



**Early Childhood Australia**  
A voice for young children

**OUR  
VISION:  
EVERY  
YOUNG  
CHILD IS  
THRIVING  
AND  
LEARNING**

November 2, 2023

Australian Competition and Consumer Commission  
Childcare Inquiry

Transmission via email: [childcareinquirytaskforce@acc.gov.au](mailto:childcareinquirytaskforce@acc.gov.au)

Dear Commissioners,

ECA welcomes the second interim report from the ACCC Inquiry. We broadly support the findings contained in that report though we caution against the use of market analysis and assumptions to describe what we see as an essential services sector – part of the social infrastructure that every community needs.

Conceptualizing early childhood services as a sector rather than a market would drive better policy and program decisions in the future. Both the education sector and the health sector have a mix of providers and service types, but are conceptualized as professional services essential to every community and every family. Early childhood education and care should be seen in the same way.

Adopting the language of early childhood education and care would also represent an important demonstration of respect for the profession of early childhood educators, teachers and service leaders.

We have provided a response to each recommendation below and would welcome an opportunity to engage in further dialogue, particularly in relation to the potential for alternative financing models that would improve affordability and accessibility. I have attached a proposal for changes to the activity test provided to the Australian Government earlier this year. ECA also has a strong interest in quality drivers including the importance of investing in the workforce and maintaining Australia's highly effective National Quality Framework.

Congratulations on the report and we look forward to working with you.

Regards

Sam Page, CEO

## ECA's Response to the ACCC Interim Report Recommendations

No.	Recommendations	ECA Response
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.	<p>ECA proposes that the Australian early childhood education and care sector is capable of delivering layered social outcomes, including:</p> <ul style="list-style-type: none"> <li>• Every young child, regardless of geographic location or socioeconomic status, has an entitlement to high-quality, age-appropriate early childhood education that provides a foundation for their education journey, as well as their health and wellbeing, over the long term.</li> <li>• Every family with young children has access to affordable, flexible, high-quality early childhood education and care which enables them to participate in activities that support their long-term economic and social wellbeing—including paid work, running a business, training or studying.</li> <li>• Every community across Australia has the essential infrastructure needed for early childhood services, supported by all levels of government and delivered by early childhood professionals.</li> </ul> <p>In addition, we urge the ACCC to stop using the language of 'childcare' and instead adopt a positive conceptualisation of children and childhood, including language that is affirming and respectful to the role of early childhood educators and teachers. Please refer to ECA's guide to professional language: <a href="https://www.earlychildhoodaustralia.org.au/wp-content/uploads/2021/07/How-to-talk-about-ECEC.pdf">https://www.earlychildhoodaustralia.org.au/wp-content/uploads/2021/07/How-to-talk-about-ECEC.pdf</a></p>

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2.	<p>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. In doing so, we recommend consideration be given to:</p> <p>(a) determining an appropriate base for the rate cap and indexing the cap to more closely reflect the input costs relevant to delivery of childcare services. This could include consideration of labour costs as well as the additional costs associated with providing childcare services in remote areas and to children with disability and/or complex needs</p>	<p>ECA supports the development of a new approach to financing early childhood education and care that is simple for families to understand and navigate. In particular, families need to be able to ‘scenario test’ their options regarding work and the use of early childhood education and care, which is only possible when out of pocket costs are easy to estimate and do not rely on complex calculations.</p> <p>It is important that the rate cap is sufficient to deliver quality services and that the indexing keeps pace with real increases in cost of delivery – largely driven by wage increases.</p> <p>ECA recommends that any future financing mechanism or changes to the CCS adopt variable funding rates to reflect the differences in the cost of providing services to children based on their age. For example:</p> <ul style="list-style-type: none"> <li>• Children under the age of three would be funded at a rate that reflects the staffing ratio (1:4 or 1:5).</li> <li>• Children from the age of three to five years (transition to school) would be funded at a lower rate to reflect the different ratio (1:10 – 2:25)</li> <li>• Children from foundation year of school attending outside school hours programs would be funded at a slightly lower rate again (1:11 – 1:15)</li> </ul> <p>This could replace different rate caps based on service type and would potentially increase access for families with very young children.</p> <p>Additional costs associated with remote delivery and the inclusion of children with complex needs are better dealt with through mechanisms that directly address service capability which may vary across settings or locations. For example, an increase to the Inclusion Support funding for an additional educator would directly improve service capability where suitably qualified educators are available and this</p>

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		<p>should be actioned as quickly as possible. However, in some parts of Australia where workforce shortages are chronic alternative supports may be warranted including different ways to access early intervention supports, mechanism to employ people who may not have education qualifications but can work within a team of educators as well as coaching/mentoring support to the education team and additional resources the service can use to purchase equipment or resources. A flexible approach is needed particularly in remote communities where many children with additional needs are missing out on early supports.</p>
	<p>(b) changing the hourly rate cap to align with the relevant pricing practice for the service type. This could include consideration of a daily fee cap for centre based day care. Consideration will need to be given to setting and monitoring minimum requirements to avoid creating incentives for childcare providers to reduce flexibility or quality</p>	<p>This warrants further exploration but there are complexities across jurisdictions in models that combine State/Territory government funded preschool programs with CCS.</p>
	<p>(c) removing, relaxing or substantially reconfiguring the current activity test, as it may be acting as a barrier to more vulnerable children (for example, households with low incomes or disadvantaged areas) accessing care and creating a barrier to workforce entry or return for some groups. An alternative would be to consider a specific entitlement, such as a certain number of days of care</p>	<p>ECA has provided advice to government on amending the Activity Test by removing the first two tiers to give all families 72 hours of subsidy per fortnight (see attached). We estimate that this would benefit up to 80,000 families and improve equity of access for children at risk of disadvantage, it also would provide stability for low income families seeking to increase their workforce participation. It has always been problematic to test parental activity before providing access to services – children need to be settled in early education settings so that parents can work or study and therefore improve their household income. There is evidence that families do not use more days of education and care than they need, cost pressures and the means test would continue to limit demand from families. The ACCC findings that low income families in insecure work are currently paying</p>

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	(d) including a stronger price and outcomes monitoring role by government, supported by a credible threat of intervention, to place downward pressure on fees	<p>for unsubsidized hours adds further weight to our call for the activity test to be amended or abolished.</p> <p>ECA supports stronger price and outcomes monitoring. In our view, the social contract of receiving funding to deliver programs for children should come with clear expectations from government that families are not being charged excessive fees. Government could impose an upper limit on fees or a limit on out-of-pocket costs to be charged to families according to their household income. There is also more that could be done to improve fee reporting and transparency.</p>
3.	<p>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:</p> <p>(a) considering the frequency, granularity and accuracy of information collected and published, to ensure currency for parents and guardians</p> <p>(b) focusing on publishing information that assists parents to accurately estimate out-of-pocket expenses and relevant information to assist parents assess quality factors</p> <p>(c) incorporating input and advice from the Behavioural Economics Team of the Australian Government</p> <p>(d) ensuring information is appropriately and effectively publicised to parents and guardians.</p>	<p>ECA agrees that families need better access to information and tools to support decision-making in the early years. One of the complexities with this is that information is in multiple places - Starting Blocks, Services Australia, Education Departments, Child and Maternal Health. While improving the functionality of Starting Blocks would be welcome, there would also be value in developing stronger linkages between government agencies and websites – an app for parents with young children that links them to government support and services would be worth considering. Also, more investment in communication campaigns to assist parents to understand the supports available to them and the service options they might consider – including the important benefits of early childhood education for children from the age of 3 years which can lay the foundation for lifelong learning.</p>

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4.	<p>The ACCC recommends that 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.</p>	<p>The ACCC might strengthen this recommendation to recognize its own findings relating to the NQS and the positive relationship between workforce stability and high quality service delivery. Regulatory frameworks have previously and should continue to support and strengthen the early childhood profession by driving investment in qualification attainment, professional learning and the articulation of quality practice.</p> <p>An additional recommendation might be included here to support the value of improving pay rates for educators and teachers in early childhood settings as a necessary step towards stabilizing the workforce and improving the quality of services provided to children. Future financing models for early childhood education and care could be more closely tied to wage rates and quality jobs that provide stability of income and ongoing professional development opportunities.</p> <p>ECA’s research into why educators leave the early childhood sector suggests the most common reason is burnout caused by workforce shortages, poor rostering practices, problems with people management and concerns about the quality of the services being provided. Educators want to work in high quality services where they are valued and have job security including stability in the hours they work allowing them to form professional relationships with children and families. Regulatory frameworks that support quality practice and ongoing professional learning have a positive impact on workforce attraction and retention. Where regulatory frameworks are seen to have a negative impact, there is often a misalignment of purpose or unintended regulatory impacts – ongoing review of regulatory frameworks and their impact on day-to-day practice is warranted.</p>

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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.	<p>ECA strongly supports this recommendation for Aboriginal Community Controlled Organisations and remote communities where there are service gaps.</p> <p>Supply side support options are also warranted for communities where there are vulnerable cohorts of children or very small numbers of children making demand driven financing options difficult. The value of providing integrated or wrap around support services is well established, what is missing is the mechanism to fund those services in a sustainable way at scale.</p>
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.	<p>Together with other sector representatives, ECA supports a stewardship role for the delivery of early childhood education and care. We question the use of the term ‘market’ and would prefer that the term ‘sector’ be adopted. While the Australian government might be the primary steward it is essential that state and territory governments are also involved and that there is a settlement of roles and responsibility across the levels of government – as recommended by the SA Royal Commission into Early Childhood Education and Care.</p> <p>The role of public, not-for-profit and private providers warrants careful attention in the development of approaches to address system gaps and the needs of vulnerable cohorts. Rather than treat all parts of the sector as though they are the same it would be better to have more nuanced approaches and recognize the strengths and weaknesses, as well as the different quality drivers that can have an impact across settings (schools, not-for-profits etc). Competitive tendering is not necessarily the most effective way to address community needs, particularly when there are complex challenges to be overcome. Local consultation and co-design processes allow communities to identify their needs and preferred solutions. There is much to be gained from fostering collaborative relationships between providers at the local level and allowing flexible problem solving.</p>

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7.	<p>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.</p>	<p>Together with other sector representatives, ECA supports further consideration of different approaches to financing early childhood education and care, including:</p> <ul style="list-style-type: none"> <li>(i) 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'; and</li> <li>(ii) direct price controls or other means (eg potentially profit controls) to ensure Government and parents do not face excessive fees</li> <li>(iii) unintended consequences of supply side and direct price controls drawing on international examples and strategies to mitigate these.</li> </ul> <p>It would also be useful for the ACCC to share what it has learned about the complexity and challenges associated with gathering information from providers and determining what factors impact on both the cost of service delivery and the pricing of services.</p>