2s) in Sydney and across NSW which are paying the highest median annual out-of-pocket costs for centre-based day care (CBDC), family day care (FDC) and outside school hours care (OSHC). Section E.2 sets out the areas where households on median incomes are paying the highest proportion of income on the different types of care.

We note that these are the costs for families with one child enrolled in early childhood education and care. As discussed in section 6.4.2, out-of-pocket costs for families with more than one child in ECEC represent a greater proportion of income.

E.1 Median annual out-of-pocket costs by service type and location

Table E.1 shows the areas within the Greater Sydney region with the highest median annual out-of-pocket costs for CBDC. It also shows the median yearly family income for households in these areas and the percentage of the median family income spent on CBDC.

As shown, within Greater Sydney, families paying the highest out of pocket fees for CBDC are concentrated in the northern and eastern parts of the city.

Table E.1 Highest centre-based day care out-of-pocket costs - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Crows Nest - Waverton	\$12,165	\$188,422	6%
Woollahra	\$12,025	\$237,338	5%
Rose Bay - Vaucluse - Watsons Bay	\$11,779	\$239,414	5%
Bondi Junction - Waverley	\$11,682	\$184,539	6%
Mosman - South	\$11,483	\$238,030	5%
Paddington - Moore Park	\$11,425	\$238,588	5%
North Sydney - Lavender Bay	\$11,159	\$197,947	6%
Cremorne - Cammeray	\$11,120	\$203,473	5%
Bondi - Tamarama - Bronte	\$11,029	\$197,018	6%
Bondi Beach - North Bondi	\$11,024	\$198,505	6%

Source: Cth Department of Education CCS data and IPART analysis

Table E.2 shows the areas across the rest of NSW (outside Greater Sydney) with the highest median annual out-of-pocket costs for CBDC. It also shows the median yearly family income for households in these areas and annual CBDC costs as a percentage of the median family income.

Outside of Greater Sydney, the areas with the highest median out-of-pockets costs are concentrated around Newcastle and Queanbeyan areas of NSW, however there are also SA2s listed here that are situated in Wollongong and East Lake Macquarie.

Table E.2 Highest centre-based day care out of pocket costs – Rest of NSW by SA2 (\$2021-22)

SA2 Name	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Merewether - The Junction	\$5,856	\$156,248	4%
Googong	\$5,630	\$179,135	3%
Queanbeyan - East	\$5,384	\$126,092	4%
Thirroul - Austinmer - Coalcliff	\$5,239	\$147,305	4%
Queanbeyan Surrounds	\$5,239	\$162,282	3%
Hamilton - Broadmeadow	\$5,215	\$124,055	4%
Adamstown - Kotara	\$5,144	\$131,678	4%
Lambton - New Lambton	\$5,093	\$129,080	4%
Redhead	\$5,093	\$138,946	4%
Valentine - Eleebana	\$4,878	\$130,481	4%

Source: Cth Department of Education CCS data and IPART analysis

A comparison of Table E.1 and Table E.2 reveals that the median annual costs of using CBDC are considerably lower outside of the Greater Sydney region. Families outside of the Greater Sydney region are likely to spend a lower proportion of their annual household income on using CBDC services than families using services within Greater Sydney.

Service fees are set to recover the costs of service delivery. The difference in out-of-pocket costs between Greater Sydney and the rest of NSW can be partially attributed to the higher rent and labour expenses in Greater Sydney which results in higher service fees. Furthermore, families residing within Greater Sydney typically have higher family incomes compared to rest of NSW, this increased capacity to pay is likely to attract higher service fees and out-of-pocket costs.

Table E.3 shows the SA2 areas within the Greater Sydney region with the highest median annual out-of-pocket costs for FDC. It also shows the median yearly family income for households in these areas and annual FDC costs as a percentage of the median family income. This table shows that similarly to CBDC in Greater Sydney, families spending the most on out-of-pocket costs are situated in the northern and eastern suburbs of the city.

Table E.3 Highest family day care out of pocket costs - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Maroubra - West	\$9,797	\$132,871	7%
Coogee - Clovelly	\$9,166	\$197,178	5%
Bondi Junction - Waverley	\$8,120	\$184,539	4%
Willoughby	\$8,073	\$188,988	4%
Double Bay - Darling Point	\$7,590	\$227,775	3%
South Coogee	\$6,934	\$190,864	4%
Bellevue Hill	\$6,593	\$234,126	3%
Neutral Bay - Kirribilli	\$6,363	\$192,355	3%
Mosman - South	\$6,189	\$238,030	3%
Matraville - Chifley	\$6,112	\$135,875	4%

Source: Cth Department of Education CCS data and IPART analysis

Table E.4 shows the areas across the rest of NSW (outside Greater Sydney) with the highest median annual out-of-pocket costs for FDC. It also shows the median annual family income for households in these areas and annual FDC costs as a percentage of the median family income. Table E.4 reflects a diverse range of SA2s.

Table E.4 Highest family day care out of pocket costs - Rest of NSW by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Byron Bay	\$3,196	\$108,716	3%
Wollongong - East	\$2,896	\$109,261	3%
Googong	\$2,891	\$179,135	2%
Culburra Beach	\$2,747	\$76,987	4%
Maryland - Fletcher - Minmi	\$2,563	\$121,321	2%
Thirroul - Austinmer - Coalcliff	\$2,545	\$147,305	2%
Coffs Harbour - South	\$2,517	\$81,071	3%
Moama	\$2,485	\$92,278	3%
Mittagong	\$2,427	\$110,391	2%
Yass Surrounds	\$2,424	\$152,139	2%

Source: Cth Department of Education CCS data and IPART analysis

A comparison between Table E.3 and Table E.4 shows that the out-of-pocket costs of using FDC services are significantly higher within Greater Sydney compared to the rest of New South Wales. Families in the Greater Sydney region are also spending a higher percentage of their income on FDC services, compared to that of the rest of New South Wales.

Table E.5 shows the areas within the Greater Sydney region with the highest median annual out-of-pocket costs for OSHC. It also shows the median yearly family income for households in these areas and the percentage of the median family income spent on OSHC.

The SA2s in this data reflect different parts of Sydney including in and around Crows Nest, Parramatta, and the inner city. Also, this table shows that families in Greater Sydney are spending less of their income on out-of-pocket costs on OSHC than when compared to CBDC or FDC. Table E.1 showed that families in Greater Sydney are spending approximately 5% to 6% of their income on out-of-pocket costs associated with CBDC, and Table E.3 reflects that families are spending approximately 3% to 7% for FDC out-of-pocket costs. Conversely, Table E.5 shows that families are only spending around 1% of their income on out-of-pocket costs associated with OSHC.

Table E.5 Highest outside school hours care out of pocket costs - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Crows Nest - Waverton	\$1,368	\$188,422	1%
North Sydney - Lavender Bay	\$1,303	\$197,947	1%
Pemulwuy - Greystanes (North)	\$1,298	\$133,199	1%
Leichhardt	\$1,273	\$184,319	1%
Winston Hills	\$1,266	\$140,080	1%
Acacia Gardens	\$1,187	\$146,065	1%
Newtown (NSW)	\$1,163	\$176,048	1%
Northmead	\$1,160	\$125,325	1%
Erskineville - Alexandria	\$1,158	\$191,873	1%
Petersham - Stanmore	\$1,135	\$170,225	1%

Source: Cth Department of Education CCS data and IPART analysis

Table E.6 shows the areas across the rest of NSW (outside Greater Sydney) with the highest median annual out-of-pocket costs for OSHC. It also shows the median yearly family income for households in these areas and the percentage of the median family income spent on OSHC. The data reflects a high amount of SA2s in both the Queanbeyan and Newcastle regions.

Table E.6 Highest outside school hours care out of pocket costs - Rest of NSW by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Queanbeyan Surrounds	\$1,293	\$162,282	1%
Queanbeyan - East	\$1,280	\$126,092	1%
Googong	\$1,162	\$179,135	1%
Narrabri	\$1,076	\$106,025	1%
Queanbeyan West - Jerrabomberra	\$1,024	\$173,190	1%
Karabar	\$944	\$122,030	1%
Queanbeyan	\$915	\$116,429	1%
Lambton - New Lambton	\$837	\$129,080	1%
Hamilton - Broadmeadow	\$799	\$124,055	1%
Tomerong - Wandandian - Woollamia	\$796	\$100,208	1%

Source: Cth Department of Education CCS data and IPART analysis

A comparison between Table E.5 and Table E.6 shows that the costs of using OSHC services are similar across Greater Sydney and the rest of NSW. Although the yearly out-of-pocket costs tend to be slightly higher in the Greater Sydney region, the median proportion of yearly family income spent on OSHC services is the same across the most expensive SA2 areas in Greater Sydney and the rest of NSW (1% of family income per year).

E.2 Areas paying the highest proportion of income for ECEC

Table E.7 shows the areas within the Greater Sydney region where households on median incomes pay the highest proportion of income for CBDC. These SA2s are mainly situated in the inner city, eastern suburbs, and the inner west of Greater Sydney.

In these areas, the median annual out-of-pocket cost for one child in CBDC represents a maximum of 7% of median household income. This data is similar to Table E.1, regarding a high representation of areas in Greater Sydney's northern and eastern suburbs.

Table E.7 Highest proportion of household income spent on centre-based day care - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Chippendale	\$8,647	\$119,971	7%
Sydney (South) - Haymarket	\$7,264	\$107,078	7%
Crows Nest - Waverton	\$12,165	\$188,422	6%
Kensington (NSW)	\$9,061	\$141,793	6%
Bondi Junction - Waverley	\$11,682	\$184,539	6%
Waterloo	\$8,719	\$139,935	6%
Maroubra - West	\$8,117	\$132,871	6%
Burwood (NSW)	\$5,899	\$97,760	6%
Ashfield - South	\$7,204	\$121,291	6%
North Ryde - East Ryde	\$9,149	\$155,096	6%

Source: Cth Department of Education CCS data and IPART analysis

Table E.8 shows the areas across the rest of New South Wales (outside Greater Sydney) where households on median incomes pay the highest proportion of income for CBDC. This data consists of several SA2s in the Tweed, Richmond Valley, and Port Macquarie regions of New South Wales. This differs to that of the SA2s outside Greater Sydney listed by highest out-of-pocket costs for CBDC in Table E.2, which showed more SA2s in Newcastle and Queanbeyan regions.

Table E.8 Highest proportion of household income spent on centre-based day care - Rest of NSW by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Tweed Heads South	\$3,229	\$70,799	5%
Anna Bay	\$3,724	\$81,733	5%
Ballina	\$3,702	\$81,271	5%
Tuncurry	\$2,637	\$59,128	4%
Stockton - Fullerton Cove	\$4,565	\$103,604	4%
Byron Bay	\$4,723	\$108,716	4%
Port Macquarie - West	\$3,460	\$80,115	4%
Banora Point	\$3,665	\$85,500	4%
Queanbeyan - East	\$5,384	\$126,092	4%
Port Macquarie - South	\$3,937	\$92,563	4%

Source: Cth Department of Education CCS data and IPART analysis

Table E.9 shows the areas within the Greater Sydney region where households on median incomes pay the highest proportion of income for FDC. This data is quite dispersed amongst areas of Greater Sydney, however there are multiple SA2s in Table E.9 that lie within the south-eastern suburbs of the city, similar to those listed by highest out-of-pocket cost in Table E.3.

Table E.9 Highest proportion of household income spent on family day care - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Maroubra - West	\$9,797	\$132,871	7%
Eastlakes	\$4,783	\$98,690	5%
Coogee - Clovelly	\$9,166	\$197,178	5%
Matraville - Chifley	\$6,112	\$135,875	4%
Warwick Farm	\$3,237	\$73,277	4%
Bondi Junction - Waverley	\$8,120	\$184,539	4%
Canterbury - South	\$4,620	\$106,728	4%
Willoughby	\$8,073	\$188,988	4%
Lurnea - Cartwright	\$2,943	\$69,875	4%
Fairfield	\$2,723	\$65,347	4%

Source: Cth Department of Education CCS data and IPART analysis

Table E.10 shows the areas across the rest of NSW (outside Greater Sydney) where households on median incomes pay the highest proportion of income for FDC. In this data, there are multiple SA2s in the Richmond Valley, South Coast, and Wollongong areas of New South Wales.

A comparison between Table E.9 and Table E.10 show us that families in Greater Sydney are paying significantly higher proportions of their yearly incomes than families in the rest of New South Wales. Table E.9 shows median income families outside of Greater Sydney are paying 2% to 4% of their income, whilst median income families in Greater Sydney are paying approximately 4% to 7%, on out-of-pocket costs associated with FDC.

Table E.10 Highest proportion of household income spent on family day care - Rest of NSW by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Culburra Beach	\$2,747	\$76,987	4%
Coffs Harbour - South	\$2,517	\$81,071	3%
Byron Bay	\$3,196	\$108,716	3%
Batemans Bay - South	\$2,217	\$75,554	3%
Batemans Bay	\$2,042	\$71,118	3%
Berkeley - Lake Heights - Cringila	\$2,216	\$79,857	3%
Moama	\$2,485	\$92,278	3%
Wollongong - East	\$2,896	\$109,261	3%
Port Kembla - Warrawong	\$1,926	\$76,549	3%
Mullumbimby	\$2,031	\$85,415	2%

Source: Cth Department of Education CCS data and IPART analysis

Table E.11 shows the areas within the Greater Sydney region where households on median incomes pay the highest proportion of income for OSHC. According to this data, SA2s in and around Parramatta are paying the highest percentages of their income on out-of-pocket costs associated with OSHC.

In comparison, Table E.5 (SA2s paying the highest OSHC out-of-pocket costs in Greater Sydney) included SA2s in and around Parramatta, but also included Crows Nest and inner city suburbs. Table E.11 shows a higher concentration of SA2s in and around Parramatta paying high percentages of their income on OSHC out-of-pocket costs.

Table E.11 Highest proportion of household income spent on outside school hours care - Greater Sydney by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Ashcroft - Busby - Miller	\$1,061	\$64,838	2%
Parramatta - South	\$1,078	\$106,997	1%
Campsie - South	\$751	\$75,933	1%
Pemulwuy - Greystanes (North)	\$1,298	\$133,199	1%
Greystanes - South	\$1,054	\$112,367	1%
Northmead	\$1,160	\$125,325	1%
Warwick Farm	\$674	\$73,277	1%
Wiley Park	\$629	\$69,151	1%
Winston Hills	\$1,266	\$140,080	1%
Colyton - Oxley Park	\$820	\$92,316	1%

Source: Cth Department of Education CCS data and IPART analysis

Table E.12 shows the areas across the rest of NSW (outside Greater Sydney) where households on median incomes pay the highest proportion of income for OSHC. Most of the SA2s displayed in this data are in the Queanbeyan region of New South Wales. This trend is similar to the data in Table E.6 showing SA2s outside of Greater Sydney paying the highest out-of-pocket costs for OSHC.

Table E.12 Highest proportion of household income spent on outside school hours care - Rest of NSW by SA2 (\$2021-22)

SA2	Median Yearly OOP Fees per Child	Median Yearly Family Income	Percentage of Income Spent
Sussex Inlet - Berrara	\$724	\$65,303	1%
Queanbeyan - East	\$1,280	\$126,092	1%
Narrabri	\$1,076	\$106,025	1%
Glen Innes	\$684	\$69,210	1%
Bulahdelah - Stroud	\$728	\$75,589	1%
Queanbeyan Surrounds	\$1,293	\$162,282	1%
Tomerong - Wandandian - Woollamia	\$796	\$100,208	1%
Queanbeyan	\$915	\$116,429	1%
Tea Gardens - Hawks Nest	\$517	\$65,823	1%
Karabar	\$944	\$122,030	1%

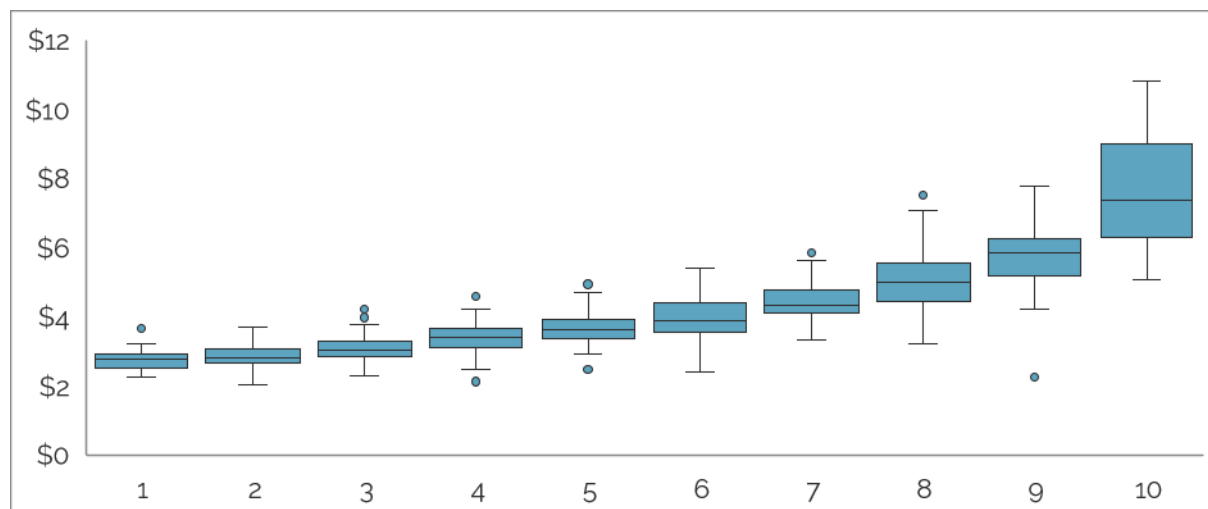
Source: Cth Department of Education CCS data and IPART analysis

E.3 Median out-of-pocket fees by SEIFA decile

The Figures below show the distribution of median hourly out-of-pocket fees per child for each SA2 grouped by the SEIFA decile of the SA2. The boxes show the interquartile range and represents the middle 50% of fees for that decile. The top of the box is the 75th percentile, the bottom of the box is the 25th percentile, and line across each box is the median. The length of the upper 'whisker' is the highest value that is no greater than the third quartile plus 1.5 times the interquartile range. The lower 'whisker' is the lowest value that is no less than the first quartile plus 1.5 times the interquartile range. Outliers beyond the 'whiskers' are shown as dots.

For most deciles we found relatively little variation in the hourly out-of-pocket fees per child for long day care, in SA2 areas of the same decile (Figure E.1). This was especially the case in the most disadvantaged deciles (1 being the most disadvantaged). We found the largest variation in the most advantaged areas (10 being the most advantaged). It also shows that median out-of-pocket costs increase with increasing advantage.

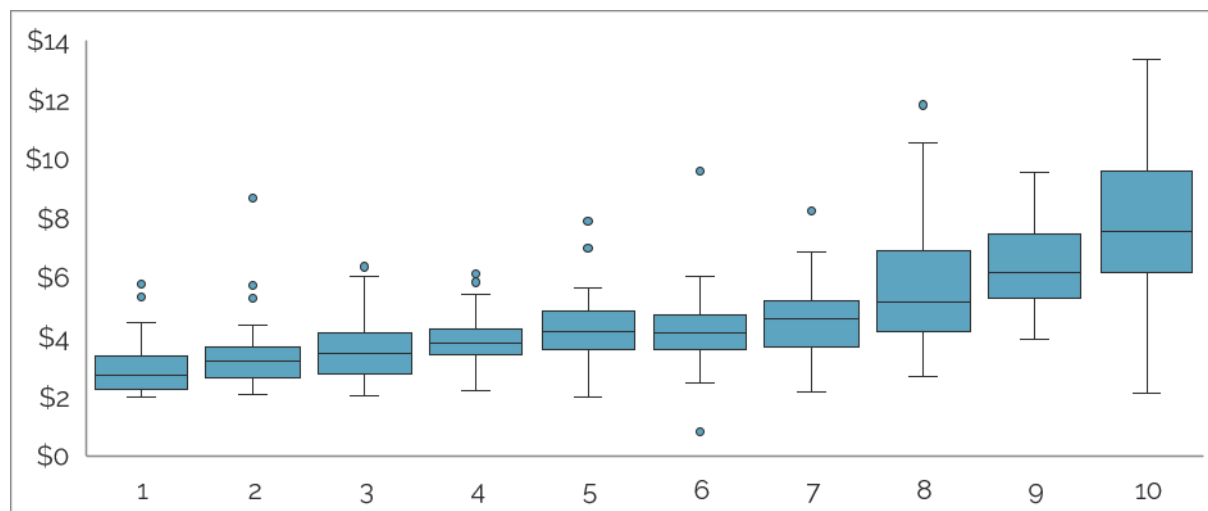
Figure E.1 SA2 median LDC out-of-pocket fee per child per hour by SEIFA decile



Source: ABS SEIFA IRSAD rankings, Cth Department of Education CCS data and IPART analysis

We found greater variation in the hourly out-of-pocket fees per child for family day care in areas of the same decile (Figure E.2), and more outliers. We also found relatively little variation in the median out-of-pocket fees for deciles 1-7.

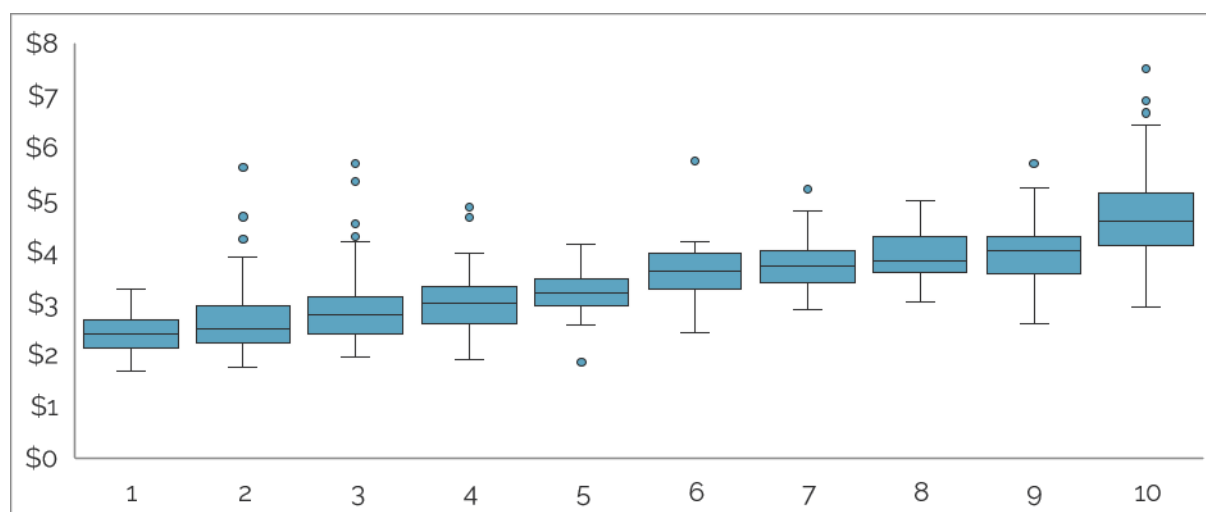
Figure E.2 SA2 median FDC out-of-pocket fee per child per hour by SEIFA decile



Source: ABS SEIFA IRSAD rankings, Cth Department of Education CCS data and IPART analysis

We found relatively little variation in the hourly out-of-pocket fees per child for outside school hours care, in areas of the same decile (Figure E.3). We did however find quite a few higher outliers, notably in areas of greater disadvantage (see deciles 2 to 4).

Figure E.3 SA2 median child OSHC out-of-pocket fee per hour by SEIFA decile



Source: ABS SEIFA IRSAD rankings, Cth Department of Education CCS data and IPART analysis

The Tables below show the out-of-pocket fees for long day care, family day care and OSHC services for the most disadvantaged SA2s in rest of NSW (outside Greater Sydney) and Greater Sydney regions. Both Tables are in order from most disadvantaged SA2s, in ascending order of the IRSAD score, where a low IRSAD score indicates relatively greater disadvantage and a lack of advantage. Please refer to Box 2.1 for more details on the IRSAD score.

As reflected in the Figures above, the variation of out-of-pocket fees were relatively small within the areas of greatest disadvantage in the rest of NSW with the median out-of-pocket fees per hour for each family ranging from \$2.30 to \$3.10. We found the largest variation in out-of-pocket fees were for family day care, where the median out-of-pocket fees per hour per child was between \$2.00 to \$3.80. The smallest variation was found in long day care where the median out-of-pocket fees per hour per child was between \$2.30 to \$3.20.

Table E.13 Out-of-pocket fees in areas of greatest disadvantage, Rest of NSW (SEIFA IRSAD) (\$2021-22)

Rest of NSW (SA2)	IRSAD score	Median OOP per hour per family	Median OOP per hour per child LDC	Median OOP per hour per child FDC	Median OOP per hour per child OSHC
Tamworth - West	810	\$2.60	\$2.60	\$2.70	\$1.70
Kempsey	845	\$2.30	\$2.30	\$2.00	\$1.90
Taree	861	\$2.50	\$2.60	\$3.80	\$1.80
Casino	862	\$2.90	\$2.90	\$3.00	\$2.10
Nambucca Heads	863	\$2.30	\$2.40	\$2.70	\$1.80
Beresfield - Hexham	863	\$2.50	\$2.60	\$2.60	\$1.90
Cessnock	869	\$2.90	\$2.80	\$3.30	\$2.40
Mount Hutton - Windale	869	\$2.90	\$2.70	\$3.60	\$2.50
Port Kembla - Warrawong	870	\$3.10	\$3.20	\$2.90	\$3.00
Raymond Terrace	872	\$2.50	\$2.40	\$2.70	\$2.30

Source: ABS, [Statistical Area Level 2, Indexes, SEIFA 2021](#), Index of Relative Socio-economic Advantage and Disadvantage, Cth Department of Education CCS data and IPART analysis.

We found lower variation in the median hourly out-of-pocket fees within the areas of greatest disadvantage in the Greater Sydney region compared to the rest of NSW. The median out-of-pocket fees per hour for each family ranged from \$2.40 to \$3.20. We note one outlier in the median out-of-pocket fees per hour per child in family day care, Lethbridge Park-Tregear, otherwise family day care had the smallest variation in out-of-pocket fees per hour per child ranging from \$2.20 to \$2.30.

Table E.14 Out-of-pocket fees in areas of greatest disadvantage in Greater Sydney (SEIFA IRSAD) (\$2021-22)

Greater Sydney (SA2)	IRSAD score	Median OOP per hour per family	Median OOP per hour per child LDC	Median OOP per hour per child FDC	Median OOP per hour per child OSHC
Ashcroft - Busby - Miller	778	\$2.40	\$2.30	\$2.20	\$2.20
Bidwill - Hebersham - Emerton	807	\$2.60	\$2.50	\$2.30	\$2.00
Fairfield	828	\$2.70	\$2.80	\$2.30	\$2.30
Cabramatta - Lansvale	832	\$2.80	\$2.90	\$2.20	\$2.20
Lurnea - Cartwright	835	\$2.50	\$2.40	\$2.30	\$2.90
Lethbridge Park - Tregear	861	\$3.20	\$3.20	\$3.60	\$2.80
Fairfield - East	861	\$2.50	\$2.50	\$2.20	\$2.50
Warwick Farm	862	\$2.70	\$2.70	\$2.20	\$2.10
Canley Vale - Canley Heights	864	\$3.00	\$3.10	\$2.20	\$2.60
Liverpool - West	867	\$2.40	\$2.50	\$2.20	\$2.10

Source: ABS, [Statistical Area Level 2, Indexes, SEIFA 2021](#), Index of Relative Socio-economic Advantage and Disadvantage, NSW Department of Education QARS, July 2023 and IPART analysis.

Appendix F

Data sources used in the IMMR



F

F.1 Data Sources

The data we have had access to for this review includes:

- Commonwealth Department of Education Child Care Subsidy (CCS) administrative data at child and service level
- NSW Department of Education data on 101 public schools with preschools
- Early childhood education and care educator award rate information from NSW Department of Education
- Early Childhood Education and Care National Workforce Census 2021 dataset
- 2022 Community Preschool and NSW Government preschool censuses
- ACECQA's National Quality Agenda IT System (NQAITS) data
- NSW Department of Education early childhood education and care program funding data
- ABS data
- NSW Department of Planning and Environment population projections
- NSW Productivity Commission survey data from their 'What Parents Want' project
- Service level data from large (with more than 40 services), medium (with 5 to 39 services) and small (with 1 to 4 services) sized providers of long day care and outside school hours care in NSW, including service costs and revenue
- Service level data from small (fewer than 5 services) and medium (5 to 30 services) providers of long day care, outside school hours care, preschool and family day care
- Community preschools' public financial reports.

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- ²⁹ Workshop 14 September 2023.
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- ³² ACCC, *Childcare Inquiry – June interim report*, June 2023, pp 53-55.
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