

27 October 2023

Dear Commissioners,

The Y is pleased to provide comment on your September report.

Background

The Y in Australia is a social enterprise, operating in more than 680 communities, with 11,500 employees and over 16 million visits to our programs and facilities over the past year.

The Y's mission is to empower children, young people and communities Australia-wide to build a just, sustainable, equitable and inclusive world, where every person can thrive in body, mind and spirit.

Across Australia the Y offers a wide range of programs and services to support children and young people across their lifespan, in every state and territory.

The Y has an extensive footprint in early learning, kindergarten and OSHC across Australia, including:

- 56 Early Learning Centres
- 93 stand-alone Kindergartens
- 248 Out of School Hours Care Programs.

Around 4,000 Y staff provide education and care to over 56,000 children. This means more than 36,000 families have the opportunity to increase their engagement in the workforce and community.

Around 7,300 of the children in our care are from culturally and linguistically diverse backgrounds and some 2,200 children in our care identify as being of Aboriginal and/or Torres Strait Islander origin.

The Y value opportunities to provide feedback and our expertise to the Australian Competition and Consumer Commission's (ACCC) Childcare inquiry, including on the findings and recommendations of the September 2023 second interim report.

The Y understands that providing universal access to early childhood education and care is an Australian Government priority. We support this goal and want to play a role in its delivery. The ACCC inquiry is making an important contribution to Government's reform agenda by successfully identifying barriers to universal access in the current funding model.

Greater workforce recognition through improved wages and conditions

At the core of quality education and care is a quality workforce. This requires an appropriate investment from Government to ensure the Early Child Education and Care (ECEC) workforce is appropriately recognised and that the sector can attract and retain skilled staff. As identified in the interim report, the cost of labour accounted for the largest costs in both centre-based care and out of school hours care programs.¹

¹ Labour accounted for 68.6 per cent of all costs in centre-based care and 76.9 per cent in outside school hours care.

If services providers were to increase wages and remain financially viable, these costs would flow on to families – making an essential service out of reach for many. Fundamentally, wage growth is almost entirely dependent on Government funding levels through the Child Care Subsidy. To ensure the childcare service providers can meet the community demand, we urge the ACCC to include strong recommendations on increased Government funding in its final report.

Access and inclusion

We welcome recommendations that improve access to early education and care and remove barriers for families – particularly those experiencing socioeconomic disadvantage. Specifically, we support:

- Removal of the activity test
- Increased funding to support labour costs associated with providing childcare services in remote areas and to children with disability and/or complex needs
- Better identification and support for under-served areas and vulnerable cohorts
- Simplifying the payment and subsidy process for families.

However, we caution that any potential reform should be considered by, and implemented in, close consultation with the sector. This will help prevent any unintended consequences for families or service viability. For instance, while we inherently support greater funding to ensure more equitable service provision, changes to the funding structure and hourly rate caps will need good sector consultation to minimise and reduce the administrative/reporting burden on our already stretched services, and to avoid oversimplified assumptions about children's needs.

In finalising its recommendations, we also note the importance of reviewing what works across other state and territory models of funding to support equity and mitigate labour costs. For example, the Victorian Government provides rural base funding for kindergarten which ensures:

- A base level of funding for regional and rural services to support the ongoing financial viability of services
- A pre-paid places funding program that reserves kindergarten positions for children known to child protection, refugees and Aboriginal and Torres Strait Islander children who have missed enrolment dates
- Financial support for regional and rural services to minimise overhead costs.

Many states and territories also offer capital grants programs which support early education providers to make infrastructure and refurbishment upgrades to ensure facilities are fit-for-purpose and accessible.

Supporting not-for-profit and community service providers

We are greatly encouraged with the initial Inquiry findings acknowledging the critical role of not-for-profit providers, as well as the distinct challenges experienced by not-for-profits in a marketised system. As a not-for-profit, we are focused on embedding equity and inclusion in our early childhood education and care service delivery, and we pride ourselves on our ability to provide quality services delivery in diverse communities across the country.

Not-for-profit services play a crucial role in the market – particularly in providing services in underserved communities and providing more affordable options for families. We hear from our members that if Government were to strengthen its monitoring and intervention role, some smaller providers may be reluctant to stay in the market. This will particularly impact regional and rural areas who are already struggling to break even.

We also urge that if Government were to adopt a stronger market stewardship role and create a tender process to service under-served areas, then sector consultation will be critical to establish a process that provides strong and effective partnerships. Tender cycles that are too short are not cost effective for providers and constrain their capacity to innovate and invest. Mitigating the adverse impacts of short funding agreements and uncertainty of future funding on the community sector is currently a priority area for the Australian Government, supported by the Department of Social Services' consultation on how the Government can support a stronger, more diverse and independent community sector.

Starting Blocks website

In line with the findings in the report, we hear from our communities that the Starting Blocks website is not widely known or used among families. Before proceeding with any large investment in improving the website, we suggest that the Government consult closely with the community to better understand how they prefer to access information, and what information is helpful.

We also recommend that Government consult closely with the sector is designing the information and publishing requirements to create a manageable and practical process that doesn't put workload pressure on service providers and educators. In our submission to the Draft National Care and Support Economy Strategy 2023 consultation, we detailed the complexity and burden of current reporting processes and systems, such as:

- Clunky and difficult to use IT systems
- Duplicative reporting requirements and manual data entry
- Poor interaction between state/territory and Commonwealth systems
- Little training and support to navigate these systems.

Our Vision is for a better world with and for young people and the Y knows this starts in the early years of a child's life.



We believe in the power of
inspired young people

The ACCC's work on this inquiry will be an important step in reshaping the Australian ECEC sector toward a universal system that supports every child to realise their potential and contributes to their wellbeing. We thank the ACCC for the opportunity to provide feedback and look forward to working with Government in implementing future reform that supports children's and families' access to quality ECEC.

Warm regards,

Tal Karp

CEO, Y Australia