

Early Childhood Education and Care Independent Market Monitoring Review

October 2023

Submission from KU Children's Services

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ACKNOWLEDGEMENT OF COUNTRY

KU respectfully acknowledges the Traditional Owners of the Countries of Aboriginal and Torres Strait Islander Peoples and communities on which KU services and programs are delivered. The contribution by Aboriginal and Torres Strait Islander Peoples to the education of young children existed long before our story began.

KU STATEMENT OF COMMITMENT TO ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLES

KU has an organisational responsibility to the revitalisation and advancement of the cultures, histories, and beliefs of Aboriginal and Torres Strait Islander Peoples of Australia as determined by them. Guided by our values and ethical practices, we commit to creating locally led programs and opportunities shaped and determined by Aboriginal and Torres Strait Islander children and families, employees, communities, and organisations.

KU STATEMENT OF COMMITMENT TO CHILD SAFETY AND WELLBEING

As a child safe organisation, we continue our longstanding and unwavering commitment to the safety and wellbeing of children, with zero tolerance of child abuse.

ABOUT KU CHILDREN'S SERVICES

KU Children's Services (KU) is one of the largest not for profit providers of early childhood education and care (ECE). Established in 1895 as the Kindergarten Union of NSW, KU was the first provider of ECE in Australia and is the nation's most experienced provider.

KU has a long-demonstrated history of providing and supporting high-quality, inclusive early childhood education programs, and continues to lead the way with services and programs in NSW, VIC, and the ACT, including preschool, kindergarten, long day care, family and early intervention programs and allied health services. KU is contracted by the Australian Government to provide support for eligible ECE services for the inclusion of children with additional needs. This includes the Inclusion Development Fund (IDF) and the lead Inclusion Agencies in NSW/ACT and QLD and contracted in VIC. Additionally, KU is contracted by the NSW Government through the NSW Sector Capacity Building Program to provide free training and support to staff in community preschools to implement inclusive practices and to enhance their inclusion readiness for children with additional needs.

KU's vision is to lead and inspire young children's learning for life. Our achievements in the NQS Quality Ratings to date, far exceed the national average, with all assessed services rated as Meeting or Exceeding the National Quality Standard. KU has been recognised as an Employer of Choice in the Australian Business Awards for eight consecutive years. Such is KU's experience, expertise, and reputation, that we are often requested to provide specialist advice to other providers, peak bodies, the corporate sector, and all levels of Government.

INTRODUCTION

KU values the opportunity to comment on the proposed methodology for the independent market monitoring review (IMMR) for the Childcare and Economic Opportunity Fund (the Fund). We applaud the Fund's landmark \$5 billion investment to help deliver more accessible and affordable early childhood education and care (ECEC) in NSW. As a leading provider of high-quality ECEC, we support long-term funding arrangements that target availability, affordability, and parental choice. We are deeply interested in the supply and quality of services and the ECEC workforce.

KU has provided significant data and commentary to the *Australian Competition and Consumer Commission Price Inquiry* and the *IPART ECEC Review*, and the *Australian Government Productivity Commission Early Childhood Education and Care Inquiry* to help inform their findings. We also provided a response to the *Early Years Strategy* and commented on the *National Vision for ECEC* for a whole-of government, long-term vision. We welcome the *IPART ECEC Review* into affordability, accessibility and consumer choice informing the IMMR, and offer these comments for your consideration.

PROPOSED METHODOLOGY

Dimensions

We generally support the proposed dimensions (location, service types, provider types, ages of children, priority groups) set out in Table 2.1 for reviewing aspects of ECEC in NSW. The identified data sources will provide relevant insights for analysis. Adding service size and provider size can offer additional understandings around economies of scale and the relationship to cost, staffing, and quality. Priority groups might also be expanded to include children with complex support needs, such as trauma informed responses and specific health needs, in addition to disability. Data may be sourced from the Inclusion Support Program (ISP) and NSW Disability and Inclusion Program (DIP).

We support the inclusion of all service types in scope of the *National Quality Framework* for a comprehensive sector review. However, in such a diverse ECEC market, broad conclusions need to be avoided where there are significantly different operational contexts, such as those in centre-based, home-based and school-aged services. IPART acknowledges that different aspects are interrelated and therefore need to be considered together when making findings and recommendations.

Given the numerous reviews being undertaken, minimising duplication or additional information requests is desirable. We value attempts to source existing data and identify gaps for future collection improvements, especially as reviews are to be conducted every two years.

Supply

We support the identification of ECEC supply and demand for targeted policy and planning. Findings from the *IPART ECEC Review* may offer supporting commentary on the consequences of current planning and approval processes and competition in the market. Relevant information may include the legal, regulatory, economic, planning, or other barriers to the provision of ECEC.

Incorporating other available data to expand and test the Department of Education's model of supply and demand is desirable. Relevant information may include current or planned ECEC services from varied sources including development application and service approval applications, obtained from the Minister of Local Government, NSW Regulatory Authority or GapMaps.

The proposed indicators in Table 2.3 offer visibility into supply issues. A demand-supply ratio of 1:1 within defined geographic areas offer a picture of undersupply if all families wanted to utilise available ECEC. Provision and participation in ECEC, however, is more complex, so it is important not to oversimplify assumptions on a per capita basis. A ratio of demand to supply is more appropriate at any given point in time, but will need additional projection data such as the NSW Department of Planning population projections. The Mitchell Institute's categorisation of childcare deserts,¹ being more than three children per place, may be more indicative for mapping exercises, especially for rural and remote areas, and helpful to contemplate potential shortages. Understanding the demand dimension is crucial and needs to be examined more closely to understand the 'postcode lottery' where thin markets fail to attract providers to these areas, and to address the current gaps in regulatory planning and infrastructure. Understanding changes in the market structure over time is essential to explain market segmentation and competition that hinders growth and collaboration.

As IPART acknowledges, determining demand can be complicated. Current and projected population of children by age and location is loosely indicative. Participation rates provide valuable data but are not especially revealing about unmet demand. Waiting lists, even if well maintained, are not completely telling either. Children can be duplicated across lists and the length of time on the list can be due to changing needs over time or preferred days not being available where places otherwise are available. The data quality and limitations identified support not seeking this information from providers.

Affordability

Out-of-pocket costs and the impact on different priority groups is crucial to understanding where there are higher barriers, especially in areas of economic and social disadvantage. Assessing the impact of affordability in terms of percentage of household income can offer comparison but is limited where not adjusted for household size and composition. Other measures may need to be considered in combination and building on the NSW Treasury's work, as described. Accounting for diverse service provision will help to explain pricing variations, such as the cost of providing services for children and families with additional and complex needs. If reviewing frequency of fee changes, it might also be prudent to consider the stimulus to timing of such increases.

Table 2.4 considers Child Care Subsidy for fee relief and should add Start Strong fee relief in eligible services. Analysis of equity loadings in preschools may offer further commentary.

Accessibility

Families with complex needs and entrenched disadvantage can face a variety of practical, social, and cultural barriers to engaging with services, and those who would benefit the most often miss out. It is important to know how families are impacted by caring responsibilities and how the availability and affordability of ECEC affects their participation in the workforce. Increasing approved places in areas needing them can indicate increased accessibility. However, in areas of oversupply, the calculation of available places, shown in Table 2.5, may need further consideration. It should also be noted that providers may make decisions to operate below maximum approved places where the threshold at which filling those places needs to be financially viable to employ additional staff to meet the qualification and ratio requirements.

The NSW Productivity Commission's survey and choice modelling study² and the *IPART ECEC Review* offer insights into family views and preferences. This is especially relevant for Aboriginal and Torres Strait Islander families, and the values, perspectives, and cultural influences that are important to them. It may be helpful to understand the percentage and location of Aboriginal and Torres Strait Islander community-controlled services. The Fund might consider place-based approaches that offer wide community consultation to gather this data more accurately and understand local barriers to accessibility and participation. Beyond the barriers of availability, affordability and accessibility, aspects of engagement need to be considered to support service planning responses, including family decisions not to use ECEC.³

Workforce

KU has an unwavering commitment to the employment of a highly skilled, appropriately remunerated, and sustainable workforce. The Fund, together with Commonwealth Government reforms, are estimated to support approximately 47,000 additional childcare places in NSW.⁴ At a time when demand for ECEC is projected to rise, the sector is facing unprecedented workforce shortages. High turnover and shortage of teachers and qualified educators is resulting in staffing waivers and, in some cases, forcing closures. Staffing disruptions can affect team stability, continuity for children, and vital relationships with children and families. Deeper examination of the NSW workforce is warranted given the impact of staffing on quality.

The *Early Childhood Education and Care National Workforce Census* is identified in Table 2.6 and provides a useful picture of the ECEC workforce nationally. It would be especially useful if this data was disaggregated to state and territory level. The *Workforce Census* identifies Aboriginal and Torres Strait Islander staff, but does not reflect other cultural and linguistic diversity, which is especially relevant for culturally responsive services for children and families.

Additional information might be gathered through the NSW Preschool Annual Census.

When gathering information about wages compared to award from the *Workforce Census*, pay and conditions should be further examined. The Independent Education Union and United Workers Union may be able to offer information about Enterprise Agreements and the pay and conditions of their members' employers. A reduction in staffing waivers might be indicative of higher retention rates and qualified staff in Table 2.7 that can be obtained from NQAITS. Indicators exploring the tenure of educators may help to explain the relationship between workforce stability and quality.

The recent announcement by the NSW Government to establish 100 departmental operated preschools and the significant increase in salaries for teachers working in NSW Government schools and preschools will have a direct impact on the prior to school sector. Whilst increases in salaries for teachers in the Education Department is well deserved, it widens the gap for teachers working in the ECEC sector whose salaries are included in the cost of operating services and reflected in the daily fees charged to families. Without additional funding, community-based, not for profit providers cannot pay their teachers and educators equally to their peers working in schools without significant fee increases, which would create a barrier for families.

Quality

Relevant information for purposes of the IMMR may include the distribution of the quality ratings across service types, geographic areas, and provider types. Process quality is assessed through the National Quality Standard. Australian Early Development Census (AEDC) data is a measure of developmental vulnerability that might provide an indication of quality.

Structural components of quality include higher qualifications and educator to child ratios. Calculating the number of permanent educators in relation to the total number of educators gives an overall percentage, but full time equivalent (FTE) may help to better explain the impact on staffing arrangements and casualisation of the workforce. The IMMR might want to examine the drivers of temporary contracts and casual engagement, including the number of educators employed beyond the required ratios to support children with additional needs. The impacts of attrition and recruitment need more identification. The length of experience as well as length in role can reveal understandings about required supports and professional learning. The *Workforce Census* might be expanded to gather this level of data.

Observing the relationship between staff retention, pay and conditions and a service's quality rating will be informative and should be considered together with details from Table 2.6 such as continuing study and professional learning. Dimensions in Table 2.8 might more accurately be described as quality rating and staff profile. Further understandings about the qualifications and length in the role of Nominated Supervisors and Educational Leaders may offer added information about the relationship between staffing and quality. IPART reviews collectively should consider if profits gained by ECEC providers receiving NSW Government funding make appropriate reinvestment for long term improvement and sustainability of services and the ECEC workforce.

IN SUMMARY

The IMMR provides a unique opportunity to establish a baseline to assess the ECEC market performance and guide strategic investment. The review will provide valuable information to understand and respond to market challenges, reduce service gaps, and promote accessible and sustainable services.

We commend the NSW Government on the review to identify issues and trends impacting the ECEC sector and to support:

- ▶ Accessible, affordable, and high-quality ECEC
- ▶ A skilled and stable workforce
- ▶ Effective and sustainable Government investment

Thank you for the opportunity to comment on the IMMR methodology. We are available to discuss anything raised in this submission.

If you require more information, please contact [REDACTED].

¹ Hurley, P., Matthews, H., and Pennicuik, S. (2022): [Deserts and oases: How accessible is childcare? Mitchell Institute, Victoria University](#)

² NSW Productivity Commission (2023): [Childcare Choices: What parents want](#)

³ Centre for Policy Development (2021): [Starting better: A guarantee for young children and families](#)

⁴ NSW Treasury (2023): [Affordable and Accessible Childcare](#)