14 February 2024

Commissioners Lisa Gropp, Martin Stokie, Deborah Brennan
Early Childhood Education and Care
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003

RE: Submission on the Inquiry into Early Childhood Education and Care "*A path to universal early childhood education and care: Draft report*"

Dear Commissioners

Thank you for the opportunity to provide a submission to the Productivity Commission's Inquiry into Early Childhood Education and Care ('the Inquiry') "*A path to universal early childhood education and care: Draft report*".

Family Day Care Australia (FDCA) commends the Commissioners' considered approach to conducting the Inquiry and the associated wide-ranging findings and recommendations that seek to support affordable, accessible, equitable and high-quality ECEC that reduces barriers to workforce participation and supports children's learning and development.

FDCA, in this submission, seeks to respond to the specific information requests and recommendations made in the draft report where appropriate (i.e. only on matters relevant to the family day care sector) to ensure that the important role of family day care is adequately considered, and ultimately clearly recognized, within the outputs of the Inquiry.

FDCA acknowledges that the scope of the Inquiry specifies that the Commission should have regard to any findings from the Australian Competition and Consumer Commission's (ACCC) Childcare Inquiry Final Report, as well as any other relevant government reviews of ECEC programs. As such, herein FDCA highlights a number of key findings from the ACCC Childcare Inquiry final report, and other recent relevant government reviews, that provide clear recommendations relating to improved policy, program and funding mechanisms to support the family day care sector to grow, be more viable and hence deliver higher levels of approved home-based ECEC to Australian children, families and communities.

As noted in FDCA's initial submission to the Inquiry, in order to meet the objectives of the Inquiry, as defined in the Scope, FDCA implores the Inquiry to make final recommendations that account for the essential role of family day care within the current landscape, the unique structural elements of the model that underpin its key strengths, the significant potential capabilities beyond existing utilization rates, and which ultimately support the sector's growth and viability. New targeted funding support mechanisms are urgently needed to incentivise entry into the sector, alongside amending existing funding streams (including the Child Care Subsidy [CCS] hourly rate cap) to ensure the key levers that support service and educator growth and viability are functioning appropriately.

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FDCA stands by the recommendations made in our initial submission to the Inquiry, which align with those cited in FDCA's Pre-Budget Submission 2024-25 (see Appendix A) and are as follows:

1. raise the hourly CCS cap rate for family day care (to be at a minimum) in line with the calculation afforded to centre-based care services so that it more accurately reflects the cost of providing family day care;
2. apply an additional loading of 20% to the recalculated CCS fee cap for non-standard hours family day care to adequately reflect the cost of this type of care;
3. develop a direct funding support program (an "Approved Service Engagement Payment") for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and
4. develop a direct funding support program (an "Educator Start-up Grant") for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector in establishing their micro-business.

For family day care to better cater for the needs of vulnerable cohorts of children, particularly those in regional and remote areas (to which it is so clearly suited), the Australian Government should invest in measures to increase viability and promote growth for those services willing and able to operate in these areas. As such, FDCA would also add recommendations that the Australian Government develop and fund a regional recruitment support program, which could simply be a "regional/remote loading" to the aforementioned "Approved Service Engagement Payment" and the "Educator Start-up Grant", coupled with the supply-side funding structures for family day care approved services operating in regional priority areas (outlined in Section 1.2 below).

FDCA appreciates that there has been considerable effort made in the draft report to be inclusive of family day care and we note that specific references to family day care are made in Recommendations 5.1 (addressing varying needs in "thin markets" [i.e. underserved and/or unserved markets]), 6.2 (reviewing and amending the CCS hourly rate cap), 7.3 (introducing a higher CCS hourly rate cap for non-standard hours), and 2.3 (amending eligibility requirements for inclusion funding).

However, FDCA requests that in the drafting of the final report more consideration be given to the development of recommendations specific to the family day care sector across all thematic areas of the draft report, those being:

- affordability and availability gaps need to be addressed to achieve universal access;
- availability can only improve if workforce challenges are resolved;
- a universal ECEC system has to be inclusive of all children;
- ECEC services do not consistently respond to family needs;
- quality is paramount to achieving the benefits of ECEC; and
- new coordination mechanisms will support universal access.

Given its unique capabilities, family day care should be central to all recommendations seeking to improve choice and flexibility for families, and similarly for strategies seeking to improve access to non-standard hours ECEC, across regional, rural and remote Australia, and for specific cohorts of vulnerable and disadvantaged children (including those from culturally and linguistically diverse backgrounds) and families and those with additional needs.

1. Affordability and availability gaps need to be addressed to achieve universal access

Overall, FDCA is broadly supportive of the recommendations in the draft report relating to the conclusion that "affordability and availability gaps need to be addressed to achieve universal access." All available evidence in this area supports this contention and it is reinforced by the ACCC report finding which states "childcare markets under current regulatory settings are not delivering on the key objectives of accessibility and affordability".[1]

1.1 Availability

FDCA contends that there is a greater role for the family day care sector to play in addressing the availability gaps cited in the draft report than that which has been put forward in the draft report's recommendations.

FDCA strongly supports draft finding 5.5 that "family day care can be an effective solution to addressing thin markets[2]". More specifically, draft finding 5.5 states "*Family day care can be part of the solution to ensuring that families have access to ECEC in markets where there might be low and / or variable demand. Integrity concerns have been raised in the past and this has limited expansion of family day care in recent years. The Commission notes the Australian Government Department of Education is working to support the use of family day care while satisfying probity and integrity expectations.*"

In relation to the secondary point put forward in the draft finding, FDCA must acknowledge that the Australian Government Department of Education has, in the 2023-24 Budget period, released a Request for Tender (which FDCA has tendered for) for the Family Day Care Capability Trial ('the Trial' - RFT PRN. ESE23/101563).

This Trial represents an existing commitment from the Australian Government that recognizes the strengths of the family day care model in terms of its unique capacity to cater for the education and care needs of children and families in regional areas of limited supply, if appropriately supported with targeted funding mechanisms to support growth.

The core elements of the Trial include (but are not limited to):

- supporting enhanced CCS payment integrity;
- supporting approved providers as part of the Trial to increase the family day care presence in areas of need and limited supply;
- exploring and present alternative models in the family day care sector, including options such as multi care type arrangements, corporate partnerships and place-based solutions which are financially viable; and
- testing approaches that inform potential systemic changes to the current family day care model, improving financial integrity and providing incentives to attract new educators.

[1] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.1

[2] In line with the framing of the ACCC Childcare Inquiry Final Report, henceforth FDCA will refer to what the Productivity Commission refers to as "thin markets" as "under-served" and/or "unserved" markets as this conceptualization allows for a more nuanced discussion of potentially appropriate policy, program and/or funding mechanisms and aligns language across the two inquiries.

As such, key components of the Trial reflect a number of the recommendations put forward in FDCA's Pre-Budget Submission 2024-25, in particular:

- *Recommendation 3*: a direct funding support program (an "Approved Service Engagement Payment") for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and
- *Recommendation 4*: a direct funding support program (an "Educator Start-up Grant") for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector.

At the time of making this submission it is not known which entity will be the successful Tenderer; however, whether FDCA is the successful Tenderer or not, it is our position that funding should be made available in the 2024-25 Budget to expand the scope of the Trial, in particular the funding component dedicated to "start-up support grants" to increase approved family day care provision in areas of limited supply and need.

The evidence is clear that there is a severe lack of approved ECEC in regional areas of need and targeted mechanisms are required to expand provision and workforce capacity in these areas.

As shown by the evidence provided in our Pre-Budget Submission 2024-25 (Appendix A), family day care, given its unique model and capabilities, should be central to all policy and budgetary decisions seeking to improve access, affordability, choice and flexibility of ECEC available to families; similarly for strategies seeking to improve access to non-standard hours ECEC, across regional, rural and remote Australia, and for specific cohorts of vulnerable and disadvantaged children and families and those with additional needs.

However, due to a range of complex and interrelated factors, the family day care sector continues to contract and therefore measures must be employed immediately to arrest the decline in both family day care educator and approved service numbers. This objective is imperative as "reductions in the number of family day care services has a disproportionate impact on culturally and linguistically diverse households and on households in less advantaged areas."[3]

<u>A sector in decline</u>
As both the Commission's draft report and the ACCC Childcare Inquiry final report have already identified, the family day care sector has experienced a sustained period of decline. This fact was also evident in the *2021 Early Childhood Education and Care National Workforce Census* report which revealed that, since 2016 the family day care sector nationally has lost 59% of its educators. Furthermore, more than half of this loss, 30% (over 6,000 educators) has come since the introduction of the Child Care Package in July 2018.

As would be expected, the decline in educator numbers correlates with a comparable decline in the number of children and families able to access family day care In September 2018, there were 131,600 children and 89,160 families utilising family day care nationally. By September 2023, there were 75,400 children and 53,940 families using family day care. This represents declines of 42.7%% and 39.5% respectively.[4]

Despite common misconceptions, this decline is no longer a function of governments justifiably cancelling the approvals of unscrupulous operators but is in fact the demise

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[3] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: Finding #21.
[4] Department of Education, Child Care in Australia report, September Quarter 2023.

of many of our sector's oldest and most respected services. Equally, the decline is not a product of waning demand, in fact, demand for family day care services has never been higher. Data from a survey of FDCA approved service members indicates that over 3,000 new educators are needed immediately just to meet current confirmed child waiting lists in family day care.

As stated above, the decline in sector numbers is clearly the result of a complex range of both macro and micro factors, including (but not limited to):

- the decline in housing affordability, the changing nature of the work landscape (for example, new working-from-home options);
- the relative competitiveness of remuneration due to a number of structural factors (for example, the inadequate CCS hourly fee cap, discussed below)
- the ever-increasing levels of administrative burden;
- inadequate contextualisation of regulations to the family day care context;
- an inequitable workforce landscape (for example, family day care educators are unable to place their own children in family day care on days they are working as a family day care educator while centre-based workers are eligible for a government subsidised fee discount for their children);
- inconsistent and/or poorly considered local government planning structures which cause barriers to entry or affect retention (for example, application of centre-based development approval conditions to the home-based model, bush fire zoning, inconsistent application of food safety standard requirements etc.);
- underutilisation of the flexible capabilities of the family day care model (for example underutilisation of venue care options);
- barriers to entry relating to qualifications (for example, the recent change in qualification requirements removing the ability to be working towards Certificate III, the lack of nationally consistent Certificate III funding model and the lack of a dedicated traineeship model for family day care); and
- A narrow lens of, and/or, aversion to innovation around the potential capabilities of the sector due to historic compliance challenges.

In 2023, FDCA commissioned an independent research firm ("*Survey Matters*") to undertake research to explore the socio-demographic profiles of educators that have exited the sector over the past 3 years, investigate contributing factors to the decision to leave the sector (including identifying any specific trigger points), and identify the primary and secondary rationales for educators exiting the sector.

The research was conducted using a mixed mode approach, including qualitative interviews and focus groups with educators and services, and an online quantitative survey with educators who are no longer working in the sector. From a list provided by FDCA, Survey Matters conducted two focus groups with past educators, with experience spanning from one year through to 25 years. A total of ten educators attended the focus groups. Individual Depth Interviews (IDIs) were also conducted with four service providers.

The survey was conducted using a quantitative, online instrument. A total of 35 questions were included including 23 quantitative questions and opportunities for respondents to provide free text or qualitative comments. The survey was distributed on 10 October 2023 and the survey remained open until 1 November 2023. It was emailed to a total of 2173 recently departed family day care educators. A total of 318 responses were received, providing 95% confidence that actual results are within a +/-5.1% confidence interval.

Responses broadly reflected known sector distribution by state, with NSW leading (35%), albeit slightly low in Victoria (24%) compared to QLD (23%). By location, there was a good mix of metro (36%), regional (56%) and remote (8%). In terms of experience, 37% had worked in the sector for up to 5 years, 34% between 5 and 15 years, and 30% for more than 15 years. 77% of respondents were between the ages of 40-60+, which is consistent with the national profile (73%). By service type, 24% worked for a council or government service, 25% a community not-for-profit and 35% for a private for-profit service (15% cited "unknown"). The vast majority of respondents were all well qualified in ECEC, with 43% holding a Certificate III, 45% holding a Diploma and 7% holding a Bachelor's Degree.

While the reasons for leaving the sector were often interrelated, the time-intensive impact of regulatory compliance requirements and associated onerous administrative burden in combination with financial viability emerged as significant factors contributing to educators' decision to leave:

- Almost 3 in 4 former educators (73%) cited the impact of regulatory and administration burden as demanding, with 42% citing these requirements were extremely demanding.
- In addition, 44% of former educators said that National Quality Framework (NQF) paperwork requirements was the key contributing factor to their decision to leave family day care.
- Half (50%) of respondents reported that the income they earned did not accurately reflect the responsibilities they held and the work they did.

The report's findings underscore the urgent need for systemic changes to address the issues faced by family day care educators and the need for recognition of the unique challenges of family day care, both of which are critical steps towards retaining educators in this vital sector. The report made the following recommendations to FDCA:

1. *Regulatory Overhaul*: Recognition that family day care educators do not have the same types of capacity as a centre-based care structure and simplifying and streamlining paperwork and regulatory compliance accordingly could significantly alleviate the administrative burden on educators, allowing them to focus more on education and care aspects of their roles.
2. *Provide Financial and Business Support*: Improving financial support structures, including increasing the CCS hourly rate applicable to family day care, investigate supports to ensure timely payments of gap fees by families, and offering business management training could enhance the financial sustainability of family day care operations.
3. *Explore Options to Incentivise Innovative Provision of Family Day Care*: To assist in addressing the significant decline in the sector and make family day care an attractive option, FDCA should advocate to Government to provide funding to support innovative service delivery models, such as traineeships in family day care, start-up grants for new educators, and models where educators could work in pairs at a venue.
4. *Investigate Ways to Support Educator Wellbeing*: Introduce measures that address issues of professional isolation and improve educator opportunities to take leave when needed, for example a pool of relief educators could provide much needed operational support and assist in retention.
5. *Promote the Unique Model of Family Day Care and Respect for Educators*: A shift in how family day care educators are viewed and treated by service providers, and government bodies is essential. Recognising and valuing their contribution to early childhood education and care could foster a more positive and sustainable working environment. Advocating for the uniqueness of family day care in comparison to centre-based care, and ensuring that policies and regulations reflect this distinction, is crucial.

While these recommendations were made specifically to FDCA, they clearly reflect a range of themes and issues addressed herein, many of which rely on action from governments.

Given the above, FDCA urges the Productivity Commission to thoroughly investigate and make recommendations on what specific programs, policies, funding and/or support structures may be implemented by the Australian Government that will assist in immediately arresting the decline in the number of family day care educators; shift the support structures available to create an environment that systemically addresses family day care specific viability issues; and creates a favourable environment for sector growth.

<u>A sector that supports regional and disadvantaged areas</u>

Draft finding 5.3 states that "*ECEC availability tends to be poorer in regional and remote areas and in communities experiencing higher levels of socio-economic disadvantage. It is unclear whether this reflects a lack of local demand for ECEC, viability concerns that cause providers to decide against establishing services or both. Only 8% of children aged 0–5 live in communities with sufficient centre-based day care places to support access to 30 hours or three days of ECEC a week*."

Given there doesn't appear to be any available evidence of a widespread lack of demand for approved ECEC in regional and/or disadvantaged areas across Australia, this should indicate that the assertion that "viability concerns that cause [centre-based] providers to decide against establishing services" [in regional and remote areas and in communities experiencing higher levels of socio-economic disadvantage], is at least moderately, though possibly highly, accurate.

However, if family day care were actively supported to grow with appropriately tailored funding and support mechanisms, the goal of up to 30 hours or three days a week of quality ECEC being available for all children aged 0–5 years whose families wish for them to participate, particularly in unserved or under-served areas, would be considerably more attainable given:

- The family day care sector provides care for a significant proportion of households in areas of less advantage, with approximately 72% of children who attend family day care services in 2023 located in areas that are ranked in the 5 deciles of least advantage.[5]
- Family day care services are slightly more concentrated in areas of less advantage, with around 19% of services located in the most disadvantaged area, compared with around 4% in the most advantaged area, in the September quarter 2023.[6]
- 23.5% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index.[7]
- 26.1% of family day educators operate in regional and remote areas of Australia.[8]
- Family day care is more common in regional and remote areas, as a share of total number of the type of service, than centre-based day care and outside school hours care.[9]

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[5] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.185.
[6] Ibid. p.98
[7] FDCA internal member data.
[8] Ibid.
[9] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.31.

- 30.1% of children attending family day care are from regional and remote areas, compared to 22.6% of those attending centre-based care and 17.9% of those attending outside school hours care.[10]
- Households with an income of less than $73,000 are proportionally more likely to use family day care than those with higher household incomes.[11]

As such, draft finding 5.5 that "family day care can be an effective solution to addressing thin markets" cannot be understated and FDCA urges the Commission to fortify this finding through recommendations that specifically support growth and viability in the family day care sector. In essence, family day care should be considered to have a much larger role to play in increasing availability of approved ECEC, in particular in unserved and under-served markets (which are more likely to be in regional or remote areas and those of higher disadvantage). In order to achieve this, dedicated funding and support programs are required to incentivise entry into the sector and ensure approved services are adequately supported to grow and remain viable. As outlined above, FDCA believes (and is hoping to test through the FDC Capability Trial) that the two-tiered start-up grant program, coupled with an ongoing and tailored supply-side funding mechanism that caters for areas of and cohorts in need, will be the appropriate funding mix to support the objectives of increased availability in under-served markets.

1.2 Addressing under-served/unserved markets through supply side funding for family day care

FDCA supports the refinement of draft recommendation 5.1 (in line with the points outlined below) which is bolstered the recommendations made by the ACCC in its final report, those being:

- "A market stewardship role should be considered for government, by both Australian and state and territory governments, to monitor, regulate and shape childcare markets to ensure they deliver government objectives.
  A key part of [the market stewardship] role should be identifying under-served or unserved markets and cohorts of childcare users. The stewardship role should also encompass consideration of appropriate interventions, whether through demand-side subsidies or supply-side subsidies, or a mix, as well as any complementary regulatory measures that may be necessary" (Recommendation 7).
- "The ACCC supports further consideration of the benefits and challenges of supply-side subsidies (particularly as a longer term consideration) coupled with other more direct forms of market intervention, as appropriate" (Recommendation 8).

While it is imperative that extremely careful consideration must be given to the design of any new supply-side funding mechanisms, FDCA would advocate for a model that couples the aforementioned "Educator Start-up Grants" and "Approved Service Engagement Payments" (i.e. "up-front", discrete and targeted supply-side funding structures designed to incentivise family day care educators to enter the sector and support approved services to engage them) with an ongoing supply-side funding mechanism that is directly tied to actual sessions of care provided.

FDCA acknowledges that the Community Child Care Fund (CCCF) currently fulfils a supply-side funding role that is designed to address barriers to ECEC participation for disadvantaged, regional/remote and Indigenous communities: however, it is time-limited, and at the service or approved provider level, often fails to provide the

[10] Department of Education, Child Care in Australia report, September Quarter 2023.
[11] Ibid. p.79.

requisite certainty of ongoing funding and thereby viability to achieve the necessary long term commitment of the provider to operate in these areas.

FDCA strongly believes that there is significant merit in exploring a supply-side, ongoing funding structure, enshrined in Family Assistance Law, that provides funding to the approved service based on a per child, per hour basis for those educators operating in pre-determined SA2 regional/remote areas and areas of high disadvantage based on SEIFA decile.

Such a funding structure would both incentivise and support approved services to recruit and retain educators in these areas and thus increase ECEC supply in areas of need while securing and improving service viability and confidence.

While it may be necessary to retain a form of CCCF-type supply-side funding, for example, in cases where a service may dip below a certain educator number threshold, the per child, per hour type of funding would ensure that payments are actually tied to provision and usage, rather than lump sums based on projections with no guarantee of improved service viability and/or increased supply in areas of need.

FDCA concurs with draft findings 5.1 through 5.5, and is very supportive of draft recommendation 5.1 that the Australian Government support universal access in persistently under-served via supply-side funding. The aligns with Recommendation 8 of the ACCC Final Report which recommends the Australian Government consider the potential use of supply-side subsidies and other direct forms of market intervention as appropriate (p.40). It should be noted, however, that the ACCC, when considering family day care as a solution to addressing under-served markets in regional and rural areas, accurately stated "the ability of a family day care service to be able to oversee a rural or regionally located educator in a cost-effective manner also needs to be taken into account. High travel costs associated with coordinator visits to an educator (for example flights or petrol costs and accommodation) may challenge the viability of a family day care service."[12]

To this point, it should also be noted that under the Australian Government's previous "Community Support Programme" (CSP) the need for support in this area was acknowledged and delivered through the "regional Travel Assistance Grant" (RTAG) which was "a support payment designed to assist FDC services and IHC services with the travel costs incurred by coordination staff. RTAG [could] only be claimed for journeys undertaken in order to support the service's network of Educators."

Similarly, broader supply-side funding was delivered under the CSP to the family day care sector through "FDC Operational Support" and "Sustainability Assistance" (targeted primarily towards a specific group of services) which were designed to support family day care services with the ongoing, day to day costs of delivering quality, affordable ECEC through its support for approved services to fulfil their coregulatory function, and thereby underpinning quality and placing downward pressure on out of pocket costs to families, until the CSP was terminated in 2015-16.

Clearly, there is a precedent for these types of sector specific funding mechanisms. It should be noted that when these funding systems were in place, including when the previous Educator Start-up Grant was available (i.e. prior to 2010-11), the family day care sector was thriving with 13,575 educators operating, which when compared to current numbers (approximately 9,300) represents a decrease of approximately 31.5% on current educator numbers.

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[12] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.186.

FDCA therefore requests that in the development of the final report, the Commission explore sector-specific distinctions in the refinement of recommendation 5.1 relating to supply side funding to ensure the recommendation allows the Australian Government to be adequately informed of the most appropriate options available by sector type.

1.3 Affordability

The lower CCS rate cap applied to family day care than centre-based care is a hugely significant issue affecting not just the sustainability and viability of the family day care sector, but also affordability for families.

The inappropriate hourly CCS fee cap that applies to family day care has been a key advocacy priority for FDCA since inception in 2018 and our long-standing position is that the assumptions underpinning the calculations leading to the current CCS fee cap rates were never or are no longer accurate/applicable. In essence, the lower fee cap for family day care is an inequitable market intervention that puts family day care at a competitive disadvantage and affects educators' ability to be appropriately remunerated, which has flow on effects to educator attraction, retention and hence approved service viability. Additionally, at each indexation of the cap, the gap between family day care and centre-based care widens.

We have constantly advocated that the hourly CCS cap rate for family day care should be raised, *at least* in line with the calculation afforded to centre-based care services so that it more accurately reflects the cost of providing family day care; and an additional loading of 20% to the recalculated CCS fee cap for non-standard hours family day care to adequately reflect the cost of providing such care.

FDCA has repeatedly challenged and refuted the 'lower overheads' assumption underpinning the calculation of the inadequate CCS cap rate for family day care. Consultation with and evidence from FDCA members show that, while family day care can be more agile and efficient in meeting and responding to variable demand especially in under-served, the 'dual-layered' overheads for both family day care services and family day care educators are fundamentally comparable13 to those in centre-based care.

As sole traders / independent contractors, family day care educators have significant overheads including, but not limited to, relevant play equipment; property maintenance and cleaning costs; ongoing training and maintenance of mandatory qualifications; mortgagees or rent; insurances (e.g. home and contents, public liability, health, personal accident/income protection, car), bookkeeping and accounting expenses, IT equipment and software licenses and so on.

Furthermore, following sustained and extensive regulatory reform, specific to family day care[14],overheads for family day care services, acting as 'co-regulators' to

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[13] This was confirmed in the Interim Report for the NSW IPART Review of Early Childhood Education and Care (October, 2023). See p.179: *"The costs we calculated for family day care are comparable to long day care, which is the position outlined by the Family Day Care Australia in a submission to the Productivity Commission."*

[14] For example, in a survey of our service members about implementing the changes to EFT CCS gap fee collection from 1 July 2023 as per the recent amendment to Section 201(B) of the Administration Act, almost two thirds (63%) of respondents reported experiencing either "very high additional admin burden" or "significant additional admin burden"(33% and 30% respectively).

support compliance and continuous improvement by educators, have increased significantly.

As further detailed in FDCA's Pre-Budget Submission 2024-25 (see Appendix A), the evidence is indisputable that the CCS hourly rate cap for family day care is inaccurately calculated, inequitable and is hindering a significant number of family day care educators to be adequately remunerated for the important work they do every day.

This position has been confirmed by the ACCC Childcare Inquiry's Final Report, which states:

- One in three (34% in the September 2023 quarter) family day care services continue to charge fees above the hourly rate cap, despite the largest indexation of the cap in July 2023 (p.32).
- Immediately prior to the indexation of the hourly rate cap, in the June quarter 2023, about 52% of family day care services were charging above the hourly rate cap. This reflects how closely family day care services are priced to the hourly rate cap, and we expect that over the course of the period up to July 2024, a greater number of services are likely to exceed the cap (p.78).
- Fees charged above the cap increase the out-of-pocket expense for households (p.44).
- The relatively high share of family day care services exceeding the hourly rate cap likely reflects the lower hourly rate than for other services, a large number of non-standard hours of care in the sector, and ultimately, a need to charge higher fees to remain viable and profitable in the sector (p.32).

This evidence culminates in the following findings and recommendations by the ACCC:

- "There is little financial incentive for family day care and in home care educators to enter or remain in the sector, as effective wages are below comparable award rates for other forms of childcare" (Finding 22).
- "...the family day care hourly rate cap is also unlikely to be sufficient to adequately cover costs and recompense educators" (Finding 23).
- "The ACCC recommends further consideration and consultation on changes to the Child Care Subsidy and hourly rate cap, to simplify their operation and address unintended consequences, including on incentives and outcomes. In doing so, we recommend consideration be given to:
    a. Determining an appropriate base for the hourly 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 part of this, the family day care and in home care hourly rate caps should be reviewed and consideration given to increasing them. This should ensure providers can adequately cover costs, including appropriate labour costs" (Recommendation 2a).

As such, FDCA urges the Commission to amend draft recommendation 6.2 for the final report to specify that the CCS hourly rate cap for family day care must be amended immediately to more accurately reflect the cost of providing family day care, rather than waiting for another review. A formal review of the CCS hourly rate cap has been promised since the commencement of the CCS system in mid-2018 (initially scheduled for 2019, one year on from the commencement of the Child Care Package) and, despite the overwhelming evidence, we are still waiting as the family day care sector continues to decline.

FDCA supports the other core components of draft recommendation 6.2 that CCS be modified to allow all families to access up to 30 hours or three days of subsidised care per week without an activity requirement and families with annual income at or below $80,000 should be eligible for a subsidy rate of 100% of the fee, up to the hourly rate cap.

FDCA also supports draft recommendation 6.1's assertion that the Australian Government should commission a detailed investigation of costs and profits across the sector every three years monitor changes in fees and out-of-pocket expenses and assess if the hourly rate cap needed to be reset.

Other draft recommendations

<u>Draft recommendation 6.3: Make information about CCS eligibility easy to find and understand</u>
FDCA supports draft recommendation 6.3 with no further comment.

<u>Draft recommendation 6.4: Improve the CCS calculator on the Starting Blocks website</u>
FDCA supports draft recommendation 6.4 though in the interest of supporting measures that empower families to make informed choices with regard to child care services, it should be noted that the Starting Blocks website, currently, does not include individual family day care educators (9,300+), listing only family day care approved services (approximately 400, which may have anywhere between 1 – 150 educators registered with them).

The information presented on the Starting Blocks website needs to be comprehensive and reflective of the whole ECEC sector, including family day care educators. In its current state, while also inequitably under-representing the family day care sector, information on the Starting Blocks website fails to present a true and accurate picture to families of the available ECEC options in their local area to allow them to make an informed decision and/or to compare the options of services offered.

The ACCC Childcare Inquiry Final Report picks up on this point, finding that "Publishing family day care educator locations and fees on StartingBlocks.gov.au may enhance visibility of the family day care sector, and assist households in identifying all childcare options available in their local area."[15]

Furthermore, recommendation 3 of the ACCC Childcare Inquiry Final Report recommends the Australian Government reconsider the information collected and reported on StartingBlocks.gov.au to better meet parents' and guardians' informational needs in decision-making about childcare services (p.40).

Information Request/s

<u>Information request 6.1: Potential modifications to the activity test</u>
Regarding recommendations relating to the Activity Test, FDCA defers to Early Childhood Australia's (ECA) positions in this area.

<u>Information request 6.3: Level and indexation of the hourly rate cap</u>
Please see Section 1.3 above and Appendix A for evidence relating to why the CCS hourly rate cap must be raised for family day care.

[15] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.180.

As presented in FDCA's initial submission to the Inquiry, it has been a long-standing and fundamental position of FDCA's that (specifically in relation to family day care) the CCS hourly rate cap be raised for non-standard hours family day care. Please see Appendix A (p.10-11) for more information.

Information request 7.1: The CCCF as a vehicle to address practical barriers to ECEC access

FDCA contends that, despite occasional issues in terms of program design that didn't adequately take into account the family day care model (which were subsequently rectified by the Department of Education) the Community Child Care Fund (CCCF) overall has worked reasonably well in many cases for the family day care sector in terms of supporting approved services in SA2 priority areas to remain viable. For example, in the most recent round of "limited supply grants" 34 of the 47 grants awarded went to support family day care services across New South Wales, the Northern Territory, Queensland, South Australia and Tasmania.

However, as outlined above, the time-limited nature of funding rounds and the associated uncertainty of ongoing viability is problematic for approved services and the sector has experienced reduction in approved services that have relied on CCCF funding. FDCA would support a continuation the CCCF largely in its current form, with extended funding periods of at least 3 years, though this should be coupled with a broader supply-side funding program for family day care as outlined in Section 1.2 above.

2. Availability can only improve if workforce challenges are resolved

While the workforce challenges facing family day care and the wider ECEC sector are multifactorial, family day care must be considered as an integral part of any solution to address these challenges. Due to its unique structure, family day care has the capacity to provide innovative solutions to both the ECEC workforce and supply crises.

The evidence of under-supply across the regions is undeniable, compounded by national workforce shortages. If adequately supported, the family day care sector is uniquely placed to play a pivotal role in addressing under-supply and in turn, providing critical ECEC access, while supporting workforce participation and economic growth across the regions.

As referred to above, the key challenges for the family day care sector are patently clear:

- to arrest the decline in numbers of family day care educators and services and support continued growth of the sector; and
- strengthen the financial viability of providing family day care to families through higher CCS hourly rates and targeted supply-side initiatives.

With innovative thinking and the right form of support, there are opportunities to better leverage the capacity of the family day care sector in this regard.

Demand is at an all-time high for family day care educators, with data from FDCA service members indicating that over 3,000 new educators are needed immediately just to meet current confirmed child waiting lists. Nevertheless, the decline in the sector stubbornly persists.

As noted in the Australian Children's Education and Care Quality Authority's (ACECQA) initial submission to the Productivity Commission Inquiry into ECEC:

"As governments expand access to education and care, provision needs to remain flexible to ensure services are accessible and available for the hours required to support diverse family circumstances and workforce participation. Family day care services, for example, have flexible hours and are often the best option for children and families who are seeking a home environment, including shift and emergency workers and those based in regional and remote areas."

However, there are a range of diverse and intersecting workforce challenges that are acting as barriers to growth within the family day care sector, affecting attraction and retention and/or hindering the sector's capacity to meet the diverse needs of children, families and communities.

2.1 Building capacity through innovation

Significant opportunity exists for governments to build lasting, viable ECEC capacity through innovative approaches that leverage the capabilities of family day care.

Of note, FDCA is currently experiencing growing interest from both industry and governments in exploring innovative family day care solutions to address ECEC supply gaps, which is resulting significant workforce shortages across regional and rural Australia. Among the industry partners currently seeking workforce solutions through family day care are BHP(BMA), GrainGrowers, Department of Defence, along with the NSW, South Australian and Queensland Governments.

An innovation that demands further exploration to better support regional and rural families and communities, and under-served markets generally, is a broader application of 'in-venue' care. Partnerships between communities, local government, industry and providers, supported by a more streamlined regulatory approvals approach, could see suitable venues identified, modified and activated to meet the capacity requirements of smaller regional communities. Further to this innovation is the exploration of the opportunity for two family day educators to work from an appropriate single venue (or possibly even premises).

These proposals have the potential to quickly and efficiently inject sustainable, quality, long-term ECEC supply into under-served markets. Community engagement by the SA Government suggests that the two educator/one venue family day care model would provide a viable level of capacity in line with the needs of many regional communities that would otherwise be unsustainable through other models. Additionally, these proposals address a number of ancillary barriers to family day care recruitment and retention being, housing affordability, premises suitability and educator isolation.

Another innovation that warrants investment and exploration is the establishment of a dedicated, funded, national family day care 'student educator' (traineeship-like) program, which, among other benefits, would dramatically reduce the impact of the workforce barrier to entry created through the cessation of the "working towards Certificate III" provision under changes to the National Regulations. In summary such a proposal (under specified guidelines and conditions) would look as follows:

- a "student educator" could be employed by the approved service under a dedicated, funded, centrally administered program;
- the working towards Certificate III "student educator" is paired with an existing family day care educator;
- the student educator works & studies part-time in an accelerated Cert III in ECEC;

- the pairing allows for an increase to the capacity of the premises such that the educator/student pairing *could* (under prescribed circumstances) cater for up to 6 children under school age (as opposed to 4), which also effectively reduces the combined educator to child ratio to 1:3 under school age. Note that this would not change the maximum ratio of 1:7 allowable under the National Regulations; and
- upon completion of the program the student educator would transition to becoming an independent contractor educator in their own right.

Some key benefits of the proposed program are that it:

- provides for an immediate 50% increase in capacity of participating educators (with a lower educator to child ratio);
- allows for an immediate increase to ECEC supply in areas of high need, increasing accessibility which allows more Australian children a better start in the early years;
- creates a pipeline of paid, experienced and ultimately qualified new educators while partially mitigating the additional barrier to entry from the cessation of the "working towards Certificate III" provision;
- is partially self-funded through the additional revenue generated from the increased capacity;
- is a highly efficient and more sustainable mechanism (in contrast to building centres) to address ECEC shortages in regional areas and "thin markets" specifically, through compounding capacity; and
- has a number of ancillary benefits, such as increasing educator wellbeing through a reduction in the inherent isolation felt by family day care educators, bolstering service viability and providing diversified entry pathways into the ECEC sector.

In addition to these issues, FDCA is also aware that barriers exist for family day care services in terms of being able to access visa sponsorships that could assist in filling gaps in supply, particularly in regional and remote areas - for example, Designated Area Migration Agreement (DAMA) visa sponsorships and other existing and new visa programs. We therefore suggest that relevant visa program eligibility requirements be reviewed so that family day care services can also draw on this avenue for filling gaps in demand and supply.

2.2 Emerging trends and future needs: high level of cultural and linguistic diversity

There exists a high level of cultural and linguistic diversity among the family day care educator workforce itself.[16]

Research undertaken by FDCA on behalf of the Commonwealth Department of Education showed that:

- While the majority of educators (1,025 or 50.9%) were born in Australia, 49.1% of educators were born overseas : India at 7.7% (n=155), Sri Lanka at 3.5% (n=71), United Kingdom at 3.2% (n=65), Bangladesh at 3.0% and Pakistan at 2.2%.
- The majority of educators (57.9%; n=1,166) identified English as their primary and sole language spoken, which means that 42.1% of educators speak a language other than English, a significantly higher proportion than the general population of Australia, at 22.5%.[17]

[16] Family Day Care Australia, (March 2023), Family Day Care Educator Demographic Research. Unpublished report prepared for the Commonwealth Department of Education.
[17] ABS Census data (2021). See https://www.abs.gov.au/articles/cultural-diversity-australia

- After English and Arabic, the next 5 most identified languages spoken were: Hindi at 3.4% (n=68), other1 at 3.2% (n=65), Bengali at 3.0% (n=60), Sinhala at 2.7 (n=54) and Punjabi 2.5% (n=50); and
- the top ten cultural backgrounds that respondents identified with were:
  - Australian (44.8%)
  - Indian (5.8%)
  - English (3.2%)
  - Bangladeshi (2.8%)
  - Sri Lankan (2.4%)
  - Pakistani (2.1%)
  - Lebanese (1.8%)
  - Chinese (1.5%)
  - Somali (1.4%)
  - Iraqi (1.4%).

The current proportion of educators in family day care from a CALD background, in addition to the existing evidence that shows family day care already plays a significant role in meeting the needs of children from (or children who had parents/ guardians from) a refugee or special humanitarian program background, reveals strong connections with communities from sub-continent cultures.[18] This suggests that there is potential to grow this capacity in the family day care sector to both support the future care needs of these communities and to also promote family day care to members of CALD communities as a career opportunity.

Further research is urgently required to delve deeper into the future care needs of the Australian workforce *from a cultural and linguistic diversity perspective*. Recent research published by the Department of Foreign Affairs and Trade[19] points to significant future care needs from the Indian diaspora community, where there is a larger share among Indian-born people aged 25 to 39 as well as a larger percentage of children under the age of nine, compared to the general Australian population. This age profile, combined with other demographics, illustrates the potential economic contributions that the Indian diaspora may make in the future, if their care needs are met.

FDCA urges the Commission to make a recommendation relating to the need for further exploration of family day care's apparent suitability as a career option for CALD women (primarily) in addition to its evident capacity to respond to the ECEC needs of CALD communities (referenced below).

2.3 Pathways and qualifications

As for all parts of the broader ECEC sector, the future viability of family day care relies heavily on having a pipeline of educators to meet future needs and work challenges. The need for innovative thinking to be applied in addressing demand and supply gaps, including opportunities to expand or sure up this pipeline, for example through traineeships and relevant VISA avenues.

<u>High level of diversity in family day care educators' qualifications and access to "fee free" incentives</u>

While a minimum Certificate III in ECEC is required under the *Education and Care Services National Law Act 2010* to work as a family day care educator, FDCA's

[18] Department of Education, Skills and Employment (August 2022), 2021 ECEC National Workforce Census, prepared by the Social Research Centre.

[19] Department of Foreign Affairs and Trade, (2022), Australia's Indian Diaspora: A National Asset.

research undertaken for the Department on educator demographics[20] revealed a high level of diversity in educational qualifications of those entering family day care, including higher non-ECEC qualifications.

In relation to ECEC related qualifications:

- a majority of educator respondents (54.4% or n=1,096) held a Diploma level qualification or higher;
- 6.3% (n=127) had a Bachelor Degree or higher and 42.6% (n=859 indicated they held a Certificate III/IV; and
- only 3.0% identified as working towards Certificate III.

In relation to non-ECEC qualifications, FDCA's research showed:

- A majority (55.8% or n=1,127) of educators held a non-ECEC related qualification, 30.9% (n=624) of the overall total being at a Diploma level or higher.
- Of particular note is that 16.8% (n=339) held a non-ECEC Bachelors Degree or higher.
- 44.1% (n=888) of educators had no non-ECEC related qualifications. Of these, 56.0% (n=497) were born in Australia and 31.6% (n=281) had a highest school education level of year 10 or below.

FDCA is aware of potential family day care educators not being able to secure 'fee free' TAFE places for a Certificate III in ECEC due to having higher existing qualifications. The diversity of non-ECEC qualifications that potential entrants to the family day care sector may hold is an important consideration when offering 'fee free' incentives so that they do not inadvertently present barriers to workforce supply.

<u>Difficulties navigating educational pathways</u>
FDCA is also aware that difficulties have been experienced by potential family day care educators in navigating Australian qualification pathways and requirements, especially for those from CALD and disadvantaged backgrounds, highlighting a need for clearer and plain English explanations.

<u>Certificate III training package content</u>
The content of the current Certificate III in Early Childhood Education and Care (CH30121) is largely geared towards preparing educators for work in CBDC settings, in particular long day care. Work placements also focus on long day care settings. While there is a specific unit focusing on being an educator in the family day care setting, it is an optional unit only that competes alongside other optional units.

<u>Quality of course provision</u>
FDCA has also received significant feedback about the poor quality of many Certificate III courses available online, in particular from some private providers. This suggests there needs to be better oversight / quality control of providers and their course material to ensure a reliable pipeline of family day care educators to meet the future needs of families.

<u>Career progression</u>
There is evidence that entry into family day care is often a career progression from working in a long day care setting or other related educational field. Indeed, FDCA's research shows that almost half (45%) of early career family day care educators have previously worked in the long day care sector, 12% in kindergarten or pre-school, and

[20] Family Day Care Australia, (March 2023), Family Day Care Educator Demographic Research. Unpublished report prepared for the Commonwealth Department of Education.

8% in primary schools. Reasons for this include being drawn heavily to the opportunity to work from home, while applying their skills in a small group setting, being able to tailor educational programs more to the individual child and enjoy greater autonomy in their career.[21]

Once in the family day care sector, many educators continue to progress their career by becoming a coordinator at a family day care service, working to support other family day care educators.

<u>Influences on patterns of work</u>
In addition to previously identified factors influencing educators' participation and engagement in the family day care sector, family day care educators tend to enter the sector at a stage in life where they have stable housing and enough financial security to be able to cover the considerable set-up costs and run a business from home.[22]

FDCA's 2019 research showed that while a total of 88% of educators surveyed owned their own home, this fell to 65% of early career educators with less than 3 years' experience. Educators who do not own their own home must apply to their landlord for permission to run a family day care business from their premises, thus likely influencing their decision to become a family day care educator.

Related to the life-stage factors cited above, the age profile of family day care educators is a mature workforce with the majority (70%) aged between 36-60 years of age, and the peak in the 46-50 age bracket.[23]

This is also reflected broadly in the data collected in the 2021 ECEC National Workforce Census which reported that 68.8% of educators were aged 40 years and over. Furthermore, key factors contributing to the decision to become a family day care educator is the ability to work and have an income while being able to be at home to balance family needs.[24]

2.4 Encouraging workforce participation for priority groups

As already demonstrated, the profile of the family day care educator workforce is highly diverse, and often reflects the makeup of the community in which educators operate their business. Further to the information shared above, our demographic research for the Department[25] showed that:

- the vast majority of services surveyed (84.3% or 129) reported having educators from a CALD background registered with their service. Of these services, 5.7% (n=24) also reported having educators who identified as being Aboriginal or Torres Strait Islander registered with them.
- 1.5% (n=30) of educator respondents identified their cultural background as being Australian Aboriginal in either their first or second choice of possible cultural backgrounds. This is lower than that of the general population in Australia, which in 2021 was 3.8%.

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21 Family Day Care Australia, (February 2019), Attracting the next generation of family day care educators, prepared by Survey Matters.
22 Ibid.
23 Family Day Care Australia, (March 2023), Family Day Care Educator Demographic Research. Unpublished report prepared for the Commonwealth Department of Education.
24 Family Day Care Australia, (February 2019), Attracting the next generation of family day care educators, prepared by Survey Matters.
25 Family Day Care Australia, (March 2023), Family Day Care Educator Demographic Research. Unpublished report prepared for the Commonwealth Department of Education.

As such, there is opportunity to better leverage greater participation by First Nations Australians, especially in regional and remote Australia. However, encouraging greater participation by priority groups in family day care requires additional targeted initiatives that take the structure of the family day care model into account and target the specific needs and circumstances of groups as well as address community needs.

Access to relevant "fee free" courses, traineeship opportunities especially in under-served markets, and supply-side initiatives such as 'educator set-up grants' to offset the costs of setting up family day care business, will all potentially assist in this regard.

In addition, the regulatory requirements for family day care need to be streamlined to mitigate the high risk of educator burnout and be complemented by Plain English resources that help educators navigate the regulatory and administration requirements associated with working as a family day care educator.

In summary, governments should support the implementation of a range of measures to better leverage the capabilities of the family day care sector in boosting access to quality, flexible and affordable early ECEC across under-served areas, in turn supporting increased women's workforce participation, and importantly, ensuring families have choice in selecting an ECEC type that suits their diverse and individual needs.

FDCA must request that the Commission make recommendations specific to the family day care sector relating to incentivising entry into the sector, the need for qualification pathways and workforce support structures and/or programs to be specific to family day care, emphasising its unique potential for CALD cohorts and those in regional areas.

Other draft recommendations

Draft recommendation 3.6: Contribute to professional development for the ECEC workforce

FDCA is supportive of draft recommendation 3.6, though would request that the final recommendation refer to the need for any programs developed in this space must be inclusive of the different care types, in particular those relevant to the family day care model.

Draft recommendation 3.7: Improve the ECEC Workforce Strategy

As a member of the National Workforce Strategy Stakeholder Reference Group (SRG), FDCA is extremely supportive of the National Workforce Strategy and must commend ACECQA on its role in effectively and efficiently leading the development of the Strategy; however, FDCA supports options for improving outcome measurement options and better articulating resourcing options and responsibilities.

Information Request/s

Information request 3.1: ECEC-related vocational education and training

Given the requirement for a family day care educator to hold a minimum Certificate III level qualification is now in force, more attention must be given to how well the Certificate III in ECEC qualification is operating in terms of supporting family day care educators into the sector, including (but not limited to) ensuring the practicum placement system works appropriately and is nationally consistent for potential family day care educators undertaking placements.

Information request 3.2: Effectiveness of traineeship arrangements
Traineeships are currently not effective for the family day care model. As outlined above, FDCA contends that there is a need for tailored traineeship pathways for family day care and requests that the Commission makes a recommendation that the Department of Education and Department of Workplace Relations commit resources to exploring options for funded traineeship 'student-educator' programs that support entry into the family day care sector.

3. A universal ECEC system has to be inclusive of all children

Family day care has a significant role to play in terms of facilitating greater inclusion of children from a variety of vulnerable cohorts (including children with additional needs, those from CALD backgrounds and refugee or special humanitarian program background), yet the strengths of the model in achieving this objective are undervalued, underfunded and hence underutilised.

As such, FDCA asks that the Commission specifically address several key areas in the final recommendations that will seek to improve support structures (in particular the Inclusion Support Program [ISP]) for family day care to facilitate higher levels of inclusion for those children in need and highlight the strengths of the model in terms of its capacity to cater for the needs of children from CALD backgrounds specifically given that children from culturally and linguistically diverse households are proportionately more likely to use family day care than children where only English is spoken at home.[26]

3.1 Inadequacy of the Inclusion Support Program for family day care

While the Australian Department of Education's ISP plays an important role in promoting inclusive education and providing support to children with additional needs in some circumstances, a critical assessment of the program reveals several deficiencies that hinder its effectiveness and limit its potential impact, particularly in relation to family day care.

As indicated by the ACCC Inquiry Final Report, feedback from providers suggests the amount of support available under the Inclusion Support Program is inadequate, relative to the high cost of sourcing appropriate staff and delivering appropriate services, as well as the administrative burden associated with applying and complying with funding requirements (p.28).

Furthermore, as highlighted by overwhelming evidence presented in the Australian Institute of Family Studies' 2021 Evaluation of the Inclusion Support Program, Deloitte's 2023 Review of the Inclusion Support Program and the ACCC Childcare Inquiry Final Report, insufficient funding dispersed and/or utilised, inadequate training and professional development, high levels of administrative burden in applying for inclusion support funding, limited access to specialized support, inconsistent program administration and challenges in collaboration and communication are key areas that need attention. Addressing these deficiencies will be crucial in enhancing the program's impact and fostering inclusive ECEC environments that supports the diverse needs of Australian children.

[26] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.31.

More specifically, in relation to the Family Day Care Top-up payment, all of the aforementioned Australian Government funded reviews have cited the clear inadequacies of the program's design, administration and execution, as evidenced by the following points:

- "The family day care top-up (FDC Top-Up) has not been effectively utilised in relation to its total allocated amount, and take-up of the FDC top-up is substantially lower than supports offered to centre-based services. There is an opportunity to conduct a specific review of this aspect of the ISP given the unique requirements of this service."[27]
- "Opportunity 15: Review the appropriateness of the FDC top-up subsidy and consider alternative funding arrangements and resources to increase FDC educators' capacity and capability."[28]
- "The Department should consider adopting flexible approaches to funding capacity and capability in family day care (FDC) settings, including increasing access to inclusion-focused training and resources to FDC educators to support the overall confidence and capability of the FDC workforce to care for children with additional needs."[29]
- "Consultations and program data analysis indicates that the family day care top-up (FDC Top-Up) has not been effectively utilised in relation to its total allocated amount."[30]
- "Departmental and broader stakeholders have recognised that take-up of the FDC top-up is substantially lower than supports offered to centre-based services, indicating that current supports offered to FDC services are not appropriate."[31]
- "Only some 25–35 subsidies are provided each year under the Family Day Care Top Up. A range of concerns were identified with this subsidy including its conceptual approach (as a top up when less than the allowed number of children were cared for), and the extent to which applications required significant effort by services who received no benefit."[32]
- Recommendation: "The Department should consult with providers, services and carers in the Family Day Care sector to consider more effective means of supporting inclusion in the sector as the Family Day Care Top-Up does not appear to be an effective mechanism."[33]
- "Family day care educators also spoke about the difficulty in managing numbers with a child with disability and/or complex needs and one family day care educator discussed reducing their number of places offered to be able to provide adequate care for a child with disability and/or complex needs."[34]
- "The Inclusion Support Program Review identified a lack of incentive for family day care services to access the program, as the top-up amount effectively reduces the amount of funding that a family day care service can charge in fees to households."[35]

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27 Deloitte (2023) Review of the Inclusion Support Program – Final report: p.108.
28 Ibid. p.109.
29 Ibid.
30 Ibid.
31 Deloitte (2023) Review of the Inclusion Support Program – Final report: p.109.
32 Australian Institute of Family Studies (2021)Evaluation of the Inclusion Support Program, 2021: p.v.
33 Ibid. p.vii.
34 Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.169.
35 Ibid.

FDCA supports the above recommendations and calls on the Commission to make a clear and specific recommendation in relation to reviewing and reforming the how the ISP should work for family day care which should be informed by a robust consultation process.

3.2 Meeting the needs of CALD children and families

As referenced in the ACCC Childcare Inquiry Final Report, family day care is important for many culturally and linguistically diverse households, providing an alternative choice to centre based day care that may be more flexible or better able to cater to particular cultural and linguistic needs (p.173); however, the availability of these services is reducing (p.131), which is highly problematic.

The ACCC Childcare Inquiry Final Report also states that one of the benefits of family day care is that a family day care educator may have the same cultural background as the children in care, and may be able to reproduce cultural values and speak the same language as the household. A 2006 study by the Australian Institute of Family Studies found many family day educators were culturally diverse and that almost all [educators] in this setting were from the same cultural background as the child in their care. In contrast, only about half of carers in centre-based care settings were from the same cultural background.[36]

More recently, the Australian Education Research Organisation (AERO) found that:

> *"family day care may be an important complement to preschool for emerging multilingual children. When we analysed children's pathways from one ECEC setting to another, we found that emerging multilingual children had better outcomes when they participated in family day care in the early years (between 2013 and 2016), followed by standalone preschool in the year before school (2017). This combination of settings appears to benefit children's Language and Cognitive Skills (school-based), strengths – measured by the Multiple Strengths Index (MSI) – and Social Competence on the AEDC more than any other combination of participation. Other pathways also benefit emerging multilingual children, but results suggested to a lesser extent. For example, family day care followed by standalone preschool was associated with an increase in Language and Cognitive Skills (school-based) scores between 1.2 to 2 times larger than for those children using long day care followed by standalone preschool."*[37]

In addition, the ACCC Inquiry's June 2023 interim report found that family day care services have the highest proportion of children with a primary language other than English spoken at home (at 17%), relative to other forms of care where the proportion of children with a primary language other than English spoken at home ranges from 1% to 3% (p.183). It suggests that family day care may better assist children and parents of non-English speaking backgrounds to transition into a new environment, and also has the ability to provide a culturally inclusive form of care (p.184).

Recent evidence also shows that family day care is playing a significant role in supporting children from CALD backgrounds and their families. Indeed, the latest

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[36] K, Hand (2006) Parenting partnerships in culturally diverse child care settings, Research Report, Australian Institute of Family Studies: p.183.

[37] Lampe, B., Healey, B., Collier, L., & Jackson, J. (2023) *Promoting equity for multilingual children in early childhood*. Australian Education Research Organisation. From https://www.edresearch.edu.au/resources/promoting-equity-multilingual-childrenearly-childhood-research-report

ECEC National Workforce Census (2021) revealed that around half (n= 4,590) of the total number of children attending child care services (n=9,248) during the reference week from (or had parents/guardians from) a refugee or special humanitarian program background, attended family day care services. This compared to only 3,343 in centre-based services, a sector *over 10 times* the size of family day care.[38]

FDCA urges the Commission to make a recommendation relating to the need for further exploration of family day care's evident capacity to respond to the ECEC needs of CALD communities in addition to the sectors apparent suitability as a career option for CALD women (primarily) (referenced above).

4. ECEC services do not consistently respond to family needs

As outlined in FDCA's Pre-Budget Submission 2024-25 (see Appendix A), data from the AIFS *Child Care Package Evaluation: Early monitoring report*[39] indicates that the family day care sector offers significantly higher levels of flexible sessions than centre-based day care. For example:

- 84.7% of family day care services offer shorter sessions (up to 6 hours) compared to only 17.2% of long day care services.
- 94% of family day care services also offer longer sessions (7-12 hours).
- 65.3 % allow for the swapping of days/sessions or sessions to be added or changed at short notice, compared to 51% and 50.2% of long day care services respectively.

This flexibility is critical to catering for the current and future needs of Australian families, especially in the face of changing work patterns, where casual, contract and part-time work is common, and women form 68.1% of the part-time workforce.[40]

Family day care also offers considerably higher levels of non-standard hours care, compared to the long day care sector:

- 88.2% of family day care services offer sessions of care on weekdays before 7am or after 6pm, compared with 45.7% of long day care services.
- 85.5% of family day care services offer care on weekends, compared with a mere 0.5% of long day care services.
- 47.5% of family day care services offer overnight care, as compared with 0% of long day care services.[41]

Evidently, family day care is the primary regulated and approved ECEC option of care during non-standard hours, including evenings, weekends and overnight.

Australian Government ECEC session data for the September quarter 2023 indicates family day care used the highest percentage of subsidised hours as a share of total hours charged by service type. "This may be due to the greater flexibility in session

[38] Department of Education, Skills and Employment (August 2022), 2021 ECEC National Workforce Census, prepared by the Social Research Centre.

[39] Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

[40] Source: www.wgea.gov.au/data/fact-sheets/gender-workplace-statistics-at-a-glance.

[41] Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

hours offered by family day care educators, allowing households to structure their usage in the most beneficial manner."[42]

The ACCC Childcare Inquiry Final Report also notes that "any family day care educators advised during outreach discussions that they will offer flexible hours to their clients to meet their needs. For example, offering an earlier start time if needed by a household on a particular day, or by not enforcing a late fee as long as a parent or guardian keeps the educator informed of their expected pick-up time… (p.184) … in this sense, family day care provides a small scale, highly flexible childcare option for parents and guardians needing care for their child or children" (p.180).

This type of care is also increasingly important for Australian working families and their communities. FDCA members who offer non-standard hours care tell us their service is highly valued in their communities and meets the needs of a range of families, in particular shift workers from a range of industries, for example aged care staff, disability support workers, nurses, paramedics, police officers, FIFO workers, cleaning contractors, factory workers, and farmers.

Family day care also services other important cohorts that require non-standard care, including single parents and grandparents, business owners needing to work weekends, families where both parents work in an owner operated business together, and importantly children transitioning from the care of emergency or state child protection services. The continued availability of regulated, high quality non-standard hours ECEC is exceptionally important for these groups.

Again, as outlined in FDCA's Pre-Budget Submission 2024-25, consultation with FDCA members in October 2022 indicates that fees charged for non-standard hours are significantly higher than those for standard hours, with the average hourly fee for non-standard hours family day care (excluding overnight and weekend care) being $13.56. The average fee charged for non-standard hours care, including overnight and weekend care, is $15.10.

However, it should be noted that if the cost of family day care delivered on weekends alone were considered, which is one of the most common forms of non-standard hours care delivered by the sector, then the average fee charged would increase to $16.65.

Clearly, the current CCS hourly rate cap for family day care is not adequately recognising the actual cost of delivering family day care in non-standard hours care, and as such, is not allowing for family day care educators to be appropriately remunerated for the important work they do and/or disincentivises the provision of this care type.

The impacts of delivering this form of care on a family day care educator and their family are significant and this is not currently recognised by the ECEC family assistance payments framework. Importantly, this lack of recognition is also increasing out-of-pocket costs for families who need this type of care.

However, as noted in the ACCC Childcare Inquiry Final Report, there has been a decline in availability of family day care services, which has reduced flexibility and options in the market, particularly for households that are culturally and linguistically diverse, in remote areas, in areas of disadvantage, or that work non-standard hours (p.15).

[42] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.180.

"The decline in family day care is more likely to impact households from culturally and linguistically diverse backgrounds, households with low incomes, households with parents or guardians that work non-standard hours, and those living in very remote areas. This is because these cohorts rely relatively more on, or have a higher preference for, family day care than other households (p.31).

The ongoing reduction in family day care services is likely to have a disproportionate and negative effect on these cohorts and reduce a household's ability to enrol in a childcare service which is best suited to their needs" (p. 183).

As such, FDCA is extremely supportive of draft recommendation 7.3 that the Australian Government should introduce a higher hourly rate cap for non-standard hours, in relation to family day care specifically. In FDCA's Pre-Budget Submission 2024-25, we specify that the indexed rate should be 20%, based on calculations on non-standard hours fee data collected from FDCA members; however, we concur that "different rates should be set for each service type to reflect differences between them in costs of provision. The higher rate cap should be set based on the costs of providing early childhood education and care during non-standard hours and subject to regular review and indexation as outlined in draft recommendation 6.2."

5. Quality is paramount to achieving the benefits of ECEC

Quality is indeed paramount in the delivery of ECEC (which in turn leads to the achievement of ECEC's potential benefits) and, as such, the regulatory and legislated framework that governs practice in the sector, coupled with how obligations are enforced by regulatory authorities, is clearly extremely important.

FDCA is exceptionally supportive of the objectives of the NQF, those being to:

- ensure the safety, health and wellbeing of children attending education and care services;
- improve the educational and developmental outcomes for children attending education and care services;
- promote continuous improvement in the provision of quality education and care services;
- establish a system of national integration and shared responsibility between participating jurisdictions and the Commonwealth in the administration of the National Quality Framework;
- improve public knowledge, and access to information, about the quality of education and care services; and
- reduce the regulatory and administrative burden for education and care services by enabling information to be shared between participating jurisdictions and the Commonwealth.

In order to achieve these objectives, the 'settings' that govern the sector must be appropriately tailored to the various sector types and critically evaluated on an ongoing basis. Therefore, FDCA is supportive of the following draft recommendations:

- Draft recommendation 8.1: State and territory regulatory authorities should improve their performance reporting
- Draft recommendation 8.3: Ensure regulatory authorities are adequately resourced
- Draft recommendation 8.2: A new review of the National Quality Framework

5.1 Assessment and rating of family day care quality under the NQF
In relation to draft recommendation 8.2, FDCA notes that the Commission calls out "a specific focus on the way in which services are assessed against the National Quality Standard, and if assessments could be made more accurate, consistent and efficient" which FDCA strongly supports.

Amendments should indeed be considered from a regulatory 'best practice' perspective to ensure that the processes surrounding assessing and benchmarking quality against the NQS are not disproportionately skewed against the family day care sector.

In early 2019, FDCA commissioned ARTD Consultants to undertake a review to better understand the experience of its members participating in the NQS assessment and ratings process with a view to contributing to continuous improvement in the family day care sector. The review was focussed on how the assessment process is undertaken across jurisdictions, how the process is applied to the family day care sector compared with the long day care sector and whether any specific mechanisms should be explored in the interest of improving the process. The review concluded that, while there was no evidence of systematic bias against certain types of family day care providers in the assessment and rating process based on their location or type of service, there was substantial variation in some of the key structural aspects of how the process is applied. As it stands, the assessment and ratings process appears to provide long day care services with a greater opportunity to perform well in an assessment than family day care services.

FDCA maintains that consistency of implementation of the NQF across jurisdictions and transparency of decision making are foundational to the NQF's continued validity and reliability as a national framework and critical to ensuring the NQF continues to achieve its objectives into the future.

The research undertaken by ARTD Consultants on behalf of FDCA showed that there is a remarkable degree of variation in the experience of family day care services participating in the assessment and ratings process, that is unrelated to the jurisdiction in which they operate or the type of service they operate. Variation in subjective experience is inevitable; yet if the variance in individuals' experiences stems from systemic variance in the administration of structural processes, this may call into question the validity and accuracy of the ratings system as a whole. The key structural variance is the discrepancy in notification periods of the educators being selected for visits as part of the assessment process, which varies across jurisdictions significantly and is not in line with the timeframe afforded to centre-based services.

The research report makes the following recommendation:
"Family day care providers should have a similar level of control to long day care services regarding which educators participate in assessments. This could be achieved by:

- *Allowing family day care services to nominate a shortlist of educators to be assessed based on length (e.g. at least 12 months) of service.*
- *Ensuring that educators chosen to be assessed are notified within the same timeframes as educators of long day care services, that is, at least 4 weeks ahead of the visit.*
- *An alternative would be for unannounced assessment visits for both family day care educators and centre-based services."*

While it should be noted that progress in this area has inevitably been made across jurisdictions since these recommendations were made, it should also be noted that notification periods of an assessment and ratings visit have been reduced to a maximum of 5 days (across all service types), yet the actual family day care educator cohort that is to be visited is not necessarily notified directly.

Shorter (or no) notice periods for family day care educators specifically, directly from the regulatory authority, creates a significant inequity in the family day care sector's capacity to showcase quality and practice by comparison to centre-based care. FDCA accepts that in both cases, equivalent notice is provided to the approved service entity, but delayed (or no) notification to the actual educators being visited overlooks the inherent differences between the models. It is apparent that, even under a reduced notice period, operational adjustments in centre-based settings in advance of scheduled visits are commonplace in order to ensure that the approved service has the opportunity to best represent its practice. It is unrealistic to expect that a family day care educator can fairly demonstrate and articulate quality in practice under the duress of an unannounced assessment and rating visit for which they are emotionally and operationally unprepared, and for which they carry the 'whole-of-service' burden of the outcome for thereafter.

FDCA supports the general sentiments of the ARTD report's recommendations in this area, noting that in some areas progress may have been made in regulatory practice in some jurisdictions. Implementation of measures of this nature would assist significantly in amending some of the key structural inconsistencies in the assessment process that provide an inequitable "playing field" between jurisdictions and between family day care and long day care in the assessment process.

6. New coordination mechanisms will support universal access

The ACCC's September 2023 interim report recommended that a market stewardship role be considered by Australian governments. This would involve "closely overseeing, and taking responsibility for, overall system functioning and coordination. This would require a clear vision and objectives, developing clear lines of responsibility, active collaboration between providers and government – including regular feedback on best practice and place-based approaches, and evaluation of outcomes" (p.233).

As part of this role, the report also noted that there could be value in mapping progress over time in meeting government objectives including the delivery of child care services across areas and cohorts: there a need for government intervention is identified, such as delivery of a service in an under-served area or cohort, additional demand-side subsidies or supply-side subsidies (whether through public or private provision) may be required (p. 233).

FDCA would support a market stewardship role across both Australian and state and territory governments in particular in identifying under-served areas and vulnerable cohorts, as long as it is inclusive of the family day care sector. From FDCA's experience working with our industry and government stakeholders as outlined above, the ECEC needs of families, strategic objectives and ECEC contexts vary greatly from state to state, and across geographical areas and must be addressed by targeted solutions.

As such, FDCA is supportive of draft recommendation 9.2, that is, to establish an ECEC Commission. However, it is imperative that the various sector types, including family day care, have appropriate levels of representation from relevant national peak bodies and appropriate nationally operating industry representatives. The scope and functions of the Commission should be developed as a result of consultation across governments and with the ECEC sector. However, given ACECQA's important national role in a stewardship capacity overseeing key aspects of the NQF, FDCA is supportive of ACECQA having an integrated and formally embedded role in the ECEC Commission.

Other draft recommendations

<u>Draft recommendation 9.1: Improve policy coordination and implementation</u>
FDCA is supportive of this recommendation.

7. Conclusion

In closing, thank you again for the opportunity to respond to the Productivity Commission's Inquiry into Early Childhood Education and Care: "*A path to universal early childhood education and care: Draft report*". I trust that our feedback will assist in developing recommendations for the Australian Government.

As we have emphasised throughout, given its unique model and capabilities, family day care should be central to all recommendations seeking to improve the affordability, accessibility flexibility of ECEC options available to families. Furthermore, in seeking strategies to improve workforce participation of priority groups, enhance access to non-standard hours ECEC, increasing supply across regional, rural and remote Australia, and for specific cohorts of vulnerable and disadvantaged children and families, those with additional needs and those from CALD backgrounds, family day care must be central in the future planning of Government.

The ECEC needs of children and families across Australia are fundamentally diverse and disparate and, as such, there is no 'one-size-fits-all' model. For many families, family day care is their only choice, for many more it is their option of choice. A truly universally accessible ECEC system that meets the needs of children and families is unattainable without a robust and growing family day care sector.

Yours faithfully

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APPENDIX A

FDCA PRE-BUDGET SUBMISSION 2024-25

PRE-BUDGET SUBMISSION 2024-25

Department of Treasury, Commonwealth Government

Family Day Care Australia

January 2024

1. INTRODUCTION

Family Day Care Australia (FDCA) welcomes the opportunity to provide a submission to the Treasury, in advance of the 2024-25 Federal Budget.

As part of this submission, FDCA would also like to present the Workforce Output Model Review developed by Deloitte (please see Appendix A), which assesses the validity of a Workforce Output Model, developed by FDCA, that details the economic outcomes and return on investment associated with additional targeted government funding for the family day care sector to both incentivise new educators to enter the sector and provide additional support for approved services to engage them.

1.1 RECOMMENDED INVESTMENT MEASURES

This submission reflects the views of the family day care sector which we represent and outlines the case for four key funding priorities that are not only pivotal in ensuring the long-term viability of the family day care sector, but represent an appropriate and equitable allocation of funding for the sector through amendments to the calculation of the Child Care Subsidy (CCS) hourly fee cap, alongside two new funding measures that will directly support increased women's economic security through incentivising growth in the family day care sector.

These recommended investment measures are:

1. **raise the hourly CCS cap rate for family day care in line with the calculation afforded to centre-based care services so that it more accurately reflects the cost of providing family day care; and**
2. **apply an additional loading of 20% to the recalculated CCS fee cap for non-standard hours family day care to adequately reflect the cost of this type of care.**
3. **a direct funding support program (an "Approved Service Engagement Payment") for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and**
4. **a direct funding support program (an "Educator Start-up Grant") for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector in establishing their micro-business.**

FDCA contends that if the above proposed investment measures are not introduced in the 2024-25 Federal Budget, the family day care sector will experience market failure to the significant detriment of the Australian children, families and communities that rely on family day care. As detailed in Section 2, the family day care sector has been under sustained and significant viability pressures.

Furthermore, as outlined in Section 1.4, the COVID-19 pandemic shone a light upon the significant strengths of the family day care model; strengths that cannot be replicated by other forms of early childhood education and care (ECEC). These strengths should be celebrated and valued by the Australian Government. FDCA contends that if the recommendations put forward in this submission were adopted, this would assist greatly in fortifying the model into an increasingly uncertain future.

The investment measures proposed herein are key in maintaining the viability of a sector that is highly valued for its flexible, responsive and affordable ECEC, as well as contributing to key policy objectives of the Australian Government including to:

- continue to "build quality and access to early years learning and development in environments that meet the needs of all Australia families"[1];
- facilitate greater access to affordable and flexible ECEC options for families to meet their changing needs and enable and encourage their participation in the workforce; and
- increase ECEC service delivery in regional areas and areas of high socio-economic disadvantage.

These investment measures are discussed in detail in Sections 2 and 3.

1 Alice Springs (Mparntwe) Education Declaration, December 2019

1.2 ABOUT FAMILY DAY CARE AUSTRALIA

FDCA is an apolitical, not for profit, national member association representing over 9,300 family day care educators and 383 approved family day care services[2]. Our mission is to represent, support and promote the family day care sector in delivering high quality ECEC to more Australian children.

FDCA supports the National Quality Framework governing the ECEC sector and, as the national peak body for the family day care sector, shares many objectives in common with Australian governments and regulatory agencies including:

- promotion of continuous improvement in the provision of quality education and care services;
- reduction of the regulatory and administrative burden for education and care services, whilst simultaneously improving the efficiency and cost effectiveness of the regulation of ECEC; and
- measures to build a highly skilled workforce.

1.3 ABOUT THE FAMILY DAY CARE SECTOR

As acknowledged in the Alice Springs (Mparntwe) Education Declaration, a world class education system for young Australians "begins with making sure that every young child has the opportunity to benefit from structured play-based learning before they start school, because this helps build the social, emotional and cognitive skills they need to succeed in the years to come.[3]"

The family day care sector is an essential part of the ECEC sector, providing flexible, affordable and accessible education and care for more than 40 years. Regulated under the *Education and Care Services National Law Act 2010* and the *Education and Care Services National Regulations*, it plays a vital role in meeting the diverse and changing child care needs of a significant proportion of Australian families, while at the same time responding to parents' desire for a 'home-based' and 'family-like' environment for their children.[4]

According to the September 2023 version of the *Child Care in Australia* quarterly report published by the Commonwealth Department of Education, of the 1,438,150 children who attended approved child care services, 75,400 attend family day care. The family day care sector supports more than 53,940 families across Australia.

While educators are registered with approved services, they effectively run their own small business, working from their own homes with small groups of no more than four children under school age, with the option to care for an additional three school aged children outside of school hours. This provides educators with a unique opportunity to personalise learning programs and to develop strong connections with children and families.

Importantly, the family day care sector offers significantly higher levels of flexible sessions than centre-based day care. For example:

84.7% of family day care services offer shorter sessions (up to 6 hours) compared to only 17.2% of long day care services.[5]

94% of family day care services also offer longer sessions (7-12 hours)

65.3% allow for the swapping of days/sessions or sessions to be added or changed at short notice, compared to 51% and 50.2% of long day care services respectively.[6]

This flexibility is critical to catering for the current and future needs of Australian families, especially in the face of changing work patterns, where casual, contract and part-time work is common, and women form 68.1% of the part-time workforce.[7]

2 FDCA internal member data, January 2024.
3 Alice Springs (Mparntwe) Education Declaration, December 2019
4 Pascoe, S. Brennan, D. (2017) *Report of the Review to Achieve Educational Excellence in Australian Schools through Early Childhood Interventions*
5 Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report.* (Research Report). Melbourne: Australian Institute of Family Studies.
6 Ibid.
7 www.wgea.gov.au/data/fact-sheets/gender-workplace-statistics-at-a-glance.

Family day care also offers considerably higher levels of non-standard hours care, compared to the long day care sector:

88.2% of family day care services offer sessions of care on weekdays before 7am or after 6pm, compared with 45.7% of long day care services.[8]

85.5% of family day care services offer care on weekends, compared with a mere 0.5% of long day care services.

47.5% of family day care services offer overnight care, as compared with 0% of long day care services.[9]

Availability of responsive ECEC services during non-standard hours is absolutely key to supporting a range of employees and contractors who work casual and on-call shift work, split shifts and irregular hours in a range of occupations including nurses, paramedics, police officers, FIFO workers, cleaning contractors, factory workers and those that work in the hospitality industry.

Finally, the family day care sector provides much needed ECEC for Australian families in areas of high disadvantage, with 23.5% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index and over half of educators (54.1%) being located in areas ranked in the first five deciles of the SEIFA index.[10] Furthermore, 26.1% of family day educators operate in regional and remote areas of Australia.[11] In some of these areas, family day care is the only option available for child care.

1.4 FAMILY DAY CARE AND LESSONS FROM COVID-19

Since the spread of COVID-19 to pandemic levels in early 2020, family day care has proven to be the most responsive form of early childhood education and care, as evidenced by the strong attendance levels across the peak period of the pandemic, as indicated in the Australian Government's "ECEC Relief Package Four Week Review Summary Report".

The data indicated that while 53% of family day services experienced a decline in attendance of 20% or more in the first four weeks since commencement of the ECEC Relief Package, this is compared with 80% of centre-based care services care experiencing a 20% or more attendance decline. Furthermore, 9% of family day care services actually experienced growth in attendance during this period as compared with zero percent of centre-based care services.

The reasons for family day care's responsiveness in the face of a pandemic are clear, as they are evident in the fundamental structure of the model itself. For example:

- family day care is conducted in small group settings in educators' approved residences, and therefore risks of transmission of infectious disease are significantly lower than larger centre-based models;
- families have ongoing, consistent and trusted relationships with their family day care educator;
- the model caters for flexible sessions and non-standard hours care, including weekends and overnights, which is particularly important for essential front-line workers;
- family day care can accommodate for school-age children within the ratio requirements prescribed under the Education and Care Services National Regulations; and
- the "satellite" micro-business model is agile and responsive to the localised needs of communities.

The family day care sector remained highly resilient in the face of considerable adversity - the continuity of education and care remained largely unbroken, and our members worked collaboratively and professionally to provide for the diverse and continued needs of Australian children and families throughout the crucial points of the pandemic.

8 Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report.* (Research Report). Melbourne: Australian Institute of Family Studies.
9 Ibid.
10 FDCA internal member data.
11 Ibid.

Although it has taken a 1 in a 100-year pandemic, the COVID-19 experience has demonstrated to governments:

- the unique capacity of the model to support children and families, in particular, in the context of emergency situations;
- how vitally important the sector is in supporting non-standard hours care; and
- that, in the event that there was another pandemic and centres had to be shut down, family day care would be the primary care type that could adequately respond.

FDCA made multiple submissions to the Senate Select Committee on COVID-19 and appeared as a witness at one of the Committee's public hearings detailing these issues. It is, therefore, not the purpose of this submission to reiterate details of our sector's positions regarding these matters specifically; rather, it is to make the point that the COVID-19 pandemic shone a light upon the significant strengths of the family day care model and the recommendations contained herein would significantly, for an extremely modest investment, support the ongoing national viability of an exceptionally important component of the ECEC landscape.

> *"...the family day care sector remained highly resilient in the face of considerable adversity - the continuity of education and care remained largely unbroken and our members worked collaboratively and professionally to provide for the diverse and continued needs of Australian children and families throughout the crucial points of the pandemic."*

ANDREW PATERSON, CEO FAMILY DAY CARE AUSTRALIA

2. ISSUES

2.1 FACTORS AFFECTING THE LONG-TERM SUSTAINABILITY OF THE FAMILY DAY CARE SECTOR

While the evidence is clear that the family day care sector is a flexible and responsive form of ECEC that is highly valued by over 5% of Australian families who use approved child care, in recent years, a number of significant challenges have impacted on the future viability of the sector[12], including:

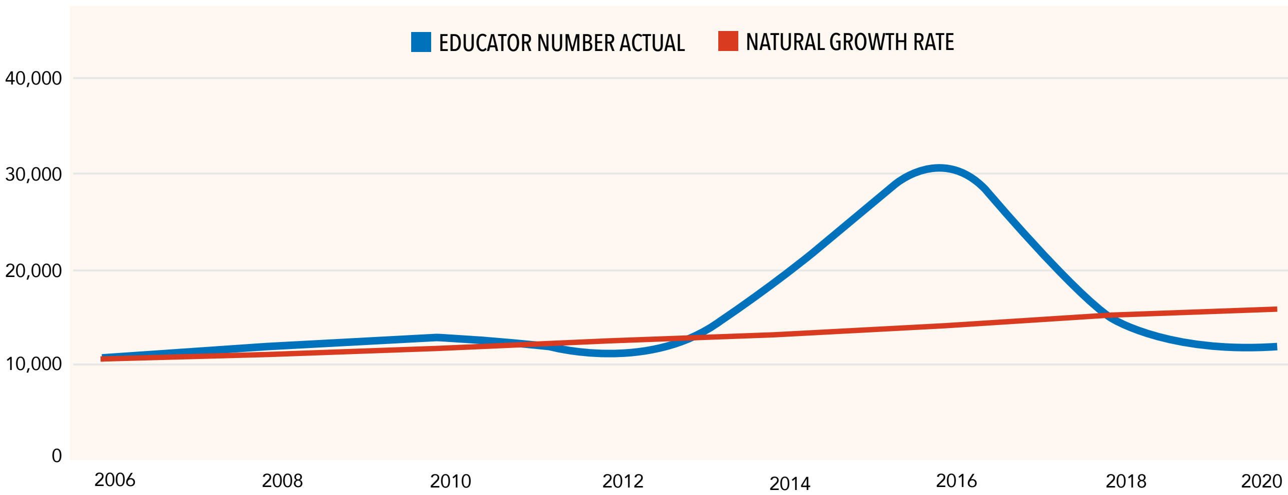
a. a strong and sustained downward trend in educator and service numbers occurring since 2016; and

b. an inappropriate hourly CCS fee cap rate for family day care.

SUSTAINED DECREASES IN EDUCATOR AND SERVICE NUMBERS

FDCA's internal member data and the Department of Education's quarterly child care usage reports[13] show that over the past 4 years, since the commencement of the Child Care Package there has been a 26.2% decrease in the number of approved services and a 38.1% decrease in the number of educators. What is exceptionally alarming is that the actual numbers of educators in the family day care sector is, as of mid-2018, dipping below what should have been the "natural" projected growth line of educator numbers in the sector, according to internal modelling undertaken by FDCA, depicted in Figure 1. The drop in educator numbers below the natural growth line can be seen where the two separate lines intersect in 2018.

FIGURE 1: NUMBER OF FAMILY DAY CARE EDUCATORS: ACTUAL NUMBERS AND NATURAL GROWTH LINE, 2003-2020



While we acknowledge the impact of fraudulent and unscrupulous operators on the sector over the past few years, and have been an advocate for proportionate reform, the long-term viability of legitimate family day care services is now being jeopardised by the sustained decrease in the sector. While there are many likely reasons for this decrease, including the cumulative effect of an increased regulatory and compliance burden on sustainable growth and financial viability, if left unaddressed, it will almost certainly lead to a reduction in the availability of flexible and affordable ECEC for Australian families, especially during non-standard hours. The longer-term viability of the sector can be partially achieved by the adoption of the recommended investment measures made herein.

12 For a detailed discussion of these issues see FDCA's Sector Viability Brief at www.familydaycare.com.au/representing-you/sector-viability-strategy
13 Available at https://www.education.gov.au/early-childhood/early-childhood-data-and-reports/quarterly-reports-usage-services-fees-and-subsidies

INAPPROPRIATE HOURLY CCS FEE CAP CALCULATION FOR FAMILY DAY CARE

A significant issue affecting the sustainability and viability of the family day care sector is the inappropriate hourly CCS fee cap. When the Government's Child Care Package was developed, the cap price for family day care was calculated differently than other service types.

The calculation that informs current cap rates was based on the projected mean fees at the time (2015) (post removal of top 5% of fees) and were increased by 5.75% for family day care and 17.5% for other service types. FDCA sought clarification of the rationale for this significant differentiation in treatment of family day care compared with centre-based care. In summary, the (then) Australian Government Department of Education and Training advised that this approach was taken due to the following assumptions:

- inappropriate practices in the family day care sector (at that time);
- family day care sessions of care being typically 10 to 12 hours long;
- lower overheads; and
- fees charged for non-standard hours were lower or similar to standard hours.[14]

FDCA accepted that the widespread unscrupulous activities in the family day care sector at that time would have impacted the data set the Government drew on, thereby contributing to an inaccurate picture of legitimate fee charging practices. However, due to the Australian Government's significant work over recent years in eradicating fraudulent behaviour in the sector, FDCA maintains that the primary assumptions underpinning the calculations leading to the current CCS fee cap rates for family day care are no longer applicable and therefore invalid. It is therefore imperative that, following the closure of over 400 family day care services, the above rationale and assumptions be reviewed.

A much cleaner data set is now available showing that the average hourly rate for family day care is only slightly lower than that of the centre-based sector with a difference of 3.1%.[15] FDCA contends that this represents a much more accurate picture of legitimate fee charging practices, and that the primary reasons for a comparable higher mean fee in the family day care sector reflect that:

- overheads in family day care are on par with those of centre-based day care;
- family day care charges are significantly closer to actual usage; and
- family day care is the primary ECEC option delivering non-standard hours care.

The ongoing disparity in the CCS hourly fee cap puts family day care at a competitive disadvantage, in that it leaves educators and approved providers unable to adjust their fees to keep pace with the rising cost of living, placing the sector as a whole under viability pressures (as can be evidenced in the ongoing drop in educator numbers) or it inequitably disadvantages families through higher out-of-pocket costs.

OVERHEADS AND THE COST OF DELIVERING FAMILY DAY CARE

FDCA has always refuted that family day care has "lower overheads" than centre-based care. The overheads of both family day care services and family day care educators must be taken into account in any calculation of the CCS fee cap for family day care. Feedback from FDCA members shows that the costs associated with running a small business for family day care educators, as independent contractors, are significant and the CCS hourly fee cap should be amended to reflect this. As sole traders or independent contractors, educators have significant overheads including, but not limited to: equipment; property maintenance; mortgages or rent; insurances (home and contents, public liability, health, personal accident/income protection, car etc); bookkeeping and accounting expenses; leave entitlements; and superannuation. When combined with the overheads of the approved service itself, the costs of running a quality family day care service in its entirety are certainly comparable to those of running a centre-based service.

14 Letter to FDCA from the Department of Education and Training dated 9 December 2016.
15 Department of Education, Child Care in Australia report, September Quarter 2023

It is important to note, as indicated in Table 3.4 of the Government's September 2021 Child Care in Summary Report (see Table 1), that a significant percentage of family day care services are charging above the fee cap, which is occurring to cover family day care service and educator operational costs and provide for adequate remuneration for educators. Again, this may be attributable in part to the CCS fee cap not accurately reflecting the cost of delivering family day care in a range of circumstances, including but not limited to non-standard hours care. This is negatively impacting the out-of-pocket cost of family day care for families and significantly undermining the sector's viability.

It must also be noted that the percentage of family day care services charging over the fee cap continues to rise, moving over 10 percentage points from 21.2% to 36.1% from September 2019 to September 2023.

TABLE 1: NUMBER OF SERVICES CHARGING UNDER AND ABOVE THE CCS FEE CAP, SEPTEMBER 2023

SERVICE TYPE	FEE CAP ($)	UNDER OR AT THE FEE CAP	ABOVE FEE CAP	TOTAL	% SERVICES ABOVE THE CAP
Centre-based Day Care	13.73	7,038	2,089	9,127	22.9
Family Day Care	12.72	243	137	380	36.1
Outside School Hours Care	12.02	4,469	518	4,987	10.4

ADEQUATE REMUNERATION FOR FAMILY DAY CARE EDUCATORS

In October 2022, FDCA surveyed educator members in order to get a clear understanding of contemporary family day care educators' hours worked, fees charged, and average net income received [16]

Table 2 below presents a comparison of the hours worked and net incomes of centre-based care educators and family day care educators. The Children's Services Award 2010[17] indicates that a Certificate III qualified employee at a centre-based care service, on a Level 3.3 award and after 2 years of service in the industry, which could be considered somewhat comparable to the base qualification requirement and role of a family day care educator, earns considerably more than family day care educators and works less hours, on average. This is in part due to the CCS fee cap for family day care not appropriately remunerating family day care educators while simultaneously negatively impacting on the out-of-pocket cost for families using family day care.

16 Based on 451 qualified responses – outliers removed.
17 Source: http://awardviewer.fwo.gov.au/award/show/MA000120#P350_34360

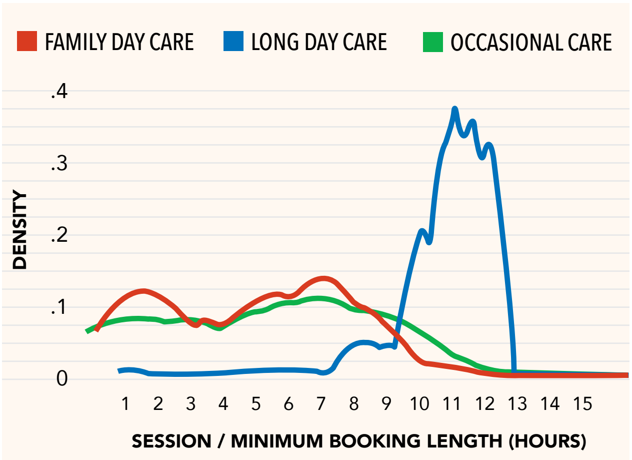
TABLE 2: COMPARISON OF HOURS WORKED AND NET INCOMES, CENTRE-BASED SERVICE EMPLOYEES AND FAMILY DAY CARE EDUCATORS

	CENTRE-BASED CARE EMPLOYEE	FAMILY DAY CARE EDUCATOR
Average hours worked (2022-23 Financial Year)	1,920 (40 hours per week)	2,116.8 (44.1 hours per week)
Net income per annum	$51,981.4	$49,167.65
Net income per week	$999.64	$945.53
Net income per hour	$24.99	$21.44

SESSIONS OF CARE AND ACTUAL USAGE

The mean fee for family day care is higher than centre-based day care as, generally, booked sessions of care for family day care are shorter and a closer reflection of actual usage. The existing cap calculation was predicated upon the assumption that family day care services typically charged for sessions of care that were "10-12 hours long". However, the cleaner data set now available shows a much clearer picture. Recent research undertaken by the Australian Institute of Family Studies (AIFS)[18], as depicted in Figure 2, indicates that unlike centre-based day care, family day care does not typically charge 10-12 hour sessions. In fact, the vast majority charge for 8-hour sessions or less.

FIGURE 2: DISTRIBUTION OF SESSION LENGTHS OR MINIMUM BOOKING LENGTHS, BY SERVICE TYPE[19]



Source: Australian Institute of Family Studies (AIFS) Child Care Package Evaluation: Early monitoring report (2019; 49)

Furthermore, family day care services are charging significantly closer to actual usage hours than centre-based care, as indicated by Table 6.2 of the June 2019 Child Care in Australia report, revealing that 22.7% of charged hours were not attended in family day care, as opposed to centre-based care where 36% of charged hours are not attended (see Table 3).

18 Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report.* (Research Report). Melbourne: Australian Institute of Family Studies.

19 Australian Institute of Family Studies (AIFS) Child Care Package Evaluation: *Early monitoring report* (2019; 49)

The standard '12-hour session' charging practice within centre-based care essentially dilutes the hourly rate by spreading the 'total cost' across a full day. By contrast, in family day care, where charging practices more closely reflect actual usage, although the average hourly rate may be slightly higher, the total cost (and government investment) is markedly lower.

TABLE 3: AVERAGE WEEKLY HOURS (PER CHILD) - CHARGED HOURS AND ATTENDED HOURS BY SERVICE TYPE, JUNE QUARTER 2019[20]

SERVICE TYPE	CHARGED HOURS	ATTENDANCE HOURS	% OF CHARGED HOURS NOT ATTENDED
Centre-based Day Care	29.7	19.0	36%
Family Day Care	24.2	18.7	22.7%
Outside School Hours Care	11.1	6.2	44.1%

DELIVERY OF NON-STANDARD HOURS CARE

As stated above in Section 1.2, family day care is the primary regulated and Commonwealth approved ECEC option of care during non-standard hours, including evenings, weekends and overnight.

This type of care is increasingly important for Australian working families and their communities. FDCA members who offer non-standard hours care tell us their service is highly valued in their communities and meets the needs of a range of families, in particular shift workers from a range of industries, for example aged care staff, disability support workers, nurses, paramedics, police officers. Family day care also services other important cohorts that require non-standard care, including single parents and grandparents, business owners needing to work weekends, families where both parents work in an owner operated business together, and importantly children transitioning from the care of emergency or state child protection services. The continued availability of regulated, high quality non-standard hours ECEC is exceptionally important for these groups.

Consultation with FDCA members in October 2022 indicates that fees charged for non-standard hours are significantly higher than those for standard hours, with the average hourly fee for non-standard hours family day care (excluding overnight and weekend care) being $13.56. The average fee charged for non-standard hours care, including overnight and weekend care, is $15.10. However, it should be noted that if the cost of family day care delivered on weekends alone were considered, which is one of the most common forms of non-standard hours care delivered by the sector, then the average fee charged would increase to $16.65.

Clearly, the current CCS fee cap for family day care is not adequately recognising the actual cost of delivering family day care in non-standard hours care, and as such, is not allowing for family day care educators to be appropriately remunerated for the important work they do and/or disincentivises the provision of this care type.

The impact of delivering this form of care on a family day care educator and their family is significant and this is not currently recognised by the child care family assistance payments framework. Importantly, this lack of recognition is also increasing out-of pocket costs for families who need this type of care.

See the case study below for an example of the cost of non-standard hours family day care in a socio-economically disadvantaged area.

20 Please note, this data has not been included in any subsequent editions of the Department of Education, Skills and Employment's Child Care in Summary Report.

CASE STUDY

NON-STANDARD HOURS FAMILY DAY CARE CASE STUDY
Educator, Burnie, TAS

"L" is a passionate family day care educator who has been working in the sector since 2004. She holds Diploma and Certificate III qualifications in Early Childhood Education and Care and is registered with a service to provide care 24/7.

Care provided:
In response to the needs of her families, and following successful registration through her service, L has provided care during standard and non-standard hours, including weekends, evenings and overnight almost as soon as she began in the sector. When L provides overnight care she only accepts a maximum of 3 children.

Flexibility and high quality of care are important features of her business and as a result she has never been other than fully booked in that whole time. The deep connections and strong bonds that L develops with the children she has cared for over the years, and with their families, is evident in that these connections have endured well beyond the child care years in many instances.

Types of families supported:
In Burnie, there is a strong need for flexible hours' care in the area to support people who work in a wide range of occupations and professions, especially single parents who have no family close by. Shift workers often work a rotating roster; some may only work night shift and others are on call. Her clients mostly work as:

- Nurses and support staff at the local hospital
- emergency professionals such as paramedics and on call hospital staff
- factory workers
- miners

Child protection authorities have also used L's services when there is an urgent need to place a child in care due to families experiencing a crisis.

Fees charged:
- standard hours Mon-Fri (8 am – 6 pm): $10 ph
- extended hours Mon – Fri (6 am – 8 pm) : $13 ph outside standard hours
- overnight care Mon – Fri (8 pm – 6 am): $ 17 ph
- weekend and public holiday care (daytime) : $18 ph
- weekend / public holiday overnight: $19.50 ph

Meals are charged separately. School pickup and drop-off also provided free of charge if a child stays overnight. L sometimes picks up from centre-based day care service if a child staying overnight.

L would greatly welcome an increase in the CCS cap for non-standard hours family day care as it would significantly lessen out-of-pocket expenses for families that need this type of care.

2.2 ACCESSIBILITY, AFFORDABILITY, SUSTAINABILITY AND UNINTENDED CONSEQUENCES

In relation to the impact of the introduction of the CCS and the hourly fee cap rates on affordability and accessibility for families, FDCA must largely defer to the extensive research undertaken by the Australian Institute of Families (AIFS) through the Child Care Package Evaluation: Final Report.[21] In summary, in reference to the Child Care Package as a whole (of which the CCS, and hence the cap rates, are the major component) the report suggests that:

- "…the introduction of the Child Care Package has had little impact on the accessibility or flexibility of child care provision" (v);
- "Analysis of data at the time of the implementation of the CCS and the following 18 months shows no marked changes in access to child care" (v);
- "Fees charged by services have increased at a similar rate following the introduction of the Package to what they were before the changes … the subsidy fees cap is regularly exceeded by services. This suggests that the Package has not been effective, to date, in reducing increases in child care fees" (vi).

Significantly, for the purposes of this review, it is clear that if the CCS fee cap is not appropriately reflecting the actual cost of family day care, parents are unnecessarily paying higher gap fees in those instances where educators must charge fees higher than the fee cap in order to remain financially viable. However, the key point for family day care specifically that must be reiterated is that given the hourly fee cap has a direct correlation with family day care educators' capacity to be adequately remunerated, there must be a balance between consideration of the impact of the fee cap on families' ECEC affordability and the fee cap's capacity to adequately remunerate educators, as this is pivotal to an educator's willingness to remain in the sector, and thus the sector to remain viable and grow, which in turn will increase accessibility for children and families.

Through extensive consultation, FDCA is aware that a significant reason for educators exiting the sector over recent years is that the work is often underpaid, which is in part a result of the CCS fee hourly cap not being set at an appropriate level.

In terms of declining educator numbers, FDCA's quarterly Family Day Care Sector Profile[22] reports show that over the past 4 years, since the commencement of the Child Care Package there has been a 25.2% decrease in the number of approved services and a 33.0% decrease in the number of educators.

Logically, these numbers clearly correlate with a comparable decline in the number of children and families able to access family day care. In September 2018, there were 131,600 children and 89,160 families utilising family day care. In September 2023, there were 75,400 children and 53,940 families using family day care. This represents a decline of an astounding 42.7% children and 39.5% of families accessing family day care.

While we acknowledge the impact of fraudulent operators on the sector over the past few years, and have been an advocate for proportionate reform, the long-term viability of legitimate family day care services is now being jeopardised by the sustained decrease in the sector. While there are a number of interrelated reasons for this decrease, including the cumulative effect of an increased regulatory and compliance burden on sustainable growth and financial viability, the issue of adequate educator remuneration (which again, for family day care educators, hinges directly on the level of the CCS hourly fee cap) is leading to a reduction in the availability of flexible and affordable ECEC for Australian families, overall and specifically during non-standard hours, for which family day care is virtually the only provider.

Despite common misconception, this decline is no longer a function of governments justifiably cancelling the approvals of unscrupulous operators but is in fact the demise of many of our sector's oldest and most respected services. Table 4 below provides a small sample snapshot as evidence of the dire state of our sector.

21 Bray, J. R., Baxter, J., Hand, K., Gray, M., Carroll, M., Webster, R., Phillips, B., Budinski, M., Warren, D., Katz, I., Jones, A. (2021). Child Care Package Evaluation: Final Report. (Research Report). Melbourne: Australian Institute of Family Studies.
22 Available online at familydaycare.com.au/representing-you/sector-profile

TABLE 4: SAMPLE OF ESTABLISHED FAMILY DAY CARE SERVICE CLOSURES AND DECLINING EDUCATOR NUMBERS, 2022

SERVICE NAME	SERVICE PROFILE	CRISIS STATUS
Mission Australia Family Day Care	3 services, 2 in Western Sydney and one in Tasmania. Across the 3 services, in July 2019 Mission Australia Family Day Care had 207 educators operating.	Closed July 2022
City of Casey Family Day Care	Long-standing council service in Narre Warren Victoria operating for over 25 years prior to closure. In 2019 City of Casey Family Day Care had more than 200 educators and over 2,000 children using the service.	Closed November 2021
Churches of Christ Family Day Care	Churches of Christ Care was the first family day care scheme in the Wide Bay Region, establishing in January 1979. 878 children affected in Cunnamulla, Gin Gin, Hervey Bay, Maryborough and Brisbane.	Closed June 2022
Mornington Peninsula Family Day Care	Long-standing council service in Mornington Peninsula and Frankston, Victoria, operating for over 25 years prior to closure. 145 families and 183 children affected.	Closed June 2021
Kath Dickson Family Day Care	One of the first family day care services in Australia - a not-for-profit, community-based service established in 1975 operating in Toowoomba, South West Queensland and the Sunshine Coast.	Number of educators: July 2019: 83 June 2022: 30 % decline: **-63.9%**
Uniting Education Family Day Care	Not-for-profit church-based service established in the mid-1980s in the Brisbane area.	Number of educators: July 2019 - 67 June 2022 - 37 % decline: **-44.7%**
Bright Futures Family Day Care	Community based not-for-profit established in 1988 operating in the Kwinana area, WA.	Number of educators: July 2019 - 103 June 2022 - 62 % decline: **-39.8%**
Northern Rivers Family Day Care	A community based not-for-profit service that has been operating since 1980 in the Lismore up to Tweed Heads area.	Number of educators: July 2019 - 153 June 2022 – 94 % decline: **-38.6%**
Coastwide Family Day Care	Community based not-for-profit established in 1983 operating in the Central Coast region.	Number of educators: July 2019 – 173 June 2022 - 119 % decline: **-31.2%**

The decline in educator numbers, and subsequent impact on approved service viability, and hence impact on accessibility overall, is clearly a significant and potentially catastrophic unintended consequence of the inequitable and miscalculated CCS fee cap for family day care, which is without doubt a significant contributing factor to this trend.

3. RECOMMENDED INVESTMENT MEASURES

FDCA recommends four key investment measures to address the issues raised above to support the continued viability of a sector that is highly valued for its flexible, responsive and affordable ECEC:

- raise the hourly CCS cap rate for family day care to be on par with that of the centre-based care sector;
- apply an additional loading of 20% to the recalculated CCS fee cap for non-standard hours care;
- initiate a direct funding support program (an "Approved Service Engagement Payment") for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and
- initiate a direct funding support program (an "Educator Start-up Grant") for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector in establishing their micro-business.

While it is evident that the current average hourly fee for family day care is greater than that of centre-based care, FDCA would also support parity in the CCS hourly fee cap between the two service types as this would be beneficial to the Australian consumer, would better reflect the actual cost of providing family day care and would not prejudice any of the approved ECEC service types that provide ECEC under the *Education and Care Services National Law*.

The evidence is clear. The CCS hourly fee cap for family day care must be recalculated. Its current calculation is based on a flawed and outdated rationale, it does not appropriately reflect the cost of delivering family day care, it is placing the sector in an inequitable market disadvantage position and is contributing to the decline of educator numbers in the sector, which has a flow on effect onto both approved service viability and accessibility to flexible approved ECEC for children and families.

3.1 RAISE THE HOURLY CCS CAP RATE FOR FAMILY DAY CARE

Given the facts outlined above, FDCA is urging the Australian Government to invest in supporting the future viability of the family day care sector though the application of an appropriate formula for the calculation of the CCS hourly fee cap for family day care, that is, that which is applied to the centre-based day care fee cap calculation (i.e. applying a 17.5% loading to the projected mean) which would more adequately reflect the actual cost of standard hours family day care service provision. If this was applied to family day care, based on the September 2021 average fee, the fee cap for family day care would sit around $12.98, [23] which is higher than the current CCS fee cap for centre-based day care and outside school hours care. That being said, it should be noted again that FDCA's October 2022 survey of 451 educator members produced an average standard hours fee of $12.78 (outliers removed).

3.2 ADDITIONAL LOADING FOR NON-STANDARD HOURS FAMILY DAY CARE

The current CCS cap is not only inappropriate for *standard hours* family day care, as outlined above, it is vastly inadequate in the case of *non-standard hours* care which, in many cases, costs significantly more than care that is delivered in standard hours.

FDCA therefore urges the Australian Government to also invest in the provision of non-standard hours care provided by the family day care sector by applying an additional loading of 20% to the recalculated CCS fee cap for non–standard hours family day care. This measure will more appropriately reflect the actual cost of delivering this type of care, thereby ensuring that educators who provide this type of care are adequately remunerated and the future viability of this type of care is safeguarded. Family day care is a natural option of choice for families

23 Subject to the removal of outliers.
24 Survey of FDCA Educator members, January 2021: 241 qualified responses.

seeking ECEC in non-standard hours, given the flexibility offered that cannot be replicated in a centre-based setting, the small numbers in a family day care setting as well as the strong connections and personalised ECEC experience that it affords children.

It should be a priority for governments to incentivise and adequately remunerate this type of family day care service delivery given it is the primary regulated and Commonwealth approved ECEC option that can cater for non-standard hours and there is an increasing need for families to access this type of care due to the changing nature of the Australian workforce and communities.[25]

Implementation of this recommendation would result in (based on the base-level CCS fee cap for family day care having already increased to $13.73, on par with centre-based care) the CCS fee cap for non-standard hours family day care being raised to $16.48, which would appropriately reflect the actual cost of service delivery and alleviate the additional out-of-pocket costs for families that have no option but to access this form of vital care.

> *"Family day care is a natural option of choice for families seeking ECEC in non-standard hours, given the flexibility offered that cannot be replicated in a centre-based setting, the small numbers in a family day care setting as well as the strong connections and personalised ECEC experience that it affords children."*

25 Productivity Commission (2014: 198) Childcare and Early Childhood Learning, Inquiry Report No. 73, Canberra.

3.3 INCREASING WOMEN'S ECONOMIC SECURITY THROUGH RECRUITMENT AND START-UP FUNDING SUPPORT

Increasing women's economic security is a significant priority of all governments. While achieving this outcome is complex and demands diverse and innovative policy and program responses, it is inarguable that equitable participation in the workforce is a core underpinning. Family day care offers women the unique opportunity to start their own micro-business, supporting secure, flexible, long-term work opportunities with significant financial autonomy, and, through the creation of child care capacity, achieving the cumulative benefit of enabling workforce participation for many more women in their community.

To present the opportunities afforded by family day care to more Australian women, we propose that a two-pronged support mechanism be initiated that supports approved family day care services to engage, train and support new educators, alongside a start-up support payment to new educators to incentivise their entry into the sector and assist in the establishment of their new micro-business, as outlined below.

APPROVED SERVICE ENGAGEMENT PAYMENT

Due to the increased cost of compliance, business administration and a number of market restrictions specific to the family day care sector, many services report difficulties in the recruitment of new family day care educators. Support for approved services in the engagement, training, support and monitoring of new educator small businesses is a key lever in supporting growth in the sector.

Like centre-based ECEC approved services, family day care approved services must allocate significant resources in the recruitment, induction and training of new family day care educators entering the sector. However, unlike the centre-based care sector, which is supported by programs like the 'Boosting Apprenticeships Commencements' scheme that provides a wage subsidy to support businesses to take on new apprentices and trainees, there are no programs that directly support approved family day care services with the cost of engaging new family day care educator sole traders. Based on modelling from one of Australia's leading family day care services,[26] the direct cost to a service (in terms of staff resource allocation alone) for the engagement, and training of a new educator in their first two months is approximately $4,000.

The Australian Government's 'Launch into Work' program may have the capacity to address this barrier by way of the 'pre-employment support payment' component of the program, providing financial support for induction, ongoing training and employment. However, again, the program guidelines are designed for the employer/employee context. The program would need to accommodate the registration of a new family day care educator sole traders, which is not currently the case.

As such, FDCA is proposing that the Australian Government initiate a program that provides specific support to the approved family day care service whereby, in accordance with agreed conditions and eligibility criteria, the service would receive an incentive payment (an "Approved Service Engagement Payment") to assist in the allocation of resources to engaging, inducting and training new educators throughout their first 3-6 months.

FDCA engaged Deloitte Australia to review and assess the validity of a 'Workforce Output Model' developed by FDCA and provide an independent report (see Appendix A) that details the economic outcomes associated with additional government funding used towards engaging new family day care educators to provide education and care to enable workforce participation and increase women's economic security. This model and the workforce outputs are outlined in more detail in the section below, as it is based on the combination of the two commitment requests working in tandem (i.e. the "Approved Service Engagement Payment" and the "Educator Start-up Grant" combined).

EDUCATOR START-UP GRANT

New family day care educators can face considerable costs in the establishment of their businesses in order to

26 Wynnum Family Day Care, Service Approval No. SE-00000803

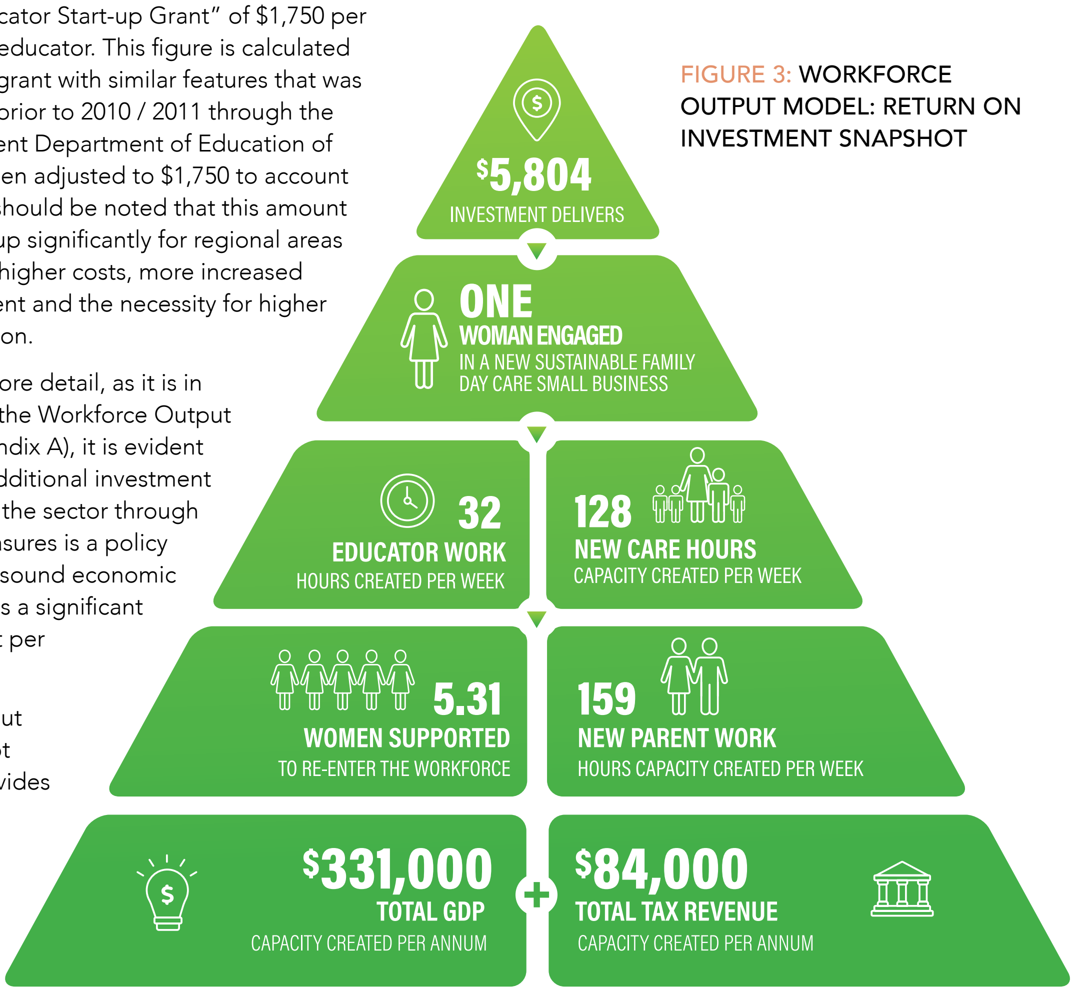
comply with regulatory standards and be appropriately equipped to run a family day care business, including, but not limited to, educational programming and play equipment, property modifications to ensure child safety (i.e. fencing, safety glass) insurances (i.e. home and contents, public liability, income protection etc), Certificate III level qualifications, and first aid, asthma and anaphylaxis training. This can act as a barrier for potential new entrants to the sector, which is problematic as the sector as a whole relies on new entrants for approved services to remain viable.

Support for the educator in the establishment and initial growth phase of their small business is a vital component in reactivating sector growth. As such, we are asking the next Australian Government to commit to initiating an "Educator Start-up Grant" of $1,750 per new family day care educator. This figure is calculated based on a start-up grant with similar features that was previously available prior to 2010 / 2011 through the Australian Government Department of Education of $1,500, which has been adjusted to $1,750 to account for inflation (CPI). It should be noted that this amount should be adjusted up significantly for regional areas in acknowledgment higher costs, more increased difficulty in recruitment and the necessity for higher levels of incentivisation.

When explored in more detail, as it is in Deloitte's Review of the Workforce Output Model report (Appendix A), it is evident that the proposed additional investment by Government into the sector through these proposed measures is a policy decision that makes sound economic sense, as it generates a significant return on investment per educator.

The Workforce Output Model: ROI Snapshot (Figure 3 below) provides a graphic summary of the return on investment of additional targeted funding programs for family day care through incentivising new educators to enter the sector and providing additional support to services to engage them. This is explored in detail throughout Deloitte's report, though in essence it shows that a funding injection of $5,804 (a combination of the "Approved Service Engagement Payment" and the "Educator Start-up Grant" proposed herein) to support one woman to become an educator can generate up to 191 new work hours per week and approximately a $331,000 annual contribution to GDP, or more simply put, each $1 invested returns 1.58 new weekly work hours capacity and approximately a $57 annual contribution to the GDP of Australia. Extrapolate this out to multiple new educators and the economic benefits alone are immense.

FIGURE 3: WORKFORCE OUTPUT MODEL: RETURN ON INVESTMENT SNAPSHOT



4. CONCLUSION

As indicated herein, it is imperative that the Australian Government increase the CCS fee cap for family day care. The net effect of the current CCS family day care fee cap calculation error for family day care is a disproportionate level of out-of-pocket expenses for families in family day care, promotes inadequate remuneration for educators and is a significant detriment to the sector's viability, undermining this vital ECEC option for more than 75,000 Australian children.

As such, FDCA maintains that the CCS fee cap for family day care for standard hours should be raised so that it is on par with that of centre-based care at $13.73 or provided with a 17.5% loading to the projected mean rather than the application of the inadequate 5.75% loading the sector is currently afforded. FDCA internal modelling projects that implementation of the proposal would equate to merely a 0.02% increase of total CCS expenditure, which is a negligible amount of funding as a proportion of total expenditure; however, the impact on 9,300+ family day care educators and more than 53,000 families utilising family day care would be significant.

Additionally, FDCA contends that if the Australian Government is to adequately support working families requiring non-standard hours ECEC, a loading of 20% should be applied to the reformed CCS fee cap for family day care in non-standard hours. It is evident that this would more accurately reflect the cost of vital service delivery for non-standard hours.

FDCA strongly urges the Australian Government to implement these investment measures as they represent not only an investment in the viability of the family day care sector by adequately supporting the operational cost of family day care service delivery, and correct the errors of numerous defunct rationales for the current CCS fee cap calculation methodology, but importantly they will also reduce the out-of-pocket expenses for families and incentivise increased delivery of much-needed non-standard hours care from the family day care sector.

Furthermore, with the right form of targeted support, there is room to grow the capacity in the family day care sector, increase women's economic security and meet the diverse child care needs of families across Australia. The Australian Government has the opportunity to enable more women to own their own business whilst supporting their own community, particularly in regional Australia and in disadvantaged areas. In turn, this can help overcome the current ECEC workforce crisis.

It should be noted that the recently published *National Children's Education and Care Workforce Strategy "Shaping our Future"*, endorsed by all governments, emphasises the need for dedicated support structures to grow the ECEC workforce in regional areas. As outlined herein, family day care is the ideal ECEC model for many regional areas due to the home-based satellite structure of the service; however, just as importantly, the service type presents enormous opportunities for increasing workforce participation and strengthening women's economic security in regional areas, with the right supports in place.

FDCA contends that it will be an opportune time for the Australian Government to reassess approaches to supporting family day care, focusing on incentivising entry into the sector, supporting approved services to engage new educators, and more flexible and sustainable service delivery. We urge the Australian Government to better support family day care as a vital component of an ECEC system that our children, families and communities need and deserve.

APPENDIX A

REVIEW OF THE WORKFORCE OUTPUT MODEL – DELOITTE

Deloitte.

Family Day Care Australia

Review of the Workforce Output Model

23 September 2021

Distribution list

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Scott Rollason
General Manager
Family Day Care Australia
PO Box 571
Gosford NSW 2250

23 September 2021

Dear Scott,

RE: Workforce Output Model Review

We are pleased to provide you a report which outlines our review of Family Day Care Australia's (FDCA) Workforce Output Model.

We would like to take this opportunity to thank FDCA for engaging Deloitte to complete this work and thank all staff for their cooperation during this engagement.

Please do not hesitate to contact me should you require further explanation or comment in relation to the matters raised in this report.

Yours sincerely,

Angela Jaric
Partner, Deloitte Risk Advisory

Contents

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The Approved Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed. Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented. We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Family Day Care personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

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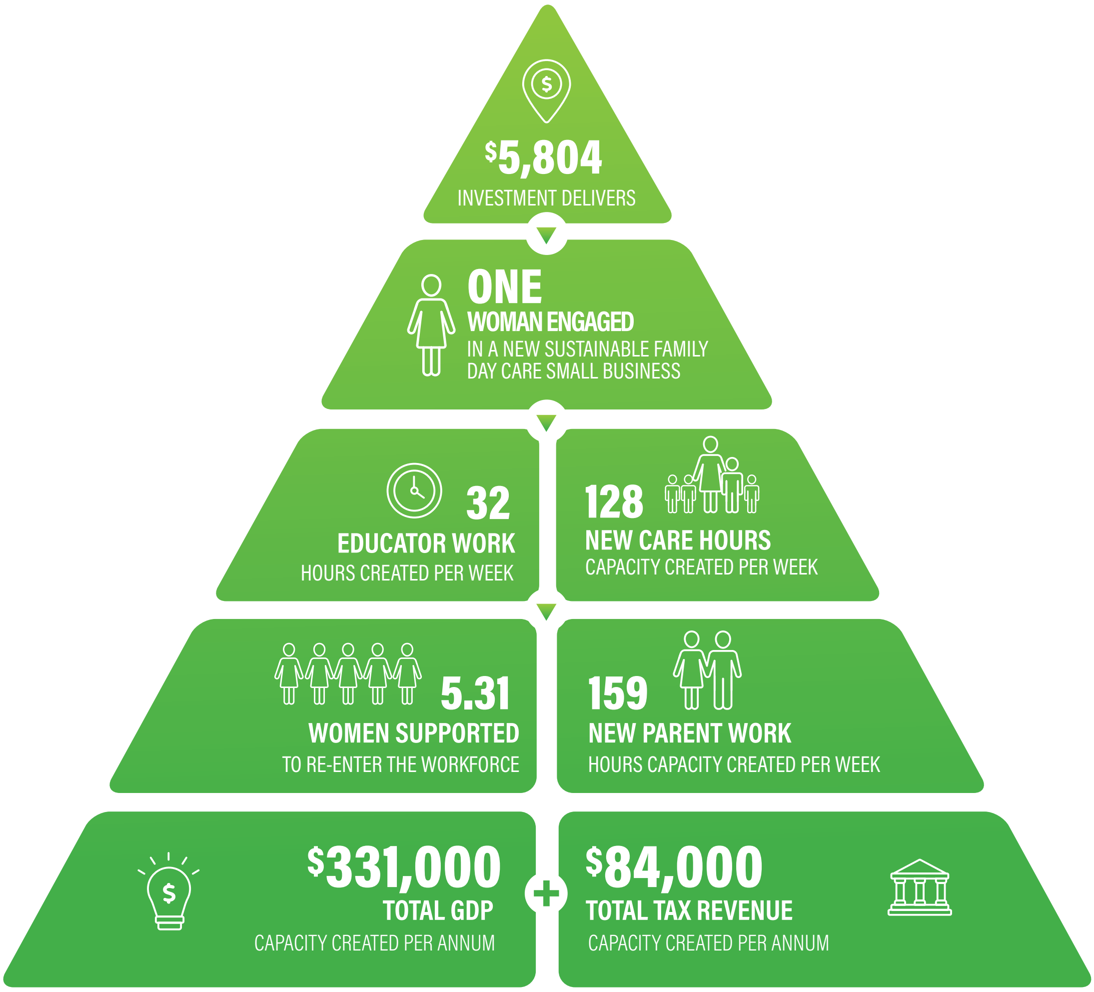
Workforce Output Model: ROI Snapshot

The *Workforce Output Model: ROI Snapshot* below provides a graphic summary of the return on investment of additional targeted funding programs for family day care through incentivising new educators to enter the sector and providing additional support to services to engage them. This is explored in detail throughout the report, though in essence it shows that a funding injection of $5,804 generates 191 new work hours per week and approximately a $331,000 annual contribution to GDP, or more simply put, each $1 invested returns 1.58 new weekly work hours capacity and approximately a $57 annual contribution to the GDP of Australia.



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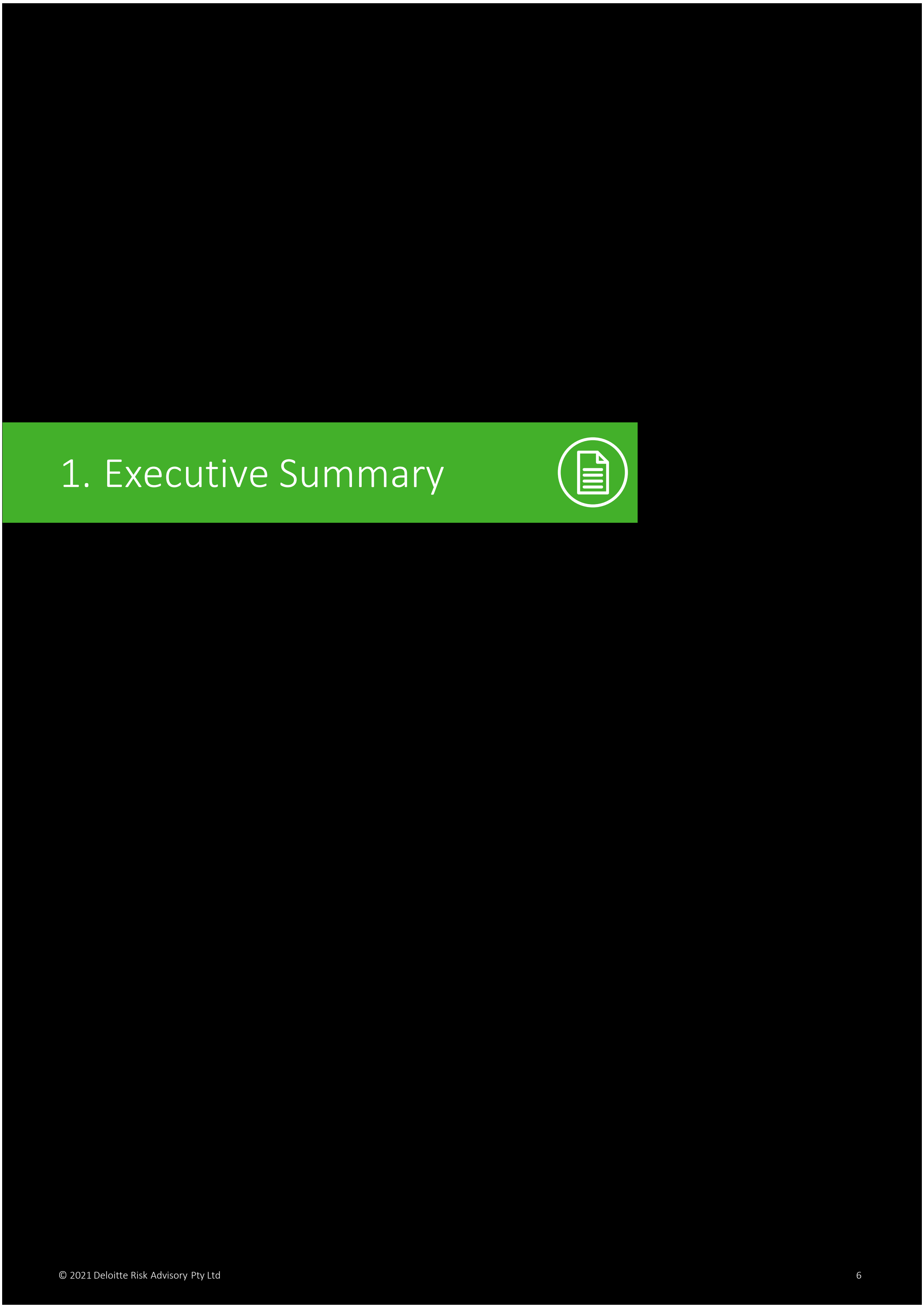
1. Executive Summary
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Executive Summary

1.1. Background and Context

Why the need for change?

The positive impacts of quality early childhood education and care (ECEC) on a child's future education, work and life outcomes is strongly substantiated by research in the field and now widely recognised as indisputable. Robust evidence exists to demonstrate that quality ECEC leads to positive broader economic impacts on GDP, through facilitating greater participation of women in the workforce and associated increased productivity gains, as well as by reductions in Government expenditure currently allocated to remedial education, criminal justice and health services[1].

Family day care is an important component of the ECEC landscape in Australia, providing affordable and flexible education and care in a home-like, small group environment[2]. Furthermore, working as a family day care educator provides Australians, primarily women, an opportunity to start their own micro-business.

As the national peak body for the sector, Family Day Care Australia (FDCA) has expressed significant concern about the future viability of the sector due to the significant and sustained reduction in numbers of educators. This decrease is due to a number of factors, including:

- Challenges regarding recruitment and retention in the ECEC sector;
- Increased administrative and compliance burdens;
- Regulatory market restrictions; and
- Barriers to entry into the sector for both services and educators[3].

FDCA is concerned that, if allowed to exacerbate, the decline in educator numbers will have an adverse impact on the supply of educators and ECEC choices available to Australian families, especially in rural and regional areas, thereby hampering economic productivity.

FDCA has determined that an option to address this challenge, as well as contribute to a number of the Australian Government's key objectives targeting women and support to Australia's post pandemic recovery, is through additional targeted investment in the family day care sector.

[1]*Putting a value on early childhood education and care in Australia* (2014) PWC; *Lifting Our Game*, *Report of the Review to Achieve Educational Excellence in Australian Schools through Early Childhood* Interventions (2017), State of Victoria.
[2]*Childcare and Early Childhood Learning, Inquiry Report No. 73* (2014) Productivity Commission, Canberra.
[3]*Sector Viability Brief* (2019), FDCA, from https://uploads.prod01.sydney.platformos.com/instances/97/assets/public-pdf/Submissions-and-Briefs/FDCA_SectorViabilityBrief_online.pdf?updated=1585200197.

Executive Summary

1.1 Background and Context

The Family Day Care Workforce Output Model

The Workforce Output Model (the Model), as outlined in **Figure A**, was developed in July 2021.

The Model details the economic outcomes associated with additional government funding in engaging new and innovative educator opportunities to provide education and care to enable workforce participation. Further, the Model also illustrates the potential economic benefits of the Australian Government providing additional targeted funding to support the viability of the family day care sector by incentivising new educators to enter the sector and providing additional support to services to engage them.

FDCA envisage this additional targeted funding to support an increase in output benefits which would align with a number of Australian Government objectives and initiatives, including:

- Increased women's workforce participation;
- Decreased frictional and structural unemployment;
- Increased labour productivity and innovation;
- Increased economic security for more women;
- Strengthened economic growth due to increases in consumption, business investment and GDP;
- Increased tax revenue meaning a reduced chance of fiscal deficit; and
- Increased options for early education and care opportunities in regional and rural areas.

A more detailed overview of the Model including a review of the Model's values is outlined in **Section 2** of this report.

Educators	
Number of new educators engaged (N)	1.00
Investment	
Educator Start-Up Grant	$ 1,750.00
Service Engagement Subsidy	$ 4,054.00
Investment required (1 educator)	$ 5,804.00
Total investment required (N educators)	**$ 5,804.00**
Return on Investment	
Care hours provided (per Educator)	
Hours / Day	8.00
Days / Week	4.00
Children under school age	4.00
Care hours provided (1 educator)	128.00
Total care hours provided (N educators)	**128.00**
Children cared for (per Educator)	
Avg. hours utilised / Child	24.10
Children cared for / Educator	5.31
Total children cared for (for N educators)	**5.31**
Additional Working Hours Capacity Created (per New Educator)	
Educator hours of work created per week (1 educator)	32.00
Educator hours of work created per week (N educators)	**32.00**
Average work hours per week (women)	30.00
Parent work hours created per week (1 educator)	159.34
Parent work hours created per week (N educator)	**159.34**
Total work hours created per week (1 educator)	191.34
Total work hours created per week (N educators)	**191.34**
Total work hours created per annum (48 weeks) (1 educator)	9,184.13
Total work hours created per annum (48 weeks) (N educator)	**9,184.13**
Work hours created per dollar invested (1 educator)	1.58
Work hours created per dollar invested (N educator)	**1.58**
Average hourly earnings (women)	$ 36.00
Total contribution to GDP per dollar invested (1 educator)	$ 56.97
Total contribution to GDP per dollar invested (N educators)	**$ 56.97**
Total GDP ROI per annum (1 educator)	$ 330,628.78
Total GDP ROI per annum (N educators)	**$ 330,628.78**
Tax on new income earned per parent (1 educator)	$ 8,438.20
Tax on new income earned per parent (N educators)	**$ 8,438.20**
Tax on new income earned per parent (1 educator)	$ 7,315.00
Tax on new income earned per parent (N educators)	**$ 7,315.00**
Total tax revenue (1 educator)	$ 83,649.49
Total tax revenue (N educators)	**$ 83,649.49**

Figure A. The FDCA Workforce Output Model.

Executive Summary

1.2. Scope and Limitations

Scope

With reference to the engagement letter dated 28 July 2021, enclosed are the results of Deloitte's review of the Model. The specific scope of the review was agreed with FDCA's General Manager.

Specifically, Deloitte were requested by FDCA to:

- Review the values used in the Model prepared by FDCA, including assumptions applied, against publicly available source information as outlined in **Appendix B**.

Our work was conducted across the month of August 2021 and included the following procedures:

- *Management discussion:* we consulted with key FDCA personnel to augment our understanding of the current educator demise and development of the Model (refer to **Appendix A** for a list of business personnel consulted).
- *Review of artefacts:* we reviewed relevant Family Day Care Australia and government artefacts to gain a stronger understanding of the development of the Workforce Output Model and the perceived economic impact (refer to **Appendix B** for a list of the documents sighted).

Limitations

- Observations and recommendations have been based on the artefacts and personnel engaged, as outlined in **Appendix A** and **B**.
- Review of the Model was undertaken with reference to the source data outlined in **Appendix B**. The source data used for this engagement were provided to us by FDCA. We did not assess the appropriateness of these sources.
- We have not assessed the design or logic used in the Model.
- In undertaking the review, our examination was limited to the Model made available to us in July 2021.
- No financial evaluation or benefits analysis of the Model was undertaken as part of this review.

2. Model Review

Model Review

2.1. The Family Day Care Workforce Model

The Model

The Model outlined in **Figure A** aims to address the instances where the parent may be seeking work and details the economic outcomes associated with additional government funding used towards engaging new educators to provide education and care to enable workforce participation.

For simplicity and transparency, figures represent the gain or impact of one educator only. However, the model is primarily designed to reflect the economic output associated with multiple educators if desired (as adjusted by the initial variable, N).

Figures are based on statistical data drawn from multiple institutions and informal data such as reports from current services and educators. Given the changing nature of economics and rates, these values remain approximate at the time of analysis and average figures are generally employed. To ensure that the methodology used to reach economic outputs is clear and supported, the Model is divided into sections as outlined in **Figure B** that consider appropriate inputs. The source for each value and Deloitte's review of each value is detailed through **Section 2** of this report.

How to read the following pages

Deloitte has reviewed the values applied in the Model prepared by FDCA, including assumptions applied, against publicly available source information as outlined **Appendix B**. Where exceptions were noted; Deloitte have provided recommendations for consideration for FDCA Management.

The following pages outline results of our examination of the values and assumptions applied to the Model.

Sections of the Model

Educators

Number of educators to be engaged. Adjusting this number adjusts the *N educator* outcomes throughout the model.

Investment

Reflects the government funding and total investment required to engage additional educators in Family Day Care.

Return on Investment

Details the expected output of the proposed investment. This includes the expected hours to be created, for both current parent carers and educators, as well as the consequential broader economic outcomes.

Care Hours Provided: Focuses on the care hours provided to a child in a Family Day Care business, based on an average day length and work days per week.

Children Cared For: Focuses on the average number of children that an educator cares for on a given work day.

Additional Working Hours Capacity Created: Works through in detail, the approximate number of potential work hours created through the establishment of 'N' new family day care educator(s). This section then uses this information to estimate the economic output, including tax revenue and contributions to gross domestic product (GDP).

Figure B. Inputs of the FDCA Workforce Output Model .

Model Review

2.2. Review of the Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Educators	
Number of new educators engaged (N) = 1	This is an arbitrary figure used for the purposes of this Model. It is based on a 1 new educator basis, and the formula within the Model caters for the figure to change based on the number of educators.
Section: Investment	
Educator Start-Up Grant = approx. $1,750	This is an arbitrary figure, used for the purposes of this model. It is based on a start-up grant with similar features that were previously available. For each additional educator, an expected grant of $1,750 will be received. This grant was available prior to 2010 / 2011 and is the Department of Education equivalent of $1,500, adjusted for inflation (CPI).
Service Engagement Subsidy = approx. $4,054	This is drawn from staff labour costs for educator recruitment and obtained from the Wynnum Family Day Care. It approximates the cost of onboarding an educator over an initial 3-month period, based on 87 hours of recruitment efforts, to be $4,054.
Total Investment = approx. $5,804 (per 1 educator)	The expected total initial investment, which combines the Educator Start-Up Grant and the Service Engagement Subsidy. Therefore, for each educator that is engaged, the expected total investment is $5,804.
Section: Return of Investment	
Hours per Day= approx. 8 hours	The average number of hours that an educator works per day. Family Day Care sessions typically range from 6 to 8 hours; 8 hours is used for the purposes of this model given that a full work day is being considered. This was drawn from the Child Care Package Evaluation which was developed by the Australian Institute of Family Studies (AIFS)[1].
Days per week = 4 days	The usual number of days that a single educator is engaged in Family Day Care is 4 days. This is anecdotal and drawn from data collected by the FDCA. Note: recent national ECEC Workforce Census data (2016) indicates a significant majority work above 35 to 41 hours[2].
Children under school age = 4 children	The maximum number of under school- aged children allowed per session, under the supervision of one educator is 4 children (as per the Education and Care Services National Regulations, Reg 124). Under these rules, an educator can additionally have 3 school-aged children outside school hours. Therefore, the average number of children cared for per educator would likely be higher, however these children would not be present for the full number of hours.
Total care hours provided per week = approx. 128 hours	The total number of care hours provided to four children by one educator over a given week is taken to be 128 hours. This is obtained through multiplying the care hours spent per day by the number of days per week and the number of children cared for per week.

[1] Child Care Package Evaluation, Australian Institute of Family Studies (2019), pg. 49 [https://aifs.gov.au/sites/default/files/publication-documents/1907_cce_early_monitoring_report_citation.pdf]
[2] 2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment [https://www.dese.gov.au/key-official-documents-about-early-childhood/resources/2016-ecec-nwc-state-regional-tables]

Model Review

2.2. Review of Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Return of Investment	
Average hours utilised per child = 24.1 hours	The average number of hours a child spends at Family Day Care each week is 24.10 hours. This is based on data presented by the Department of Education, Skills and Employment (DESE) in December 2020[3].
Number of children cared for per educator = 5.31 children	Across the modelled week (four 8-hour days) the average number of children that an educator cares for is 5.31 children. This is calculated by dividing the total number of care hours provided by an educator by the average number of hours utilised per child.
Educator hrs of work created / week = 32 hours	For each additional educator, the number of care hours created in a given week is 32 hours. As such, this represents the number of hours of work created for educators over an average week. This value is reached by multiplying the Hrs / Day by the Days / Week that an educator spends caring for children at Family Day Care.
Average work hrs / week (women) = 30 hours	The average number of hours worked per week by women is 30 hours. This figure was sourced from the Australian Bureau of Statistics (ABS)[4]. The focus is placed on women as this reflects the fundamental focus of increasing women in the workforce and therefore aligns with government objectives.
Parent hrs of work created / week = approx. 159.34 hours	For each additional educator, the total number of work hours created per week for parents (specifically women) through their involvement with Family Day Care is 159.34 hours. This is calculated by multiplying average number of children cared for by an educator by the average number of working hours per week for women.
Total work hours capacity created / week = 191.34 hours	For each educator that is engaged, the total number of work hours created per week between parents and educator is 191.34 hours. It is calculated by adding the educator and parent work hours created.
Per annum (48 Weeks) = 9,184.13 hours	For each additional educator that is engaged, the approximate total number of work hours created across a given year (48-weeks, for both female parents and educators) is 9,184.13 hours. A 48-week annum is used as this is the minimum period that a Family Day Care must operate each year. This was drawn from the Child Care Package Evaluation which was developed by the Australian Institute of Family Studies (AIFS)[1].
Work hours created per dollar invested = 1.58 hours	For every dollar that is invested into engaging an additional educator, approximately 1.58 hours of work will be created. This is calculated over a 48-week period through dividing the total number of work hours created by the total investment amount.
Average hourly earnings (women) = $36.00	The average hourly earnings of female employees is $36.00 per hour (sourced from annual data from the Australian Bureau of Statistics)[2].

[1]Child Care Package Evaluation, Australian Institute of Family Studies (2019), pg. 49 [https://aifs.gov.au/sites/default/files/publication-documents/1907_cce_early_monitoring_report_citation.pdf]
[2]2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment [https://www.dese.gov.au/key-official-documents-about-early-childhood/resources/2016-ecec-nwc-state-regional-tables]
[3]Department of Education, Skills and Employment (2020) Child Care in Australia report December quarter 2020 (Table 6.1) [https://www.dese.gov.au/early-childhood/resources/december-quarter-2020]
[4]Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016, Australian Bureau of Statistics [https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Employment%20Data%20Summary~67]

Model Review

2.2. Review of the Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Return on Investment	
Total Contribution to GDP per dollar invested = $56.97	For every dollar that is invested into obtaining an additional educator, approximately $56.97 will be contributed to Australia's Gross Domestic Product (GDP). This is representative of the total number of work hours created across the 48-week period. It is calculated by multiplying the work hours created per dollar invested by the average hourly earnings for women.
Total GDP Return on Investment (ROI) per annum = $330,628.78	The total GDP return on investment per 48-weeks annum by engaging one educator is $330,628.78. This is representative of the educator and parents of the average number of children cared for (5.31 children). It is calculated by multiplying the total new work hours created per annum by the average hourly earnings for women.
Tax on new income earned per educator = $8,438.20	The approximate tax revenue on new income that will be generated from an educator's earnings by engaging an additional educator is $8,438.20. Given the average number of work hours in a given week for an educator is 32 hours, they are expected to work 1,536 hours across a 48-week period. Using an average earnings of $36.00 per hour, the educator will earn an average of $55,296 across the 48-week period. Based on 2021 MTR, this equates to a tax income of $5,092 + 0.325 (55,296 - 45,000) = $8,438.20.
Tax on new income earned per parent = $7,315.00	The approximate tax revenue on new income that will be generated from a parent's earnings by engaging an additional educator is $7,315.00. Given the average number of work hours in a given week for a parent is 30 hours, they are expected to work 1,440 hours across a 48-week period. Using an average earnings of $36.00 per hour, the parent will earn an average of $51,840 across the 48-week period. Based on 2021 MTR, this equates to a tax income of $5,092 + 0.325 (51,840 - 45,000) = $7,315.
Total tax revenue = $83,649.20	The expected tax revenue that will be generated based on one educator caring for an average of 5.31 children is $83,649.20. It is calculated by adding the tax on new income earned for a parent and educator ($15,753.20) and then multiplying this figure by the total number of children cared for (5.31).

Model Review

2.3. Observations

In reviewing the Model assumptions n consultation with the FDCA personnel engaged and outlined in **Appendix A**, we identified 1 observation for FDCAs consideration, as follows:

Observation	Recommendation
1. In undertaking our review we identified that the Model was built upon a number of assumptions. Specifically we identified the Model assumes that: • Each child in care is from a two parent household. The current family set up as such that one parent looks after the child and the other parent is currently employed. It is therefore assumed that one parent will be able to enter the workforce. • The parent currently caring for the child is assumed to be the mother and, therefore, the parent returning to work will be a female. • Only female educators are engaged given the consideration of the average weekly hours and hourly earnings of women only. • The parent is willing and able to engage in work, that the parent can choose any type of role and will not be limited by their abilities or available opportunities. • The parent returning to work will be returning to work for an average period of 30 hours per week. Standard family day care hours are assumed to be 8 hours of care a day, 4 days a week. • Each parent only has one child requiring care and this is apparent through the one child creating work hours for one parent. Therefore, the Model does not consider: • Parents who may not want to return to work if their child is in family day care. • Households where neither parent is looking after the child (i.e. grandparents, relatives, friends or other paid services are currently utilised for the child during work hours while the parents are at work). • Male educators or fathers returning into the workforce. The Model employs earnings and average working hours for women only. • Parents who may be limited in their choices of work or are not able to find work. • Parents with multiple children.	A. To ensure assumptions are valid and discoverable, we recommend FDCA document assumptions applied through the Model against source data.

2. Appendices

Appendix A

3.1. FDCA Personnel Engaged

Name	Role Description	Period of Engagement
Scott Rollason	General Manager	August 2021
Michael Farrell	Advocacy and Engagement Manager	August 2021
Andrew Paterson	Chief Executive Officer	August 2021

Appendix B

3.2. Resources considered as part of this review

Resource	Source
Child Care Package Evaluation: Early monitoring report (July 2019) – Australian Government, Institute of Family Studies	https://aifs.gov.au/sites/default/files/publication-documents/1907_cce_early_monitoring_report_citation.pdf
Family Day Care Sector Profile (September 2019) – Family Day Care Australia	https://uploads.prod01.sydney.platformos.com/instances/97/assets/public-pdf/Representing-You/Sector-Profile/FDCA_SectorProfileSep19_online.pdf?updated=1585626569
Family Day Care Business Model (Last updated 27 March 2015) – Australian Government, Department of Social Approved Services	https://www.dss.gov.au/sites/default/files/documents/05_2015/family_day_care_business_model.pdf?__hstc=58085109.5c34ab7bf88e972fdd7a7debc8575bac.1473897600112.1473897600113.1473897600114.1&__hssc=58085109.1.1473897600115&__hsfp=1773666937
Guide to the National Quality Framework (Last updated September 2020) - Australian Children's Education & Care Quality Authority	https://www.acecqa.gov.au/sites/default/files/2020-09/Guide-to-the-NQF-September-2020.pdf
Fair Work Commission, *Children's Approved Services Award 2010* MA000120, 27 October 2020, cl 23 ('the Award')	https://awardviewer.fwo.gov.au/award/show/MA000120
Consequences of non-compliance with the Family Assistance Law (November 2018) – Family Day Care Educator Toolkit, Department of Education & Training, Australian Government	http://www.fdcsupport.org.au/new/wp-content/uploads/fdc-toolkit-7.pdf
Attracting the next generation of family day care educators (February 2019) – Family Day Care Australia, report prepared by Survey Matters	https://www.familydaycare.com.au/supporting-you/nextgen
Independent contractors and employees - Australian Government, Fair Work Ombudsman	https://www.fairwork.gov.au/find-help-for/independent-contractors
Difference between employees and contractors - Australian Government - Australian Taxation Office	https://www.ato.gov.au/business/employee-or-contractor/difference-between-employees-and-contractors/
Infection control in childcare settings Communicable Diseases Intelligence, Volume 21, Issue number 22 -27 November 1997	https://www1.health.gov.au/internet/main/publishing.nsf/Content/cda-pubs-cdi-1998-cdi2201-cdi2201d.htm
Perspectives on Quality in Australian Family Day Care (February 2016) –Social Policy and Research Centre, UNSW	https://www.researchgate.net/publication/312593573_Perspectives_on_quality_in_Australian_family_day_care
What Determines Quality in Child Care? (September 2008) –Research to Practice Notes, NSW Department of Community Approved Services	https://www.facs.nsw.gov.au/__data/assets/pdf_file/0006/321594/researchnotes_what_quality.pdf
A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia –The Front Project 2019	https://www.thefrontproject.org.au/images/downloads/ECO%20ANALYSIS%20Full%20Report.pdf
Average hourly earnings of female and male employees (2004 to 2017 Annual data ABS characteristics of employment)	https://data.gov.au/data/dataset/average-hourly-earnings-of-female-and-male-employees/resource/5684f83a-9f1b-41db-86e7-43b20ba0b6c1
Australia's Gender Pay Gap Statistics 2021	https://www.wgea.gov.au/sites/default/files/documents/Gender_pay_gap_fact_sheet_Feb2020.pdf
2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment	https://www.dese.gov.au/key-official-documents-about-early-childhood/resources/2016-ecec-nwc-state-regional-tables
Department of Education, Skills and Employment (2020) Child Care in Australia report December quarter 2020 (Table 6.1)	https://www.dese.gov.au/early-childhood/resources/december-quarter-2020
Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016, Australian Bureau of Statistics	https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Employment%20Data%20Summary~67

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