

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

Submitted by: Y Australia

February 2024

#### **Acknowledgement**

The Y acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend respect to all Aboriginal and Torres Strait Islander peoples today. The Y recognises Aboriginal and Torres Strait Islander peoples as the first peoples of this continent and the islands of the Torres Strait. In doing so, we acknowledge our shared history; recognise the right to self-determination and the importance of connection to country. We acknowledge and respect the distinct Aboriginal and Torres Strait Islander cultural differences, beliefs, values and languages.



## Executive Summary

The Y is a not-for-profit movement that exists to support children, young people and the community across every state and territory in Australia. We welcome the opportunity to draw on our extensive experience and on-the-ground expertise in providing a second submission to the Productivity Commission's Inquiry into the Early Childhood Education and Care (ECEC) sector.

The Y commends the Productivity Commission on its draft report and considered findings and recommendations. These recommendations will make important progress in achieving quality and equitable access to early education and care for all children and their families – a vision shared by the Y.

We welcome all recommendations with the exception of 9.1, whereby it is proposed that states and territory governments should take on the responsibility of ensuring the delivery of Out of School Hour Care (OSHC) in government schools. We are concerned that this recommendation will create fragmentation, reduce access to services and negatively impact workforce participation and productivity.

Our submission provides feedback on recommendations that can be strengthened or expanded, as well as areas we urge the Productivity Commission to consider in its final recommendations (for example, the essential role of OSHC). Our submission also responds to the Productivity Commission's requests for information. Namely, the effectiveness of traineeships, the low rates of expansion of not-for-profit providers, and the suitability of the National Quality Framework (NQF) for OSHC.

Our submission focuses on five key areas that should be addressed in the Commission's final report to the Australian Government. The focus on these areas reflects the feedback we have received from state and territory-based members of the Y that run approximately 430 services across OSHC, Kindergarten and Centre Based Day Care. Those areas are:

- Further opportunities to address the ECEC Workforce crisis including wages, subsidies for wage increases, traineeships, skilled migration reforms and specific workforce programs for regional and rural areas.
- The negative impacts of the draft recommendations on OSHC that will erode national productivity and reduce access to services for children at Primary schools.
- Important changes to proposals on the Inclusion Support Program including a future shift to needs-based funding.
- Opportunities to work with the not-for-profit sector to expand services in childcare deserts.
- The need for close sector consultation on reforms of the NQF and for a specific review of the National Quality Standards in OSHC settings.

## Our Recommendations

### 1. ECEC Workforce

1. The Productivity Commission's final report includes stronger recommendation highlighting that:
  - Wage increases are critical to ensure a quality and sustainable ECEC workforce.
  - Allocating increased wage costs to families or providers will undermine universal access and service viability. Significant Government investment is needed to support higher wages.
  - A mechanism is needed to ensure any eventual wage increases from enterprise bargaining underway flow to all workers in the sector without delay.
2. The Productivity Commission should recommend that the Australian Government continue to invest in innovative and targeted ECEC workforce solutions, including group training, to address workforce shortages by delivering secure, safe jobs with decent wages, conditions and opportunities for career development.
3. The Productivity Commission's final report should emphasise the need for a coordinated, multi-government approach to delivering rural and regional-specific workforce ECEC recruitment and retention interventions – including, but not limited, to traineeships.
4. Skilled migration is a valuable tool to alleviate the workforce crisis. The Productivity Commission's final report should recommend that the Australian Government deliver a system that offers skilled migrants job security, fair wages and meaningful work as a key avenue to address workforce shortages in ECEC. More specifically, we recommended government should:
  - Progress the Northern Territory ECEC pilot of the Pacific Australia Labour Mobility (PALM) Scheme.
  - Review the Temporary Skilled Migration Income Threshold (TSMIT) level for the Pilbara and Goldfields as Designated Area Migration Agreements (DAMAs) in Western Australia (WA) to enable recruitment of skilled ECEC staff and extend the existing Pilbara DAMA to the East Pilbara.
  - Support the making of an Industry Agreement for the ECEC sector with an appropriate TSMIT reflecting award wages for skilled workers.
  - Work with the sector on further reforms opportunities outlined in the Migration Strategy that can contribute to fixing the ECEC workforce crisis. This includes the development of 'skills in demand visas' and further consideration of migration settings for lower paid skilled workers including in regional Australia.

## 2. Outside of School Hours Care

5. OSHC is a critical national tool to drive workforce participation and productivity. The limitation of Draft finding 5.1 and 6.2 to children up to five years of age will fragment the system and reduce family access to OSHC. The final report should:
  - Better reflect the workforce participation/productivity benefits of OSHC within the context of ECEC services.
  - Ensure recommended reforms provide a continuous pathway of support to women to return to work up to the point their children are in the later years of Primary School.
  - Better capture the workforce participation/productivity benefits of ECEC services.
6. The Productivity Commission should recommend the Australian Government retain primary responsibility of OSHC services to avoid over-fragmentation and complication of childcare services for families and services providers.
7. The Productivity Commission's final report should state that the proposed National Partnership Agreement, or other similar government agreements, include a state and territory responsibility to provide oversight and support of procurement and contract management processes to ensure that probity is applied, positive partnerships between schools are fostered and the sustainability and growth of OSHC is promoted.
8. The Productivity Commission's proposed review of the National Quality Framework (draft recommendation 8.2) should include a focus on the National Quality Standards in OSHC settings, aiming provide setting-specific guidelines that support quality and consistency across providers and regulators.

## 3. Inclusion Support

9. The Productivity Commission should revise draft recommendation 2.4 to include removing unintended deterrents for service providers to utilise the subsidy, including out-of-pocket costs for unexpected child attendance' to promote uptake of inclusion supports.
10. The Productivity Commission should include explicit mention of the need to co-design the proposed Inclusion Support Program reforms (draft recommendations 2.3 and 2.5) so the needs of children, their families and service providers are understood and reflected in future iterations of the program.
11. The Productivity Commission should recommend the Australian Government consider a future shift to needs-based funding to sufficiently resource the sector to proactively invest in capability building, reflective practice and service improvement to embed inclusion throughout all practice.

#### **4. Not-for-profit providers**

12. The Productivity Commission should include a recommendation that Australian Government provides supply-side funding to not-for-profit and community providers to address thin markets and childcare deserts. This funding should include:
- Operational funds to support the associated operating costs in thin markets/childcare deserts.
  - A capital/infrastructure grants program to support not-for-profit ECEC providers to expand placement offerings and help ensure facilities are fit-for-purpose, accessible and provide positive learning environments.
  - A concessional loans program to offer not-for-profit providers alternative access to investment for construction and upgrades of new facilities in thin markets and childcare deserts.

#### **5. National Quality Framework**

13. The Productivity Commission should recommend that governments consult closely with the sector in implementing the findings from the Review of NQF staffing and qualification regulations to ensure policy application considers sector complexities, differences in childcare settings and place.

## About the Y

The Y (formerly the 'YMCA') in Australia is a not-for-profit organisation, operating in more than 680 communities, with 11,500 employees and over 16 million visits to our programs and facilities over the past year.

As a not-for-profit movement that exists to support children, young people and the community across every state and territory in Australia; and across 120 countries globally, the Y is committed to supporting people from all backgrounds and walks of life to reach their full potential, with dignity.

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.

The work of the Y in Australia is driven by our bold vision – to create systemic change for a better world with and for young people – across four strategic pillars:

- Community Wellbeing
- Meaningful Work
- Sustainable Planet
- Just World.

Globally, the YMCA is the largest youth movement in the world, reaching 65 million people in over 120 countries, on every continent.

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.

These programs employ around 4,000 staff to 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 First Nations.

Our workforce is dominated by women (88%) and just under a third are under the age of 30 years. The Y across Australia is committed to drawing from its significant knowledge and experience relating to early years, to improve the lives of children and families.

The Y supports the Universal Declaration of Human Rights (1948), which declares that childhood is entitled to special care and assistance. As a signatory to the United Nations Convention of the Rights of the Child (1989), Australia must uphold the rights of the child at all levels of society, ensuring that every child is treated with respect and dignity and their voices are heard and valued.

Alongside the Alice Springs (Mparntwe) Education Declaration (2019), The Y recognises ECEC as the foundational level of Australia's education system, working in partnership with families to provide a solid basis for early development and learning. Australia must continue to strive to promote children at all levels of society and uphold their rights as proclaimed by the United Nations and the Alice Springs (Mparntwe) Education Declaration.

## 1. ECEC workforce

### Increased wages as the foundation for ECEC reform

#### **Recommendation**

- The Productivity Commission's final report include stronger recommendation highlighting that:
  - Wage increases are critical to ensure a quality and sustainable ECEC workforce.
  - Allocating increased wage costs to families or providers will undermine universal access and service viability. Significant Government investment is needed to support higher wages.
  - A mechanism is needed to ensure any eventual wage increases from enterprise bargaining underway flow to all workers in the sector without delay.

The workforce shortage crisis is the single most important priority for our services. We are encouraged to read the draft report's focus on workforce issues and the impact on teachers and educators, families and service providers alike. As identified in the report, we view that while there is significant potential to improve career progression and qualification pathways for existing and new staff, any reform to attract and retain quality staff to the sector will have limited impact without addressing low wages.

Analysis<sup>1</sup> has shown that if service providers were to increase wages without government intervention, prices for childcare would need to increase to offset the increased operational costs. This is particularly pertinent for not-for-profit and community providers who operate within small profit margins. Consequently, these costs would flow on to families – creating increased access barriers for many and moving further away from the intent of universal access.

Government must immediately prioritise a sizeable wage increase to attract and retain the workforce required today, and as we work towards a system of universal access (as committed to in the newly released draft Early Years Strategy 2024-2034).

Prioritisation of funding for ECEC wages in the 2024 Federal Budget will be crucial.

The workforce crisis is sector wide but the current enterprise bargaining referenced in the draft report only covers a small component of the sector. Most long day care and all OSHC services are outside its scope. A strong wage outcome funded by government is a critical first step, but there is an equally critical second step. Government needs a sector wider mechanism to quickly flow on wage increases from the small number of parties in the Enterprise Bargaining process to all workers in the sector.

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<sup>1</sup> Dandolo Partners. (2023). *The cost and impact of different funding approaches to increase ECEC sector wages*. Available at [aca-dandolo-report---wage-increase-analysis---june-2023.pdf \(childcarealliance.org.au\)](#).



## Traineeships as key mechanism to grow the ECEC workforce

### **Recommendation**

- The Productivity Commission should recommend that the Australian Government continue to invest in innovative and targeted ECEC workforce solutions, including Group Training, to address workforce shortages by delivering secure, safe jobs with decent wages, conditions and opportunities for career development.

We consulted with our services on staff quality since the ECEC Vocational Education and Training reforms. While some noted that it was too early to tell, others commented that they have observed no improvement or that that quality is waning.

There was, however, strong support for traineeship-type models and approaches across our services to help develop a pipeline of quality new staff, provided the volume could meet the demand. This hands-on approach would equip trainees with relevant skills that enhances their job-readiness, together with the support and mentorship of experienced educators, all while earning a wage. Recent investment in ECEC traineeships at federal and state and territory government levels also demonstrates that there is an increased recognition of the value in this approach to help address workforce shortages and demand.

Nevertheless, traineeship-type models can pose challenges for the sector and future employees. For instance, small and medium providers may not have the skills and capacity required to support a trainee, nor have enough work hours available for the trainee to meet qualification requirements. Further, jobseekers may be reluctant to take on traineeships with the lower wages offered than other entry-level employment.

As both a large provider of ECEC nationally, as well as a youth-organisation committed to providing meaningful pathways for young people, we do hold concern that without strong quality assurance, increased funding in ECEC traineeships could also attract sub-standard training organisations incentivised to churn out poorly qualified trainees who are not supported to succeed.

Group Training Organisations (GTOs) play an important role in mitigating these challenges, particularly in a sector dominated by small providers. These benefits include:

- Security of employment and correct payments for trainees.
- The ability to move trainees between a host of employers to provide sufficient hours and a variety of work experience.
- Reducing the resource burden on traineeships on providers by arranging formal training and assessment processes, taking responsibility of employer obligations (including pay and employee entitlements) and selecting and recruiting trainees.
- Providing mentorship and support throughout to trainee throughout the contract of training.<sup>2</sup>

A 2019 National Centre for Vocational Education Research comparing completion rates between GTOs and direct employers and found that GTO completion rates were higher than the rates for both small and medium, and large direct employers.<sup>3</sup>

<sup>2</sup> O'Dwyer, Lisel 2019, Completion rates for group training organisations and direct employers: how do they compare? Support Document: Literature reviews and other appendices, National Centre for Vocational Education Research, Adelaide.

<sup>3</sup> *ibid.*

Acknowledging the vast benefits of traineeships and GTOs, as well as sector challenges, Y Australia has been funded by the Australian Government to establish Y Careers, a new, innovative social enterprise which aims a new pipeline of workers in the care sector while ensuring young trainees are provided with wraparound support.

Co-designed with young people and the sector, Y Careers addresses industry challenges by:

- Working with young people and supporting them with employment and training opportunities to help them pursue meaningful career pathways.
- Supporting young people to build their work ready skills, capabilities and experiences, while providing a competitive hourly wage.
- Engaging employers to make meaningful employment opportunities available to young people
- Supporting young people will be provided with a dedicated Career Coach and single employer, which helps to deliver access to meaningful employment, ongoing scaffolding and wraparound support to help them succeed and to empower them to explore their future career portfolios.

This approach will help the large and growing cohort of young people who are not able to access the training, support and experience required to build meaningful careers.

The Y Careers model is intended to disrupt the current state of traditional recruitment and training schemes and achieve greater rates of engagement and retention of young people, greater feelings of satisfaction at work, and young feeling supported to navigate challenges and solve problems.

Y Careers also aspires to create a community for and who are behind young people and their success and in doing so, helping to foster a sense of purpose and identity and creating an in-group that young people want for their lives and to be a part of.

## **Recognise the increased workforce challenges experienced in regional and rural areas**

### **Recommendation**

- The Productivity Commission's final report should emphasise the need for a coordinated, multi-government approach to delivering rural and regional-specific workforce ECEC recruitment and retention interventions – including, but not limited to, traineeships.

As demonstrated in recent Government reports and inquiries<sup>4</sup>, the importance of a quality workforce as a precursor to quality ECEC is well founded. The Y welcomes the Productivity's Commission's draft report's focus on workforce challenges and stance that 'ECEC workforce attraction and retention needs to be a priority'.<sup>5</sup> While addressing the pay conditions and the Productivity Commission's draft recommendations to improve upskilling, career progression and professional development as mechanisms to address workforce shortages as a whole,

<sup>4</sup> Senate Select Committee on Work and Care. (2023). *Final Report*. Available at [Final Report \(aph.gov.au\)](https://aph.gov.au); Royal Commission into Early Childhood Education and Care. *Final Report*. Available at [Final Report | Royal Commission into Early Childhood Education and Care \(royalcommissionecec.sa.gov.au\)](https://royalcommissionecec.sa.gov.au); Commonwealth of Australia. (2023). *Working future: The Australian Government's White Paper on Jobs and Opportunities*. Available at [Working Future \(treasury.gov.au\)](https://treasury.gov.au)

<sup>5</sup> p. 58.

we are concerned that the broad solutions will not address the distinct and compounded workforce challenges experienced in regional and rural areas. These challenges include, but are not limited to:

- Difficulties to attract and retain workers to the region, including the increased costs incurred for providers to attract staff
- Lack of affordable housing options for workers.
- Fewer training opportunities in regional and rural areas.<sup>6</sup>
- Lack of experienced staff to support new staff.
- Distance between services preventing the swapping of staff between services/areas to mitigate absences and shortages, or and preventing workers to accumulate more hours.
- Higher rates of staff burnout from persistent heavy workloads.

With these distinct barriers, unsurprisingly, the Australian Competition and Consumer Commission's (ACCC) childcare inquiry found that there were greater staffing constraints in regional and remote areas for centre-based care than in other areas, and staffing shortages for OSCH services were most acute in outer regional areas.

Proposed interventions and market stewardship to increase service provision in rural, regional and remote areas in the Productivity Commissions' interim report will improve financial viability setting up and/or delivering services in underserved communities. However, without staff to work in these services, families will continue to experience barriers in accessing ECEC.

As such, we urge the Productivity Commission to emphasise the need to prioritise a coordinated, multi-government approach to delivering rural and regional-specific workforce ECEC recruitment and retention interventions – including and beyond training. This could sit with the proposed ECEC Commission to drive innovation, collaboration and accountability.

Traineeships, as discussed earlier in this submission, are a valuable tool to address workforce shortages and consideration could be given to develop policies that support traineeships in regional and remote Australia.

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<sup>6</sup> Targeted support for students to enrol in and complete children's education and care qualifications to increase the regional and remote workforce as an identified priority in the National Children's Education and Care Workforce Strategy 2022-2031.

## Maintaining the opportunity for skilled migration in ECEC

### *Recommendation*

- Skilled migration is a valuable tool to alleviate the workforce crisis. The Productivity Commission's final report should recommend that the Australian Government deliver a system that offers skilled migrants job security, fair wages and meaningful work as a key avenue to address workforce shortages in ECEC. More specially, we recommended government should:
  - Progress the NT ECEC pilot of the Pacific Australia Labour Mobility (PALM) Scheme.
  - Review the Temporary Skilled Migration Income Threshold (TSMIT) level for the Pilbara and Goldfields as Designated Area Migration Agreements (DAMAs) in WA to enable recruitment of skilled ECEC staff and extend the existing Pilbara DAMA to the East Pilbara.
  - Support the making of an Industry Agreement for the Early Childhood Education and Care sector with an appropriate TSMIT reflecting award wages for skilled workers.
  - Work with the sector on further reforms opportunities outlined in the Migration Strategy that can contribute to fixing the ECEC workforce crisis. This includes the development of "skills in demand visas" and further consideration of migration settings for lower paid skilled workers including in regional Australia.

The ECEC sector requires a strong workforce pipeline. The Y is committed to supporting young Australians into work. Nationally, more than 50% of our 12,000 staff are under 30 years of age. In 2024, Y Australia is strengthening its commitment to employing young people with our new Y Careers traineeship program.

But local employment alone is not enough to fix the ECEC workforce crisis. The sector needs skilled migration pathways for our workforce if we are going to be able to deliver the services supporting childhood development and women's workforce participation. Skilled migrants need a system that provides fair pay and secure work and a pathway to Australia being their new, permanent home. The Y has drawn on skilled migrants, through policies such as DAMAs and PALM as avenues to recruit staff in areas with local shortages.

In April 2023, the Government announced it was delivering on its election commitment to increase the TSMIT from \$53,900 to \$70,000 from 1 July 2023.

Migrants make up a relatively large part of the ECEC workforce, comprising 28% in 2021. The new TSMIT was more than 40% above the existing award rate for a qualified (Certificate III) Child Care Worker, closing the DAMA pathway for the sector.

At the time, the Y indicated it was supportive of the intent behind the changes but sought to work with Government to manage the significant downstream impacts.

We highlighted that recruiting workers for ECEC Centres in the NT and regional and remote WA was particularly difficult. As of June 2023, around 400 places at the Y NT, and 500 at the Y WA could not be offered to families due to existing staff shortages. Without further intervention, the new DAMA arrangements meant new early

learning centres couldn't open, ECEC placements would be cut in remote and regional centres and there would be disproportionate impacts on First Nations families and children.

The Australian Government engaged in consultation and recognised these issues and we welcome progress in particular to:

- Advance a pilot of the PALM scheme in ECEC in the NT, and
- Revise the TSMIT for the NT DAMA.

Further work can be done to improved skilled migration pathways into the Australian ECEC sector.

The Draft Report has recently observed that recent changes to skilled and student visas to strengthen Australia's migration pipeline "will likely make it more difficult for the ECEC sector to recruit migrants." (PC p176)

Under current arrangements, 'Child Care Workers' who are not group leaders cannot qualify for a skilled visa to enter and work in Australia, but are eligible for other work and study visas.

This is a significant problem as it excludes some 70% of positions employed with a Certificate III or Diploma level qualification from being employed in schemes that the TSMIT applies to. The appropriate vehicle for this could be through an ECEC Industry Agreement. The Aged Care Industry agreement struck earlier this year offers a potential framework for enabling greater numbers for skilled migrants into critical vacancies in the ECEC sector.

The Y commends the Australian Government for its new Migration Strategy. A comprehensive and well considered strategy is vital to meet national skills needs and to provide fair system for migrants. Importantly the new Strategy has recognised that "migration has role to play alongside our education, skills and training systems" to support the significant growth of the care and support economy.

We support the formal role of Jobs and Skills Australia in our migration setting as outlined in the Strategy. This fills a missing link and also provides an opportunity to leverage the new Jobs and Skills Councils like Humanability to draw in deep industry and union expertise.

The ECEC sector is operated by a workforce of 224,000 staff who nearly all possess formal skills qualifications.

- 29% have a Certificate III
- 40% have a Diploma
- 11% have a Degree.

This combined with the significant workforce shortages found by the current Productivity Commission Inquiry (among others) highlights the need for the ECEC sector to be considered a priority in the reform of Australia's migration system.

There are approximately 15,000 ECEC services in Australia. The Y is a relatively large provider but the majority of the sector is comprised of small providers (operating less than five services). The nature of the sector will require future migration system reforms to support the participation of small providers through industry wide arrangements with streamlined administrative requirements.

We note in particular that the Strategy flags that "The Aged Care Industry Labour Agreement and the pathways for aged care workers through the PALM scheme will provide strong lessons for the Government, unions and

employers for any future design of more regulated pathways for lower paid workers with essential skills.” These are important opportunities for the ECEC sector and should be prioritised as actions.

## 2. Outside of School Hours Care

### Recognise the immense economic and community value of OSHC

#### **Recommendation**

- OSHC is a critical national tool to drive workforce participation and productivity. The limitation of Draft finding 5.1 and 6.2 to children up to five years of age will fragment the system and reduce family access to OSHC. The final report should:
  - Better reflect the workforce participation/productivity benefits of OSHC within the context of ECEC services.
  - Ensure recommended reforms provide a continuous pathway of support to women to return to work up to the point their children are in the later years of Primary School.
  - Better capture the workforce participation/productivity benefits of ECEC services.

The draft report has provided a thoughtful and insightful case for national investment in ECEC with a conscious focus on the benefits it provides children at school and later in life.

ECEC is also a critical national economic lever providing immense benefits to families and communities. By providing a safe, convenient and reliable care that allows women in particular to engage in work and education, it supports the national workforce participation rate, a fundamental productivity driver. Unfortunately, in their current form, recommendations in the draft report will have negative impacts on workforce participation.

The Y welcomes the proposed reform for access of up to 30 hours or three days a week of quality ECEC as it will provide vast benefits to children and their families. However, we are concerned that ‘universal access’ is only for children up to five years old, effectively excluding families using OSHC services. It is also unclear from the draft report if lower income families with children older than five will be eligible for the proposed subsidy rate of 100%.

The needs of families and the national economy do not stop when a child enters the school system. Navigating the daily school drop off and pick up is part of life for Australian families and for many, OSHC has become a critical means to manage that daily challenge.

ECEC policy needs to support childhood development and workforce participation. For the latter policy outcome, the system needs to be designed to provide a continuous pathway of support to (mostly) women to return to work and gradually taper off as the need for child care diminishes in the later years of primary school. Dropping off support mechanisms when a child enters the school system breaks that continuity and will undermine women’s career opportunities and national productivity needs.

Limiting these reforms to pre-school age creates a policy barrier that prevents women from engaging, maintaining or increasing participation in work and education.

This will particularly affect those experiencing disadvantage who are unable to afford childcare otherwise. It puts them in the position where, to engage in work or education, they have to juggle alternatives to formal ECEC, including leaving their child home unsupervised. One of our services also highlighted that an abrupt cut off for access to childcare at age five could risk excluding children with developmental and/or access needs who may require additional time in an early years space before transitioning to a school setting.

The Y supports an alternative approach that extends these reforms to provide a continuous pathway of support to women to return to work and gradually taper off as the need for child care diminishes in the later years of Primary School. This provides families with the confidence that while they engage in work or education, their children will be in a safe location, supplied with nutritional food, supervised by trained staff, while socialising and participating in structured activities alongside peers.

## **The Australian Government should retain primary responsibility for OSHC services, but states and territories can do more**

### **Recommendations**

- The Productivity Commission should recommend the Australian Government retain primary responsibility of OSHC services to avoid over-fragmentation and complication of childcare services for families and services providers.
- The Productivity Commission's final report should state that the proposed National Partnership Agreement, or other similar government agreements, include a state and territory responsibility to provide oversight and support of procurement and contract management processes to ensure that probity is applied, positive partnerships between schools are fostered and the sustainability and growth of OSHC is promoted.

While we believe the proposed reforms in the draft report will bring much needed positive change to Australia's ECEC sector, we are concerned about recommendation 9.1 and the proposal that '*State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.*'<sup>7</sup>

It appears the draft report proposes that state and territory governments take on responsibility of OSHC but it's not clear whether the recommendation is to have them get more involved or to transfer the function entirely from the Commonwealth. The lack of detail and rationale for this recommendation in the report – particularly in comparison to the other recommendations and their accompanying findings – contributes to this ambiguity. As such, the Y does not support this recommendation in its current state.

The Y believes the delivery of OSHC must remain as a national responsibility to ensure consistency across the country and to avoid the risk of OSHC being devalued or deprioritised, particularly compared to early learning. The draft report has appropriately highlighted how the system is difficult for families to navigate and administratively burdensome for service providers. This could only worsen with a shift to state and territory responsibility.

We do, however, see opportunity for a new National Partnership Agreement to provide consistency across

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<sup>7</sup> p.85

jurisdictions and safeguard the sustainability of OSHC service provision. As highlighted in the ACCC final report, while centre-based care providers compete within a market – with OSHC services generally being delivered on school sites, providers are competing for a market. This can then create unfair power imbalances between providers and schools who act as both the landlord and contract manager. This power imbalance is exacerbated by the lack consistency and oversight of tender processes across states and territories. As consequence, our services have reported variations of rents charged across schools, with some charging excessively resulting in not-for-profit providers (who charge lower than average session fees<sup>8</sup>) being priced out of tender processes.

Further, with little oversight, some schools appear to be using their leeway to charge high rents as a stream of income for general funds and not investing the money back into facilities used by the OSHC service – which then subsequently prevents the service provider to meet quality standards under the National Quality Framework. As a consequence, an element of Australian Government funding intended for ECEC service provision is being diverted to support school education services instead. There are strong arguments to improve funding to school education, but this is a poor means of achieving it.

There is an opportunity for state and territory governments to take on more responsibility in providing oversight and support of OSHC procurement and contract management processes. This stewardship role should help ensure probity is applied, positive partnerships between schools and OSHC services are fostered, and sustainability and growth of OSHC service delivery to meet community need is promoted. The parameters of this stewardship should be consistent across states and territories (e.g., some states have existing controls in place, whereas others have no oversight over the market).

## Recognise the distinct characteristics of OSHC settings and service delivery

### **Recommendation**

- The Productivity Commission’s proposed review of the National Quality Framework (draft recommendation 8.2) should include a focus on the National Quality Standards in OSHC settings, aiming provide setting-specific guidelines that support quality and consistency across providers and regulators.

While our services regards the NQF as an important safeguard for the quality of OSHC services, they also report that at times the design of the framework can be too rigid for the dynamic nature of OSHC services, variation of settings used (OSHC services have limited capacity to modify school buildings and facilities) and the different developmental needs of school aged children compared to younger children in ECEC services. These challenges are informally recognised by assessors who, albeit inconsistently, assess OSHC services differently.

In addition to the current review underway of staffing and qualification regulations under the NQF, we recommend further review is undertaken of the application of the National Quality Standards in OSHC settings, with the goal to provide a set of guidelines specific to OSHC settings that will support providers to deliver high quality services and regulators to assess consistently. This work should improve processes but retain OSHC under the NQF.

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<sup>8</sup> ACCC. (2023).



### 3. Inclusion Support

#### Remove barriers from the additional educator subsidy

##### *Recommendation*

- The Productivity Commission should revise draft recommendation 2.4 to include ‘removing unintended deterrents for service providers to utilise the subsidy, including out-of-pocket costs for unexpected child attendance’ to promote uptake of inclusion supports.

The Y welcomes the draft report’s draft recommendations to improve access to the Inclusion Support Program. More specifically, we were encouraged to read the targeted recommendation (2.4) to amend the Inclusion Support Fund additional educator subsidy to cover 100% of an additional educators wage, in line with contemporary hourly rates and removing weekly caps. These changes have long been advocated for by the sector, including in our own submission to the inquiry’s initial consultation.

In strengthening this recommendation, we also wish to highlight the current additional subsidy creates unintended, adverse consequences for service providers. If a family books their child, whose learning needs requires an additional educator to increase the child to educator ratio, and if the child unexpectedly does not attend, then the service provider does not receive the subsidy and is out-of-pocket. This risk can act as a deterrent for service providers to access an important support. The subsidy should be available for providers based on an eligible child’s booking and not on their attendance.

#### Ensure the genuine inclusion of ECEC and family expertise in reforming the Inclusion Support Program

##### *Recommendation*

- The Productivity Commission should include explicit mention of the need to co-design the proposed Inclusion Support Program reforms (draft recommendations 2.3 and 2.5) so the needs of children, their families and service providers are understood and reflected in future iterations of the program.

The Y agrees with the Productivity Commission that the Inclusion Support Program is not working efficiently and does not provide adequate support for children, their families or providers. We hear from our services that the process to apply for support is cumbersome, time-burdensome and administrative heavy – putting stress on an already stretched workforce. The support provided through the Inclusion Support Program can also fail to meet the needs of ECEC staff or be appropriate for a childcare setting. For instance, there have been instances where staff have reached out for practical support and strategies only to be provided with 100-page+ materials, which they realistically do not have the time to read.

With the Y’s services spread across the country, we also hold experience working with different Inclusion Agencies within and between states and territories. While most experiences have been very positive and collaborative, our services have also experienced challenges and observed inconsistent approaches across Inclusion Professional in reviewing applications and endorsing claims. There is no clear set process of

applications process, creating inequities across regions. One of our service providers also reported inconsistencies within the same service, recounting instances where children would attend multiple session types (Before School Care, After School Care and Vacation Care) at the OSHC service, though only have their application approved for one session type.

As the draft report found, services have also experienced delays in providing outcomes of applications and necessary support in a timely manner – likely contributed to by lack of adequate resourcing. At worst, our ECEC staff have felt that their requests for support were dismissed or undermined, and that some Inclusion Professionals failed to appreciate the importance of immediate support for high-need environments.

We strongly endorse the draft report's recommendations to improve the Inclusion Support Program and general improvements in inclusion practice (Recommendations 2.3; 2.4; 2.5) and believe these reforms should be an immediate priority for government – particular as the recommendations are echoed in a host of recent inquiries, including the recent Review of the Inclusion Support Program (2023), the ACCC Final Report, the Select Committee on Work and Care Final Report, the Royal Commission into Early Childhood Education and Care, and the 2021 Evaluation of the Inclusion Support Program.

In ensuring changes to the Inclusion Support Program reflect and incorporate the needs of children, their families and service providers, we recommend that the Productivity Commission explicitly include the need to co-design the draft proposed reforms with these key stakeholders.

## Increased commitment to long-term inclusion funding

### **Recommendation**

- The Productivity Commission should recommend the Australian Government consider a future shift to needs-based funding to sufficiently resource the sector to proactively invest in capability building, reflective practice and service improvement to embed inclusion throughout all practice.

The Inclusion Support Program plays an important role promoting inclusion in ECEC. However, recent reports have found that the program in its current form is increasingly under pressure with demand – particularly as it is the primary source of Commonwealth inclusion funding in ECEC.<sup>9</sup>

Deloitte's recent Review on the Inclusion Support Program found utilisation of budgeted funds has steadily increased over previous financial years, with a projected program overspend of the approximately \$34 million for 2023-2024. Demand for the program will require increase in committed funds with or without the proposed reforms in the inquiry's draft report.

Further, the South Australian Royal Commission into Early Childhood Education found that the Inclusion Support Program expenditure equates to approximately \$180 per capita for each child enrolled in long day care. In comparison, State Government expenditure on inclusion in government preschools is around \$1,200 for each 15-hour enrolment—or nearly seven times the amount spent on children in long day care.

While the program is valued by the sector, in its current form it cannot realise the draft Early Years Strategy

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<sup>9</sup> Royal Commission into Early Childhood Education and Care. (2023). *Final Report*. Available at [RCECEC-Final-Report.pdf \(royalcommissionceec.sa.gov.au\)](https://royalcommissionceec.sa.gov.au)

2024-34 principle that services are 'equitable, inclusive and respectful of diversity'. The Deloitte Review of the Inclusion Support Program found the program is:

- Reactive rather than proactive, limiting inclusion supports at the point of enrolment
- Not optimised to build workforce inclusion capacity
- Provides educators relief, but not additional expertise
- Inadequately funded relative to the cost of overall support provided to children.

Government's ECEC reform medium-to-longer term action planning needs to incorporate scaling up the investment in sector capability with the objective that inclusion is embedded – and effectively resourced – as standard practice. This commitment will increasingly be important as the National Disability Insurance Scheme rolls back, a support system under pressure after acting as the 'oasis in the desert'<sup>10</sup> as investments from all governments for inclusion in mainstream systems, such as ECEC, have not met the need.

Providing needs-based funding should be considered as a future direction to resource delivery of universal, inclusive services, including the increased costs associated with supporting children with disability and/or complex needs.<sup>11</sup> This funding would complement the existing individualised approaches and help to provide certainty and support capability and capacity building. The security of this support could also concurrently help incentivise service provision in some childcare deserts where there is concentrated disadvantage.

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<sup>10</sup> Select Committee on Work and Care. (2023).

<sup>11</sup> Australian Competition and Consumer Commission. (2023). *Childcare inquiry – September report*. Available at [\[Document title\] \(acc.gov.au\)](#)

## 4. Not-for-profit providers

### Address thin markets through effective partnerships with the not-for-profit sector

#### **Recommendation**

- The Productivity Commission should include a recommendation that Australian Government provides supply-side funding to not-for-profit and community providers to address thin markets and childcare deserts. This funding should include:
  - Operational funds to support the associated operating costs in thin markets/childcare deserts.
  - A capital/infrastructure grants program to support not-for-profit ECEC providers to expand placement offerings and help ensure facilities are fit-for-purpose, accessible and provide positive learning environments.
  - A concessional loans program to offer not-for profit providers alternative access to investment for construction and upgrades of new facilities in thin markets and childcare deserts.

Not-for-profit providers play a crucial role in the market. These community benefits were highlighted in the recent ACCC Inquiry into Childcare, which found:

- Large not-for-profit providers were more likely to pay their staff above award wages than for-profit providers.
- On average, for-profit centre based and OSHC providers charge higher hourly fees than not-for-profit providers.
- For-profit providers of centre-based day care charge higher fees and increased fees, on average, by more than not-for-profit providers.
- Despite for-profits dominating the overall share of the childcare market, not-for-profit providers have a greater share of delivery in very remote, remote and outer regional areas – areas regarded as less profitable than areas of socio-economic advantage and Metropolitan cities.<sup>12</sup>

These are all positives, but they make it difficult for not-for-profit providers to raise the capital necessary to build or upgrade new facilities that meet ECEC regulatory requirements. This limits expansion of services in underserved locations (childcare deserts).

Operational costs, particularly rent<sup>13</sup>, are also an increasing barrier to service expansion. Our services reported a noticeable shift in the operational environment for not-for-profits contributing to this challenge. For example, historically local councils would work in partnership with not-for-profit providers to ensure quality childcare services were available in their community by offering peppercorn rents. Now councils are increasingly utilising their premises and ECEC as a commercial opportunity.

For many not-for-profit providers, the open market ECEC model itself poses as a barrier. While value-driven providers strive to deliver quality services that meet community need, they don't necessarily have the

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<sup>12</sup> ACCC. (2023). *Childcare inquiry – June interim report*. Available at [\[Document title\] \(acc.gov.au\)](#); ACCC. (2024). *Childcare inquiry – Final report*. Available at [ACCC Childcare Inquiry-final report December 2023.pdf](#)

relationships with developers or commercial nous to be willing to take risks in expanding to Greenfield sites or emerging areas. This risk is particularly prominent in a market with little government stewardship.

For example, one of our services cited an instance where they took on a commercial lease to operate a new service in an unserved township in an area where others didn't want to operate because of the size of the community (and perceived low profitability). At its peak, the service only ever reached 70 per cent occupancy. As the area rapidly grew with urban sprawl, a new facility was approved by the local government within 500 metres of the original service. Now the two services operate with 40 per cent capacity and more services have been approved to commence building within the year.

While the market model, in theory, offers families choice, in reality it can restrict access entirely as not-for-profit providers – who are more likely to operate in underserved markets with smaller profit margin – are deterred by the additional risk of being at a financial loss if the environment changes. Local governments, particularly in childcare deserts, could mitigate this risk by working to build working partnerships with not-for-profits in community planning and planning-approvals.

The role not-for-profit providers play in ensuring children and families can access childcare, regardless of where they live, is critical. The Y welcomes the draft recommendation 5.1 and its proposal that government provides supply-side funding to address thin markets. In is our view that multiple streams of funding are required, including:

- Operational funds to support the associated operating costs in thin markets/childcare deserts.
- A capital/infrastructure grants program to support not-for-profit ECEC providers to expand placement offerings and help ensure facilities are fit-for-purpose, accessible and provide positive learning environments.
- A concessional loans program to offer not-for profit providers alternative access to investment for construction and upgrades of new facilities in thin markets and childcare deserts.

## 5. National Quality Framework

### Harmonise the National Quality Framework

#### **Recommendation**

- The Productivity Commission should recommend that governments consult closely with the sector in implementing the findings from the Review of NQF staffing and qualification regulations to ensure policy application considers sector complexities, differences in childcare settings and place.

As outlined in our submission to the inquiry's initial consultation, there is a need to review and address inconsistencies with how staff ratios and qualifications are being regulated between the states and territories in Australia. Children's fundamental needs do not change across border lines. Harmonisation will also support national providers by reducing complexities and promoting efficiency.

The Y understands that a Review of NQF Staffing and Qualifications Regulations is underway with the findings to be handed to and considered jointly by the Commonwealth and state and territory governments. It is at this implementation stage where it will be essential for governments to again consult closely with the sector in ensuring application of the policy response factors in the nuances and contexts of service provision, include setting type (e.g., early learning or OSHC), workforce characteristics and place.