

TheParentHood

**Submission in response to the Draft Report of the Productivity
Commission Inquiry into Early Childhood Education and Care**

February 2024

ABOUT THE PARENTHOOD

The Parenthood (TPH) is an independent, not-for-profit advocacy organisation with a reach of more than 80,000 parents, carers and supporters nationally. Our mission is to make Australia the best place in the world to be a parent because when parents and caregivers are supported, children can thrive. Making Australia the best place in the world to be a parent and raise a child will lead to a healthier, more equitable, more prosperous and more sustainable future for all Australians.

Investing in children and their caregivers represents an investment in human capital and potential that can create intergenerational change. TPH's 2021 Report "*Making Australia The Best Place In The World To Be a Parent*"¹, identifies four best-practice, evidence-based policies that would enable parents and children to thrive in the critical early years, underpinned by comprehensive economic modelling:

1. Universal health and wellbeing support for parents and children through pregnancy and the early years;
2. A parental leave scheme that provides one year of paid parental leave to be equally shared between both parents;
3. Free and high-quality Early Childhood Education and Care for all children and families; and
4. Flexible and supportive workplaces with universal access to paid carers' leave for sick children.

These policies value the role and function of parenting and caring, enable parents, particularly mothers, to combine paid work with caring responsibilities, support families to share the care, and recognise the wellbeing and development of children as a national health, social and economic priority. From improved child development outcomes, reduced inequity, improved economic security for women, to significant economic growth, the case for reform is compelling.

TPH's 2021 report "*Back of the Pack: How Australia's Parenting Policies are failing Women and our Economy*"² captures how women in Australia are systemically limited in their capacity to engage in paid work after children. Despite starting at the top of global standings on education levels Australian mothers fall behind their global peers in regard to workforce participation when they have children and never catch up.

Before having children, women in Australia participate in work to a higher degree than women in Sweden. After the birth of a child the pattern changes. If the average Australian woman had the same workplace participation pattern after children as the average Swedish woman, she would earn an additional \$696,000 over her working life; and retire with an additional \$180,000 in superannuation.

This submission is informed and underpinned by a detailed poll of parents of children under

¹ TPH & Equity Economics 2021 <https://www.theparenthood.org.au/reports>

² TPH & Equity Economics 2022 <https://www.theparenthood.org.au/reports>

the aged of 6 conducted by Essential Media in October 2023.³ A full copy of the survey report is provided as an Attachment to this report.

1. OVERVIEW OF SUBMISSION

TPH welcomes this inquiry by the Productivity Commission in seeking to develop a pathway to a universal ECEC system that delivers for all Australian children and their families.

The Draft Report proposes some changes that would represent progress towards universal ECEC and a substantial improvement on current funding arrangements. These include:

- A universal entitlement to ECEC of 30 hours or three days for all children aged 0-5 years;
- Abolishing or reforming of the activity test;
- A renewed focus on addressing the challenges and shortages facing the ECEC workforce;
- Removing cost as a barrier to accessing ECEC with a 100% subsidy rate for low income families;
- A focus on improving access in under-served markets and Aboriginal and Torres Strait Islander communities with deliberative supply-side funding to address supply of ECEC places;
- Improvements to better fund the Inclusion Support program;
- A renewed focus on quality provision, with consequences for services that do not meet minimum quality standards;
- Establishing a National Early Years Commission.

Combined, these do represent progress towards a more universal ECEC system. However, the Terms of Reference from the Treasurer captured a bolder ambition of the Australian Government, as articulated by the Prime Minister: "The Government is committed to identifying solutions that will chart the course for universal, affordable ECEC – in the great tradition of universal Medicare and universal superannuation."

TPH believes the draft report recommendations fail to match the Government's ambition for bold and broad reform in setting out a clear vision of steps to achieve truly universal affordable, accessible, high quality ECEC for *all* children and families.

The draft report primarily addresses issues within the confines of the existing Child Care Subsidy (CCS). Given the Commission and ACCC acknowledge the limitations within the existing CCS system to deliver universal high quality, affordable ECEC in all Australian communities, TPH believes other funding options need to be presented to the Government.

In the Terms of Reference, two purposes of ECEC are clearly identified: supporting children's learning and development in the early years and reducing barriers to workforce participation. TPH agrees that children must be at the centre of early childhood education and care policy development. However, the needs of parents and carers are fundamental, as well as being inextricably linked with the needs of children. The ability for parents to

³ The Parenthood Parents Poll October 2023

https://www.theparenthood.org.au/families_struggle_with_childcare_costs

participate in the paid workforce impacts their ability to meet the needs of their children.

The draft report does not sufficiently recognise the extent to which the current ECEC settings are limiting the choices and options of parents, particularly women. TPH believes this limits the report's capacity to address the broader policy goals of the Government, including workforce participation, productivity, and gender equality. Female workforce participation should be addressed more directly in the Final Report.

TPH wholly supports access to ECEC for children in lower-income families as an urgent priority. It is not the case, however, that families earning over \$80,000 are not also struggling to access quality, affordable ECEC. In a truly universal system a child's entitlement to access early childhood education and care should not be determined by parental income.

The ACCC report concludes that the current system is not meeting the needs of all children and families, and that cost is a driver of how much ECEC is used. The draft report does not fully address this.

TPH believes the final Report must provide a detailed pathway towards a clearly defined long-term vision for a truly universal quality ECEC system.

The pathway should have as its starting point the Draft ECEC Visions already articulated by National Cabinet that sets the four overall principles of the ECEC system for Australia:

- Equity
- Affordability
- Quality
- Accessibility

The 32 recommendations in the report are sound, although some many need to be refined. However, there are key components that are missing that need to be addressed in the Final report.

- On **the long-term vision for universal early childhood education & care**, the need for **strong public management** to deliver the long term vision, and **a detailed plan** to realise the vision.
- On **women's workforce participation** - the unique role of totally affordable universal ECEC in enabling women's workforce participation is not adequately recognised or addressed in the draft report, despite lifting workforce participation and productivity being explicitly articulated as a priority in the terms of reference.
- **On affordability** – addressing affordability for families with incomes above \$80,000 and moving towards a truly universal system where ECEC is available to all families.
- **On equity** – root and branch reform of inclusion funding to properly respond to need, so that children and communities with additional needs get the support that they need in a comprehensive and timely way;
- **On quality** - clearer roles for regulators to ensure that services (particularly new services) are run by quality providers, there are consequences for poor quality providers and there is a stable, highly skilled and valued workforce to deliver quality in all settings;

- **On accessibility** – removing workforce as a constraint to access by funding decent wages for the ECEC workforce through a new dedicated funding stream, and a more deliberative approach to expansion of places that promotes high quality provision where and when it is needed.

This would represent a greater ambition to deliver all of the elements of a universal ECEC system sooner rather than later. It would address the fundamental structural challenges that have bedevilled ECEC in Australia for too long.

It would take Australia from the middle of the OECD pack in terms of delivering ECEC to among the top tier nations that value the lives, development and education of their youngest citizens. It would set up every Australian child, regardless of their parents' income or postcode, to enjoy the best possible start to learning and life. It would substantially redress a key structural factor which drives and entrenches "the motherhood penalty" whereby women in Australia work and earn significantly less after having children than similarly educated mothers globally.

TPH would encourage the Commission to deliver a Final Report that fills the gaps and present the full blueprint for a universal ECEC system that delivers equity, affordability, quality and accessibility for all children and their families in Australia.

2. A bold, long-term vision for universal ECEC:

TPH urges the Commission to describe a long-term vision for universal, quality ECEC that includes:

1. A National Early Years Commission and Guarantee for Children,
2. Strong public management to deliver the long term vision,
3. A detailed 10-year plan to realise the vision.

2.1 A National Early Years Commission and a Guarantee for Children

TPH believes the establishment of a National Early Years Commission is an opportunity to ensure that in the profound window of development between zero and five, all children in Australia are supported to thrive and realise their full potential.

TPH recognises that creating the conditions to render that a possibility, let alone a probability, requires an ecosystem of best-practice evidence-based policies, with quality early childhood education and care a central plank.

In our 2021 Report "*Making Australia The Best Place In The World To Be a Parent*"⁴, TPH identifies four best policies that would enable parents and children to thrive in the critical early years, underpinned by comprehensive economic modelling:

1. Universal health and wellbeing support for parents and children through pregnancy and the early years;
2. A parental leave scheme that provides one year of paid parental leave to be equally shared between both parents;

⁴ The Parenthood & Equity Economics 2021 <https://www.theparenthood.org.au/reports>

3. Free and high-quality Early Childhood Education and Care for all children and families; and
4. Flexible and supportive workplaces with universal access to paid carers' leave for sick children.

This aligns with the 'Guarantee for Young Children and Families' as outlined in the Centre for Policy Development's 2022 *Starting Better Report*.

TPH believes the establishment of a National Early Years Commission and a legislated Guarantee for Children, with universal access to quality ECEC as a fundamental component, is necessary to ensure a long term vision for universal access to ECEC can be realised.

The National Early Years Commission can play a vital role in delivering the guarantee, including supporting the coordination and alignment in the implementation of reforms to deliver universal access to ECEC for all children.

2.2 Provide strong public management of the ECEC system with clearly defined roles and responsibilities.

TPH supports the recommendation to federal, state and territory governments of the need for strong public sector management or 'stewardship' of ECEC. An affordable, accessible, high-quality universal ECEC system will necessitate governments to take greater responsibility for the system and the outcomes it achieves.

Parents and governments at all levels are currently spending billions on ECEC which reasonably evokes responsibility to ensure the desired outcomes are being achieved.

Agreeing and clearly defining the necessary roles and responsibilities between levels of government is a vital early step to developing a new ECEC system. Developing a new national approach is an opportunity to align system objectives and approaches to funding, delivery, and regulation.

2.3 Provide a detailed road map for reform

TPH supports the findings that the following steps are necessary on the pathway towards a universal ECEC system:

- Defining Universal ECEC
- Addressing current barriers including workforce, abolishing the Activity Test, and addressing affordability for low-income families
- Gradual introduction of CCS changes
- Expansion of supply-side funding options
- Establishing an Early Childhood Commission
- Completing a revised National Early Childhood Education and Care Agreement
- Contemplating future changes to funding and delivery models

Given the complexity of the ECEC sector, the time required and overlapping responsibilities between governments, TPH urges the Commission to provide a detailed roadmap over the next 10 years with clear guidance on how future governments can create a pathway to universal ECEC. The Report already recommends many of the key actions in a

roadmap. Sequencing them, and describing them in more detail, and making clear how they relate to each other would enhance the Report.

3. Lifting Women's Workforce Participation

3.1 The importance of affordable ECEC in lifting women's workforce participation

The 'motherhood penalty' refers to the systemic disadvantages that mothers, and to a lesser extent, fathers, face in the workforce compared to non-parents, particularly in terms of earnings, career progression, and perceived competence and commitment.

The motherhood penalty is explained by lower rates of employment, lower hours per week of employment, and lower hourly pay of mothers. These issues are caused and exacerbated by the unavailability and/or unaffordability of ECEC. There is increasingly strong evidence that universal ECEC in Quebec and elsewhere has reduced motherhood penalties substantially.⁵

Countries with greater availability of affordable childcare exhibit higher maternal labor force participation rates. The workforce participation gap between mothers and fathers in Australia is particularly pronounced due to the high cost and unavailability of ECEC. In Australia, average wage earners with two children aged 2 and 3 in full-time care spend 24% of earnings on childcare, including government subsidies, which is significantly higher compared to countries like Sweden (5%) and Germany (1%).⁶

Female participation in the workforce in Australia has more than doubled since 1966, from 36.3% to 74.4% in 2021.⁷ However, mothers' participation rate is almost 28.2 percentage points below that of fathers when the youngest child is 0-5 years and 12.2 percentage points lower when the youngest child is 6-14 years.⁸ This disparity reflects how mothers are more likely to engage in part-time work or take career breaks, leading to slower career progression and fewer opportunities for advancement.

Lower labour force participation and part-time work for mothers are strong cultural norms in Australia, compared to many other countries. The draft report appears to imply that this reflects the deliberate "choice" of mothers, and that using three days a week of child care is due to maternal preference rather than to the unaffordability of paying for five days of ECEC. In contrast, the ACCC believes that "the price of childcare significantly impacts how much childcare households use."⁹

If ECEC was universally affordable and accessible in Australia, the evidence is clear that norms and "choices" would change. In 2009, 48% of mothers with young children stayed

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<https://childcarecanada.org/documents/child-care-news/22/01/quebec%E2%80%99s-child-care-program-25-scorecard>

⁶ <https://data.oecd.org/benwage/net-childcare-costs.htm>

⁷ https://d3n8a8pro7vhmx.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108 (page 13)

⁸ https://d3n8a8pro7vhmx.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108 (page 22)

⁹ <https://www.accc.gov.au/system/files/ACCC%20Childcare%20Inquiry-final%20report%20December%202023.pdf> (page 22)

outside the labour force. By 2021, that number had fallen by one-third to 32%.¹⁰ As Prof Gordon Cleaveland argues, “this would seem to indicate that mothers’ employment decisions may be quite sensitive to changes in policy, rather than fixed by historical norms”.

The availability of free or low-cost ECEC plays a critical role in dismantling the structural barriers that limit women's employment opportunities and perpetuate gender inequalities in the labour market. Tapping into the unrealised potential of women’s workforce participation presents the most significant opportunity for Australia to exponentially increase productivity in the short-term.

A significant investment in making ECEC truly universal could increase Australia's GDP by 4.1% or \$166 billion by 2050.¹¹ If female workforce participation matched that of males, GDP could rise by 8.7% or \$353 billion by the same year.¹² An average Australian woman could earn an additional \$696,000 over her working life and retire with \$180,000 more in superannuation if she had the same workforce participation as a Swedish woman after children.¹³

4. AFFORDABILITY:

National Vision principle: “ECEC is within the means of all families. Sustainable flexible funding systems are in place to support providers in reducing cost barriers for all children and families.”

National vision statements: “Every child can access and participate in high-quality, culturally responsive ECEC, including preschool, to support their right to thrive, grow their sense of identity and connection to the world, and become confident and engaged learners.”

“Every parent can access an affordable, high-quality service to support their participation in the workforce, and the associated social and economic benefits.”

The draft National Vision statement recognises that the ECEC system serves a dual purpose – the vital importance of every child being able to access high quality early learning as the foundational stage of life-long learning, and the importance of access to affordable quality ECEC to ensure that parents, particularly women, can participate in the workforce as they choose. The Draft Report also recognises these two equally important principles.

4.1 Cost should not be a barrier to a child’s access to early childhood education

TPH strongly advocates that cost should never be a barrier to education, whether that be school or early childhood education. That is why our long term vision for making Australia the best place in the world to be a parent includes access to free and high-quality Early Childhood Education and Care for all children and families.

The Draft Report, and the earlier South Australian Royal Commission report, have ably

¹⁰ Response to the Productivity Commission Draft Report by Gordon Cleaveland (page 3)

¹¹https://d3n8a8pro7vhm.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108 (page 10)

¹²https://d3n8a8pro7vhm.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108 (page 41)

¹³https://d3n8a8pro7vhm.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108 (page 10)

documented the benefits of access to early learning for children. A universal ECEC system would be built on a national recognition that all children would benefit and should have access to ECEC, and that barriers to access should be systematically removed. The two biggest barriers are cost and available places. A national commitment to universal ECEC must address both of these barriers, and, to be universal, should encompass all children regardless of their families' circumstances. There is no income test to access free public school education, or access to Medicare or public hospitals or superannuation.

TPH's vision for ECEC would see a similar approach taken to access to ECEC. A universal entitlement for every child to access ECEC breaks the nexus implicit in the activity test that a child's access to ECEC should be tied to their parent's work activity. Universal access should also break the nexus between access for every child to access ECEC and a parent's income. Longer term, we would argue that ECEC should be free for all children.

TPH recognises that the cost of free ECEC would be substantial. Further, we recognise that issues currently constraining the supply of quality, affordable places must be addressed first to ensure the increased demand from low cost ECEC could be met. The roadmap to free ECEC will inevitably involve a number of stages. Starting by addressing cost as a barrier for families affected most by it, which is low income families, is compelling.

Our survey of parents found that while 83% of high income families with children aged 0-5 were using formal care, just 56% of low income families were. Families with older parents (>40 years) were also more likely to use formal care than families with younger parents (<30 years) – 78% vs 61%. Of those families not attending formal care, cost was cited as the biggest reason (53%), followed by those believing that their child is not ready for daycare (41%).

This finding suggests that while parental preference is a factor in non-attendance, cost as a barrier to access is still more significant. An astonishing 61% said that they would consider working more hours if childcare was less expensive. Interesting, and contrary to some of the research reported in the Draft Report, this did not vary much by income level - 61% of low income earners said they would work more hours compared to 66% of high income earners.

4.2 Replace the Child Care Subsidy

TPH recommends that the Child Care Subsidy is not fit for purpose for a truly universal ECEC system. The ACCC's conclusion that "the design and implementation of the Child Care Subsidy (including its hourly rate cap) has had only limited effectiveness in placing downward pressure on fees and constraining the burden on taxpayers".

Not being able to afford or access quality ECEC is a primary barrier for parents in Australia seeking to combine their caring responsibilities with paid work. The ACCC found that the CCS is incredibly complex and makes it difficult for parents to estimate out-of-pocket costs.

TPH supports calls to establish a child centred, supply-side, fixed fee funding model, in parallel to the CCS funded funding approach, to address the undersupply of ECEC in outer metropolitan, rural and remote areas. TPH notes the Commission's concerns with Quebec..

A key takeaway from Quebec's experience rolling out a fixed-fee funding model is that fixed fee ECEC must be adequately funded, and that quality needs to be prioritised and

incentivised for it to be effective at delivering high quality universal ECEC. Another key takeaway from Quebec is that the fixed fee model was very successful in improving availability and attendance and proved extremely popular with parents¹⁴. Its popularity led to the National Government rolling out the model across Canada with a set fixed fee of \$10 a day.

Long term, TPH believes we need an alternative funding mechanism to be created in order to assist the Australian Government in implementing its vision of universal ECEC for all Australians. The Government has a once in a generation chance for reform that parents and children in Australia deserve.

We ask the Commission to provide:

- a detailed analysis of the costs and benefits of introducing a supply-side funding model in areas that are currently underserved or unserved by ECEC providers; and
- comprehensive supply side funding options to the Government that provides a road map to a universal ECEC system.

The recommendations of supply side funding should be in addition to the short-term measures that will deliver immediate cost of living relief to Australian families such as:

- Abolishing the activity test
- Increase CCS to 100% to low-income families.

A Universal Early Learning Benefit

The CCS could be replaced with a new benefit that is more attuned to the national objective of a truly universal ECEC system. We call this the Universal Early Learning Benefit (or UELB for short).

The following table describes the features of this new approach to supporting ECEC:

Child Care Subsidy	Universal Early Learning Benefit
1. Activity test matching CCS entitlement to parent's work activity	Universal entitlement of 30 hours or 3 day, with additional days if the family needs it
2. Maximum rate of 90% on incomes below \$80k	Maximum rate of 100% on incomes below \$80k
3. Tapers down to 0% on incomes above \$530k	Minimum rate of 90%, with a taper on incomes between \$80k and \$130k. If wages are funded as in item 4, the minimum rate would be 70% with a taper between \$80k and \$180k. Longer term ECEC should be free.

¹⁴ See, for example, Kohen et. al (2008) Child Care in Quebec: Access to a Universal Program, Canadian Journal of Public Health, Vol. 99, No. 6, pp. 451-455; Jane Jenson, Rolling Out or Backtracking on Quebec's Child Care System? Ideology Matters, Public Policy For Women, University of Toronto Press 2009; Cleveland (2022) Early Learning and Child Care in Canada: Where Have We Come From, Where Are We Going?

4. Wages set by the market	Wages with a minimum rate set by Govt and funded directly, either direct from payroll data or as a flat rate per attendance.
5. 5% of CCS payments withheld	No withholding of CCS payments, but regular reminders to parents to keep their income data up to date
6. A higher rate for additional children but on a separate taper rate	The much higher taper rate would largely eliminate the need for a higher rate for additional children.
7. Child care deserts because CCS alone does not make centres viable	Clear identification of 'underserved' communities as part of stewardship oversight, with supply-side funded approaches to provide solutions that meet the needs of each community.
8. CCS capped by an hourly rate cap that leaves 22% of services with fees above the cap and rising	CCS capped by an hourly rate cap set around the 85 th percentile of fees and regularly updated to maintain affordability at that benchmark
9. No restraint on fee increases	A robust fee monitoring framework as part of stewardship oversight with the ability of regulators to intervene when fee increases are excessive
10. Quality and fee information to parents often out of date and hard to navigate	More frequent quality assessments of centres and reporting of results to families, and real time public disclosure of fee increases, captured on a more user friendly Government website
11. Capped funding program for inclusion for children with additional needs requiring providers to cross subsidise support	Equity funding to be needs based with every child to get the support they need to fully participate in ECEC

Making quality, inclusive ECEC free for all families would be very expensive. But, as The Australia Institute's research has shown, the long term benefits to Australia would far exceed the costs.¹⁵ We also recognise that expanding demand for ECEC too quickly without first addressing supply and quality would be inadvisable.

The experience of Quebec, as noted in the Draft Report, can be avoided with appropriate planning and sequencing.

In our view, the priorities for investment are clear:

¹⁵ Grudnoff M & Dennis R (2020) Participating in growth: free childcare and increased participation, Australia Institute,

1. Start with workforce – fix the current workforce shortages by funding a wage increase for educators that closes the wage gap between what teachers and educators are paid in schools and in ECEC.
2. Fix the activity test – so that the children who would most benefit from access to ECEC are able to attend.
3. Fix inclusion support funding – so that children with additional needs are not denied access to ECEC because the provider is not properly funded to support them.
4. Start addressing childcare deserts – so that children living in the most disadvantaged communities are able to access ECEC if they want to.
5. Remove cost as a barrier for low income families with a 100% subsidy rate – so that children from low income families are able to access ECEC.
6. Progressively raise the income test taper – starting with lower and middle income families, progressively raise the taper in stages as the Federal Budget can absorb it until all families enjoy a minimum subsidy rate of at least 90% (70% if wages are fully funded).

4.3 Affordability and the hourly rate cap

The ACCC found that the hourly rate cap plays only a minor role in fee constraint. However, TPH would argue, it plays a huge role in terms of affordability. Setting the rate too low would become a barrier to affordability. The Draft Report risks doing exactly that in suggesting that the hourly rate cap should be set at the 'average efficient cost'.

The 'average efficient cost' in ECEC has not yet been determined, although the ACCC has calculated average costs for large, medium and small providers. We note that 'efficient cost' and 'efficient price' as defined in health and aged care pricing structures by the Independent Health and Aged Care Pricing Authority calculated costs excluding margins¹⁶, as has the ACCC. This means that margins would probably not be included in the calculation of 'average efficient cost'. While data limitations make it difficult to calculate an average cost from the estimates provided by the ACCC for large, medium and small providers¹⁷, a cost number can be calculated by developing a weighted average margin percentage (14.7%)¹⁸ and deducting that from the average hourly rate (\$12.80)¹⁹, which would give an average cost of \$10.92. Assuming the 'average efficient cost' would be similar to 'average cost', then this would involve a substantial reduction in the hourly rate cap from \$13.73 to \$10.92, a very substantial reduction in subsidy payments for most families and a significant reduction in affordability. Low income family on the maximum rate of CCS paying a typical fee of \$135 a day would be \$23.22 worse off:

¹⁶ <https://www.ihacpa.gov.au/health-care/pricing/national-efficient-cost-determination>
<https://www.ihacpa.gov.au/aged-care/background>

¹⁷ ACCC Interim Report September p. 64-65, the cost data is skewed by a self-selection bias for the voluntary data collection for medium and small providers.

¹⁸ The provider level margins reported by the ACCC (September report p. 128) in 2022 were 8% for large providers (23% of services), 12% for medium providers (17% of services) and 18% for small providers (60%) of services. This provides an average margin of 14.7%, which is very close to the ATO average margin reported by the ACCC on p. 126

¹⁹ Dept of Education Child Care Statistics September Quarter 2023 for centre based day care

Impact of change in hourly rate cap from \$13.73 to average cost of \$10.92

Income	CCS rate	Fee		
		\$ 125.00	\$ 135.00	\$ 145.00
80000	90%	-\$ 14.22	-\$ 23.22	-\$ 25.29
100000	86%	-\$ 13.59	-\$ 22.19	-\$ 24.17
150000	76%	-\$ 12.01	-\$ 19.61	-\$ 21.36
200000	66%	-\$ 10.43	-\$ 17.03	-\$ 18.55

A better approach would be to reset the hourly rate cap to where it was at the beginning of the CCS in 2017-8 – that is at around the 85th percentile of fees²⁰. At the time, the proposed hourly rate cap for 2017-18 was \$11.55²¹, and the average hourly fee in September 2017 was \$9.35²². Since then, the hourly rate cap has increased to \$13.73 (or 18.9%) but average hourly fees have increased to \$12.80 (or 36.9%). Not surprisingly, the proportion of services with a fee above the hourly fee cap has increased from 11% to 22%.

What parents need to support affordability is for the hourly rate cap to be restored to the 85th percentile of fees. Then, the cap should be indexed in line with the main cost that providers face – wages. That is, in line with the increase in award rates.

The approach in the Draft Report to reset the hourly rate cap lower than it is now should be rejected.

4.4 Affordability and fee constraint

TPH shares the concern expressed by the ACCC and the PC that any increases in ECEC subsidies will be eaten up by fees. This could become more of a problem in a market-based system as subsidy rates increase. While the ACCC found that profits across the ECEC sector were generally not excessive, averages hide outliers and it is the outliers that should concern Government.

In 2023, the ACCC found that while large not-for-profit (NFP) providers increased their fees by an average of 8.1%, large for-profit providers increased their fees by an average of 10.2%. Some providers we are aware of recorded increases of 15% or more. It is difficult to see how increases of this magnitude could be justified on the basis of costs.²³

Further, 'profit' in ECEC is about more than just operating surpluses. Providers make large profits buying and selling centres. And developers make large profits leasing centres to providers. TPH is aware of one large private provider that has not recorded a profit in five

²⁰ Department of Education (2016) Submission to the Senate Education and Employment Committee Inquiry on the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill February 2016 p. 14

²¹ The Jobs for Families package commencement was later deferred by one year to 2018.

²² Department of education (2017) Early Childhood and Child Care in Summary September quarter 2017

²³ Labour costs, which make up around 70% of ECEC costs we estimate rose by 7-8% on average across the sector in 2023, having regard to the 5.75% increase in award rates, superannuation increases, new allowances for education leaders and increased use of casual and agency staff to plug workforce shortages.

years, but whose private equity owner hopes to book a profit of hundreds of millions of dollars on its sale. Parents are contributing to this future profit with 14% of parent fees going to service the \$600 million debt held by the provider.

TPH is pleased that the Draft Report (recommendation 6.1) proposes that Government should monitor fees and that a 'regulatory response should be considered if (fees) are not reasonable'. But this does not go far enough. We note that the final ACCC report used stronger language, recommending "A stronger role for governments to monitor providers' prices, costs, profits and outcomes, supported by a credible threat of regulatory intervention to place downward pressure on fees (recommendation 2.d).

Even this does not go far enough. TPH suggests a fee constraint approach should start with the ACCC finding that most providers in 85% of local areas are setting fees to within \$1.50 an hour of the local average fee, and that most fees are within 8% of the local market average.²⁴ Having regard to local market averages is important because of the wide variety of fee averages typically reflecting differences in property costs across Australia

A simple monitoring system that the Government could build on the fee information it already receives could be to identify providers charging 8-10% above the local market average:

- These providers would be contacted by the Government and asked to 'show cause' why they are pricing so far above the average;
- Parents should be advised that the 'show cause' has been issued;
- The provider would need to justify the fee based on the costs of running the centre and that margins were not excessive, and share a summary of this justification with parents;
- The Government can then decide if the fees and margins are excessive, and can instruct the provider to adjust the fee accordingly;
- Where a fee has been adjusted, the provider would need to also justify increases to the Government set fee to the Government prior to imposing a fee increase for the next two years;
- If a provider refused to adjust the fee, the service would cease to be eligible for CCS.

TPH believes that the Government has sufficient information and probably sufficient powers to implement an approach like the above immediately. Minor amendments may be necessary to the Families Assistance legislation to put the regulator's power beyond doubt.

Once the Early Years Commission is established, it can play a broader role in monitoring fees and fee increases, and potentially take over the 'naming and shaming' jurisdiction we have outlined above.

TPH proposes that the Final Report strengthen draft recommendation 6.1 further to ensure excessive fees are identified, investigated and stopped by regulators.

²⁴ ACCC Interim Report September 2023

The operation of local markets would also be improved by improved transparency and reporting of fee information to families generally. This should be mandated through a Government website that is user friendly, as a successor to the Starting Blocks website.

4.5 Abolish the 5% withholding rate

The Draft Report makes a compelling case (p. 387-388) for abolishing the 5% withholding rate (or setting the default rate at 0%) without making a recommendation to do so. To be clear, the 5% withholding rate reduces affordability. The Government should only withhold 5% of a family's entitlement if there is a good case for doing so. And there simply isn't:

- The withholding rate impacts low income families far more than high income families because they receive larger amounts of CCS. Yet, the PC's own analysis shows that low income families are more price sensitive than high income families;
- Yet it is high income families who are far more likely to incur debts than low income families. - 11% of families with a debt in 2021-22 had reconciled incomes below \$100,000, 55% of families with a debt had reconciled incomes between \$100,000 and \$200,000 and 34% families with a debt had reconciled incomes over \$200,000. The 2019 CCS evaluation found that families up to the third decile had virtually no debt.
- Data shows that relatively few families incur CCS debts – among the 90% of families with reconciled incomes, 18% incurred a debt, with a mean debt of \$1,268 and a median of just \$461.
- A survey as part of the 2019 CCS evaluation found that the 5% withholding amount was the least well-understood aspect of the CCS.

The evidence collected by the AIFS review of the CCS in 2019 and by the Commission itself show clearly that the 5% withholding rate was designed to deal with debts collected mostly by high income earners but impacts most adversely on low income earners.

In a redesigned ECEC subsidy system, it should go. Services Australis should remind families that they should review their reported income as it changes – particularly higher income families most at risk of accumulating debt. The Draft Report makes some sensible suggestions about doing that. The option for families to change their withholding rate from the default of 0% to a higher number to avoid an expected debt should also be presented as an option.

But in the process, the system should not penalise low income families and increase cost as a barrier to their access.

4.6 Longer term reform

TPH is impatient for the reform pathway to a universal ECEC system to get underway and to get as far as we can, as soon as we can, from where we are. We recognise that reform needs to be staged, with significant investments and policy reforms to improve access and supply before boosting demand too much.

TPH is acutely aware that the sector is exhausted after four years of crisis and constant change. Reform has to have regard to the capacity of the sector to deliver that change, and providers, educators and parents need to be at the table when those decisions are made.

TPH has a long term vision that quality, inclusive ECEC should be free, or nearly free, for all families. We recognise this requires fundamental changes to the funding structure and a shift from a predominately market-based demand-side funded system to a system which includes some government-directed supply-side funding.

The ACCC notes in its final report that “the design and implementation of the Child Care Subsidy (including its hourly rate cap) has had only limited effectiveness in placing downward pressure on fees and constraining the burden on taxpayers”.

We note the comments in the Draft Report (chapter 9) that changes to funding systems come with costs and benefits and shift calculations of risk. Given the ACCC’s finding of the limited efficacy of the CCS to make ECEC sustainably more affordable, and that affordability is a major barrier to accessing ECEC, this inquiry presents the opportunity to interrogate the costs, benefits and risks of additional funding mechanisms.

We note these comments in the ACCC Final Report:

“The ACCC’s view is that these different types of markets will require a different mix of government interventions if governments’ objectives and the needs of local communities and particular cohorts of users are to be met. Current interventions have a demand-side focus but additional measures may be required. While demand-side subsidies improve the purchasing power of consumers, we find that the use of such demand-side subsidies can result in the market being further incentivised to supply childcare services to the areas with the greatest demand and willingness or capacity of households to pay.

To ensure there is supply of childcare services in areas that have very high costs to supply and would otherwise be considered unprofitable or unviable, supply-side subsidies should be considered. Such supply-side subsidies can be diverse in design and implementation.

Supply-side funding is directed towards assisting providers with the costs of supplying services. It can be demand oriented, such as providing funding to a provider on a ‘per child basis’, or it can entail block funding such as a grant or other bulk payment for capital or operating expenses. The range of market types – in particular in areas under-served and unserved – and the need to develop appropriate government measures to suit the needs and characteristics of local communities strongly suggests some form of broad government stewardship for childcare markets across the sector is warranted.”

We note concerns among providers and some peak bodies about shifting to a wholly supply-side funded system. How government regulators could consistently, promptly and thoroughly approve sufficient increases in supply side funding and funding places to cover ongoing increases in costs and demand through a highly politicised annual budget cycle needs considering. The experience of other jurisdictions relying on supply side funding such as the United Kingdom, Canada and New Zealand are informative.

Taking these lessons on board, TPH believes that with the appropriate sequencing and

timing, Australia could – and should – aspire to universal, quality ECEC that is fixed at a minimal cost to parents.

TPH strongly supports the proposal by Minderoo’s Thrive By Five to the Commission to stage the introduction of a child-based, supply-side, fixed fee model in areas that are currently underserved or unserved by ECEC providers. TPH also strongly supports the Commission:

- Providing a detailed analysis of the costs and benefits of introducing a supply-side funding model with a price cap, such as the \$10 a day model, in areas that are currently underserved or unserved by ECEC providers, and for the policy to be rolled out over a 10-year period; and
- Provide comprehensive supply side funding options to the Government that provides a road map to a universal ECEC system.

In the short to medium term, TPH recognises that reform will likely happen within a demand-based subsidy system, in parallel with supply-side funding arrangements in thin markets.

Some of the shortcomings of the Child Care Subsidy design can be reformed as outlined above, affordability improvements starting with low income families and working upwards towards a universal subsidy over several budget cycles. In the meantime, the whole system would be improved in the short term with new dedicated funding streams for wages, inclusion and accessibility (i.e. underserved or thin markets).

Greater fee transparency and a robust price monitoring system underpinned by a robust mechanism to address excessive fees, combined with direct funding of wages, would act as a significant constraint on future fee growth, as would a deliberate policy of expanding NFP provision of ECEC.

The new ECEC Commission should be tasked with continuing to build the costs framework to inform future funding. The current reform agenda needs to be ambitious to meet the needs of children, parents and families.

RESPONSE TO RECOMMENDATIONS

Recommendation	Response
6.1 Monitor rises in fees and out of pocket expenses	Support, but go further to ensure excessive fees are identified, investigated and stopped by regulators.
6.2 Modify the Child Care Subsidy to improve affordability and access	Support 30 hours entitlement and 100% CCS for low income families, oppose setting the hourly rate cap based on ‘average efficient cost’ as this would reduce affordability and suggest it be reset at around the 85% percentile of fees.
6.3 Make information about CCS eligibility easy to find and understand	Support, but first do a comprehensive review of CCS approval rules and processes

	with input from families and users to simplify every step of the approval process
6.4 Improve the CCS calculator on the Starting Blocks website	Support, but go further as the ACCC has recommended to improve Starting Blocks and the transparency and reporting of fee information to families generally.
6.5 Prompt families to update their details with Services Australia	Support
6.6 Provide better information to families about CCS withholding rates	Support but go further and abolish the 5% withholding rate as it erodes affordability without good administrative reason given the low level of family debts accumulated on CCS

Information requests:

6.1 Potential Modification of the Activity test

TPH would prefer that the activity test was abolished completely. If there must be an activity requirement for additional subsidised days beyond three days, we would prefer the simplest version which is probably the third of the options presented in the Draft Report i.e. allowing up to 72 hours per fortnight (i.e. 3 days per week) for all families, and up to 100 hours for those families with more than 48 activity hours. We would note that many families with long commutes exceed the 100 hours requirements, and the process for accessing more than 100 hours should be simplified for those families.

6.2 Child care taper rates

Discussed in text above

6.3 Level and indexation of the hourly rate cap

Discussed in text above

6.4 Potential expansion of the CCS to families with restricted residency, and assistance for Isolated Children Distance Education Allowance

TPH recognises that children living in isolated communities too often miss out on access to preschool and early learning. Governments do offer options such as mobile preschool and E-kindy, but it is not clear if this is sufficient to meet family needs. Further, families may face additional costs in accessing such services. In such cases, access to the Isolated Children Allowance for preschool makes sense. This should be part of a broader review of whether isolated children are able to access preschool and identifying and addressing the barriers to access.

Regarding recently arrived migrants, TPH does not offer a view at this stage, other than to suggest that children on temporary protection and humanitarian visas should be given access to ECEC as part of Australia's broader obligation to offer protection and support to

these families, who have faced considerable trauma. Some states already do so in terms of extending access to preschool fee subsidies for these families. The Federal Government should do likewise.

6.5 Potential measures to reduce CCS administrative complexity

Discussed in text above

9.1 Scope for broader funding reform including expanding the use of supply side funding

Discussed in text above.

5. EQUITY:

National Vision Principle: "All children are supported to succeed, regardless of their circumstances and abilities. Carefully designed strategies and targeted investment provide additional support to children and families when and where they need it."

TPH is supportive of the nine recommendations that the Draft Report makes on inclusion and equity. Funding inclusion support for children with additional needs is fundamental to building a universal ECEC system that is accessible to all. The current system falls well short. Even where the Department assesses that a child needs an inclusion support worker, funding is made available at only 70% of the cost of that worker, and for only 25 hours a week even if the child attends for more.

The provider is expected to make up the rest, which can only be funded by increasing fees paid by all families. Not surprisingly, many providers are reluctant to take on children requiring additional support, and families have many heart-wrenching stories of struggling to find a place for their child. We particularly welcome recommendations 2.3, 2.4 and 2.5 that address longstanding issues with the current Inclusion Support Program.

However the heart of the problem is not addressed in the Draft Report and needs to be addressed in the Final Report. That is that the Inclusion Support Program is a capped program rather than a demand driven program, and the cap on the program is simply not enough to meet the needs of the rising number of children with diagnosed (and undiagnosed) additional needs.

The Final Report needs to be more ambitious and recommend an uncapped needs-based program to support children with additional needs. Such a program needs to meet the aspirations of the foundational supports program proposed in the NDIS review that the Prime Minister said will be delivered through existing settings such as child care and schools.²⁵

But equity funding needs to go further, and provide more general support for the service to meet the broader inclusion needs of all children in the service. This funding should be based

²⁵ Prime Minister media conference 9/12/2023

<https://www.pm.gov.au/media/press-conference-parliament-house-canberra-18>

on measures of need in the community (such as the AEDC). The Equity funding program in New Zealand and the School Readiness Funding Program in Victoria could provide models on this.

The Community Child Care Fund was an important innovation in the 2018 child care reforms. But the fund has proved to be too small and too piecemeal in its approach to truly ensure that ECEC services are able to connect with and meet the needs of their local community. A much larger program is needed that is more systematic, and tied directly to meeting the national priorities for the universal ECEC system.

At a higher level, the new ECEC Commission needs to monitor and report to ensure that the system as a whole is meeting the inclusion needs of all children. Governments should be held to account for failure to deliver on such crucial supports. Part of that role should be funding outreach workers who can help families, particularly the most vulnerable families, to navigate the complexities of accessing the ECEC system. While the changes we have recommended to the subsidy system will make it much less complex, many families will still need support to access the system. The Government itself often becomes a barrier to access for the most vulnerable families.

Families experiencing disadvantage or with children with additional needs face a difficult road through life. Current programs, such as Inclusion Support and the Community Child Care Fund, are welcome, but falling well short of what is needed. A truly universal ECEC system would ensure that every child receives the support that they need to fully participate in ECEC.

RESPONSE TO RECOMMENDATIONS

Recommendation	Response
2.2 Amend the Disability Standards for Education	Support
2.3 Amend the eligibility requirements for Inclusion Funding	Support, but go further and establish a truly need-based and uncapped funding stream for Equity
2.4 Review and amend additional educator subsidies	Support
2.5 Reduce administrative burden of Inclusion Support Program applications	Support, but go further and establish a truly need-based and uncapped funding stream for Equity
2.6 Improve coordination of inclusion funding between Governments	Support as a long term goal, noting the recent NDIS Review proposal to establish a 'foundational level' of support jointly funded by both levels of Government. The ECEC Commission should monitor and report on

	whether the inclusion needs of all children are being met.
7.1 Ensure integrated services are available where needed	Support
7.2 Support connections between ECEC and child and family services	Support
7.3 Introduce a higher hourly rate cap for non-standard hours	Support in principle, but would need to be developed in close consultation with the sector and users to ensure that there were not unintended consequences such as providers overcharging the Commonwealth

Information requests:

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

Addressed in text above

7.2 System navigator roles in the ECEC sector

Addressed in text above

6. QUALITY:

National vision principle: ECEC services are culturally appropriate for their community and meet high standards in providing learning and development outcomes. Children build relationships with a stable, qualified workforce that is recognised for its critical role in the community, and families have confidence in ECEC services.

TPH recognises that quality in ECEC is crucial and non-negotiable. A universal ECEC system should aspire to provide quality ECEC everywhere and for all children, as the evidence is clear that it is quality ECEC that makes a difference to children's learning and development. Poor quality ECEC can prove detrimental, particularly on emotional and behavioural domains.

We would urge the Commission in its Final Report to elevate Quality as one of the four key pillars of a universal ECEC system, reflecting the principles espoused by National Cabinet in its draft National Vision.

TPH supports in principle the five recommendations on quality in the draft report. Families awareness of the National Quality Framework and centre assessments and ratings is not particularly high, and this could be improved by:

- Ensuring assessments and ratings are more up to date, conducted not less than every three years;
- Ensuring that families are advised directly by the regulator or the provider when their service is reassessed;

- Providing all families with a statement of what the National Quality Framework is, what a rating is and what the role of the ECEC regulator is when they first access the ECEC system;
- Potentially involving parents in the assessment and ratings process by the use of surveys, as occurs with aged care ratings.

Poor ratings should have consequences, and we agree with recommendation 8.4 that providers with poor quality ratings should not be able to add new services. A provider should first have met the National Quality Standards across at least 95% of their existing services to take on a new service. Where a service persistently fails to meet the National Quality Standard, then, unless there are exceptional circumstances (such as workforce shortages in a remote setting), regulators should have the option of directing that the service is transferred to another high quality provider to turn it around.

Where a service is assessed as Working Towards, the regulator should pro-actively work with the provider on reviewing and then implementing its quality improvement plan. Parents should be advised of the rating and what it means and informed of the steps that the provider intends to make to Meet the National Quality Standard.

RESPONSE TO RECOMMENDATIONS

Recommendation	Response
8.1 State and Territory regulatory authorities should improve their performance reporting	Support
8.2 A new review of the National Quality Framework	Support in principle, although timing of an NQF review needs to be carefully considered given the substantial impost on the sector and the workforce of training to meet any NQF changes.
8.3 Ensure regulatory authorities are adequately resourced	Support
8.4 Incentivise quality provision in new ECEC services	Support, a provider should not be allowed to take on additional services unless at least 95% of their current services Meet the NQS
2.1 Ensure appropriate quality regulation for services outside the scope of the NQF	Support in principle, although the ECEC Commission should be required first to considerably carefully why any ECEC organisations are outside the scope of the NQF

Information requests:

2.2 Cultural safety in the NQF

TPH strongly supports the strengthening of cultural safety of ECEC services and looking at both individual centres and their practices together with system-wide frameworks and support. Cultural safety is a key underpinning factor to facilitate universal access, enhancing inclusion and belonging and relationships between children, families and staff.

Cultural safety should be embedded in practice and not viewed as a problem to be solved, or an "added extra." It should be viewed through the lens of social cohesion and a rights-based approach for all children. Culturally safe ECEC services and workplaces are the key to wellbeing, identity, belonging and connection to community. Most importantly, by enabling people to be themselves and contributing to feeling safe in themselves, it strengthens outcomes for children and supports staff to work in a culturally safe environment.

TPH supports a cultural and social inclusion plan as part of the Quality Improvement Plan, to elevate the requirement for services to meaningfully address and embed cultural safety, provided it is accompanied by resourcing and support for staff. Professional development for all teachers, educators and service leaders is an important part of understanding and providing culturally safe services and workplaces.

The Inclusion Support Program as it stands does not address cultural safety and is designed for children with disability and additional needs. Cultural diversity is not an additional need.

The unique cultural and educational needs of First Nations children and communities must be recognised by working collaboratively with Aboriginal and Torres Strait Islander services, communities, and peaks. TPH supports the recommendation by SNAICC that consideration be given to developing a unique framework and standards which apply to First Nations ECEC services.

8.1 Provision of Service ratings for families

Discussed in text above

8.2 Regulatory action against serial underperformers

Discussed in text above

8.3 Support for services to meet the NQS

Discussed in text above

7. ACCESSIBILITY:

National Vision: Geographic or cultural barriers to attending a high-quality ECEC are removed. Services are supported to provide flexible models that meet the needs of their community and link with support services where families need them.

TPH welcomes the deliberative approach that the Draft Report envisages for the identification of areas of unmet need as part of delivering universal access to ECEC. A system is not universal unless there is a place for everyone.

7.1 Improving access in thin markets

While the market-based ECEC system has delivered a substantial increase in places over the last decade, the Draft Report and the ACCC report has identified that there are simply too many 'deserts' where insufficient places are available. Our parent survey showed that while 72% of inner metro and 70% of outer metro families used formal care, this fell to 64% for rural and regional families.

TPH's latest report "Choiceless" documents how inaccessible ECEC in rural and regional areas impacts families and communities, underscoring the urgent need for change. We have collated over 160 stories and case studies of the challenges faced by modern Australian families where the current ECEC system is anything but universal. The report recognises that market solutions and current funding models fall well short of what is required. Innovative strategies are needed, and a recognition that we need to go beyond a 'one size fits all' approach. A full copy of the report is provided as an attachment to this submission.

The PC's Draft Report identifies some of the solutions that could help to bring choice to families that currently have no choice when it comes to ECEC:

- Building supply in 'thin' or 'underserved' markets through innovative approaches to supply side funding. Such funding needs to go further than the small, piecemeal funding currently offered through the Community Child Care Fund, and be backed by a systemic commitment to deliver universal access for all children no matter where they live;
- Reinvigorating family day care as a possible solution to thin markets, particularly where centre based day care is not viable;
- Additional funding to expand the network of Aboriginal and Torres Strait Islander community controlled ECEC services;
- Exploring the roll out of integrated service provision in communities experiencing disadvantage, bringing multiple children's services (including ECEC) under one roof;
- Abolishing the activity test, which will improve the viability of many mainstream ECEC services in low income communities where workforce participation rates are low;
- Requiring the ECEC Commission to build a national database on demand and supply, and report to and hold to account Governments for the delivery of universal access.

These proposals would all make a difference to provision in underserved markets. But central to it all is the will and commitment of Governments to deliver universal access everywhere and to everyone. That will not be a cheap exercise. There will be infrastructure and workforce challenges to deliver it. What is needed fundamentally is the will of Governments to deliver, articulated in national legislation that requires action, and holds governments to account for delivery.

Australia has achieved that with universal access to telecommunications, Medicare and schools, all vital parts of national infrastructure. So too is ECEC - an essential service - to which universal access should be an entitlement, for everyone, everywhere.

7.2 Role of the Not-for-profit sector

The Commission has noted that over the last decade, over 90% of the growth in ECEC provision has been in for-profit provision, and invited comments as to why the NFP sector has not grown.

TPH would like to know why this is the case as well. The ACCC reports show that:

- NFP services have much lower fees than for-profit services, and have increased their fees less than for-profit services;
- NFP services have on average higher quality;
- NFP services are more likely to serve rural and regional communities than for-profit services, which are much more prevalent in the more lucrative major cities;
- NFP services pay their educators more, have much lower levels of staff turnover and as a result have more experienced teachers and educators;
- NFP services are more efficient, with much lower overheads for finance and administration, lower property costs and lower profit margins;
- NFP services are more likely to invest their surpluses in inclusion or community-facing activities.

Given this evidence, in building a road map to a universal system of affordable, quality ECEC system, the question of why there are not more NFP services should move from being an interesting academic exercise to a more fundamental one. NFP services are clearly more effective than for-profit services in delivering the broader objectives of affordability, accessibility, equity and quality. A robust stewardship system dedicated to delivering universal access to affordable, quality ECEC would want more services committed to delivering that vision, not less.

Thus a universal system should have at its heart expansion of NFP and public provision of ECEC, and reducing the reliance on the private sector to deliver it. It is no mistake that the Canadian Government, in the rollout of its \$30 billion National Childcare reform, has committed to delivering expansion through the NFP sector. Similarly, it is no mistake that many of the highest cost ECEC systems identified in case studies in the Draft Report rely most heavily on private provision.

Fundamentally, the main reason why the for-profit sector has grown much faster than the NFP sector is because of access to capital. The banks, private equity and even mum's and dad's superannuation funds are happy to invest in private ECEC because it is seen as a good investment backed by a guaranteed 'river of gold' from Commonwealth subsidies. Parents and the Commonwealth end up paying for this – the large debts accumulated by investors to buy and sell child care centres have to be serviced, and that accounts for part of the higher fees in the private sector. Around 13.5% of fees at one large for-profit provider goes to service debt repayment for example.

To ensure that the NFP sector grows, Governments will need to invest more in it. There needs to be a commitment that families should have a choice of a high quality NFP service in every local market. That would help keep fees down, and also set a higher quality benchmark. In the short term, it will cost Government more in capital grants, low interest loans and loan guarantees. But in the longer run, there would be considerable savings for Government in

terms of lower fees, and in the much longer term further savings that flow from children having access to high quality early learning. TPH would encourage the Commission to model the cost benefits of alternative forms of investment in ECEC supply.

That is not to say that there is not a role for private ECEC in a universal system. There are lots of great and dedicated, high quality private providers – 16% of private long day care centres have been rated as Exceeding the National Quality Standard. A universal ECEC system should continue to include private services that are delivering on quality, affordability, equity and access, backed by a more robust stewardship model that holds providers to account for the substantial public funds that they receive.

7.3 Supply issues in OSHC

TPH was pleased that the Draft Report dealt with the serious supply issues in OSHC (p. 326-7) and noted the vital role that schools play in facilitating and thwarting supply of OSHC. Schools in metropolitan areas are three times more to offer OSHC than schools in outer regional or remote areas, schools in high SEIFA areas are three times more likely to offer OSHC than schools in low SEIFA areas. Even where a school offers OSHC, too often there are not enough places for all children who need it.

State Education Ministers and State education bureaucracies need to take responsibility for ensuring that the supply of OSHC places is sufficient to meet supply. The Commonwealth, which funds OSHC through the Child Care Subsidy, could drive this by elevating the delivery of OSHC as a subject for National School Funding arrangements.

Parents need to be part of that conversation. Parents should be able to petition the State Education department to ask for an OSHC service, or to ask that it be expanded. The local school principal should not be an impediment to this – it should be part of what a school offers.

TPH would recommend that the ECEC Commission regularly report on demand and supply of OSHC at a local market level, and hold State education departments to account for delivery of what families need to have delivered.

RESPONSE TO RECOMMENDATIONS

Recommendation	Response
5.1 Support universal access in persistently thin markets via supply-side funding.	Support
7.4 Examine planning restrictions related to operating hours	Support
7.5 Ensure occasional care is available where needed	Support
7.6 Support out of preschool hours ECEC	This issue may be worth further consideration by the ECEC Commission,

	<p>noting that OSHC attached to preschool may raise quality concerns as OSHC is typically delivered by different teams of educators, may not adequately support working families if not offered in non-term time, and could adversely impact on the viability of nearby CBDC services that must charge fees for a comparable day given preschools are generally free. A better approach may be to encourage and support preschools to convert to long day care where there is demand in the community.</p>
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Information requests:

5.1 Low rate of expansion among not-for-profit providers

Response to be provided

5.2 Planning processes and availability of ECEC

Gordon’s comments To Be INcluded

5.3 Barriers and potential solutions to providing more flexible sessions of ECEC

In home care (IHC) plays an important role within the early childhood education system, providing care for children who have no other access to ECEC; in households where the parents or carers work non-standard hours, the child or family has complex needs, or where the family is geographically isolated from ECEC services.

Currently, the IHC system does not adequately serve these three cohorts²⁶. For rural, remote and farming families, there are specific needs that are not met through the current system.

Regional and remote families find the IHC system complex, difficult to navigate, time consuming, slow and with inflexible criteria. The IHC program is intended to be temporary, which presumes that there will be some change in circumstance that would allow families or children to transition from IHC²⁷. However, this is not the case for most rural and remote families, rendering the six-monthly paperwork ineffective and serving as a further impediment to accessing IHC.

IHC is also expensive. Agricultural families can find predicting their income, and therefore their eligibility for IHC, difficult which can place financial pressure if they are deemed ineligible after applying. Andrea McKenzie in Cunnamulla, Queensland, states, “Miscalculating our income could mean - on top of covering the whole cost of the educator privately - paying the agency fees could be \$15,000 per year.”

²⁶ (2024) ACCC Childcare Inquiry – final report.

²⁷ (2020) Australian Institute of Family Studies and Social Policy Research Centre, In Home Care Evaluation Report.

If the family is eligible, the high costs of IHC can still be challenging. One parent in rural SA states she pays four times the cost of daycare for her children to access IHC. Fees often rise and change without any explanation²⁸. Regional and rural families have additional expenses beyond the fees, often having to pay for travel, accommodation, and even “utilities, wifi, fuel and meals” to “entice candidates to move out here”, shares Hannah McKillop, a parent in Cunnamulla, QLD²⁹. Many families do not have the financial means or physical space to house and provide for an IHC carer.

The IHC workforce is declining, making it difficult for families to find an educator through the system. There is little financial incentive for educators to remain in or enter the IHC sector, who find more lucrative work in NDIS or other similar roles³⁰. There are also fewer remote IHC services in operation due to the expenses of working in a remote location³¹.

Families struggle to find a suitable candidate who hold a Certificate 3 qualification, a first aid certificate, and can develop a suitable learning plan for each child. Additionally, agricultural families require carers who can work shifts which match farm life, can assist with domestic duties and understand life on a property or station. Many families find nannies with a rural background are more appropriate to care for their children, and easier to find.

The Parenthood supports Recommendation 5 from the ACCC's Inquiry into Childcare final report: “The Australian Government should design policy options to better meet the needs of children and households for whom in home care services are intended to serve.”³²

We also support the ICPA's recommendations that an IHC program be established for rural and remote families, with amendments that cater for the specific needs of these families³³. This should include support for rural and remote families who have to provide board and lodging for their educators to reduce families' gap payments. The ACCC considers “direct supply-side funding to providers or direct supply by government”³⁴ could improve provision of IHC to families.

Flexibility within the required qualifications for rural and remote educators could expand the workforce. The Parenthood recommends that the Government consider reviewing the IHC National Guidelines to enable more people to enter the IHC workforce and to perform more tasks which support the needs of rural and remote families. A simplification of the application process would also assist families with applying for, and utilising, IHC.

²⁸ (2022-2023) Isolated Children's Parents' Association Inc, Briefing Paper.

²⁹ (2023) The Parenthood, 'Choiceless: The plight of parents in accessing regional, rural and remote early learning and care', page 43.

³⁰ (2024) ACCC Childcare Inquiry – final report.

³¹ (2024) ACCC Childcare Inquiry – final report.

³² (2024) ACCC Childcare Inquiry – final report, page 10.

³³ (2022-2023) Isolated Children's Parents' Association Inc, Briefing Paper.

³⁴ (2024) ACCC Childcare Inquiry – final report, page 197.

8. WORKFORCE:

National Vision: The ECEC workforce is highly skilled, valued, and professionally recognised and the sector is supported to attract and retain workers.

TPH recognises that addressing the crisis in the ECEC workforce is fundamental to building a universal ECEC system, and must be the first priority of reform. Without a stable, professional ECEC workforce supported by an expanded pipeline, there cannot be more places to accommodate more demand, there won't be quality in learning programs and there won't be the extra support needed to deliver inclusion and equity.

The Draft Report documents the shortages and challenges facing the sector well. It contains some important recommendations to build the pipeline of early childhood teachers, and for expanding professional development opportunities for educators. But, as a whole, it falls short of what is needed to address the workforce crisis, which needs a more comprehensive response to the issue of low wages and its impact on attraction and retention.

TPH would urge the Commission in its Final Report to:

- Recommend that wages and conditions in the sector need to be increased to be broadly comparable with the rest of the education sector (i.e. schools) to address attraction and retention;
- That a new funding stream be established to support wages (see affordability section);
- That the Workforce strategy be totally revised and include a range of measures to expand the pipeline of new teachers and educators, including the measures in the Draft Report on teachers, but also measures on educators such as expanding migration priority lists, increasing access and support for traineeships and programs to 'win back' educators who have left the sector (once wages are fixed);
- Support for professional development be expanded further, including allowing whole centres teams to take a couple of 'child free days' each year for whole of team training as occurs in schools and pre-schools, and also ensuring that funding program covers in-centre training such as mentoring in room.

Parents across the sector are currently struggling to access places because providers can't find the staff to support those places and rooms are capped. The most recent survey by the Australian Childcare Alliance showed up to 50% of surveyed centres had had to cap rooms. Workforce shortages are impacting on access and, as the ACCC has found, on provider costs. Thinly stretched centre teams burn out and leave, exacerbating shortages even more.

Given this is the real life experience faced by families, providers and educators, it is just not good enough that the Draft Report makes no recommendation on wages but instead says it is a policy matter for Government. This is particularly disappointing when the terms of reference the Government has provided the Commission expressly asks for advice on whether current government initiatives are sufficient to meet ECEC workforce requirements. The Final Report needs to address the elephant in the room more emphatically, or risk being seen as incomplete.

Recommendation	Response
3.1 Reduce barriers to educator upskilling	Support
3.2 Support innovative delivery of teaching qualifications	Support
3.3 Support registration arrangements for early childhood teachers	Support
3.4 Lift support and mentoring for new early childhood teachers	Support
3.5 Improve Pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications	Support
3.6 Contribute to professional development for the ECEC workforce	Support, add paragraph to support team training days and mentoring
3.7 Improve the ECEC Workforce Strategy	Support
Fund a wage rise for educators and teachers comparable to schools	New recommendation needed

9. SYSTEM STEWARDSHIP:

National Vision: “Governments take a holistic approach as stewards of the ECEC system in partnership with the sector, shaping a system that is nationally coherent and connected and responsive to community needs and outcomes for families, providers, and the workforce.”

TPH welcomes the discussion in the Draft Report and the ACCC’s Final Report on the need for a robust stewardship arrangement for ECEC. There are already elements of a national framework in place, such as the National Quality Framework and the Preschool Reform Agreement. But current arrangements fall well short of what is needed to build each of the elements of a universal ECEC system.

In TPH’s view, the starting point needs to be a set of guiding principles and objectives on what Government wants the new system to deliver. National Cabinet’s draft Vision for ECEC provides a good starting point for this, with the overarching principles of accessibility, affordability, quality and equity.

The second step needs to be national legislation that expressly outlines the expectations of Government on what a new universal ECEC system should develop. The national legislation should:

- Define a high-quality early childhood development system which includes families, communities, Commonwealth, State and Local government providers in health, human services, and early childhood education and care.
- Define a nationwide entitlement for all Australian young children and families, an Early Childhood Guarantee which includes flexible paid parental leave, universal and free access to maternal and child health care with additional support for families who

need it, and at least three days of early learning per week for every child, with additional days for those who need it.

- Establish an ECEC Commission as a joint statutory body between the Commonwealth and State/Territory Governments that would be responsible and accountable for delivering a high quality, universally accessible early childhood development system and an early childhood entitlement which would support state and territory governments to establish and maintain a high quality universal early child development system, clarify and, where required, negotiate the roles and responsibilities of the Commonwealth and State Governments and ensure consistent universal access to three and four-year-old preschool across all jurisdictions.
- Legislate a 10-year timeline for delivering a high quality, universally accessible early childhood development system and early childhood entitlement.

The third step should be setting up the national ECEC Commission that would hold both levels of Government to account for the delivery of the objectives of a universal ECEC system. The Commission should monitor demand and supply of places, affordability and excess fees, quality and regulation of quality, workforce, and whether the needs of children for inclusion support are being adequately met. The Commission should also be a clearing house for ideas and research to drive the next stages of the reform agenda over the next decade.

The fourth step should be a national partnership agreement between the Commonwealth and States that articulates very clearly the funding and policy responsibilities of each level of government to deliver on the policy and objectives of a universal ECEC system outlined in national legislation.

The fifth step should be substantially beefed up and better resourced regulatory authorities with a wider remit than they currently have to deliver on the policy and objectives of the universal ECEC system, including holding providers to account for delivery of it.

In all of this, it is crucial that the voices of providers and educators who actually deliver the system, and of parents and communities who use it, are heard at all levels of decision making.

RESPONSE TO RECOMMENDATIONS

Recommendation	Response
9.1 Improve policy coordination and implementation	Support, but underpin the National Partnership Agreement with national legislation, complemented by State and Territory legislation that outlines the objectives and operating principles of the national ECEC system, and ensures all agencies delivering that system are held to account against those principles.
9.2 Establish an ECEC Commission	Support, but go further so that the voices of providers, educators and users (i.e. families)

	are fully captured and heard in the Commission. The Commission should have more augmented powers to hold Governments and the sector to account on the delivery of the 4 overarching principles of a universal ECEC system

Information request

9.1 The scope of the ECEC Commission and whether it should include ACECQA

Discussed in text above