

3 October 2023

Early Childhood Education and Care – Independent Market Monitoring Review
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear IPART,

**Re: Submission for the Methodology Paper of
the Early Childhood Education and Care sector's
Independent Market Monitoring Review**

ACA NSW is the peak body for over 1,600 privately-owned predominantly small to medium-sized family-owned and operated businesses who provide early childhood education and care services in New South Wales. ACA NSW members employ over 25,000 employees and are committed to providing excellence in early childhood education and care for the more than 125,000 children and their families.

We are very grateful for the consultation thus far and opportunity to make a submission towards IPART's Methodology Paper in relation to the early childhood education and care sector's Independent Marketing Monitoring Review, as required by the [Childcare and Economic Opportunity Fund Act 2022](#).

In making our submission, we are especially cognisant of the objective of the said legislation:

4 Objective of Act

- (1) *The principal objective of this Act is to increase participation in the State's workforce, particularly for women, by making quality childcare more affordable and accessible.*
- (2) *To achieve this object, this Act aims to—*
 - (a) *reduce barriers to parents and carers participating in work, and*
 - (b) *improve affordability and accessibility of childcare, and*
 - (c) *support the early childhood education and care workforce and sector.*

We note that there will also be performance audits of the Fund and financial assistance provided from the Fund by the NSW Auditor-General.

In Attachment A, we provide the our responses to the 13 published questions.

Please do not hesitate to contact us should IPART require any further information or clarification.

Thanking you in anticipation.

Yours sincerely,



Chiang Lim
CEO

Attachment A – Table of ACA NSW's Responses to IPART's Questions

ATTACHMENT A – TABLE OF ACA NSW’S RESPONSES TO IPART’S QUESTIONS



#	IPART’s Question	ACA NSW’s Response
1	<p>We seek your feedback on the dimensions proposed in Table 2.1 for reviewing aspects of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?</p>	<p>ACA NSW welcomes those data sources listed in Table 2.1.</p> <p>However, we believe such data sources will still be inaccurate and unreliable for the purposes of producing credible the Independent Market Monitoring Reports (IMMR).</p> <p>Hence, we believe the following should be added:</p> <ul style="list-style-type: none"> • postcode based demographic data of children dynamically available from the Births, Deaths and Marriages Registry; and • postcode based demographic data of children dynamically available from Medicare. <p>Moreover, ACA NSW strongly recommends that the NSW Government (via the \$5b Fund) build a set of application programming interfaces (APIs) to:</p> <ul style="list-style-type: none"> • existing Child Care Management System (CCMS) platform providers (including QikKids, Xplor, HubWorks, OWNA, Kidsoft, Kangarootime); and • the upcoming NSW Digital Hub (for preschools); <p>so that the following can be dynamically extracted as aggregated and de-identified data of children’s:</p> <ul style="list-style-type: none"> • enrolment • days of attendance • age • postcode • fees • Child Care Subsidy amount • Start Strong allocated amount <p>Furthermore, the NSW Government (via the \$5b Fund) should also build the following data collection platforms:</p> <ul style="list-style-type: none"> • to improve workplace participation: <ul style="list-style-type: none"> ○ actual increases parents’ working hours; and/or ○ changes in parents’ Child Care Subsidies due to increases in their household incomes;

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		<ul style="list-style-type: none"> • to improve children's outcomes: <ul style="list-style-type: none"> ○ introducing unique identifiers for children to track their developmental and educational milestones (eg using the Commonwealth's Starting Blocks as the default standard (https://www.startingblocks.gov.au/other-resources/infographics/developmental-milestones)); ○ actual improves in the National Quality Framework's Quality Area 1 outcomes for NSW-based services; ○ actual improvements in Preschool Children's Outcomes of NSW-based children (as determined by the Commonwealth (https://www.education.gov.au/early-childhood/preschool/preschool-outcomes-measure)). <p>Without such additional data, the IMMR will effectively generate inaccurate conclusions and can produce oversupply, higher fee increases in existing impacted early childhood education and care services, and will still produce similar children's outcomes that the NSW Department of Education expressed concerns in September 2022.</p>
2	Are there gaps in the data collected for early childhood education and care services? If so, what are these and how can they be addressed?	<p>Refer to response in Question 1.</p> <p>Moreover, it should be prudent for the NSW Government to advocate for all other Australian jurisdictions to emulate, and more importantly to compare the same sets of data at least to have interstate comparisons.</p> <p>Ideally, while it does not exist currently, similar international datasets should also be used to compare NSW's datasets in order to provide NSW-based citizens confidence that improvements of accessibility has been achieved alongside true improvements in workplace participation and children's outcomes.</p>
3	We seek your feedback on the dimensions proposed in Table 2.2 for reviewing the supply and demand for early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	<p>All of the following cannot be regarded as reliable data sources:</p> <ul style="list-style-type: none"> • NQAITS – because it only records early childhood education and care services that are approved, yet does not account for currently deemed out-of-scope services (for example BubbaDesk) provide services where the quality and regulatory framework fail; • Care for Kids – because services who register and advertise on this platform will never be honest in publishing true vacancies as that can commercially reflect poorly on themselves; • ABS Population – because it relies on census information collected every five years and therefore can already be out-of-date for certain ages; and

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		<ul style="list-style-type: none"> NSW Department of Planning population projections – because they are heavily reliant on all Local Government Area's Local Environmental Plans' residential densities and not the building industry's actual capability to produce the aspired supply. <p>Other data sources that the NSW Government should be considered to ascertain supply and demand include:</p> <ol style="list-style-type: none"> approved development applications (for example ACA NSW's Childcare Development Watch (https://nsw.childcarealliance.org.au/services/childcare-development-watch) or better); the creation of a NSW centralised waiting list based on registered parents' input that can also be accessible and automatically fulfilled by existing early childhood education and care services should they have available places; via agreement with the Federal Government, access to existing but especially newly approved recipients of the Commonwealth's Child Care Subsidy; and while managing privacy requirements, access to the NSW Births Registry and upcoming NSW Blue Books (which should provide postcode-based demand).
4	How should unmet demand for early childhood education and care services be measured?	<p>Assuming the NSW Government had:</p> <ul style="list-style-type: none"> aggregated and de-identified access to the Child Care Management Systems' platforms' data about services' approved places as well as current enrolments and attendances; access to a centralised waiting list of demand from registered parents; and reliable forecast of new demand based on access to the NSW Births Registry and the upcoming NSW Blue Books (which should provide postcode-based demand); <p>then unmet demand would be measured as the quantum in the abovementioned waiting list that exceeded true available places.</p> <p>It is important to note that unmet demand can occur periodically and even cyclically. However, for the purposes of determining the methodology for the IMMR, true unmet demand should be measured based on the above over a minimum of 6-month cycles.</p>
5	Should benchmarks for participation rates of children in early childhood education and care	Please refer to response to Question 5.

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	services be used as a measure of unmet demand? If so, what are these?	Most importantly, since the IMMR is to be published every 2 years, the data to determine unmet demand should be evident over such 24 months (or 4 x 6-month cycles).
6	How should a shortage of early childhood education and care services be defined? For example, should there be a target for the number of places available based on population? Or is a ratio of demand to supply more appropriate?	<p>Although shortages of services is by default framed by persistent unmet demand (as expressed in our response to Question 5), it is vitally important to temper such conclusions by considering the following:</p> <ul style="list-style-type: none"> • supply of early childhood educators and teachers; • impact culture(s) and/or religion(s) within the targeted areas. <p>It is futile to create new or expanded services when there are inadequate foreseeable supply of early childhood educators and teachers. Otherwise, the “Robbing Peter to pay Paul” effect would apply and create an inflationary effect on nearby services, as evidenced by the ACCC’s Interim Report (dated 5 July 2023) (see Figure 2.15 of https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023/june-2023-interim-report).</p> <p>It is also futile to create new or expanded services when the area’s culture(s) and religion(s) tend to decrease demand compared to other areas. In other words, to assume demand is consistent regardless of demography would be wrong.</p>
7	We seek your feedback on the proposed indicators and KPIs for supply shortage in Table 2.3.	<p>ACA NSW recommends adding the following KPIs, indicators and calculations:</p> <ul style="list-style-type: none"> • Supply of educators and teachers <ul style="list-style-type: none"> ○ KPI – Increase the number of trainees, graduates of Certificate III, Diploma and degree in relevant early childhood education and care qualifications in areas identified as under-served; ○ Indicator – The number of such trainees and qualified educators and teachers in those SA2 areas that are at least 10% higher than those currently employed; ○ Calculation – Numbers of graduates associated with targeted SA2 areas from RTOs and tertiary institutions every 6 months. • Projected market supply <ul style="list-style-type: none"> ○ KPI – Increase in the number of approved places by ages via approved development applications within the targeted SA2 areas and their adjacent SA2 areas. ○ Indicator – The number of approved places by ages via approved development applications from the relevant local governments.

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		<ul style="list-style-type: none"> ○ Calculation – Number of approved places by ages associated with targeted SA2 areas and their adjacent SA2 areas every 6 months.
8	We seek your feedback on the dimensions proposed in Table 2.4 for reviewing the affordability and accessibility of early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	<p>Firstly, Table 2.4 does not properly address accessibility of early childhood education and care services.</p> <p>Table 2.4 however does attempt to address affordability. However, given the myriad of household circumstances, affordability should be defined simply as the nett out-of-pocket costs when compared to household income.</p> <p>According to the Organisation for Economic Co-operation and Development (OECD), the OECD percentage average (https://www.oecd.org/els/soc/PF3-4-Childcare-support.pdf) for out-of-pocket childcare costs for a single-parent family is between 5%-6%.</p> <p>And the ACCC Interim Report (dated 5 July 2023) (Figure 6) (https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023/june-2023-interim-report) showed that for all Australian households, the childcare out-of-pocket expenses as a share of disposable income was between 5% and 7%, but over 12% for the lowest households' after-tax household income decile.</p>
9	We seek your feedback on the proposed indicators and KPIs to address affordability and accessibility in Table 2.5.	See responses to Questions 7 and 8.
10	We seek your feedback on the dimensions proposed in Table 2.6 for reviewing the early childhood education and care workforce in NSW. Are there others that should be considered? What are your views on the level of detail?	<p>We welcome Table 2.6.</p> <p>However, the following aspects should also be included when reviewing workforce:</p> <ul style="list-style-type: none"> • location of employment (including comparisons between metropolitan, suburban, outer suburban, regional and rural) • type of service employment is at • governance structure of the service employment is at • distance of resident to service employment is at • level of vocational satisfaction • reasons for attrition (including pay, conditions, vocational satisfaction) • level of legislative and regulatory impost/compliance • level of churn from early childhood education to primary schools

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11	We seek your feedback on the proposed indicators and KPIs related to the early childhood education and care workforce in Table 2.7.	<p>ACA NSW recommends adding the following KPIs, indicators and calculations:</p> <ul style="list-style-type: none"> • Supply of educators and teachers in harmony with area-specific demand <ul style="list-style-type: none"> ○ KPI – Increase the number of trainees and qualified educators and teachers in under-served areas; ○ Indicator – Increase in places used due to availability of trainees and qualified educators and teachers; ○ Calculation – Number of places used that were reduced due to lack of trainees or qualified educators and teachers. • Reducing the travel/commuting time for trainees and qualified educators and teachers <ul style="list-style-type: none"> ○ KPI – Reduction in the distances travelled between home and place of employment in under-served areas; ○ Indicator – Reduction in kilometres travelled per trainee and qualified educators and teachers in under-served areas; ○ Calculation – Average number of kilometres travelled per trainee and qualified educators and teachers in under-served areas; • Reducing the attrition rate <ul style="list-style-type: none"> ○ KPI – Reduction in pay or conditions or vocational dissatisfaction as the reasons for leaving the early childhood education and care sector; ○ Indicator – Number of trainees, early childhood educators and teachers who have left the early childhood education and care sector; ○ Calculation – Number of resignations of those trainees, educators and teachers who are no longer employed in the sector.
12	We seek your feedback on the dimensions proposed in Table 2.8 for reviewing the distribution of quality early childhood education and care services in NSW. Are there others that should be considered? What are your views on the level of detail?	<p>According to the ACCC Interim Report (dated 5 July 2023) (https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023/june-2023-interim-report), its Figures 2 and 2.17 show quality rating was ranked 10th for parents and guardians consideration when choosing their children's early childhood education and care.</p> <p>Given the Commonwealth and all other state and territory governments have agreed on developing new preschool outcomes measures (https://www.education.gov.au/early-childhood/preschool/preschool-outcomes-measure), perhaps children's outcomes (across 0-5 year ages) would be a better measure of quality of early childhood education and care services.</p>

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		Such outcomes measures would potentially resonate more with parents and would more reliably demonstrate the dividends of early childhood education and care in those children's successive years.
13	We seek your feedback on the proposed indicators and KPIs related to the quality of early childhood education and care services in Table 2.9.	Please refer to response to Question 12.