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Ms Carmel Donnelly PSM
Chair
Early childhood education and care - Independent Market Monitoring Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
Sydney NSW 1240

Dear Ms Donnelly,

The City of Sydney welcomes the opportunity to provide a submission on the proposed methodology supporting the Independent Market Monitoring Review (IMMR) of the Early Childhood Education and Care sector undertaken by the Independent Pricing and Regulatory Tribunal (IPART).

The City of Sydney is committed to being a socially just and resilient city that provides opportunities for all, and we note the integral role of accessible and affordable early childhood education and care for an inclusive Sydney.

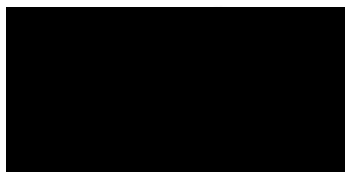
The City has previously provided a submission to IPART on the terms of reference for the review of accessibility, affordability and consumer choice in the NSW early childhood education and care sector, and we look forward to the findings from this review.

As a strategic planner and provider of early education and care services, the City of Sydney regularly undertakes its own childcare needs analysis, to monitor supply and demand, quality and any other opportunities or challenges for early childhood education and care in our local government area.

Please find enclosed the City's feedback and suggestions on the IMMR methodology paper.

We thank you for your consideration of this feedback and we look forward to the outcomes of this review.

Yours sincerely



Emma Rigney, Acting Chief Executive Officer

City of Sydney submission – IPART ECEC Independent Market Monitoring Review (IMMR)

1. We seek your feedback on the dimensions proposed in Table 2.1 for reviewing aspects of early childhood education and care (ECEC) services in NSW. Are there others that should be considered? What are your views on the level of detail?

We have reviewed the dimensions presented in Table 2.1 and have the following comments:

Location

The IMMR will be invaluable to the City of Sydney (the City) by offering current data on the supply and demand for early education and care (ECEC) services in New South Wales. We welcome the inclusion of granular data being made available at Statistical Area Level 2 as this will assist the City in understanding the geographic differences in demand and supply to inform planning outcomes at a local level.

Age of children

We welcome the need to understand differences in attendance patterns by age of children. In addition, the age dimension should consider how demand for ECEC varies by age cohort and service type such as pre-school versus long day care in the 3-5 age group.

Service Types

We welcome the inclusion of family day care among the services under examination. It is worth noting there is only a small number of family day care services operating in the City of Sydney LGA and we understand this service may be attractive to some families seeking care in smaller settings, particularly for children under the age of two.

Furthermore, we would like to propose the consideration of occasional care as another service type to understand the demand for this type of service and how it could meet the needs of families who require more flexible care arrangements.

Provider Types

We propose IPART consider aligning the provider types as defined by the Australian Children's Education and Care Quality Authority (ACECQA) as follows:

- 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

Aligning with ACECQA's provider types will enable a standardised and consistent approach to data collection to enable comparable analysis and reporting.

Priority Groups

We propose that IPART consider expanding the scope beyond the proposed priority groups and explore the inclusion of the following:

- **Essential workers**

Essential workers can be subject to shift or rostered based work and may require ECEC service that can flexibly respond to their current work arrangements. Including essential workers as a priority group will provide a better understanding of their needs and identify any barriers to accessing care.

- **LGBTQIA+ families**

LGBTQIA+ families can encounter hurdles when trying to access early education and care services for their children. These families may face discrimination or feel unsafe when utilising certain care and educational facilities, and this can pose significant challenges, especially in regions with limited care options or areas where demand exceeds supply. Expanding the scope of priority groups to encompass LGBTQIA+ families can yield valuable insights into how to offer support for this priority group.

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?

Data Alignment

We would like to request that data is aligned at a Local Government Area level to facilitate local councils' social planning and social infrastructure planning efforts.

Data Gaps

As a global city with a Central Business District (CBD), it is important to understand differences in demand for childcare services located near place of work relative to place of residence. We would welcome any data that helps understand worker driven demand from people commuting to key employment centres such as the Sydney CBD, and the drivers of choice when accessing ECEC close to work.

We also request IPART consider investigating the enrolment of children in priority groups based on the provider type. Children with disabilities often require extra support and resources to facilitate their participation in an education and care program that addresses their unique and diverse needs. The expenses associated with supporting children with disabilities often surpass the funding allocations provided by both the NSW State Government's Disability Inclusion Program and the Australian Government's Inclusion Support Subsidy. Many families, who have a child with disability encounter challenges when searching for a provider willing to enrol the child, primarily due to the associated out-of-pocket costs for the provider. This data will offer additional insights into the enrolments of children with disability across different provider types, enabling governments to make well-informed decisions regarding the distribution of funding allocations.

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?

We have reviewed the dimensions presented in Table 2.2 and have the following comments:

Places

It is critical to understand supply and demand of ECEC places in relation to narrower age bands (0-2 years, 2-3 years and 3-5 years) and by service type. The proposal to use five-year age bands when looking at current and future population to understand demand for ECEC places is inadequate. Demand for different service types can vary for babies, toddlers, and preschoolers. Key policy changes such as the introduction of the Start Strong Fee Relief payments is also likely to have impacted demand for care within the preschools rather than long day care even though families using long day care are now eligible for fee relief through the state government's funding program. Examining supply and demand in relation to narrower age bands can provide valuable insights into preferences regarding service types for two distinct age groups: children under two years old and those over two years old. Family day care may be perceived as a preferred choice for children under the age of two, given its potential as a more cost-effective option for childcare within this age group.

Whilst we agree with IPART's approach that availability of places considers a capacity multiplier, we believe that using approved places to determine availability is problematic. The City is aware that some services may cap the number of places or not utilise their full allocation of approved places due to shortages of educators, which can potentially restrict supply. Analysing data based on approved places and not taking into consideration capping of places can potentially distort our understanding of the real quantum of supply of ECEC places. In the past, the City sought information from providers via a dedicated survey where centres provided information on the number of operational places as distinct from approved places. We would welcome a review of the dimensions to consider the rate and scale of capping when determining supply.

Vacancies

We recommend the Starting Blocks website (<https://www.startingblocks.gov.au>) is used as a data source to inform vacancy rates as it provides comprehensive coverage of vacancy information for all centres across Australia.

We also welcome IPART's commitment to examining supply of childcare places over the last five years. The City of Sydney has seen shifts in childcare supply especially in the CBD, following the pandemic and the take up of work from home arrangements. Delving deeper into this matter can provide valuable insights into childcare location preferences and instances where supply may potentially exceed demand. Moreover, it can provide understanding of the factors driving childcare choices and their potential implications for future supply and demand trends in those areas.

4. How should unmet demand for early childhood education and care services be measured?

Unmet demand

This aspect of care can be difficult to quantify as it can be quite subjective, for example people may not have their preferences met for their preferred days of care, or people who have secured some level of care but have not been able to secure additional days.

The City's Child Care Needs Analysis 2019 provides a comprehensive snapshot of supply and demand of ECEC and OSHC services across the local area. The needs analysis estimates unmet demand for ECEC places by applying the New South Wales average for the proportion of children requiring additional care in the 0-5 age cohort. This figure is sourced from the Australian Bureau of Statistics (ABS) Childhood Education and Care survey which was last undertaken in 2017. The survey asks parents whether they would like their children to attend more formal care or preschool than they are currently attending at the time of the survey. However, the City acknowledges this proxy measure may fall short in fully understanding unmet demand that can be a result of other factors such as perceived quality of care, preferred location of care and cost.

The City of Sydney welcomes any improvements to measure unmet demand by considering the needs of families seeking ECEC places and whether the current service is adequate in meeting their needs that may be linked to location, perceived quality, experience of staff, cost of service and flexibility of service offering. Families often make trade-offs when determining which ECEC service offering is suitable. An approach that can understand what these trade-offs look like such as undertaking conjoint surveys and analysis may help assist in determining the true importance of various factors when determining choice of ECEC service.

Oversupply

While the focus of this study will be undersupply of ECEC, we recommend that instances of oversupply also be identified, especially in CBD or other employment centres.

The City of Sydney has seen a shift in supply of childcare places and uptake of childcare enrolments by families, in the CBD area, following the pandemic and the introduction of flexible work arrangements. More workers are seemingly choosing to enrol their children in services that are closer to home rather than closer to their workplace.

Understanding these drivers and future trends will enable better planning of childcare supply and alignment with demand across local government areas.

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?

Please refer to responses in section 4.

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?

We suggest IPART consider a ratio that reflects supply and demand, to demonstrate a short fall or over supply of ECEC places/availability.

We also suggest the review considers utilisation rates against approved places and considers how supply and demand may be affected by providers capping approved places and ultimately limiting supply. An average utilisation rate, which may vary by geographic area, could be incorporated when looking at supply based on approved places to better reflect the market situation.

7. We seek your feedback on the proposed indicators and KPIs for supply shortage in Table 2.3.

The City agrees with the proposed indicators and KPIs identified in Table 2.3. In addition, the City suggests looking at anticipated supply of childcare services by integrating any known development activity in the pipeline that will deliver ECEC places in the short term.

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?

Data Sources

We recommend that Starting Blocks is used to capture information in relation to fees. Services approved for Child Care Subsidy (CCS) are required to inform the Australian Government of fee increase within 14 days through PRODA. This information is then fed into Starting Blocks.

Measure of affordability

We agree that a focus on percentage of income spent on childcare fees is critical.

We suggest IPART also considers any other significant expenses that may affect people's ability to afford or access childcare, such as people receiving medical treatment, people on NDIS, people who are Non-residents and not eligible for CCS or Medicare.

We note (CCS) is calculated on gross income; however, childcare fees are not considered as any part of a tax deduction (except when salary sacrificing fees), which can impact affordability as the cost-of-living increases, especially for those in lower socio income households.

We also welcome your consideration of previous studies relating to women's workforce participation and the disincentive rate and how this could be improved.

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

As outlined in the response in section 2, the City suggests that IPART considers including data in relation to enrolment of priority groups by provider type. This data will offer valuable insight into the allocation of these enrolments and aid in the establishing a more equitable distribution of funds and support mechanisms for those funded priority groups.

Some providers may also be reluctant to accept enrolments for priority groups due to perceived out of pocket costs to the provider and this can be a barrier for families accessing care.

The City suggests that an in-depth analysis of the actual costs associated with catering to the specific needs of children with disability is undertaken to gain a better understanding of further mechanisms that can be offered to providers and contribute to reducing barriers to access to care.

In relation to Table 2.5 - ***“Accessibility - Improved access through increasing supply of places in areas identified as needing support”*** – the City would like to understand how “areas needing support” is defined for the purposes of this study.

Additional indicators that could be considered by IPART include:

- Whether people are accessing their preferred ECEC service.
- Whether people are accessing their preferred days of care.

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?

The City of Sydney considers ECEC educators as essential workers and welcomes the dedicated review as part of the IMMR to look at workforce, pay and conditions to understand the state of the early education and care sector.

Currently, the sector is facing significant workforce challenges, as numerous centres struggle to both attract and retain staff. Providers find themselves conducting multiple rounds of recruitment to fill vacant educator positions. Most notably, is the shortage of Certificate III and Diploma Qualified Educators who have left the profession due to inadequate salaries and working conditions. Current industry salaries do not align with the sector’s crucial role and valuable contribution it makes to children, families, and overall workforce participation and has created a disincentive for individuals to enter the profession. Increasing educator salaries and improving working conditions will help elevate the sector’s profile and recognise the invaluable contribution made by educators to children and families. The supply of childcare places is affected when there is a lack of educators available in the market and impacts the commercial viability of centres. Attracting prospective educators to the sector can only be achieved by providing improved salaries and working conditions and in turn elevate the overall profile of the sector.

As an operator, the City has encountered similar challenges and has faced difficulties in attracting potential educators to council run centres. One contributing factor to this issue, is the commute distance between home and the workplace.

In reviewing the dimensions presented in Table 2.6, and the City suggests the following for consideration:

Workforce characteristics

It is important to understand where ECEC workers reside and how far they travel to work. The City believes barriers to ECEC workforce participation in our local area can be attributed cost and duration of commuting. We acknowledge housing affordability is a critical issue and can be a barrier to attracting essential workers such as those in the ECEC sector to reside and work in our area.

As part of workforce characteristics, the City suggests the following details should also be taken into account:

- How far ECEC workers travel to their place of work.
- How ECEC workers commute to work (mode of transport).
- Duration of time ECEC workers' commute take (duration of time).
 - These dimensions may provide further insight into how far an educator is willing to travel for work purposes.
- Cost of living as a disincentive to enter and remain actively working in the sector.

Whilst the City acknowledges this information can be sourced from the ABS Census of Population and Housing, the last Census occurred during the Delta lockdown and may have impacted results with some centres either closed or operating at reduced capacity.

We would welcome the detailed review of the ECEC workforce that considers barriers and incentives to better understand the performance of the ECEC workforce.

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

The City agrees with the proposed performance indicators and KPIs sought in Table 2.7 to understand the state of the ECEC workforce. The City suggests additional indicators that are also important to understand broader trends around skills shortage in the ECEC workforce.

- Percentage of diploma qualified staff working in the ECEC sector
- Percentage of early childhood teaching staff working in the ECEC sector
- Number of Certificate III qualified / diploma qualified / early childhood teacher actively working in the sector per child

The City also recommends looking at how staff attraction and retention rates vary by qualification type, age, experience and length of tenure as key measures of performance.

Clarity is also required on the data source that will be used to inform the proposed indicators outlined in Table 2.7 and the time reference proposed to understand trends in the workforce.

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?

The dimensions to review quality are based on the National Quality Framework. The proposed approach examining the distribution of services by location, provider and service type and their respective ratings issued to each provider under the national system is supported by the City.

The City suggests measures of perceived quality should also be captured through a dedicated survey to users of ECEC services across NSW. Whilst centres may administer their own surveys, a survey approach at a state level, ensures there is a consistent method to gauge perceptions around quality through a standard survey instrument that can be disseminated by operators. This approach is important to understand whether the quality of service as rated via the National Quality Framework aligns to perceived quality amongst users of the ECEC service.

The City also notes that IPART will investigate whether there are any observable correlations between the quality of an ECEC service and its location, delivery model or community it is serving. In addition to this, the City recommends looking at whether there is any correlation between the quality rating of services and retention rates of staff.

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.

The City agrees with the proposed indicators and KPI's provided in Table 2.9.

We thank you for your consideration of this feedback and the opportunity to contribute to the methodology paper for the IMMR.