



IPART Independent
Pricing and Regulatory
Tribunal | NSW

Early childhood education and care
Independent Market Monitoring Review

Methodology paper

September 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

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Tuesday, 3 October 2023

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

Early childhood education and care - Independent Market Monitoring Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

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If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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1 Independent market monitoring review of early childhood education and care

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.¹ IPART has been commissioned to undertake the first review.

The CEOF Act requires the commissioned person (hereafter 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.²

The independent market monitor's findings must be set out in a report.³ The first report is due to the Minister for Education and Early Learning in December 2023.

The independent market monitoring review (IMMR) will guide the strategic investment plan to be developed by the Board of the Childcare and Economic Opportunity Fund (the Fund).⁴ As this is the first review, it will also provide a baseline against which to measure the progress of the Fund towards achieving its objectives in future.

In commissioning IPART to undertake the 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
- 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

- key legal, economic, planning or other barriers to the provision of childcare services.

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

This paper outlines our proposed methodology for the IMMR, and our proposed indicators and key performance indicators for the reporting tasks under our IMMR role.

1.1 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 will cover community and mobile preschool, family day care, long day care, NSW Department of Education preschool, occasional care, out of school hours care.

A report must include an estimate of the amount required to achieve the objective of the CEOF 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.⁵ 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 2024-2026.⁶

The independent market monitor will report on findings to the Minister for Education and Early Learning on the matters required under the CEOF Act.

1.2 We will share information with IPART's current review of early childhood education and care

Separate to the independent market monitor review, IPART is currently conducting a review of accessibility, affordability and consumer choice in the NSW early childhood education and care sector (hereafter, IPART ECEC Review).⁷

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 CEOF Act to inform the independent market monitoring report.⁸

Where possible data and information will be shared across both reviews, and findings from the extensive community and stakeholder consultation being undertaken as part of the IPART ECEC Review will be 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 (see Box 1.1 for details and timing of these). We are consulting regularly with the respective organisations conducting these reviews, to minimise the impact of information requests on the sector and share insights.

Box 1.1 Other reviews into early childhood education and care

IPART – Early childhood education and care affordability, accessibility and consumer choice (IPART's ECEC Review).

IPART is examining the factors that drive the supply of early childhood education and care services, as well as the barriers experienced by different groups in the community accessing services, as well as the affordability of services.

The review will estimate benchmark prices that can be used as a standard to measure and compare fees and recommend ways for the NSW Government to improve the affordability, accessibility and consumer choice of early childhood education and care services.

IPART released an Issues Paper in April 2023. The final report will be submitted to the Minister for Education and Early Learning in December 2023.

South Australia – Royal Commission into Early Childhood and Care, 2022-23

The South Australian Royal Commission is inquiring 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 an interim report in April 2023, and its final report in August 2023.

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. It is due to submit its final report to the Treasurer by 31 December 2023.

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 will release a draft report in November 2023, and provide a final report to the Australian Government in June 2024.

1.3 We are seeking feedback on our proposed methodology for the IMMR

This paper sets out our proposed methodology for reviewing the childcare sector market and preparing the IMMR report. It discusses the proposed indicators for assessing supply shortages, affordability and accessibility barriers, as well as the state of the workforce, pay and conditions and quality standards. Where possible, we have indicated the data sources we intend to use.

As well as providing guidance for the Board on the Fund's investment decisions, the IMMR will establish a baseline against which the Fund's progress towards its objectives can be assessed. We are seeking feedback on our proposed methodology and indicators, to ensure that the IMMR can meet these objectives.

We are seeking feedback on the questions below or other relevant matters until Tuesday 3 October 2023.

We are seeking feedback on the following:

1.	We seek your feedback on the dimensions proposed in Table 2.1 for reviewing aspects of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	7
2.	Are there gaps in the data collected for early childhood education and care services? If so, what are these and how can they be addressed?	7
3.	We seek your feedback on the dimensions proposed in Table 2.2 for reviewing the supply and demand for early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	8
4.	How should unmet demand for early childhood education and care services be measured?	10
5.	Should benchmarks for participation rates of children in early childhood education and care services be used as a measure of unmet demand? If so, what are these?	10
6.	How should a shortage of early childhood education and care services be defined? For example, should there be a target for the number of places available based on population? Or is a ratio of demand to supply more appropriate?	11
7.	We seek your feedback on the proposed indicators and KPIs for supply shortage in Table 2.3.	11
8.	We seek your feedback on the dimensions proposed in Table 2.4 for reviewing the affordability and accessibility of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	12
9.	We seek your feedback on the proposed indicators and KPIs to address affordability and accessibility in Table 2.5.	15
10.	We seek your feedback on the dimensions proposed in Table 2.6 for reviewing the early childhood education and care workforce in NSW. Are there others that should be considered? What are your views on the level of detail?	16

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| 11. | We seek your feedback on the proposed indicators and KPIs related to the early childhood education and care workforce in Table 2.7. | 17 |
| 12. | We seek your feedback on the dimensions proposed in Table 2.8 for reviewing the distribution of quality early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail? | 18 |
| 13. | We seek your feedback on the proposed indicators and KPIs related to the quality of early childhood education and care services in Table 2.9. | 19 |

2 Proposed methodology

The sections below set out our proposed methodology for reviewing the childcare sector market and preparing the IMMR report.

Each section deals with an aspect of the early childhood education and care sector:

- Supply
- Affordability
- Accessibility
- Workforce pay and conditions
- Quality.

For each aspect, we set out a table of the dimensions, or categories, we propose to measure, the sources of data for each dimension, and the level of detail at which we propose to analyse it. Dimensions for each aspect also include location, service type, provider type, age of children attending and the priority groups to be considered as set out in Table 2.1, along with the proposed level of detail for each of these.

Table 2.1 Dimensions to review aspects of early childhood education and care

Dimension	Detail	Data source
Location	<ul style="list-style-type: none"> • Remoteness category • Statistical Areas Level 2 (SA2) 	<ul style="list-style-type: none"> • ABS
Age of children attending	<ul style="list-style-type: none"> • 0-2 • 3-5 • 6-12 • 13+ 	<ul style="list-style-type: none"> • Cth DoE CCS • NSW DoE Preschool • Community Preschool Census
Service type	<ul style="list-style-type: none"> • Long day care • Family day care • Preschool – inc community and mobile and Dept of Education • Out-of-school-hours care (OSHC) 	<ul style="list-style-type: none"> • Cth DoE CCS • NQAITS • NSW DoE Preschool • Community Preschool Census
Provider type	<ul style="list-style-type: none"> • Profit • Non-profit • Government • School other 	<ul style="list-style-type: none"> • Cth DoE CCS • NQAITS • NSW DoE Preschool Data • Community Preschool Census
Priority groups^a	<ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander • Culturally and Linguistically Diverse communities (CALD) • Disability status • Socio-economic disadvantaged cohorts 	<ul style="list-style-type: none"> • Cth DoE CCS • NSW DoE Preschool • SEIFA Index of Relative Disadvantage • ABS Population • ABS Income distribution • Community Preschool Census

^a Note: these groups are not consistently identifiable in the data sources mentioned. Therefore, it will not be possible to provide information at the proposed level of detail in all cases.

Wherever possible, we will examine data by location at Statistical Areas Level 2 (SA2). SA2s represent a community that interacts socially and economically. SA2s have an average population of 10,000 persons, and range between 3,500 to 25,000 persons. NSW is made up of 644 SA2s.⁹

Examining data at this level will provide meaningful insights into the supply and demand for early childhood education and care services (hereafter also referred to as services) on a local community basis. It will however greatly increase the number of data points and interactions between dimensions to be considered. To manage this, we will display results in ranges, and will also identify and focus on the significant relationships between the different dimensions.

For each aspect, we set out a second table of proposed indicators which measure the relationships between different dimensions, key performance indicators and the calculation required to produce each indicator.

We will analyse data and report on the proposed indicators as at 2022-23 (where possible) as the basis for the first market monitoring report.

We are seeking feedback on all proposed dimensions, indicators and KPIs in this paper.

Although set out separately here, the different aspects of the early childhood education and care sector to be covered in the IMMR are interrelated and therefore will be considered together in making our findings.

The extent to which we will be able to make meaningful findings is limited by what data is collected and what we have access to. In undertaking the IMMR we intend to highlight any major data gaps and potential improvements for data collection in the future. We are interested in feedback on data gaps and potential data collection improvements too.

Seek Comments

1. We seek your feedback on the dimensions proposed in Table 2.1 for reviewing aspects of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?
2. Are there gaps in the data collected for early childhood education and care services? If so, what are these and how can they be addressed?

2.1 How we propose to identify where there are childcare supply shortages

We propose to consider the supply of and demand for early childhood education and care services across NSW, and potential future demand to identify where there are shortages of services, and which communities face the highest barriers of access, including affordability. This will enable policy and program planning to target areas and cohorts that are undersupplied with services. It will also allow solutions and future programs to be better targeted to address accessibility and affordability barriers, and to improve workforce participation.

2.1.1 Examine data on dimensions of supply

To establish where there may be shortages of childcare services and places, we will begin by examining the supply of services, approved places and vacancies (where data is available) in NSW.

Availability of places will be considered in terms of approved places^b, with a capacity multiplier applied to account for the fact that several children may utilise one place over the course of a week. The capacity multiplier will vary for different ages (as younger children tend to attend fewer days), as well as service types to account for the weeks of operation per year and number of enrolled days.

In addition to the dimensions described in Table 2.1 regarding location, service type, provider type, age of child and priority groups, Table 2.2 sets out how we will review the supply of and demand for services and places.

Table 2.2 Dimensions to review supply of and demand for services and places

Dimension	Detail	Data sources
Services	<ul style="list-style-type: none"> Location 	<ul style="list-style-type: none"> NQAITS
Places	<ul style="list-style-type: none"> Number of places with capacity multiplier applied 	<ul style="list-style-type: none"> NQAITS
Vacancies	<ul style="list-style-type: none"> Number of vacancies 	<ul style="list-style-type: none"> Care for Kids
Population	<ul style="list-style-type: none"> Age (5-year bands) 	<ul style="list-style-type: none"> ABS Population
Population projections	<ul style="list-style-type: none"> Age (5-year bands) 	<ul style="list-style-type: none"> NSW Department of Planning population projections

We are seeking comments



3. We seek your feedback on the dimensions proposed in Table 2.2 for reviewing the supply and demand for early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

2.1.2 Calculate indicators for supply of services

We will review the supply of ECEC services, approved places and vacancies (where data is available) in NSW by location, service and provider type and by priority group as detailed in Table 2.2.

We will also consider the relationships between dimensions, for example whether certain service types are more likely to be in regional and remote areas or if there are any variations in the services and places available to different priority groups.

^b We note that approved places is the maximum capacity, and actual capacity is likely to be lower.

To understand recent changes in market structure we will examine how and where the supply of services and places has changed over the previous 5 years.

2.1.3 Review the market for early childhood education and care services

In considering the supply of services, we will review the market providers are operating in and build on work from IPART's ECEC Review. This will include consideration of:

- Market trends including recent shifts in market structure, reviewing how the supply of services may have changed over the previous 5 years, including any changes pre- and post-the COVID-19 pandemic.
- The costs to providers of delivering services, including a breakdown of cost drivers. To do this, the IMMR will include the cost benchmarks being developed as part of IPART's ECEC Review.
- The key legal, economic, and planning barriers to provision of services including analysis of the costs associated with local council planning approval and meeting quality standards regulations.
- Market size and the potential for growth in services, and any barriers to increasing supply related to location and viable service size.
- The structure of the market for services, including the competitive landscape of the market.
- Opportunities for strategic partnerships with the major childcare sector stakeholders, including the potential for stronger collaboration and strategic use of resources.

2.1.4 Estimate the demand for early childhood education and care services

We will estimate current and future demand for services by considering:

- the number of children currently using these services and the availability of places (vacancies) by location, age and demographics
- current unmet demand based on population, benchmarks for rates of enrolment in services, and waiting list data where available
- the current and projected population of children by age and location
- how demand for services varies amongst different groups in the community (which may be due to accessibility barriers or decisions not to use services).

Estimating the level of unmet demand for services is complex. As mentioned in the above list, we will consider a range of information, including population, waiting lists, and any benchmarks or targets for the proportion of children participating in early childhood education and care, for example targets for preschool participation.

We note that waiting list data can potentially overstate demand for services, for example, if families join multiple waiting lists, and lists are not kept up to date to remove families who no longer require a place. However, they can still provide useful information on where there is likely to be a shortage of places. We do not currently have data on waiting lists, and it is not collected centrally. Once we have identified areas experiencing a shortage of services, we could request this information from the relevant service providers.

The recent survey undertaken by the NSW Productivity Commission, [Childcare choices: What parents want](#) provides information on parental preferences, including those who do not use early childhood education and care service. We will review its findings when considering trends in parents' and carers' behaviour, and drivers of demand.

We will also use findings about demand from IPART's ECEC review including feedback received during stakeholder consultation, Have Your Say survey and written submissions.

We are seeking comments

4. How should unmet demand for early childhood education and care services be measured?
5. Should benchmarks for participation rates of children in early childhood education and care services be used as a measure of unmet demand? If so, what are these?

2.1.5 Model supply and demand for early childhood education and care

The Department has built a model to provide a relative estimate of supply and demand for services across NSW. The model currently captures supply provided by long day care and preschools (community and Department of Education), and a subset of Family Day Care educators. It considers demand as the total number of children aged 0-5 enrolled in a service, plus an estimate of unmet demand. It does not currently include data for out-of-school hours care.

As part of the IMMR we intend to use the Department's model to further examine which areas are likely to be experiencing a shortage of services. By incorporating the additional data sources we have access to, we will be able to expand the service types covered by the model, test its assumptions and validate its logic and outputs.

2.1.6 Define and identify supply shortages in early childhood education and care services

We will develop indicators to define and identify supply shortages in services, by building on information in IPART's ECEC Review, and current research. We note that the Department's model considers a demand-supply ratio above 1.1 to represent an undersupply and that the Mitchell Institute considers more than 3 children per place to be a 'childcare desert'.¹⁰ We could also consider undersupply in relative terms – for example, that places per child be within a certain range of the median for locations (by SA2). We are seeking feedback on how a shortage of early childhood education and care services should be measured.

We will use NSW Department of Planning's [population projections](#) to predict future demand and identify areas likely to experience shortages in the future.

Table 2.3 includes proposed indicators and KPIs for assessing improvements in the supply of services.

Table 2.3 Proposed indicators and KPIs for supply of early childhood education and care services

Key performance indicator	Indicator	Calculation
Reduce the number of regions identified as undersupplied.	The number of local areas (SA2) with a demand-supply ratio higher than 1.1	Number of local areas (SA2) with a demand-supply ratio higher than 1.1 based on model output.
Increase in number of places per child of relevant age by service type in SA2s identified as under-served	Number of places per child of relevant age by service type and location	Map distribution of places per head of population by service type and location (SA2).
Increase in number of places per child of relevant age by service type in remoteness classifications identified as under-served	Number of places per child of relevant age by service type and location	Chart distribution of places per head of population by service type and location (remoteness).
Increase in number of services in areas identified as under-served	Number of services by service type and provider type and location	Chart distribution of services by service type and provider type and location (remoteness)
Increase in number of places in areas of relative disadvantage	Number of places by service type and provider type and SEIFA Index of Relative Disadvantage decile	Chart distribution of places by service type and provider type and location (remoteness) and SEIFA Index of Relative Disadvantage decile

We are seeking comments

6. How should a shortage of early childhood education and care services be defined? For example, should there be a target for the number of places available based on population? Or is a ratio of demand to supply more appropriate?
7. We seek your feedback on the proposed indicators and KPIs for supply shortage in Table 2.3.

2.2 How we propose to review the affordability and accessibility of childcare

The independent market monitor is also required 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.¹¹

This will involve examining how out-of-pocket costs and aspects of accessibility impact on different priority groups and how these barriers vary by location, service or provider type. We will also examine how workforce participation and hours worked of parents and carers is impacted by the accessibility and affordability of services for their children.

2.2.1 Examine data on dimensions of affordability and accessibility

In addition to the dimensions described in Table 2.1 regarding location, service type, provider type, age of child and priority groups, Table 2.4 sets out the dimensions across which we will review the affordability and accessibility of services.

Table 2.4 Dimensions to review affordability and accessibility of early childhood education and care services

Dimension	Detail	Data sources
Expenditure	<ul style="list-style-type: none"> • Out-of-pocket costs • CCS • % of income spent on services 	<ul style="list-style-type: none"> • Cth DoE CCS • NQAITS • NSW DoE Preschool Data • HILDA • Care for Kids
Prices	<ul style="list-style-type: none"> • Price schedule 	<ul style="list-style-type: none"> • Cth DoE CCS • Care for Kids • IPART benchmark prices

Subject to data availability, we will also review the frequency with which services change their fees, and the extent to which families are paying additional ad hoc charges across different service and provider types. We note this data is not currently collected centrally.

Similarly, there are challenges with identifying the fees paid by priority groups. As a proxy, we propose to examine the fees paid for services which have a high proportion of children from priority groups.

We are seeking comments



8. We seek your feedback on the dimensions proposed in Table 2.4 for reviewing the affordability and accessibility of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

2.2.2 Assess the impact of affordability on usage of services and workforce participation

We propose to consider the affordability of services in terms of the percentage of income households in the lower income deciles spend on early childhood education and care services. This is similar to how housing affordability is assessed, where the threshold for affordability is widely accepted to be that housing should cost no more than 30% of a household's gross income for those in the lowest 40% of Australia's income distribution.¹² We will also consider how affordability may have changed over recent years.

Following the [Women's Economic Opportunities Review](#) and its [recommendations](#), NSW Treasury and the NSW Productivity Commission have published several papers (see Box 2.1), focussed on the interaction between the workforce participation of women and primary carers and the costs and accessibility of early childhood education and care.

Box 2.1 Early childhood education and care and workforce participation

NSW Productivity Commission – [Childcare choices: what parents want](#), July 2023

Findings from a survey of 2,000 parents and carers in NSW about the policy options they value most and the relative importance of various barriers to accessing early childhood education and care services.

NSW Productivity Commission – [Early childcare costs and workforce participation](#), June 2022

The paper estimates the impact of a percentage increase in childcare prices on labour force participation and the average number of hours worked.

Note: this models the relationship between the cost of early childcare and labour force participation using pre-subsidy childcare prices, (rather than the out-of-pocket cost to parents and carers) and is specific to the childcare subsidy settings from 2009 to 2020. Therefore, changes to the childcare subsidies since 2020 are likely to result in different elasticity estimates.¹³

NSW Treasury – [Women's economic opportunities in the NSW labour market and the impact of early childhood education and care](#), June 2022

The paper models the impact of policy measures on women's labour market outcomes, specifically those that increase the availability, affordability and accessibility of early childhood education and care services. It provides an indication of the workforce disincentive rate using 3 cameo households (low, medium and high).

One aspect of this is the workforce disincentive rate which quantifies the financial barrier to workforce participation imposed by affordability and/or accessibility barriers to early childhood education and care services. Compounded by the tax and transfer system, it is the point at which someone is no better off working an additional hour. It can be measured as a percentage of additional disposable income that is spent on services given an additional hour of work for the secondary income earner/primary care giver, combined with the increased taxation payable and potential decrease in Commonwealth Government payments such as Family Tax Benefits A and B. NSW Treasury's paper on the women's economic opportunities in the labour market, provides an indication of the workforce disincentive rate for various household types.¹⁴

Consideration of the marginal costs and benefits to families of additional hours or days of early childhood education and care is one factor for policy makers, including the Board of the Fund, to consider in designing programs and policy responses aimed at reducing affordability barriers. As part of the IMMR we will build on NSW Treasury's work by estimating the workforce disincentive rates for households in different locations, using income data for areas, as well as current rates for the childcare subsidy, taxes and transfer payments.

2.2.3 Assess the impact of accessibility on usage of services and workforce participation

As discussed above, affordability is one aspect of accessibility. IPART's ECEC Review is considering accessibility in terms of:

- **Time and place** – is there enough care at the times and locations to suit families' needs?
- **Information** – do families have sufficient information to make informed decisions?
- **Affordability** – can families afford available services?
- **Inclusion** – are there services that reflect the family's culture, values and aspirations? And do services cater for the physical or other needs of a child or family?
- **Non-discrimination** – are families being excluded from services because of race, disability or additional needs, gender, sexuality?¹⁵

We will draw on the findings from the extensive consultation undertaken as part of IPART's ECEC Review, to understand consumer preferences and identify areas and cohorts that may experience higher accessibility barriers. We will consider whether affordability, or another aspect of accessibility to services, is the greatest barrier to workforce participation in NSW.

Table 2.5 sets out the proposed indicators for assessing improvements in the affordability and accessibility of services.

Table 2.5 Proposed indicators for addressing affordability and accessibility

Key performance indicators	Indicator	Calculation
Affordability – reduced net childcare costs for households identified as priorities	Out-of-pocket costs	<ul style="list-style-type: none"> • (Fee charged – Child Care Subsidy)/hours enrolled
Accessibility – Improved access through increasing supply of places in areas identified as needing support	Number of places	<ul style="list-style-type: none"> • Count of available places
Parental Workforce Participation – Increase parental workforce participation	Labour force participation	<ul style="list-style-type: none"> • Number of parents working or looking for work/Number of parents (for women and men separately)
Accessibility – Increased participation in services by children from households identified as priorities	Enrolment in services by children from households identified as priorities	<ul style="list-style-type: none"> • Number of children enrolled from households identified as priorities/population; and/or • Number of children enrolled from households identified as priorities/representative population
Accessibility – Increased participation in services by children in regional and remote NSW	Enrolment in services by children in regional and remote NSW	<ul style="list-style-type: none"> • Number of children enrolled from regional and remote NSW/population; and/or • Number of children enrolled from regional and remote NSW/total enrolments in NSW

We are seeking comments



9. We seek your feedback on the proposed indicators and KPIs to address affordability and accessibility in Table 2.5.

2.3 How we propose to review the state of the childcare sector

The independent market monitor is also required to review the state of the childcare sector including the workforce, pay and conditions, and quality standards in the childcare sector.¹⁶ The sections below discuss how we propose to do this, and possible indicators to assess progress.

2.3.1 Examine data on dimensions of 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 Early Childhood Education and Care National Workforce Census (Workforce Census) undertaken by the Commonwealth Department of Education and conducted every 3 years,^c provides comprehensive information on the early childhood education and care workforce. We propose to use the data from the 2021 Workforce Census to review the workforce profile against the dimensions in Table 2.6, as well as those described in Table 2.1 regarding location, service type, provider type and priority groups. This information will assist policy makers understand the workforce profile across NSW, including its demographics, the number and level of qualifications, and tenure in the sector.

^c 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.

Table 2.6 Dimensions for reviewing the early childhood education and care workforce in NSW

Dimension	Detail	Data sources
Workforce characteristics	<ul style="list-style-type: none"> • Age • Gender • Qualifications • Training relevant to priority groups • Length of tenure^d • Years of experience in ECEC • Continuing study and Professional development 	<ul style="list-style-type: none"> • Cth DoE CCS • Cth DoE NWC
Employment type	<ul style="list-style-type: none"> • Permanent – FT • Permanent – PT • Fixed term contract • Casual FT • Casual PT • Hours worked 	<ul style="list-style-type: none"> • Cth DoE CCS • Cth DoE NWC
Pay	<ul style="list-style-type: none"> • Award • 10% above award • 10-25% above award • >25% above award 	<ul style="list-style-type: none"> • Cth DoE CCS • Cth DoE NWC
Weekly Wage	<ul style="list-style-type: none"> • By \$ range 	<ul style="list-style-type: none"> • Cth DoE CCS • Cth DoE NWC

We are seeking comments



10. We seek your feedback on the dimensions proposed in Table 2.6 for reviewing the early childhood education and care workforce in NSW. Are there others that should be considered? What are your views on the level of detail?

2.3.2 Assess the state of the early childhood education and care workforce

We will review the level of pay by location, service, employment type and position. However, we will not be assessing the adequacy of pay or conditions as part of this review. As noted, the pay of the workforce influences the ability of the industry to attract and retain educators, and consequently maintain and increase the supply of services and places.

We will also review the distribution of conditions for early childhood education and care workers including the hours worked, employment terms, level of responsibilities and access to study, training and professional development. Consultation feedback and findings from IPART's ECEC Review will also provide rich contextual information about the issues faced by the workforce and how these impact the growth potential of early childhood education and care services.

We will investigate whether there is an observable correlation between areas experiencing a shortage of services and the pay and conditions of its workforce.

Table 2.7 sets out the proposed indicators and calculations for assessing the state of the early childhood education and care workforce.

^d Note tenure reflects time in current service, not time in early childhood education and care services.

Table 2.7 Proposed indicators for the early childhood education and care workforce

Key performance indicator	Indicator	Calculation
Increase in the number of students or workers becoming qualified educators	<ul style="list-style-type: none"> Completion rate of students studying to be educators and entering sector 	<ul style="list-style-type: none"> Number of people completing studies to become qualified educators
Increase in the number of qualified educators working in the ECEC Sector	<ul style="list-style-type: none"> Percentage of Certificate III qualified staff working in the ECEC sector Number of educators per child 	<ul style="list-style-type: none"> Attraction rate - the ratio of the number of new ECEC educators over the currently employed ECEC educators Retention rate - the proportion of ECEC qualified workers remaining in the sector over a period. The attrition rate is the inverse of the retention rate Number of educators/number of children in population
Identified gaps in training and qualifications are addressed	<ul style="list-style-type: none"> Identified gaps in training and qualifications 	<ul style="list-style-type: none"> Number studying or training in identified areas
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 	<ul style="list-style-type: none"> Average length of tenure across the ECEC workforce Percentage of permanent staff in ECEC workforce Percentage of staff retained compared to previous period
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

We are seeking comments



11. We seek your feedback on the proposed indicators and KPIs related to the early childhood education and care workforce in Table 2.7.

2.3.3 Examine data on dimensions of quality early childhood education and care services

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.

In undertaking the IMMR we are also required to review the distribution of quality services across provider and service types and geographic areas. We will also examine whether there are correlations between the quality of an early childhood education and care service and its location, delivery model or the community it is serving. This will enable the NSW Government to design strategies and programs to improve service quality ratings, particularly for priority cohorts. However, we will not be reviewing the rating and assessment system.

We will also review whether there are any observable relationships between the level of staff retention and the pay and conditions of a service and its quality rating. In addition to the dimensions described in Table 2.1 regarding location, service type, provider type, and priority groups, Table 2.8 sets out how we will consider the distribution of quality services.

Table 2.8 Dimensions to review the distribution of quality early childhood education and care services

Dimension	Detail	Data sources
Quality rating of service	Significant improvement required <ul style="list-style-type: none"> Working towards Meeting Exceeding 	<ul style="list-style-type: none"> NQAITS
Service profile	<ul style="list-style-type: none"> Staff retention Staff qualifications Staff employment type 	<ul style="list-style-type: none"> NQAITS Cth DoE CCS Cth DoE NWC

We are seeking comments



12. We seek your feedback on the dimensions proposed in Table 2.8 for reviewing the distribution of quality early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?

2.3.4 Assess the quality distribution of the early childhood education and care sector

As quality standards are regulated through the NQF, we are not reviewing the quality standards themselves, but using the distribution of quality ratings as an indicator of the availability of quality early childhood education and care across NSW.

Table 2.9 sets out our proposed indicators and KPIs for a high-quality early childhood education and care sector.

Table 2.9 Proposed indicators for a high-quality early childhood education and care sector

KPI	Indicator	Calculation
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
More qualified staff per child	Number of educators per child (note ACECQA requirement for 50% of educators per service to have a diploma or higher)	number of staff per qualification level/total number of staff (for certificate I-IV, diploma, degree, post-graduate degree)
Improved quality ratings, particularly for ECEC services delivering services to priority groups	Percentage of services at each quality rating by service type, provider type and location	Number of services at a quality rating/total number of services
A more even distribution of quality ratings for ECEC services across locations and/or service types	Percentage of services at each quality rating by service type, provider type and location	Number of services at a quality rating/total number of services

We are seeking comments



13. We seek your feedback on the proposed indicators and KPIs related to the quality of early childhood education and care services in Table 2.9.

Appendices

A Childcare and Economic Opportunity Fund: Independent Market Monitoring Review 2023

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.

<p>Background</p>	<p>Overview</p> <p>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 <i>Childcare and Economic Opportunity Fund Act 2022</i> (the Act).</p> <p>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.</p> <p>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.</p> <p>Appointment</p> <p>The Minister appoints the commissioned person. The Minister can change the commissioned person between review cycles.</p> <p>Capability</p> <p>The commissioned person must be independent from the Board and have the expertise prescribed by the Regulations.</p> <p>Public release</p> <p>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</p>
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	<p>Minister (Report). The Report must be tabled in each House of Parliament with the annual report tabled under section 22 of the Act.</p> <p>Frequency</p> <p>The Review and Report must be prepared every 2 years or other period prescribed by regulations.</p>
<p>Legislative requirement</p>	<p>Section 5(1) of the Act provides that the Review will examine the NSW childcare sector market, including:</p> <ul style="list-style-type: none"> a. Areas where the commissioned person considers: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> i workforce ii pay and conditions iii quality standards in the childcare sector. <p>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.</p> <p>Out of scope for 2023 Report</p> <p>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.</p> <p>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.</p>
<p>Objectives</p>	<p>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.</p> <p>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:</p>

	<ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> – 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. <p>The Review should consider information on:</p> <ol style="list-style-type: none"> 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.
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<p>Commissioned person powers</p>	<p>As per section 7 of the Act, the commissioned person may require another person to give information and answer questions. Specifically:</p> <ol style="list-style-type: none"> 1. A commissioned person may require another person to: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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, and 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: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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.
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	<p>6. Persons who may be required to give information or to answer questions under section 7 include the following:</p> <ol style="list-style-type: none"> 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	<p>Proposed Review milestones leading up to 30 December 2023:</p> <ul style="list-style-type: none"> – 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.
Resources	<p>Payment of \$300,000 will be made to the commissioned person following completion of the Review.</p>
Reporting	<p>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.</p> <p>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.</p> <p>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.</p>
Reviewer qualifications	<p>The commissioned person must:</p> <ol style="list-style-type: none"> a. be independent from the Board, and b. have the expertise prescribed by the regulations.
Consultation	<p>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.</p>

B Acronyms

Table B.1 Acronyms used in this paper

Acronym	Explanation
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACECQA	Australian Children's Education and Care Quality Authority
CCS	Childcare 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
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
NQA ITS	National Quality Agenda Information Technology System
NSW DoE	NSW Department of Education
NQF	National Quality Framework
NWC	National Workforce Census
OSHC	Out-of-school hours care
SA2	Statistical Areas Level 2
SEIFA	Socio-Economic Indexes for Areas

¹ *Childcare and Economic Opportunity Fund Act 2022*, ss 5(1) and 5(3)(a), accessed 21 July 2023.

² *Childcare and Economic Opportunity Fund Act 2022*, s 5(1), accessed 21 July 2023.

³ *Childcare and Economic Opportunity Fund Act 2022*, s 5(2)(a), accessed 21 July 2023.

⁴ *Childcare and Economic Opportunity Fund Act 2022*, s 13(2)(a), accessed 21 July 2023.

⁵ *Childcare and Economic Opportunity Fund Act 2022*, s 6(1), accessed 21 July 2023.

⁶ *Childcare and Economic Opportunity Fund Act 2022*, ss 6(3) and 18, accessed 21 July 2023.

⁷ The review of accessibility, affordability and consumer choice in the NSW early childhood education and care sector is being conducted under section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*

⁸ *Terms of Reference for review of NSW early childhood education and care affordability, accessibility and consumer choice*, p 2, accessed 23 August 2023.

⁹ Australian Bureau of Statistics (ABS), *Australian Statistical Geography Standard (SGS) Edition 3– Statistical Area Level 2 (SA2)*; and ABS, *Main Structure and Greater Capital City Statistical Areas*, accessed 10 August 2023.

¹⁰ Hurley, P., Matthews, H., & Pennicuik, S., *Deserts and oases: How accessible is childcare?* Mitchell Institute, Victoria University, p 4, accessed 28 July 2023.

¹¹ *Childcare and Economic Opportunity Fund Act 2022*, s 5(1)(a)(ii), accessed 21 July 2023.

¹² See for example, ABS, *Housing Affordability*, released 28 April 2022, accessed 11 August 2023.

¹³ NSW Productivity Commission, *Early Childcare Costs and Labour Force Participation*, Technical Research paper, June 2022, p 2, accessed 2 August 2023.

¹⁴ NSW Treasury, *Women's economic opportunities in the NSW labour market and the impact of early childhood education and care*, June 2022, pp 31–32, accessed 13 August 2023.

¹⁵ IPART, *Review of early childhood education and care - Issues paper*, April 2023, p 10.

¹⁶ *Childcare and Economic Opportunity Fund Act 2022*, s 5(1)(b), accessed 21 July 2023.

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