



Affordable, accessible early childhood education and care

Response to Draft Recommendations

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Introduction

About Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia’s early education and care sector. As a peak body, our vision is for all of Australia’s children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- ▶ Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia’s children.
- ▶ Influence policy makers and government by amplifying the voices of community based and small providers.
- ▶ Promote the value and importance of community-based early education.

Summary

CELA welcomes and supports the priority recommendations outlined in the October interim report. We agree that the time is now for state and federal governments to work together to reset the early education and care sector, to make sure it is fit for the future and works to fully support children and families. Our current sector is based on outdated distinctions between ‘care’ and ‘education’. This has resulted in a system that is complex, difficult to navigate and unaffordable for many. Cooperation between state and federal governments to reset the policy objectives of the sector, with Children’s access and development as the primary objective, will see the full benefits of ECEC realised.

The October interim report highlights that addressing the workforce crisis is the key to unlocking the potential of the sector. Right now, thousands of Australia children and families are missing out on quality early education and care because services are struggling to find qualified staff. Low pay, poor conditions and high turnover are driving critical workforce shortages in early education and care. Fixing wages in the early education and care sector means:

- early education and care will be seen as a career of choice, with proper recognition of skills and responsibilities,

- employers can attract and keep qualified staff, ensuring families can access the services they need; and
- early education services can grow to meet the needs of their communities.

Ensuring access to high quality early education means children can reach their full potential, families can make choices about work, and our economy can grow. We can start to unlock that full potential by starting with paying educators and teachers what they are worth.

Broadly, we agree with the draft findings as outlined in the Interim Report. In this submission, we respond to a selection of the draft recommendations which we consider to be important or helpful for the Government in planning its next steps.

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Response to draft recommendations

Overview

CELA welcomes the opportunity to respond to the draft recommendations provided by IPART in its interim report “Affordable, Accessible Early Childhood Education and Care”.

We note that though the scope of this enquiry is focused on the role and responsibilities of the NSW Government, this is occurring concurrently to several Federal Government inquiries including the National Early Years Strategy, the ACCC Childcare Inquiry and the Productivity Commission inquiry into Early Childhood Education and Care. These extensive and concurrent reviews present an opportunity for state and federal governments to consider how shared funding models can be reset to better reflect modern understanding of the vital role and benefits of early childhood education and care.

We reiterate that these concurrent reviews represent an opportunity to reimagine an ECEC system, that recognises all learning starts from birth, and which truly holds the needs of Australia’s children at its heart and as its fundamental starting point.

To this end, we strongly support the priority recommendation:

- 1. Australian state, territory and Commonwealth governments should work together to develop an integrated funding approach to early childhood education and care. Governments should clarify the**

objectives of the funding approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents.

- a. The funding approach should prioritise improving affordability and accessibility for families with lower incomes, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities.**
- b. The activity test for receipt of Child Care Subsidy should be reviewed as a priority.**

Implementing these recommendations, by way of an integrated funding model which ensures all families can access early childhood education and care, no matter where they live or how much they earn, will lead to better outcomes, particularly for those children who are currently falling behind and not catching up. The evidence is clear that under the current policy settings, vulnerable children who most benefit from high quality early education and care are the least likely to access it. The system, in its current form, exacerbates, rather than ameliorates inequality in educational and life outcomes. It is time for a bold reimagining of the early childhood sector.

The second draft priority recommendation is:

- 2. The NSW Government should develop an early childhood education and care workforce strategy that focuses both on ensuring enough educators are available to provide the services that are needed, and that educators are enabled to deliver those services at high quality.**

CELA strongly supports the intention behind the recommendation around workforce, particularly that the strategy should draw from and complement the national workforce strategy as outlined in *Shaping our Future*.

However, we stress that addressing current unprecedented workforce shortages by addressing low pay and conditions for early educators and teachers is an urgent priority. Currently there are tens of thousands of early learning places which are unavailable to families because of staff shortages.¹ This capacity can only be released by urgently addressing the professional wages gap between early childhood and other government funded essential services such as aged care, disability care and school teaching.

Multi-employer bargaining, now available to the sector under the Secure Jobs, Better Pay legislation, provides a clear opportunity for the sector and government to work together to address wages without increasing costs to families. CELA, along with other ECEC employer representatives and early education unions are currently engaged in multi-employer negotiations for a new agreement to apply in the long day care setting. This process, under the Supported Bargaining Stream, includes the participation of the federal government in recognition of its role as primary funder of the sector. If successful, this will create a model which can extend any funded wages outcome across the long day care sector.

Government funded multi-employer bargaining processes have proven to successfully address workforce attraction and retention in Victorian state government funded services. The Victorian Early Childhood Teachers and Educators Agreement² has been successfully negotiated between early childhood unions, employers and the state government since 1998. This agreement has worked successfully to support the Victorian Government's ambitious early childhood policy agenda including extending four-year-old

¹ <https://childcarealliance.org.au/latestnews/workforce-crisis>

² <https://www.fwc.gov.au/document-search/view/3/aHR0cHM6Ly9zYXN5Y2RhdGFwcmRhdWVhYS5ibG9iLmNvcuUud2luZG93cy5uZXQvZW50ZXJwcmlzZWFnemVlbWVudHMvMjAyMS82L2FINTExOTQ3LnBkZg2?sid=&q=Victorian%24%24early%24%24childhood>

kindergarten and implementing universal 3-year-old kindergarten. The most recent agreement achieved pay parity between Victorian early childhood teachers and those in the school system³.

As a result of this tripartite approach to addressing wages and conditions in the sector, Victoria has the lowest rate of staff waivers across the country, with 2.1% of services operating with a staffing waiver compared to a national average of 10⁴%.

CELA therefore proposes that this recommendation is strengthened to include the following:

“IPART should recommend the NSW government should consider the opportunity provided under new industrial relations legislation, including the multi-employer bargaining under the supported bargaining stream, to work with the sector to deliver funded increases to educator and teacher pay in state funded services; and

The NSW government should support and encourage the Australian Government to fund an increase in educator and teacher pay as part of the multi-employer bargaining process for the long day care sector, currently underway.”

The third draft priority recommendation is:

- 3. The NSW Government should develop a digital service and data strategy for the early childhood education and care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions.***

CELA applauds actions which can make it easier for families to navigate the early childhood education and care market to choose a suitable service for their children. We note that the Commonwealth Government publishes *Starting Blocks*, which enables families to search for long day care, outside school hours care, preschool, family day care and in-home care. The platform enables families to view information about fees and vacancies.

Rather than developing a new state-based platform, we recommend improving and promoting *Starting Blocks* more effectively, perhaps using Services NSW as a launching pad for first-time parents to navigate early childhood education and care.

Many of the limitations around *Starting Blocks* from a user-experience perspective for families derive from information in *Starting Blocks* not being up-to-date or not useful – this can, in the case of fees and vacancy information, be due to providers not updating their information correctly. It can also be because quality rating information is old. There are some services in NSW whose latest assessment and quality rating was issued in 2017 or 2018.⁵

In addition, it may be due to how data is shared between the State and Commonwealth Governments around preschools. For example, long day care services can provide vacancy and fee information and this is displayed in *Starting Blocks*. For preschools, parents are told to contact the service directly. This is unnecessarily

³ <https://www.theage.com.au/politics/victoria/best-paid-victorian-kinder-teachers-to-earn-more-than-school-teachers-20201126-p56i9e.html>

⁴ <https://snapshots.acecqa.gov.au/Snapshot/waivers.html>

⁵ ACECQA Snapshot Data Q2 2023. There are 6 services whose last rating was 2017, and over 500 services whose last rating was 2018.

cumbersome and makes it difficult for parents to make an informed choice between preschool and long day care services.

Finally, we note that while technology is an important tool for parents to navigate the early childhood education and care system, part of what makes it difficult for parents are the policy settings themselves. The Child Care Subsidy is complex for families to understand and acts as an unhelpful barrier for parents (usually mothers) when making the decision about when, and to what extent, they wish transition back into paid work. Pile on top of that the Affordable Preschool funding for preschool programs which only occur on certain days of the week, and overall, it makes for a complex interplay of information for families to interpret.

This unnecessary complexity is why CELA, alongside many other peaks, is advocating for universal access to early childhood education and care, from whenever a family decides they need it.

Recommendations around accessibility and choice

Availability and choice

4. The NSW Department of Education, when establishing new preschools or evaluating the service offered at existing Department-run preschools, should identify the hours of care required by the surrounding community. Where families need longer hours of care, the Department should design the preschool service so that it meets these needs.

We support the idea that new preschools should have their hours structured to meet the needs of local families.

For existing preschools, some preschools have shifted from sessional programs of 2-5 hours into longer sessions which are more in keeping with business hours and the needs of parents to participate in paid work. Preschools and the families they support are in different points along the way in this change, and it is important to note that many preschools are designed for shorter hours, rather than long days. They may not have, for example, enough spaces for children who need rest in the middle of the day, to be able to do so. Extending hours in these preschools will require capital and resource funding support to make necessary adjustments, and in some cases, there simply may not be the space available to achieve this.

In many instances, the shorter hours of sessional programs still suit many families and, importantly, many children.

In addition to funding to enable modifications to existing preschools, flexible funding mechanisms are needed. This to enable families who only want shorter hours as funded through Affordable Preschool to access this, and those families in a community who want a longer day, are able to affordably access it. We note that while options for 'before and after preschool care' may be considered to implement this, this solution reflects the current unnecessary division between state and federal funded services. Better coordination between state and federal governments to deliver long day care services with high quality integrated preschool programs, with family's access via streamlined and simple funding arrangements is the best long-term solution to this issue.

5. The NSW Government should work with local governments to identify and address any planning-related barriers to the approved operating hours of early childhood services, in consultation with their communities.

While we certainly see no harm in investigating if there are planning-related barriers to the approved operating hours of early childhood services, we suggest that the recent decrease in services offering out of usual operating hours is often a viability issue. For example, some early childhood education and care services

co-located with hospitals are approved to be open until 11:30pm at night to accommodate shift workers. However, in one of our recent projects, CELA found many services are no longer offering this due to both relatively low demand for these hours; and inability to find qualified educators willing to work evening hours for the wages providers can afford to offer.

This is one of the reasons why CELA is advocating for an increase in wages for the early childhood education and care workforce. A government-funded wage increase is a necessary precursor to being able to sustainably offer early childhood education and care in hours outside of traditional business hours.

7. The NSW Government, when negotiating the next preschool funding agreement (from 2026), should advocate for Commonwealth funding to support longer attendance for children in areas where there are no other available services, or no other suitable services. This would:

- support parents and carers who want to participate in the workforce
- increase access for children who would benefit from longer attendance.

CELA supports this recommendation but notes that this should be part of developing a more integrated funding approach for early childhood education and care including capital funding for long day care options.

In our submission to the Productivity Commission Inquiry into Early Childhood Education and Care, we recommended that ECEC funding should work towards delivering a universal entitlement to 30 hours per week of free early childhood education and care from birth to school age across all service types, provided through block funding.

This should be achieved by State and Federal Governments coordinating the delivery of universal access arrangements in such a way that it limits funding complexity supports families to access the Early Childhood Education and Care that suits their particular needs.

In addition, we recommend that a future universal entitlement includes up to full time (50) hours per week of free ECEC for vulnerable children and families.

8. As part of its digital service and data strategy, the NSW Government should develop a tool to make available any capacity that is not being used by children with permanent bookings for occasional and casual bookings.

Given that long day care services already use commercially developed platforms to manage enrolments, bookings, attendance, communication with families and data flow to Commonwealth Government systems, we suggest that this recommendation be changed to:

“The Government should specify technology requirements for third-party software providers to enable parents to make casual and occasional bookings at all service types, including long day care, preschools and family day care.”

We note that *Starting Blocks*, the Australian Government website for early childhood education and care provides vacancy information by age group and whether permanent or casual for CCS funded services.

There are other barriers around making occasional care available to families which need to be addressed via other mechanisms. For example, where education and care services are under-utilised, such as due to low and fluctuating populations, services should be able to offer subsidised sessional occasional care programs, informed by demand from their local communities, which can be adjusted year to year. Availability of occasional care options in long day care services is currently also reduced as a result of ongoing workforce shortages.

In some rural communities of South Australia which CELA has worked with, preschools offer subsidised, very low-cost occasional care sessions to children not otherwise attending preschool, long day care or family day care. This option enables families to have some respite from caring obligations and facilitates smooth transitions into preschool, as the program is delivered at the same location, and often by the same educators, as the occasional care program.

Finally, we note that a determining factor in a child's experience of quality education and care is their connection with their educators and teachers. This is absolutely reliant on the ability of children and educators to form long-term consistent relationships. This is intended as a note of caution – it is not appropriate for children to be able to be taken to a new education and care service at a moment's notice due to lack of access at their regular education and care service, even if a service down the road has a one-off vacancy on a particular day. A better solution is for education and care services to have the flexibility and workforce capacity to respond to their community's ever-changing needs – from offering occasional care, to preschool, to long day care and more. This can be achieved via an integrated funding system which includes block funding, particularly for small providers serving rural, remote or vulnerable communities.

Inclusion

10. The NSW Government should ensure the Disability and Inclusion Program is designed to support inclusive education and care for children with disability/additional needs in NSW community preschools, reflecting the findings and recommendations of the recent evaluation of this program. This should include increasing the hourly rates for payments to services with eligible children, to reflect both:

- the direct costs of eligible activities (including, but not limited to, engaging suitably qualified additional staff), and
- the additional costs associated with coordination, administration, planning and support time that is necessary to provide inclusive education and care.

To complement the Minor Capital Works component of the NSW Disability and Inclusion Program, the NSW Government should also consider exploring opportunities to work with the Commonwealth Inclusion Support Program to expand the availability of the Specialist Equipment Library under the Commonwealth program to community preschools in NSW

CELA supports this recommendation. We would like to add that there is some evidence from the AIFS Evaluation of the Child Care Subsidy that some providers are unaware of their inclusion obligations under the Disability Discrimination Act and for this reason turn children away. Also, inclusion of children with additional and complex needs can be very challenging – hence increasing the funding available for minor capital works and the coordination, administration, planning and support time to recognise this is urgently needed.

CELA also notes that current support for inclusion support agencies is inadequate, especially for those operating in larger states such as NSW. We recommend that funding for inclusion support services should be on a needs-based model to ensure services are able to access the training and support needed to deliver high quality inclusion support for children and families.

13. and 14. The NSW Government should ensure provision of culturally safe and inclusive education and care

CELA supports these recommendations. Development of resources to reach First Nations' and culturally diverse families should be undertaken in partnership with community organisations who understand their

particular communities' needs. These organisations should be paid appropriately for both providing input and sharing the resources via their channels.

The NSW government early childhood workforce strategy should consider measures to specifically support the attraction and retention of culturally and linguistically diverse and Aboriginal and Torres Strait Islander staff. This should also include recognition of these staff where they are directly involved in supporting the service to deliver culturally safe and inclusive programming.

15. The NSW Government should work with the early childhood sector and early intervention professionals to develop and implement a model and system for wrap-around support for children and families experiencing disadvantage and vulnerability.

CELA strongly supports integration of allied health, playgroups and other programs to provide wrap-around support for children and families. The first five years of life are a time of enormous developmental change and growth. The early childhood sector is often the first and most regular contact families have with the formal childhood development sector. This regular contact and observation of children and families can support early identification of developmental delays or issues and support access to intervention which can have lifelong benefits.

Some of our members have been able to establish partnerships with allied health professionals, or sourced philanthropic funding to support them, and these partnerships have been beneficial for children and families at these services. However, children should not have to rely on philanthropy to have their developmental needs met. One option is to model the Victorian Government's School Readiness Menu, which provides a suite of evidence-based programs for education and care services to access, depending on their needs. This includes access to pre-purchased allied health services, bulk purchased by the Department, covering a range of geographical areas across Victoria. Extending this model to include children of all age groups as well as the provision of family support and education services will significantly improve outcomes.

We know that disadvantage and vulnerability can be concentrated in certain communities, hence it is sensible to invest in wrap-around supports in communities where they are most needed. The Australian Early Development Census provides good data to indicate which communities should be prioritised. However, developmental vulnerability can affect children from any background, hence striving to adopt an approach of 'proportionate universalism'⁶ should be the preferred option.

CELA welcomes the introduction of free health checks in preschools in NSW, currently being trialled. Should this prove successful, we hope it can be rolled out to all approved early childhood education and care services.

Information for families

16. As part of the Government's digital strategy, the NSW Department of Education should work with other NSW Government agencies, including the Department of Customer Service, to develop a comprehensive

⁶ Proportionate universalism is the resourcing and delivering of universal services at a scale and intensity proportionate to the degree of need. Services are therefore universally available, not only for the most disadvantaged, and are able to respond to the level of presenting need. Its origins are in health policy but it has relevance for educational and social policy.

strategy to ensure all families receive information about early childhood education and care during pregnancy and the first 5 years of a child's life.

CELA supports this recommendation, noting that it should take a user-centred approach to the design and presentation of information. As mentioned elsewhere in this submission, the early childhood education and care system is complex for families to navigate, and yet the first five years of a child's life are critically important. Families need accessible and clear pathways to find information about normal development, what to do to support their child's healthy learning and development, where to seek help, and information about services available to support families. These supports include playgroups, early childhood education and care and the importance of regular developmental checks.

18. The NSW Government should advocate for enhancement of the National Quality Standard to highlight areas of expertise and excellence in inclusion within service quality ratings, to help families identify inclusive services and to provide incentives for services to provide inclusive education and care.

CELA supports this, and indeed the opportunity within Starting Blocks for services to highlight particular areas of specialisation or service strength. We note that alongside the opportunity for services to highlight inclusion as a service strength will need to be appropriate levels of funding for additional staff, additional professional learning and minor capital works.

19. The NSW Government should advocate for services to be required to report the outcomes of assessment and ratings processes to enrolled families. This would improve the visibility and understanding of service quality ratings and the accountability of service providers.

Under regulation 173(1)d of the Education and Care Services Regulations, education and care services are required to display the outcomes of assessment and ratings to families. Extending this requirement to ensure that these ratings are communicated and explained will enhance families understanding of the system.

As noted elsewhere in our submission, part of the issue is that assessment and ratings are not updated at a frequency to be useful for families when determining whether the current service their child is accessing is of a suitable quality, nor the quality of alternative services. As a starting point, assessment and ratings visits could be made to be more frequent (though ensuring they are not administratively burdensome, and that appropriate training for services to understand the A&R process is needed).

It may be more useful to also explore options for services to self-report on matters which impact quality, such as annual staff turnover, educator satisfaction with their workplace, and family satisfaction with aspects of the service.

Once a decision to utilise early childhood education and care is made by families, quality has been found to be one of the top considerations when choosing between services. Families' determination of quality does not so much derive from the quality ratings, but instead is based on a complex assessment of factors such as presentation of the service, staff turnover, curriculum, inclusions and word of mouth.

Recommendations around affordability

23. The NSW Government should recommend to the Commonwealth Government that it:

– examine the circumstances and needs of families with children using early childhood services and household income of under \$20,800

– consider providing additional support to these families to access early childhood services, in particular those experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families.

Research around the benefits of early childhood education and care show that high-quality provision benefits vulnerable and disadvantaged children the most; yet they are the least likely to be able to access it.

Many of our members strive to support vulnerable children through Additional Child Care Subsidy and this has been administratively difficult and in some instances, costly to the service when it has tried to walk the tight-rope between holding a place open for a vulnerable child and meeting the rules of the Additional Child Care Subsidy policy.

CELA strongly supports this recommendation. All children should have a right to early childhood education and care, it should not depend on a family's capacity to pay, particularly families in acutely vulnerable circumstances. For this reason, we also suggest that priority recommendation 1(c) be strengthened to immediately abolish the activity test as a first step towards achieving a universal education and care sector.

Funding arrangements and provider costs

26. The NSW Government should recommend to the Commonwealth Government that the CCS application process for families be made less complex and easier to navigate.

CELA strongly supports this recommendation.

As stated above, CELA supports improved coordination between the state and federal governments to simplify the funding arrangements for early childhood and deliver universal access for all children.

One international example, which has been used as the basis for achieving this in Canada is Quebec's model of \$10 per day Childcare, premised on universal entitlement.

The Quebec Government provides a website, LaPlace, where parents can search geographically and filter by a range of criteria for early education and care services which meet their needs. One of the advantages of the experience of looking for an education and care service is that information about fees on the website is simple, at around \$8.85 per day.

This model has now been adopted as federal policy and is being implemented through federal government coordination to other Canadian Provinces.

For families accessing the Child Care Subsidy here in Australia, the process is far more complex. Current funding models are based on outdated distinctions between 'care' and education'. However, recent decades have shown the significant value of investing in quality education and care from birth to five for improved child outcomes and reduced poverty and social inequality. To meet the objective of a universal, affordable E&C sector we must reset the policy objectives to put children and their needs at the heart of the system. Recognising that by first meeting the needs of children, the benefits to families and the economy will flow.

27. The NSW Government should recommend to the Commonwealth Government that the CCS activity test requirement and eligibility criteria be reviewed to promote equal access to subsidised services for all children.

CELA strongly supports this recommendation, to ensure that all children, particularly vulnerable children, are able to easily access high-quality early childhood education and care, including through the scrapping of the ineffective Activity Test.

Recommendations around factors driving supply of services

Different providers respond to different incentives

29. The NSW Government, as part of its digital strategy, should advocate to the Commonwealth Government to make enrolment and attendance data of the CCS publicly available to inform the planning and decision-making of service providers and governments.

CELA supports the sharing of data across levels of government and with service providers to enable a more planned approach to service delivery. IPART's analysis found that while advantaged areas had plenty of choice, dominated by private for-profit providers. The lack of CCS funded childcare places in less advantaged areas remains a problem of 'thin markets' where demand is lower, more variable, and less profitable due to fluctuations in population and family's capacity to pay. There is a role for Government to address these thin markets, to ensure that all children can access early childhood education and care in a form that meets their needs, and families are able to make choices about participating in paid work. The current market-driven model, in this way, exacerbates inequality as those in less advantaged areas are less likely to have access to early childhood education and care which enables participation in paid work.

Workforce availability

30. The NSW Government should immediately (within 12 months) update its 2018-2022 NSW Early Childhood Education Workforce Strategy to support state-based initiatives and complement the National Workforce Strategy. The update should include, but not be limited to:

- Options to fund services to provide time “off the floor” for reflection, planning, coordination and professional development
- Specific actions aimed at the attraction and retention of identified groups, including Aboriginal and Torres Strait Islander educators, rural and regional educators, educators from CALD background, and educators working with children with disability/additional needs
- Mentoring initiatives, at both the state and local level, to support students and educators. This should include mentoring/professional support networks for identified groups of educators that are designed in collaboration with the sector and relevant peak organisations.
- Comprehensive support for Aboriginal and Torres Strait Islander students/educators who need to leave country to study, and rural/remote students and educators for training. This should include measures to support digital access and practicum opportunities.
- Reframing the narrative around early childhood education and care from ‘childcare’ to early education to enhance understanding of the value of the work being undertaken.
- Investment in local workforce recruitment, qualifications, and retention.
- Financial support for trainee placements

The recommendations are sound but urgent intervention is needed to ensure ECEC is seen as a profession of choice and paid accordingly. To ensure that every child can access high quality education and care, government funding is needed to ensure a minimum capacity to pay professional pay rates commensurate with the skills, responsibilities and value of the work.

CELA has recognised this urgency through our participation as employer bargaining representatives in the current multi-employer bargaining process for the long day care sector. This process includes a specific priority to deliver quality professional development as an outcome of any agreement. We are available to provide further information on this process and the impact on the sector if it is of assistance to IPART as part of this inquiry.

CELA reiterates that the multi-employer bargaining process has been proven in other state jurisdictions as a mechanism for governments to directly implement measures to address workforce attraction, retention and quality, including those mentioned above.

The NSW Government recognise the value of a diverse workforce, including Aboriginal and Torres Strait Islander culture and language.

As stated above CELA recommends that NSW government workforce strategies specifically consider measures to attract and retain Aboriginal and Torres Strait Islander educators and teachers as well as formally recognise their contribution to culturally inclusive programming.

CELA also strongly supports the position of the peak bodies for Aboriginal community-controlled services that supply side funding is necessary for them to provide long term certainty for services and that funding must include:

- Access to capital grants for new services
- Support for workforce supply and retention
- Support for delivery of expanded holistic child and family services.

Recommendations around costs and revenue in providing services

Revenue from fees and government funding

37. The NSW Government should, pending a national review of the funding system for early childhood education and care, in the short term, review all NSW funding programs and grants for the early childhood education and care sector.

A review of the funding system to reduce duplication and administrative burden is very welcome, and particularly if it includes periods of funding which enable services to plan over a longer timeframe with greater certainty for service leadership to invest in its workforce. We caution against any sudden changes to funding arrangements and note the importance of providing advance notice about future funding so that services can plan service provision accordingly.

We note the details under recommendation 37 are interim measures pending a national review of the funding system for early childhood education and care. We support these, but also reiterate the opportunity for long-term funding reform for the sector. In particular, in relation to establishing universal access to early education and care for all children.

With the objective of achieving this aim, CELA has recommended in our submission to the Productivity Commission Inquiry into Early Childhood Education and Care in relation to future funding:

1. That Australia's ECEC policy is reset with children's access to high quality education and care as the primary objective.

2. That ECEC funding should work towards delivering a universal entitlement to 30 hours per week of free early childhood education and care from birth to school age across all service types, provided through block funding.

3. That a future universal entitlement includes up to full time (50) hours per week of free ECEC for vulnerable children and families.

4. That State and Federal Governments coordinate the delivery of universal access arrangements to limit funding complexity and to support families to access the Early Childhood Education and Care that suits their needs.

5. That the existing Child Care Subsidy (CCS) scheme, with appropriate fee controls, continues to support workforce participation of families for hours beyond 30 hours, from birth to 12 years of age.

6. That the Activity Test is abolished for all hours of ECEC.

For further information please see the attached documents:

1. CELA Productivity Commission Submission - Early Childhood Education and Care: Fit for the Future
2. CELA and CCC joint submission – ACCC September interim report



ACCC September interim report

Submission

OCTOBER 2023

A Joint Submission by:



Community Child Care Association



Community Early Learning Australia

About Us



Community Child Care Association

From a small beginning, Community Child Care (CCC) has grown significantly, and is now the peak body in Victoria for community-owned education and care, supporting long day care, outside school hours care (OSHC), kindergarten, family day care and occasional care educators, teachers, leaders, coordinators and directors. CCC's vision and purpose are underpinned by the belief that all children deserve the best possible start in life, regardless of their circumstances. Our vision is for excellent early childhood and outside school hours education and care for all and our purpose is to lead, support and advocate for accessible high-quality opportunities for children and families.

As a trusted sector leader, CCC provides leadership and advocacy, works with governments toward improvement in the sector and supports services with membership, quality professional development and consultancies. CCC equips and supports early childhood and outside school hours care services, educators and their communities with the skills and confidence to deliver high quality inclusive education and care services.

CCC's advocacy helps to enable and strengthen the development and retention of Victoria's community-owned education and care sector.

www.cccinc.org.au

Contact



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Our Mission is to:

- Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia's children.

- Influence policy makers and government by amplifying the voices of community based and

small providers.

- Promote the value and importance of community-based early education.

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Executive summary

CCC and CELA welcome the draft findings and recommendations of the ACCC September interim report as part of the 2023 Childcare inquiry.

The findings reflect what services, employees and advocates within the early childhood education and care (ECEC) sector have understood and experienced.

Education and care are essential services, which over one million households rely on to support their ability to work, as well as the development and wellbeing of their children. Yet, access to these essential services is not equitable. Families who earn the least are paying the highest out of pocket costs and those in low income and rural areas simply do not have access to the services they need.

CCC and CELA support the findings that show Australia's education and care system has not worked to contain out of pocket fees for parents, contain growing costs for government, or ensure delivery of services in all areas where needed.

The findings also support the experience of CCC and CELA service members that the current system fails to adequately support the workforce at the heart of the sector. Right now, children's access to high quality educators and teachers is based on a family's capacity to pay higher fees. Children deserve to have consistent access to highly qualified educators and teachers no matter where they live.

The findings also show that workforce shortages are placing a significant handbrake on the potential of the sector. Thousands of existing education and care places remain vacant because services simply cannot get the staff they need. The current system was originally built to support rapid growth in supply of services and drive increased workforce participation. It is no longer fit for purpose as we recognise the significant impact access to high quality education and care has on the lives of children and young people.

CCC and CELA strongly support draft recommendation 1 of the interim report calling for the Australian Government to reconsider and restate the key objectives and priorities of its childcare policies. A new policy vision for the sector which puts children's right to high quality education and care first, recognising that by first meeting the needs of children, the benefits to families and the economy will flow.

We have an opportunity to unlock the potential of this sector by:

- Putting children at the centre of policy objectives including providing a guarantee of access to at least 30 hours or three days of education and care
- Valuing our educators and teachers by delivering professional pay without increasing costs to families
- Recognising the potential of education and care including outside school hours care as essential infrastructure to provide holistic health, wellbeing and development support to children and families
- Investing in inclusion to ensure every child, no matter their ability or background, feels a sense of belonging and has the opportunity to maximise their potential
- Maximising choice and return of government investment supporting the role of the not-for-profit sector in education and care provision
- Delivering a simpler system for families to access and navigate through improved coordination between state and federal government.

With these foundations in place, Australia will maximise the benefits of a quality education and care system, including improved health and developmental outcomes for children, reduced social inequity, as well as increased workforce participation and women's economic equality.

Response to key draft findings

Costs

Draft finding 1

Labour is the main driver of cost for supplying childcare, accounting for 69% at centre-based day care and 77% at outside school hours care. Labour costs have increased significantly for large centre-based day care providers over the past 5 years.

Education and care is an essential service-based sector and so labour, is and, should form the majority of costs. We support the finding that the proportion of costs made up by labour is generally higher in the not-for-profit sector including community managed services, as surpluses are generally reinvested in staffing, which is the primary driver of quality.

We agree with the finding that the higher proportion of labour costs within the outside school hours care sector is reflective of the different property arrangements, including leasing arrangements with schools.

While there have been some universal factors which have contributed to the increase in labour costs, including annual minimum wage increases and the recent work value case for the Education Services (Teachers) Award, we caution on an interpretation that the increase in costs is primarily caused by increased wages.

We also caution against an interpretation that any increase in wages has been universal or equitably applied. Firstly, only the Educational Services (Teachers) Award has increased significantly during the period, the Children's Services Award, which covers close to 90% of the employees in the sector¹ have not received the same increases. Secondly, CELA and CCC members report they need to direct wages intervention to roles or classifications where there is significant difficulty with recruitment, including teachers, directors, and diploma qualified staff.

However, we generally agree with the findings that some of the increase in labour costs has been driven by an increased reliance on casual and agency staff to cover worsening staff shortages, increased staff vacancies due to sick leave and injuries, as well as increased recruitment costs.

Draft finding 2

Land and related costs are the other significant driver of cost for centre-based day care providers.

We agree with the second draft finding of the significance of land related costs.

While there has been significant investigation on the cost drivers for service providers, we note that the September interim report has not provided a detailed consideration

¹ Social Research Centre, 'Early Childhood Education and Care National Workforce Census', 2021: Pg 14
<https://www.education.gov.au/early-childhood/resources/2021-early-childhood-education-and-care-national-workforce-census-report>

of the impact of the commercial real estate sector on the cost of providing education and care.

Commercial rents for childcare services have risen 47% in the last decade, with demand driven primarily by increased government subsidies² as well as population growth. Given the significant proportion of costs that are attributable to land and property, we propose that further investigation on this issue is needed to prevent excessive profiteering.

Better planning models, through coordination with all levels of government, could also contribute to the management of land and property costs, including ensuring an appropriate mix of services to meet community need.

Proposed additional recommendation:

The Productivity Commission should consider regulatory and financing approaches that better control land, land related costs and planning approaches, as part of a broader definition of market stewardship to manage over and under supply in different markets.

Draft finding 3

Not-for-profit providers appear to face lower land costs than for-profit providers, but these savings are invested into labour.

On a general basis, we agree that not-for-profit providers, including community managed services, generally face lower land costs. However, we emphasise that there is significant variation in the land and rent arrangements across the sector.

We also note that many community based not-for-profit services are currently affected by charities and councils shifting to a more commercial approach to their leasing arrangements. Many 'pepper-corn rent' arrangements are being renegotiated in this context. The longer-term trend is that not-for-profit organisations are increasingly operating in the same commercial real estate context as for-profit providers.

For those not-for-profit services which have lower costs because they own or have been 'gifted' buildings, it is also important to note that these tend to be older and not built for purpose. This can contribute to overall higher maintenance costs.

The finding that the not-for-profit sector, including community managed services, reinvests into labour reflects the practice and experience of our service members. The sector is aligned by its nature in ensuring the highest quality provision for the lowest cost. This is demonstrated by both interim reports that show, while wages tend to be higher in not-for-profit services, fees also tend to be lower in both centre based care and outside school hours care.

A recent survey of CCC and CELA member services showed that, despite significant increases in labour and operating costs, 17% of services did not raise fees this year. Two-thirds, or 66% of those who did not raise their fees are small community providers and 21% are private small providers.

Overall, this investment delivers better quality jobs, as well as better quality education and care to children at lower costs to families. The findings of the June and September interim reports show that the not-for-profit sector fully utilises government funding for the maximum benefit of children, families, government and the education and care workforce.

² <https://thepropertytribune.com.au/industry/commercial/childcare-centre-market-poised-for-growth-in-2023/>

To maximise the future efficiencies of government funding in the sector, consideration should be given to better ensure market balance between for-profit and not-for-profit services. Currently 68% of the long day care services are for-profit, compared to less than 1% in the state funded preschool and kindergarten sector³. ACECQA data shows that while the proportion of for-profit providers in the sector has grown by 5% since 2018, the not-for-profit sector has shrunk over this period⁴. This change in the market is largely due to the significant challenges the not-for-profit sector has in accessing capital, which makes expansion of existing services or the development of new ones very difficult.

Proposed additional finding 1:

Not-for-profit providers appear to be efficient and effective in delivering in areas aligned with Government objectives through improved pay for staff, lower staff turnover, more provision for communities facing disadvantage and more likely to be high quality.

Proposed additional finding 2:

NFP providers have not grown due to their corporate structure which creates challenges accessing capital to fund expansion with modest surpluses invested in objectives aligned with Government such as funding inclusion.

Draft finding 4

Location influences costs of supplying childcare services, although the influence differs depending on the cost category. Overall, costs to supply services to different areas of remoteness and socio-economic advantage do not differ greatly, except for the areas of most remoteness and most socio-economic advantage.

CCC and CELA suggest that caution needs to be applied to this finding as much data is simplistic in its distinction between size and circumstances of towns and cities. Common measures such as the Socio-Economic Indexes for Areas (SEIFA) can often hide significant pockets of disadvantage. This is especially true in communities where there may be significant high paying industries such as mining and fishing, where there may be small parts of the population earning very significant income, and the rest of the population does not.

Costs in supply to areas of disadvantage probably underestimate the true difference in costs between economically advantaged and disadvantaged areas, as the current system does not currently service much of these communities. Many children and families in disadvantaged areas do not currently access education and care services, either because of lack of available places or because of the activity test.

To maximise viability, where services are provided in these areas, the tendency is to prioritise children of families who work, which means very disadvantaged children can miss out. In addition, under the current CCS funding model, these services are often severely constrained by a family's capacity to pay and are not able to offer the true level of support needed, including enhanced inclusion measures.

³ <https://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html>

⁴ ACECQA, NQF Snapshot Quarter 2 2018 and ACECQA, NQF Snapshot Q2 2023 accessed from <https://www.acecqa.gov.au/nqf/snapshots>

Competition

Draft finding 5

Parents' and guardians' demand for centre based day care is driven by a complex combination of factors. Parents look to prevailing market prices, however informal measures of quality are key considerations.

CCC and CELA support the finding that once a decision is made to utilise education and care services, quality becomes a key consideration of families in choice of provider.

Parents and families understand quality in education and care settings. However, our experience with our service members and their families is that they tend to use different measures and language to assess and describe quality than what is used in the sector and in the National Quality Standards. This should be considered in the design of future information guides and products for families.

Families' understanding of quality tends to most align with workforce indicators. For example, families tend to look for:

- indications of child comfort and confidence in their environment
- children's connection with educators
- the energy of the children in the room (are they calm and relaxed) and of the room (e.g.: is it calm, are children playing well together)
- identification and meeting individual needs of children
- consistency of staffing; and
- clear and quality communication with families.

All these quality factors correlate with staff qualifications, level of experience and retention. This aligns with the ACCC findings that services with higher quality tend to offer higher wages as well as tend to realise greater margins. Parents are able to assess quality and make choices between services accordingly.

However, it is important to note that low-income families are more price sensitive to changes in out-of-pocket costs. This is more likely to result in the reduction of hours utilised rather than a change in service provider.

We also support the finding that in the case of outside school hours care (OSHC), because of the connection to the school, parent choice is based on utilising OSHC at the school, or not utilising a service at all because of fees and quality.

Draft finding 6

Providers' supply decisions are influenced by expectations of viability, which is heavily influenced by relative socio-economic advantage and geographic location.

CCC and CELA agree with this finding and that this is a significant limitation of the current funding model. The effect of this is that in communities where education and care services are needed the most there is the least access.

We agree with the general finding that both centre based and outside school hours care services are concentrated in areas where there are high concentrations of high earning, dual income families. This concentration can have a significant effect for other families to be able to enter the workforce or increase their hours of work due to limited access to services. This includes low- and middle-income earners working in essential jobs where there are current workforce shortages.

The potential of higher inclusion costs in areas of disadvantage also affects the viability of services. Gaps in funding for additional resources to meet inclusion needs are often passed onto families in the form of higher fees, impacting profitability, viability and access. In areas of high price sensitivity this can create an incentive to not accept enrolment of children with additional needs, or it can lead to a decision not to operate at all.

Draft finding 7

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

CCC and CELA strongly support this finding as it reflects the experience of our service members, especially in rural and regional areas.

The 'one size fits all' model of CCS funding limits the capacity of services in areas of limited capacity to offer higher wages and conditions leading to further constraints on access. This means that children's access to qualified educators and teachers is currently determined by where they live and their family's capacity to pay. This is incompatible with the goal outlined in the draft national vision of early education and care that *'every child can access and participate in high quality, culturally responsive ECEC...'*⁵

Urgent intervention is needed to ensure ECEC is seen as a profession of choice and paid accordingly. To ensure that every child is able to access high quality education and care, government funding is needed to ensure a minimum capacity to pay professional pay rates commensurate with the skills, responsibilities and value of the work.

CCC and CELA have recognised this urgency through our participation as employer bargaining representatives in the current multi-employer bargaining process for the long day care sector. We are available to provide further information on this process and the impact on the sector if it is of assistance to the ACCC as part of this inquiry.

Draft finding 8

The nature of competition reflects the unique demand and supply factors in childcare markets. Price plays a less influential role once households have chosen how much childcare to use, and providers compete on quality to attract and retain children and families.

Education and care are essential services. Families utilise these services to meet their basic financial needs and so it is not a true market.

As stated above, families value and can identify high quality in education and care. Families will not utilise a service where the quality of care and safety of their children is not guaranteed.

The focus of policy should be on ensuring appropriate supply including a mix of service types and management types, as well as high levels of quality to ensure parents can have a choice of services which meet their needs.

⁵Australian Government Department of Education: "Draft national vision for early childhood education and care", 17 March 2023 <https://www.education.gov.au/early-childhood/resources/draft-national-vision-early-childhood-education-and-care>

Profitability, viability and quality

Draft finding 9

On average, large centre based day care and outside school hours care providers appear to be profitable and financially viable.

We note this finding but emphasise that small providers are also generally profitable and viable. Community managed services can operate viably in remote areas and low income areas where other service management types do not.

Draft finding 10

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

Occupancy is a key driver of viability, and this is an important supply issue in areas of 'thin markets'. This is when there is a requirement to maintain a service where population, and therefore occupancy, may vary greatly from year to year, or throughout the year.

We also note that there has been a shift to increase the number of licensed places offered by services to maximise profitability and viability. For very services catering to children under the age of five, the size of the service can have an impact on quality. It is generally understood that smaller groupings of children promote a better care and learning environment for children.

Draft finding 11

On average, margins are higher:

- a. For for-profit providers of centre-based day care than not-for-profit providers
- b. In major cities and more advantaged areas
- c. For services with higher quality

As stated above, this finding supports the fact that families do understand quality and prioritise it when making choices about education and care services.

Draft finding 12

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

A determining factor in a child's experience of quality education and care is their connection with their educators and teachers. This is *absolutely* reliant on the ability of children and educators to form long term consistent relationships.

High levels of staff retention are critical to this connection. It also improves the performance of the team overall, allows for professional development, better inclusion responses and support, as well as reduced stress and workload.

Factors that minimise staff turnover include:

- Professional pay
- Career paths
- Professional development

- Leadership development
- Time to complete off the floor tasks – planning, observations, meetings with parents etc.

High staff turn-over increases costs to services through increased reliance on casual and agency staff, as well as recruitment and training costs. These higher costs reduce margins, have a detrimental impact on quality and can lead to long term viability issues.

This is reflected in the practice of the not-for-profit sector where it has been shown that they are more likely to be rated as high quality because of the reinvestment of surplus into labour.

Price regulation mechanisms

Draft finding 13

The design of the Child Care Subsidy and existing price regulation mechanism has had a limited effect in placing downward pressure on prices and limiting the burden on taxpayers.

CCC and CELA support the finding that current funding model and price regulation mechanisms have had limited effect on the cost of education and care for families and government, and that the evidence shows that it is not efficient.

In particular, we note the finding that despite increasing subsidy rates, low-income families continue to pay a higher percentage of income on education and care costs than high income families, and because of the activity test are more likely to utilise unsubsidised hours.

While the hourly rate cap has, to some extent, limited the funding obligation of the government, it has not resulted in downward pressure of fees charged. A growing number of services (28%) are charging above the hourly rate cap as it has not kept up with genuine cost increases.

Draft finding 14

Childcare providers are optimising session lengths to match current activity test entitlements to minimise out-of-pocket expenses for parents and guardians and maintain their revenues and profits.

No additional comments.

Draft finding 15

The Child Care Subsidy is complex for parents and guardians to understand and it is difficult to estimate out-of-pocket expenses.

This reflects our experience with families and member services. This complexity is even greater when considered in conjunction with the many variable offerings within the state funded preschool /kindergarten sector.

Parents and carers are faced with many complex and interplaying factors when making the decision to enter or re-enter the workforce. Therefore, to ensure families can make the choice to work the hours they want or need, simplifying entry and participation in the education and care sector is critical.

We note that the recent IPART interim report into early childhood education and care affordability, accessibility and consumer choice, also recognised this issue and included draft recommendations on improved state and federal government coordination of funding models⁶.

We suggest that this recommendation is also considered by the ACCC for possible inclusion.

⁶ IPART, Interim Report – Review of early childhood education and care – October 2023, pg 3
https://www.ipart.nsw.gov.au/documents/other-report/interim-report-review-early-childhood-education-and-care-october-2023?timeline_id=15861

Proposed additional recommendation:

Australian state, territory and Commonwealth governments should work together to develop an integrated funding approach to early childhood education and care.

Governments should clarify the objectives of the funding approach, including that all governments are committed to early childhood services as enabling both inclusive early learning for children and workforce participation for parents.

The funding approach should prioritise improving affordability and accessibility for families with lower incomes, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families with multiple vulnerabilities.

The activity test for receipt of Child Care Subsidy should be reviewed as a priority..

Draft finding 16

More information is important for parents and guardians, yet the comparator website StartingBlocks.gov.au is not widely used by parents and guardians and can contain outdated information.

CCC and CELA support this finding and note that similar conclusions have been made in the recent IPART interim report and included in their recommendations. However, greater coordination between state and federal government is needed to ensure a single, reliable and authoritative source of information is available to families. The current complexity and lack of coordinated approach to funding by state and federal government also adds difficulty for services to provide this data in an efficient and timely fashion.

Improved alignment between CCS software to report key data such as fees and waiting lists, which can then automatically be added to Starting Blocks would avoid additional administration burden on services

International childcare costs and price regulation mechanisms

Draft finding 17

Overseas data indicates childcare in Australia is relatively less affordable for households than in most other OECD countries.

We note additionally that Australia continues to contribute less than the OECD average of 0.8% of GDP towards the funding of education and care services⁷. Studies have also shown that increasing Australia's contribution to achieve the workforce participating rates of Nordic countries, which currently contribute around 1% of GDP towards education and care, would result in significant social and economic benefits which more than compensate for the cost of investment⁸.

Draft finding 18

Many OECD countries are moving toward greater regulation of childcare fees such as low fees or free hours for parents and guardians, supported with supply-side subsidies to cover providers' costs of provision.

CCC and CELA support this finding that there is a growing international trend towards supply side subsidies to cover providers' costs of provision.

This trend coincides with a global shift in the recognition of the value of early education and care to the wellbeing and development of children and the subsequent long term social and economic benefit alongside immediate workforce participation impacts.

Supply side models better deliver on the policy objectives of government by providing greater targeting of funding to specific outcomes. These include measures to support universal access of children, workforce, quality and inclusion.

Supply side funding also provides a greater enforcement capacity for governments to ensure funding is utilised appropriately, compared to demand side funding delivered via parents and families.

⁷ OECD, Public spending on childcare and early education, updated 2023, pg 2.
https://www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf

⁸ Gundoff, M and Dennis, R, Participating in growth: Free childcare and increased participation. The Australia Institute, 2020: pg 1 <https://australiainstitute.org.au/wp-content/uploads/2020/12/Female-participation-with-free-childcare-WEB-1.pdf>

Response to draft recommendations

Existing regulatory arrangements

Draft recommendation 1

The ACCC recommends that the Australian Government reconsider and restate the key objectives and priorities of its childcare policies and supporting measures, including the relevant price regulation mechanism.

CCC and CELA strongly support this recommendation. However, we suggest it should be further strengthened to specifically state that putting children's access to high quality education and care as the first objective allows for the maximum flow on benefits from investment, including workforce participation, social equity and economic benefits.

This is further supported in the recent final report of the Women's Economic Equality Taskforce which included immediate recommendations to establish and invest in universal, high-quality and affordable early childhood education and care⁹.

This aligns with the elements of the Draft National Vision for Early Childhood Education and Care which is being developed by early years Ministers for consideration by National Cabinet. We note that the draft vision incorporates the following:

- Every child can access and participate in high-quality, culturally responsive ECEC, including preschool, to support their right to thrive, grow their sense of identity and connection to the world, and become confident and engaged learners every parent/ carer can access affordable ECEC to support their participation in the workforce.
- Every parent can access an affordable, high-quality service to support their participation in the workforce, and the associated social and economic benefits governments take a stewardship approach – nationally coherent, connected and responsive to community need.
- The ECEC workforce is highly skilled, valued, and professionally recognised and the sector is supported to attract and retain workers.
- Governments take a holistic approach as stewards of the ECEC system in partnership with the sector, shaping a system that is nationally coherent and connected and responsive to community needs and outcomes for families, providers, and the workforce.¹⁰

We reiterate that this resetting of key policy objectives must include services which support children from birth to 12 years old. In particular, recognising the valuable contribution of OSHC to meeting children's health, recreation and social needs as part of a holistic education program in conjunction with schools.

⁹ Department of Prime Minister and Cabinet, *Women's Economic Equality Taskforce – a 10 year plan to unleash the full capacity and contribution of women to the Australian economy 2023-2033*. October 2023. <https://www.pmc.gov.au/resources/10-year-plan/recommendations>

¹⁰ Australian Government Department of Education: "*Draft national vision for early childhood education and care*," 17 March 2023 <https://www.education.gov.au/early-childhood/resources/draft-national-vision-early-childhood-education-and-care>

Proposed additions to recommendation:

- *Specifically state that the first objective is children's access to high quality, affordable and inclusive early education, recognising ECEC as the foundation of Australia's education system supporting the wellbeing and development of children as well as family's choice to participate in work.*
- *Align with the elements of the Draft National Vision for Early Childhood Education and Care, being developed by early years Ministers for consideration by National Cabinet.*
- *Recognise the significant social, economic and educational contributions ECEC makes to Australian society, including supporting workforce participation of families, long term human capital benefits and benefits accrued from addressing disadvantage and vulnerability, as well as broader benefits associated with family support, early intervention and supporting regional economies and small businesses.*
- *Recognise the ECEC workforce as crucial to delivering high quality early learning.*

Draft recommendation 2

The ACCC recommends further consideration and consultation on changes to the Child Care Subsidy and existing hourly rate cap mechanism, to simplify their operation and address unintended consequences, including on incentives and outcomes.

Draft recommendation 2 (c)

Recommendation 2 (c) should be strengthened to immediately abolish the activity test as a first step towards achieving a universal education and care sector.

We note that both the IPART interim report and the Women's Economic Equality Taskforce recommend this to be reviewed as a priority or abolished due to its adverse impact on children and families¹¹.

As a longer-term step, we suggest a further recommendation as follows:

Proposed additional recommendation:

That the ACCC should recommend that the PC consider how best to implement a specific entitlement such as a certain number of days for all children with more days available to those who need more - noting there appears to be no evidence supporting the effectiveness of the activity test in creating an incentive to work.

Draft recommendation 2(d)

CCC and CELA agree that there is a need to ensure that additional investment is aligned with policy objectives and does not result in further cost increases to families. An initial focus in this area could include measures to increase fee transparency and reporting.

Close consultation is needed to ensure that this is aligned with future funding models in a sustainable manner to deliver transparency for funding, while allowing for

¹¹ Recommendation 2.2 <https://www.pmc.gov.au/resources/10-year-plan/recommendations> and Priority draft recommendation 1 https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Interim-Report-Review-of-early-childhood-education-and-care-October-2023.PDF

reasonable operational variations which are reflective of community need and circumstance.

Monitoring also should consider quality levels and measures to ensure funding is utilised to provide quality improvement. Consideration could include administration options for services which continuously fail to meet minimum quality standards.

Proposed additions to recommendations:

In the immediate term improve fee reporting and transparency on starting blocks. ACCC should recommend Government better utilise existing provisions to ensure fees published are up to date with better information about inclusions provided by high quality NFP providers.

Additionally, ACCC should recommend the PC consider ways to identify and report on fees outliers within localised markets.

Draft recommendation 3

The ACCC supports reconsideration of the information gathered for and reported on StartingBlocks.gov.au so that it is better focused on meeting parents and guardians' information needs and balanced against the costs of collecting and publishing information. This could include:

- Considering the frequency, granularity and accuracy of information collected and published, to ensure currency for parents and guardians
- Focusing on publishing information that assists parents to accurately estimate out-of-pocket costs and relevant information to assist parents assess quality factors
- Incorporating input and advice from the Behavioural Economics Team of the Australian Government
- Ensuring information is appropriately and effectively publicised to parents and guardians.

CCC and CELA support this recommendation – including the addition of further parent communication and resources to promote the value of ECEC and the factors of quality, including workforce. In addition, we strongly suggest that families should be part of the design and testing of the system.

The federal and state governments should coordinate to deliver a single national information source aligning with preschool and kindergarten offerings in states and territories and avoid replication of sources. An improvement to the existing Starting – Blocks site is preferred over multiple state based sources.

Draft recommendation 4

The ACCC recommends that the governments further consider how the existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the early childhood education and care sector.

This recommendation needs to be strengthened with the recognition that the National Quality Standards are widely supported by the education and care sector and seen as essential to ensure the safety and quality of programs.

Reductions in national quality standards not only have an impact on children's experience and safety but can also ultimately exacerbate workforce shortages by reducing the quality of jobs.

The recommendations should further note that the ACCC findings on the impact of workforce shortages on quality and supply of education and care warrant immediate and longer-term action on behalf of the federal and state governments to improve the ECEC workforce pay and conditions. Including consideration of the current multi-employer bargaining processes underway.

We note that similar recommendations have been made in relation to the government's role in supporting improved wages and conditions for the female dominated education and care workforce¹²

Proposed additions to recommendations:

ACCC should recommend the Australian Government fund an increase in educator pay with consideration given to the Multi-Employer Bargaining process underway.

The ACCC should recommend the PC consider how regulatory approaches, including industrial relations frameworks and financing, could deliver improved and sustainable pay and conditions for the ECEC workforce in the short and medium term.

¹² Recommendation 2.3 and 2.5 <https://www.pmc.gov.au/resources/10-year-plan/recommendations>

Broader policy considerations

for more significant change

Draft recommendation 5

The Australian Government should consider maintaining and expanding supply-side support options for Aboriginal Community Controlled Organisations that provide childcare and additional support services for First Nations children, parents and guardians.

CCC and CELA strongly support this recommendation and reiterate the position of the peak bodies for Aboriginal community-controlled services that supply side funding is necessary to provide long term certainty for services and that funding must include:

- Access to capital grants for new services
- Support for workforce supply and retention
- Support for delivery of expanded holistic child and family services.

Draft recommendation 6

A market stewardship role should be considered for both Australian and state and territory governments, in identifying under-served areas and vulnerable cohorts, along with intervention whether through public or private provision. A competitive tender process is one tool that could be used by governments to facilitate delivery in these areas.

CCC and CELA support the underlying recommendation that a market stewardship role should be considered for both state and territory governments across the sector, to ensure a range of broad objectives.

We recognise that stewardship of this sector is ultimately in conjunction with providers and other sector stakeholders including local government, especially relating to planning and monitoring of markets.

Suggested recommendation

A market stewardship role should be considered for both Australian and state and territory governments, in ensuring the ECEC market is delivering on the following objectives:

- *An adequate supply of places*
- *A sustainable and adequate workforce*
- *A desirable mix of provision based on provider type and age mix of children*
- *Minimum quality and inclusion standards and positive quality improvement trajectories; and*
- *Services that are affordable for families and sustainable for tax payers.*

The positive role the sector plays in market stewardship and in achieving shared policy objectives with Government should also be recognized.

These market stewardship objectives should be delivered by the Australian Government utilising regulatory, financing, market monitoring and planning levers alongside a settlement of responsibilities with State and Territory Governments.

Additional recommendation

Sustainability and growth of the NFP sector should be considered an explicit objective of future ECEC policy and regulatory approaches. Given the ACCC's strong findings about the benefits delivered by the NFP sector for children, families and Governments, this should also include consideration of new approaches to removing barriers in accessing capital and funding growth for NFPs.

Draft recommendation 7

The ACCC supports further consideration of supply-side subsidies and direct price controls. Some changes to the policy settings are likely to reduce the impact of the hourly rate cap as an indirect price control, and may warrant a shift to direct price controls supported by operating grants for regulated childcare providers.

CCC and CELA agree with this recommendation and note that it is consistent with the international trend to allow for greater targeting of funding, as well as the recognition of the value of education and care for children of all ages.

While supply side funding has many advantages including better targeted support to deliver government objectives in the education and care sector, careful consideration in design is needed to ensure funding to cover genuine costs of services and supports continuous quality improvement.

This may include consideration of:

- Appropriate measures of indexation
- Appropriate measures for price control in exchange for supply side funding
- Layered funding rates to reflect genuine cost variations due to community need, geography and workforce costs.
- Support for capital costs to deliver new or expanded services.

Proposed revised recommendations

The ACCC supports further consideration by the PC of:

- *Supply-side subsidies, either as a substitute for, or alongside demand side subsidies, including the opportunities and implementation risks involved with such a change and means to mitigate such risks*
- *Direct price controls or other means (eg potentially profit controls) to ensure Government and parents do not face excessive fees*
- *Unintended consequences of supply side and direct price controls, drawing on international examples and strategies to mitigate these.*



Early Childhood Education and Care: Fit for the Future

Productivity Commission Submission

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About CELA

About Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia's early education and care sector. As a peak body, our vision is for all of Australia's children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- ▶ Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia's children.
- ▶ Influence policy makers and government by amplifying the voices of community based and small providers.
- ▶ Promote the value and importance of community-based early education.

Executive Summary

It's time for a new vision for Early Childhood Education and Care

Recent years have exposed the fault lines in Australia's Early Childhood Education and Care (ECEC) system for all to see. Confusion and chaos during the COVID pandemic, childcare deserts, workforce shortages and spiralling costs reveal a sector no longer fit for purpose. Now is the time for a bold reimagining of the Early Childhood system, one that is not tied to outdated structures and objectives with limited scope.

CELA welcomes this Inquiry and the renewed commitment of the Australian Government to focus on value and opportunity for the Early Childhood Education and Care sector. We commend the Government on its recognition of the ECEC sector as 'an essential part of Australia's education system' and its ambition to deliver 'universal, affordable ECEC – in the great tradition of universal Medicare and universal superannuation.'¹

The current sector is hamstrung in its ability to meet this objective due to persistent confusion and inconsistency of policy objective. The primary funding model of the Child Care Subsidy (CCS) was designed as a welfare payment to families to support workforce participation. As a demand driven funding model, focused on lowering parents' out of pocket costs, contributing to improved education and development outcomes for children were not part of the primary policy design. Developments in recent decades have shown the significant value of investing in quality education and care from birth to age five for improved child outcomes and reduced poverty and social inequality. Outdated distinctions between 'care' and 'education', and the ages at which these happen, are limiting the impact of Federal and State government investment. This confusion of purpose is contributing to a system that is expensive, difficult to navigate and failing to meet its full potential for social and economic impact.

To meet the objective of a universal, affordable ECEC sector we must reset the policy objectives and put children and their needs at the heart of the system. Recognising that, by first meeting the needs of children, the benefits to families and the economy will flow.

Currently we recognise this benefit for some children, but not all. School aged children are entitled to 30 hours per week of high-quality public education. In the year before school, children are entitled to 15 hours of preschool or kindergarten. States including New South Wales and Victoria are already expanding this to 30 hours free entitlement for all children. Yet, under the current funding models, children under these ages are not entitled to universal access to quality early learning and care. Instead, their access is dictated by their parents work and financial status. Recognising that 90% of a child's development occurs in the first five years, a system that excludes our youngest learners will never see the full benefits of investment.

An Early Childhood Education and Care system that is fit for the future is one that works towards a vision of:

- ▶ Guaranteed universal access to quality early childhood education and care from birth to school age in the setting that suits them of up to 30 hours / 3 days a week. This includes retention of the Child Care Subsidy (CCS) for additional hours beyond the minimum guarantee, to support families to work the hours they choose.
- ▶ A strong, stable, and continuously improving, professionally paid and respected early childhood workforce.

¹ Productivity Commission, March 2023: Early Childhood Education and Care – Call for Submissions.
<https://www.pc.gov.au/inquiries/current/childhood/call-for-submissions>

- ▶ Universal high-quality programming and practices, regardless of location or service type, which are continuously improving.
- ▶ A stable and balanced sector which supports quality, access and choice.

With these foundations in place, Australia will see the full benefits of:

- ▶ A quality early learning system
- ▶ Improved health and developmental outcomes for children
- ▶ Reduced social inequity, as well as increased workforce participation and women's economic equality.

Summary of Recommendations

Universal access – towards 30 hours free early childhood education and care from birth to school

1. That Australia's ECEC policy is reset with children's access to high quality education and care as the primary objective.
2. That ECEC funding should work towards delivering a universal entitlement to 30 hours per week of free early childhood education and care from birth to school age across all service types, provided through block funding.
3. That a future universal entitlement includes up to full time (50) hours per week of free ECEC for vulnerable children and families.
4. That State and Federal Governments coordinate the delivery of universal access arrangements to limit funding complexity and to support families to access the Early Childhood Education and Care that suits their needs.
5. That the existing Child Care Subsidy (CCS) scheme, with appropriate fee controls, continues to support workforce participation of families for hours beyond 30 hours, from birth to 12 years of age.
6. That the Activity Test is abolished for all hours of ECEC.

Investing in a professional ECEC workforce

7. That the Federal Government participates in and provides funding support for nationally coordinated Multiple Employer Agreements across the early childhood sector. This will deliver wages and conditions in line with comparable work in the education and care sectors.
8. That Government funding for wages and conditions is provided to services demonstrating compliance with the improved minimum standards, and transition to replicate New Zealand and Victorian models of higher block subsidy rates for services which pay the improved minimum pay and conditions.
9. That all recommendations of the Children's Education and Care National Workforce Strategy be implemented.
10. That the proposed national Early Childhood Teacher Registration Scheme be extended to include early childhood educators.
11. That services are supported to provide accredited, coordinated professional development for all early childhood educators and teachers linked to quality areas.
12. That appropriate measures for immigration of suitably qualified educators and teachers are explored that will support the local ECEC sector and workforce.
13. That State and Federal Governments coordinate policies to support ECEC educator and teacher training, quality and retention.

Ensuring high quality early educating and care

14. That funding to State Governments to deliver assessment and rating programs is sufficient to meet the original goals as set out by the National Quality Standard (NQS).
15. That ACECQA is maintained and funded to deliver a nationally consistent quality program for ECEC services.
16. That current enforcement options for non-improving/ non-compliant services are reviewed for their effectiveness in ensuring minimum service quality and child safety. The review should consider establishing an 'administration option' for services which need urgent intervention to ensure the safety of children, or services which do not demonstrate improvement.

A balanced sector for quality, access, and choice

17. That Local, State and Federal governments coordinate to monitor ECEC service provision and ensure services are delivered in line with demand and community needs.
18. That models to provide capital funding to support the establishment of new community led services are investigated, especially in areas of community demand.
19. That programs are developed in conjunction with State and Local governments to provide governance, business and management support to communities to establish and maintain community led services.

Building a future-fit ECEC system

Putting children at the heart of the system

Australia's early learning system is currently a mishmash of different policies delivered through outdated and inefficient funding structures.

The CCS is the primary funding model for early childhood education and care, yet it is not fit for purpose - to ensure all children are able to access the high quality early childhood education and care they need.

The split between the federally funded CCS (funding focused on workforce participation) and Preschool Reform Agreement funding (funding focused on access to early education) is not family-centred, causing significant confusion for families and inefficiency in service provision.

This funding structure is also based on outdated concepts that ECEC before preschool age is primarily 'care' focused, and preschool and beyond is 'education' focused. It is a funding structure that is arbitrarily divided by age, rather than purpose, shoehorned around state and federal constitutional responsibilities. As a result, this creates artificial barriers to access and limitations on the social and economic benefits of early childhood education and care.

Reimagining the ECEC system as one that recognises that learning starts from birth, and with children's needs at its heart, has the potential to untangle this funding web. By meeting children's needs first, the needs of the family are also met and can be supported more efficiently. By recognising the value of early education and care to children as the first objective of funding for all ages, and increased workforce participation as a dual benefit, we can more clearly target government investment and maximise the social and economic benefits.

Universal access: towards 30, 30, 30

Australia's current public school system was built on a recognition of every child's right to a high-quality education. Every child, from the age of five, has this right. We now know how critical the first five years of learning and development are for setting up the foundations for future health, wellbeing, and success. We also know that children who are developmentally disadvantaged at the start of school are likely to remain behind throughout the rest of their education. Yet our current early childhood education and care system does not reflect this understanding. It remains focused primarily on parents' work participation and unconnected to children's lifetime learning pathways. The result is a system that frequently excludes children who need support the most, with rising costs and is unnecessarily difficult for families to navigate.

Transitioning to a goal of universal 30 hours a week of free early learning and care establishes a foundation for a ECEC system that more effectively meets the dual objectives of supporting the learning and development of children and supporting the choices of families to work the hours they want.

Towards "30, 30, 30" positions early childhood education and care as a continuum of the existing education system. It recognises that learning starts at birth and that children have a right to be supported in their learning at all stages. It is a vision which sees all children provided an entitlement of up to 30 hours of age appropriate, high quality, play based early education and care from birth; 30 hours quality preschool/ kindergarten program in the two years before school; and 30 hours universal public school.

These hours would be funded by block funding paid directly to services based on a mixture of operational, equity and per capita components, similar to existing preschool and school funding arrangements. This initial entitlement would be delivered in a coordinated way between the Federal and State/ Territory Governments and paid directly to providers across all service types.

In addition to these initial 30 hours, families who need additional hours of ECEC to work the hours that they want can continue to receive the CCS or a simplified alternative subsidy. This reflects current family experiences with primary school and outside of school care. However, if this was applied in a long day care setting, for example, then families could claim a subsidy for the fourth and fifth day, or for hours beyond daily programming.

Families will be able to access the hours of ECEC that suit them, across any service type, as part of a new, easy to navigate, more affordable system. It will remove the barriers of cost, choice and accessibility. Additional free hours can be provided to support the needs of vulnerable children and families and ensure greater access as needed.

Thirty hours free universal ECEC would represent a significant reduction in families' out of pocket costs, and is also a more equitable system than a proposed universal fee subsidy. The balanced mix of supply and demand subsidies allows for a reasonable means tested component without impacting base access for children. As a proportion of income, 30 hours free ECEC supports families on the lowest incomes the most.

Table 1 - Proportion of out-of-pocket costs 90% subsidy v 30 hours free² 4 Days / 40 hours			
Base rate 2022/25	1 July 2023 out of pocket costs	90% Universal Subsidy	30 Hours Free
	% of income	% of income	% of income
80,000	3.31%	3.31%	0.83%
90,000	3.53%	2.94%	0.88%
100,000	3.71%	2.65%	0.93%
110,000	3.85%	2.41%	0.96%
120,000	3.97%	2.21%	0.99%
150,000	4.24%	1.77%	1.06%
180,000	4.42%	1.47%	1.10%
200,000	4.50%	1.32%	1.13%
220,000	4.58%	1.20%	1.14%
250,000	4.66%	1.06%	1.17%
280,000	4.73%	0.95%	1.18%
300,000	4.77%	0.88%	1.19%
320,000	4.80%	0.83%	1.20%
350,000	4.85%	0.76%	1.21%
380,000	4.88%	0.70%	1.22%

² Based on current CCS fee cap \$12.74 per hour and CCS subsidy rates as at 1 July 2023 for one child.

400,000	4.90%	0.66%	1.23%
450,000	4.95%	0.59%	1.24%
480,000	4.97%	0.55%	1.24%
500,000	4.98%	0.53%	1.25%
530,000	5.00%	0.39%	1.25%

Aligning a universal access entitlement for ECEC with the existing hours entitlement for public schooling can be achieved, as an alternative to providing a universal 90% subsidy, and could be transitioned sustainably. The NSW and Victorian free four year old preschool programs provide transition models which can be explored.

For example, implementation of ‘free’ hours could be incremental over time, and/or across local government areas. Implementation across service types could include conditions on applying the funding, such as in Victoria where “Free Kinder” has been available across settings including long day care³. For that program, long day care services which provide an approved kinder program are provided with block funding. Parents receive a direct discount on their fees for those kinder hours. In addition, the total cost of the package may also be adjusted to mirror similar cost projections to a 90% universal subsidy model by adjusting maximum CCS subsidies for additional hours over time.

Transitions to this model will allow for greater targeting of federal government funding through appropriate funding agreements with services. The CCS currently offers governments limited control over how funds are utilised as it is a payment to parents not to services. Therefore, eligibility conditions are linked to the parents and not how the service utilises the funds. While services must currently comply with some limited licensing requirements to receive CCS from families, direct block funding allows for greater direction of the conditions of funding between the government and providers.

International examples show the importance of fee restraint policies in a transition to a mixed funding model. Appropriate controls and oversight of fee increases are required to ensure that fees for additional hours beyond any guaranteed ‘free’ entitlement are not excessive. Ensuring that the block funding component meets real and genuine costs, and is regularly and independently reviewed, is essential to ensure savings for families are fully passed on. Examples of fee restraints include conditions for “Free Kinder” set out in the Victorian Kindergarten funding guide⁴, the Irish model of temporary “free freezes”⁵ or the capping of parental charges as per Quebec’s \$10 per day policy⁶.

³ 2023 Victorian Kindergarten funding guide Jan 2023 <https://www.vic.gov.au/kindergarten-funding-guide>

⁴ Ibid

⁵ Partnership for the Public Good: A New Funding Model for Early Learning and Care and School-Age Childcare, 2021: <https://first5fundingmodel.gov.ie/wp-content/uploads/2021/12/Funding-Model-FINAL-REPORT-2.pdf> pg: 19

⁶ Childcare and early education systems, June 2022: www.fawcettsociety.org.uk pg: 40

Recommendations:

1. That Australia's ECEC policy is reset with children's access to high quality education and care as the primary objective.
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5. That the existing Child Care Subsidy (CCS) scheme, with appropriate fee controls, continues to support workforce participation of families for hours beyond 30 hours, from birth to 12 years of age.
6. That the Activity Test is abolished for all hours of ECEC.

Investing in a professional ECEC workforce

Delivering universal early childhood education and care is dependent on having a high-quality professional workforce to back it up. However, Australia is currently experiencing an ECEC workforce crisis. Job vacancies for educators are at record highs,⁷ and low pay and high workload is driving educators to leave the sector⁸.

It is estimated that an additional 16,000 new early childhood educators will be needed to address current shortages and meet increased demand as a result of the Government's "Cheaper Child Care" policy, set to come into effect on 1 July 2023⁹.

Low wages, high workload and poor conditions are the main drivers of this workforce shortage. However, despite this urgent and high demand for qualified workers, ECEC workers remain Award reliant and are paid well below the national average¹⁰. There is clear market failure regarding the market rates for ECEC workers which require intervention to resolve. Wages in the sector are held back by significant structural issues, including historical gender undervaluation, limited access to enterprise bargaining and funding arrangements.

⁷ <https://theconversation.com/high-childcare-fees-low-pay-for-staff-and-a-lack-of-places-pose-a-huge-policy-challenge-183617>

⁸ United Workers Union. 2021, [Exhausted, undervalued and leaving: the crisis in early education | VOCEDplus, the international tertiary education and research database](#)

⁹ <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told>

¹⁰ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg:24 and <https://snapshots.acecqa.gov.au/workforcedata/wfglance.html>

ECEC educators and teachers are paid below average wages and less than workers in comparative industries such as primary education, disability care and aged care. There are over 7000 employers in the ECEC system and over 80% of the employers in the sector operate just one service. ECEC educators have been locked out of enterprise bargaining and attempts to vary the Awards have proven to be lengthy, costly and largely unsuccessful.

An urgent solution to low wages and poor conditions is needed to ensure no child or family misses out on the ECEC they need due to workforce shortages. The recent *Secure Jobs, Better Pay* legislation was passed, making specific provisions to improve access to enterprise bargaining for low paid female dominated industries such as the early childhood sector¹¹. Enterprise bargaining provides an efficient, flexible and long-term sustainable model for improving wages and conditions in the sector. This legislation provides a new opportunity for the sector to address low wages and poor conditions by bringing employers, unions, and the government together to set a new agreed standard in wages and conditions.

The crisis in pay requires a significant and urgent increase with stakeholders from the sector calling for between a 10% -25% wage increase for ECEC workers¹². Such an increase is necessary to raise wages to market competitive rates and can only be achieved with the commitment of additional government funding, which is separate to the CCS.

The reliance of the ECEC sector on CCS funding has acted as a direct suppression to wages. As a demand side subsidy, any increased costs resulting from improved wages are passed onto parents as increased fees. While the CCS does absorb a proportion of these increases (up to the fee cap), this impact on affordability directly acts as a disincentive to workers and services to increase wages¹³. The CCS also cannot be targeted. Any improvement to subsidy rates or fee caps to encourage the payment of higher wages will apply to services, whether or not they pay improved rates. While out of pocket costs for families has increased by almost 85% since 2010, Award wages for educators have increased at half this rate¹⁴. During this time, government funding for the sector has increased by billions. As staffing is one of the biggest contributors to program quality and also service delivery costs, it is clearly it is in the interests of government to ensure further investment flows directly to the workforce as intended.

There are multiple examples of direct, conditional wage subsidies for how government funding can be directed to ensure it is fully utilised to improve wages and conditions. For example, the Victorian Government provides a higher rate of per capita funding to kindergartens that are a signatory to the Victorian Early Childhood Teacher and Educator Agreement, a multiple employer agreement which covers most stand-alone kindergartens in the state¹⁵. Similarly, in New Zealand, services receive a higher rate of supplementary funding

¹¹ Minister Burke, Second reading speech, 27 October 2022:

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F26228%2F0017%22>

¹² <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told> and <https://www.abc.net.au/news/2023-02-22/early-childhood-educators-crisis-wages-rise/101997336>

¹³ Low-paid 'women's work': why early childhood educators are walking out, 2018

<https://issr.uq.edu.au/article/2018/04/low-paid-%E2%80%98women%E2%80%99s-work%E2%80%99-why-early-childhood-educators-are-walking-out>, University of Queensland

¹⁴ Author's data from ABS Child care costs index and Fair Work Commission Children's Services Award 2010.

¹⁵ <https://www.education.gov.au/child-care-package/preschool/preschool-reform-funding-agreement>

relative to educator and teacher bargained wage outcomes¹⁶. A transition to a 30 hour universal access model provided through block funding would provide the basis for a similar subsidy program to operate across the Australian ECEC system. Alternatively, an additional payment paid directly to services on proof of compliance with bargained / agreed minimum wages and conditions standards could apply.

In addition to urgent funding to improve wages and conditions, a national plan to deliver consistent, high quality and coordinated professional development across all qualifications and settings is needed. Currently there is no consistent entitlement to paid time for staff to access professional development, nor is there coordinated development programs delivered by approved and registered providers. Access to professional development is a key driver of quality improvement but is also valued by educators and teachers as a key attraction and retention measure. Support for professional development through mandating minimum entitlements to paid time for all staff, and the development of coordinated PD programs as part of a national teacher and educator registration scheme, will deliver these benefits most efficiently.

Recommendations:

- 7. That the Federal Government participates in and provides funding support for nationally coordinated Multiple Employer Agreements across the early childhood sector. This will deliver wages and conditions in line with comparable work in the education and care sectors.**
- 8. That Government funding for wages and conditions is provided to services demonstrating compliance with the improved minimum standards, and transition to replicate New Zealand and Victorian models of higher block subsidy rates for services which pay the improved minimum pay and conditions.**
- 9. That all recommendations of the Children’s Education and Care National Workforce Strategy be implemented.**
- 10. That the proposed national Early Childhood Teacher Registration Scheme be extended to include early childhood educators.**
- 11. That services are supported to provide accredited, coordinated professional development for all early childhood educators and teachers linked to quality areas.**
- 12. That appropriate measures for immigration of suitably qualified educators and teachers are explored that will support the local ECEC sector and workforce.**
- 13. That State and Federal Governments coordinate policies to support ECEC educator and teacher training, quality and retention.**

¹⁶ New Zealand “free early childhood education” <https://childcarepolicy.net/new-zealands-funding-system-for-early-childhood-education-and-care-services/> FEBRUARY 12, 2023 BY GORDON CLEVELAND

Ensuring high quality early educating and care

The overall quality of Australian ECEC services has improved since the implementation of the National Quality Standard (NQS).

This is a significant achievement which has resulted in improved outcomes for children across the country. However, there are still a significant number of services which are struggling to achieve minimum standards, and workforce shortages are leading to increased numbers of staffing waivers.¹⁷ The most recent ACECQA data shows that 1737 services across Australia are not meeting the National Quality Standards, including seven services rated as 'Significant Improvement Required.'¹⁸

Universal access to early childhood education and care must mean universal access to high quality services. We cannot accept a system where a family has a one in ten chance of their children attending a service that is not meeting minimum standards.

To ensure quality across all providers, it is necessary to address two issues within the existing assessment and rating program. Firstly, across the country, it has been shown that state regulatory authorities have not met the assessment schedule originally set out when the NQS was established in 2018. The original goal was that all services were assessed at least every three years. However, hundreds of services across Australia hold ratings that are older than this, with some as long as seven years between ratings¹⁹. The average educator length of service in a centre is 3.6 years' service²⁰ in the long day care setting, meaning an entire generation of management and staff could have changed over such a long period. While services who are not meeting standards are regularly assessed, there are large proportions of the sector who are being missed, and are not necessarily improving. The NQS is a guide for parents to help them select high quality services, and long time periods between assessments undermine confidence in the system.

Secondly, where there are services which are assessed as not meeting minimum standards and there is not improvement even after significant intervention, the regulatory system has limited means to enforce compliance. Beyond continued monitoring, the only other enforcement mechanism available for a service which does not improve is the cancellation of provider approval under the Education and Care Services National Law. This is an incredibly high bar to meet and there must be direct evidence that continued provision of unacceptable risk to the safety, health or wellbeing of the children being educated at a service²¹. Given the effect of this is that the service usually shuts down, it is families who bear the impact of the intervention. This is particularly difficult in areas where a poor-quality service may be the only service available in the area.

In the case of non-improvement, a program can be established where the service enters 'administration'. This may allow the service to remain open for families, while management issues are addressed. An approved 'administrator' provider may be brought in to support the improvement measures to be undertaken and /or to

¹⁷ Q4 2022 W9: Proportion of long day care services with a staffing waiver by jurisdiction and quarter
<https://snapshots.acecqa.gov.au/Snapshot/waivers.html>

¹⁸ <https://snapshots.acecqa.gov.au/Snapshot/qualityratingprogress.html>

¹⁹ <https://www.theage.com.au/national/victoria/ratings-system-monitoring-childcare-quality-falling-short-20220421-p5aezx.html>

²⁰ 2021 Early Childhood Education and Care National Workforce Census, August 2022, pg: vii
<https://www.education.gov.au/child-care-package/resources/2021-early-childhood-education-and-care-national-workforce-census-report>

²¹ Education and Care Services National Law Act 2010, C 31(b)
<https://content.legislation.vic.gov.au/sites/default/files/2022-12/10-69aa017-authorised.pdf>

seek new management of the service. In this way, the impact of noncompliance rests with the service provider and not with families who may rely on the service to remain operational.

Recommendations:

14. **That funding to State Governments to deliver assessment and rating programs is sufficient to meet the original goals as set out by the NQS.**
15. **That ACECQA is maintained and funded to deliver a nationally consistent quality program for ECEC services.**
16. **That current enforcement options for non-improving/ non-compliant services are reviewed for their effectiveness in ensuring minimum service quality and child safety. The review should consider establishing 'administration option' for services which need urgent intervention to ensure the safety of children or services which do not demonstrate improvement.**

A balanced sector for quality, access, and choice

The ECEC sector has grown remarkably in the previous two decades. The introduction of federal child care assistance and the Child Care Benefit subsidies saw a rapid expansion of services across Australia²². While increased provision has supported greater access to early childhood services, this growth is not balanced and is not without significant cost to the Australian Government. The unrestrained growth and subsequent collapse of ABC learning in 2008 led the Federal Government to pay over \$100 million to prevent over 1000 services across the country from closing²³.

The introduction of fee subsidies and the removal of operational subsidies to the community sector has led to a disproportionate growth in private for-profit provision of ECEC. Almost all growth in ECEC services has been in the for-profit sector. The for-profit sector has grown by over 30% since 2015, while the community not-for-profit sector has declined by 8%. Over the past decade there has been a shift in the proportion of the market operated by large providers, from 31% to 35% since 2016²⁴. The for-profit sector now represents 68% of the long day care sector, 48% of the Outside School Hours Care sector and 51% of the overall ECEC providers²⁵.

This growth at the expense of the community run not-for profit sector comes at a cost for families, children and the government. Families are experiencing less choice of service when seeking care for their children. Children on average are less likely to be enrolled in a high-quality service, and governments receive less return on investment because of subsidies funding profit as well as programming²⁶.

Research shows that the not-for-profit community run services consistently receive higher quality ratings than the for-profit sector. This does not indicate that all for profit services are not high quality and that all not-for-

²² Brennan, D and Oloban, M, Child Care in Australia A market failure and spectacular public policy disaster; <https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2009/04/Child%20Care%20in%20Australia.pdf> pg 120

²³ Ibid

²⁴ <https://www.acecqa.gov.au/nqf/snapshots> 2013-2022

²⁵ <https://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html>

²⁶ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March 2022 https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg: 30

profit services are, but that management type is a significant indicator of quality²⁷. Latest ACECQA data shows that 38% of not-for profit services are rated as exceeding the NQS compared to 19% of for-profit services. The largest proportion of excellent rated services are also from the not-for-profit sector²⁸. At the other end of the spectrum, for-profit services also represent over three quarters of enforcement actions taken since 2015.

A recent report by the Australia Institute shows that the benefits of increased government investment in ECEC are increased, including higher quality outcomes, when directed to not- for profit services. This is because the need to maintain a margin for financial return in for profit services diverts resources away from direct service provision. It also distorts incentives for ECEC providers, encouraging them to reduce costs and quality to maximise financial returns for the owners. When estimating the improved returns in increased government investment the report found:

“If all the new funding was directed only to government and NFP providers, then the employment and GDP gains resulting from the expansion in ECEC funding would be higher than if allocated according to the current 50-50 split between FP and NFP and government providers. If all the new funding was directed to NFP and government services, it would create an additional 66,802 FTE positions. This is 8,444 (or almost 15 per cent) more than if the additional funding was allocated according to the current split of FP, NFP and government providers.” Pg 37²⁹

A balance in the early childhood education and care sector is necessary to ensure choice, improved quality and return on government investment. An overreliance on for-profit services to meet growth in demand has failed to ensure access for all families. For-profit services are incentivised to set up where there is existing high demand and high incomes to maximise their own returns. This has resulted in the emergence of ‘childcare deserts’ in areas where quality ECEC services would most benefit communities³⁰. In contrast, in markets where there is the ability to charge high fees there is oversupply and low occupancy.

A balanced market needs to ensure that community not-for-profit services remain viable and can expand into communities where there is a need. There should be a genuine choice for communities who need access to ECEC services about how that service is provided to them. Prior to 2000 the Federal Government recognised the importance of the community sector by providing additional operational funding. To grow this part of the sector new programs should be developed, which will provide capital to establish new community run services. Community services are also reliant on volunteer boards for the set up and operations. These boards can be supported to provide this service through management and governance support systems. Without this investment in the community not for profit sector, access to services in areas of most need will continue to be limited and returns for government investment in the sector will be reduced.

Investing in community not for profit services will also ensure a balanced market between large and small providers. While the consolidation of the ECEC sector does provide some advantages, the experience with ABC Learning shows the impact on children and families where this fails. A balance of small and large providers

²⁷ <https://childcarecanada.org/sites/default/files/OP31-A-bad-bargain-for-us-all.pdf> pg: 12

²⁸ <https://snapshots.acecqa.gov.au/Snapshot/overallratings.html>

²⁹ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March 2022 https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg: 37

³⁰ <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>

minimises the risk of service failure across communities and excessive market consolidation must be avoided, particularly in the for-profit sector.

Recommendations:

- 17. That Local, State and Federal governments coordinate to monitor ECEC service provision and ensure services are delivered in line with demand and community needs.**
- 18. That models to provide capital funding to support the establishment of new community led services are investigated, especially in areas of community demand.**
- 19. That programs are developed in conjunction with State and Local governments to provide governance, business and management support to communities to establish and maintain community led services.**

Response to Inquiry considerations

Ensuring affordability and access

Transitioning towards a universal entitlement of 30 hours free early childhood education and care from birth to school-age will significantly improve affordability for parents and access for children. It is also a more equitable funding scheme compared to a universal 90% subsidy and will more fairly reduce the percentage of out-of-pocket costs across families. The entitlement for up to 30 hours is not compulsory and allows families to access the hours of ECEC that suits their needs. By creating a universal entitlement, the Activity Test is also eliminated, allowing over 120,000 children who are currently locked out of ECEC to access minimum hours.

Access for vulnerable children and families is improved by the implementation of a block funding component. The current CCS can act as a disincentive for services to accept children with additional needs especially when access to supplementary funding is difficult. Block funding models can more readily incorporate equity components based on a child's demographics, disability and location. Ensuring a universal entitlement also supports vulnerable families and children to access ECEC, as it removes perceived stigma associated with supported access schemes.

A balance between block funding and parent subsidies allows for services to maintain viability as well as meeting the expectations of parents. Transition arrangements, including pilot schemes, voluntary participation and appropriate fee transparency measures can balance services' operational viability with improved value for money for families and government.

Table 2 - 30 hours free ECEC family savings per week³¹

Base rate 2022/25	Ave 32 hours/ week		40 hours/ 4 days		50 hours/ full time	
	savings per week	% out of pocket	savings per week	% out of pocket	savings per week	% out of pocket
80,000	\$38.22	0.17%	\$38.22	0.83%	\$38.22	1.66%
90,000	\$45.86	0.18%	\$45.86	0.88%	\$45.86	1.77%
100,000	\$53.51	0.19%	\$53.51	0.93%	\$53.51	1.85%
110,000	\$61.15	0.19%	\$61.15	0.96%	\$61.15	1.93%
120,000	\$68.80	0.20%	\$68.80	0.99%	\$68.80	1.99%
150,000	\$91.73	0.21%	\$91.73	1.06%	\$91.73	2.12%
180,000	\$114.66	0.22%	\$114.66	1.10%	\$114.66	2.21%
200,000	\$129.95	0.23%	\$129.95	1.13%	\$129.95	2.25%
220,000	\$145.24	0.23%	\$145.24	1.14%	\$145.24	2.29%

³¹ Authors calculations – based on 1 July 2023 CCS subsidy rates and the current CCS hourly fee cap and average 32 hours per week current utilisation.

250,000	\$168.17	0.23%	\$168.17	1.17%	\$168.17	2.33%
280,000	\$191.10	0.24%	\$191.10	1.18%	\$191.10	2.37%
300,000	\$206.39	0.24%	\$206.39	1.19%	\$206.39	2.38%
320,000	\$221.68	0.24%	\$221.68	1.20%	\$221.68	2.40%
350,000	\$244.61	0.24%	\$244.61	1.21%	\$244.61	2.42%
380,000	\$267.54	0.24%	\$267.54	1.22%	\$267.54	2.44%
400,000	\$282.83	0.25%	\$282.83	1.23%	\$282.83	2.45%
450,000	\$321.05	0.25%	\$321.05	1.24%	\$321.05	2.47%
480,000	\$343.98	0.25%	\$343.98	1.24%	\$343.98	2.48%
500,000	\$359.27	0.25%	\$359.27	1.25%	\$359.27	2.49%
530,000	\$382.20	0.25%	\$382.20	1.25%	\$382.20	2.50%

Table 3 - Proportion of out-of-pocket costs 90% subsidy v 30 hours free

4 Days / 40 hours	90% universal subsidy	30 hours free
Base rate 2022/25	% of income	% out of pocket
80,000	2.60%	0.83%
90,000	2.31%	0.88%
100,000	2.08%	0.93%
110,000	1.89%	0.96%
120,000	1.73%	0.99%
150,000	1.39%	1.06%
180,000	1.16%	1.10%
200,000	1.04%	1.13%
220,000	0.95%	1.14%
250,000	0.83%	1.17%
280,000	0.74%	1.18%
300,000	0.69%	1.19%
320,000	0.65%	1.20%
350,000	0.59%	1.21%
380,000	0.55%	1.22%
400,000	0.52%	1.23%
450,000	0.46%	1.24%
480,000	0.43%	1.24%
500,000	0.42%	1.25%
530,000	0.39%	1.25%

Strengthening developmental and educational outcomes for Australian children, including preparation for school

A universal entitlement to access high quality, age appropriate, play based early childhood education and care in the years before school puts this objective at the heart of government policy. It removes the current barriers of access, of both cost and workforce participation, for hundreds of thousands of children. A transition to a block funded model will allow for greater targeting of government resources towards quality and equity outcomes for children compared to the current system. It recognises the early childhood education and care system as a key part of the overall education system and of a child's lifelong learning journey. It will reduce system complexity and support parent choice, smoothing the transition to school.

Ensuring that the ECEC sector is balanced through coordinated planning and investing in community run, not for profit services means that services will be best placed to respond to the unique needs of their communities. Community services will be able to deliver programs targeted to what works best, to ensure families are supported and all children have what they need to give them the best start in life and in school.

Supporting economic growth and workplace participation

The average woman with pre-teenage children in Australia works 2.5 days a week³². Removing the cost barrier by providing free ECEC for up to 30 hours per week, immediately provides an incentive for women in this age group to increase their average working hours. However, equally important is ensuring the entitlement is available across all service types so families can access the model of ECEC which meets their needs, for extended hours care or out of hours care.

Thirty hours free universal ECEC also means the opportunity costs of increasing to a fourth or fifth day of work are reduced. The full income, from the first 30 hours or three days of work, significantly offset the out-of-pocket costs for the fourth and fifth day. However, as noted, appropriate fee restraint conditions must be in place to enable this outcome.

Improving outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability

The current CCS funding system creates disincentives for services to set up in areas of disadvantage and to accept children with high needs. This is because it is not flexible and targeted on a needs basis. This has resulted in a lack of appropriate services in areas of high disadvantage and vulnerable children missing out.

A move to a block funded universal access entitlement, which can be implemented flexibly as hours or days, allows for a greater targeting of government funding based on community need. It also can support services to open in areas of need by providing security of operational income, ensuring a minimum level of service viability.

Support for the sector to move from Award reliant to coordinated enterprise bargaining allows for the development of greater career paths and specialisation within the ECEC workforce. Coordinated workforce

³² Childcare and early education systems, June 2022: www.fawcettsociety.org.uk pg: 36

agreements, backed by appropriate government funding, allow the sector to best identify and remunerate these roles to provide greater specialist support for children.

Improving the efficiency and effectiveness of government investment in the sector

A new funding system which more clearly balances the needs of the child and support for workforce participation allows for more targeted and efficient government investment which aligns with the values and priorities of the time. Block funding creates a clear pathway for government funding to be targeted to ensure quality, access and workforce development. Parent directed subsidies can be more easily adjusted to reflect economic factors including average incomes, tax policy and welfare arrangements without impacting core operations.

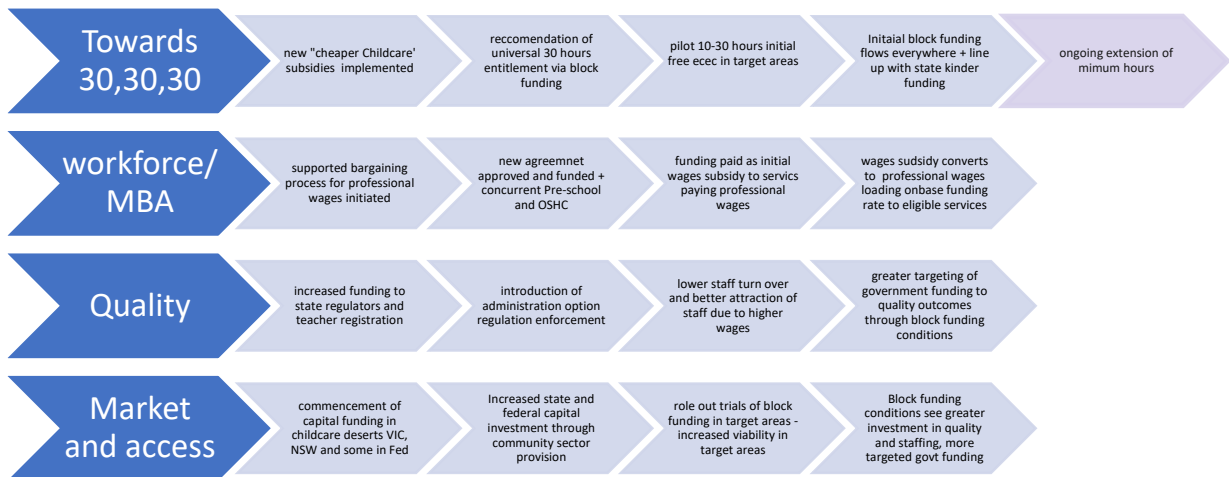
Investing in the workforce through participation in a coordinated sector enterprise bargaining process allows the government to have a direct say in how funds should be allocated to support policy objectives. These objectives, including professional development time, improved career paths and planning arrangements, can be efficiently enforced through workplace agreements.

Transition to an early childhood education and care sector fit for the future

Putting children, their wellbeing and their success at the centre of early childhood policy by resetting outdated and ineffective funding mechanisms, will create the foundations for a sustainable transition to a ECEC sector fit for the future.

Similar ambitious universal ECEC programs in Ireland, Canada and in the extension of pre-school hours in states including Victoria and NSW show that a staged approach is sustainable and achievable.

By addressing the four pillars of universal access, professional workforce, quality improvement and a balanced sector, the vision for a *'universal, affordable ECEC – in the great tradition of universal Medicare and universal superannuation.'* Is possible.



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