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MEDIA RELEASE

ACCC Childcare inquiry final report is the first step towards structural and funding reforms for Australia's early learning sector

Today, the Australian Competition and Consumer Commission (ACCC) released the final report from its Childcare inquiry into the Early Childhood Education and Care sector.

The Australian Childcare Alliance (ACA) is heartened that many of the recommendations and issues raised in its submissions to the inquiry have been included in the report, which is the culmination of a rigorous and intensive year-long inquiry and follows two interim reports delivered in 2023.

The ACCC inquiry stemmed from the Federal Government signalling its intention to bring reforms to the early childhood sector and established a number of inquiries to help inform its decision making.

The ACCC report is the most comprehensive of those that have concluded, with 31 findings and 8 recommendations outlined, including the following observations:

- A “one-size-fits-all” approach to government regulation and intervention is unlikely to deliver government objectives or meet community expectations across all childcare markets in Australia.
- Early learning (childcare) services and government support and regulation (across different levels of government) are highly interconnected, meaning changing one aspect of the system can have wide-ranging impacts across the sector. Any changes to policy must be assessed across the whole sector.
- Staffing constraints are stopping more providers expanding their operations or operating at full capacity. This is most felt in regional and remote locations and communities or children experiencing disability, complex needs and/or disadvantage.
- The Child Care Subsidy is complex for parents and guardians to understand and estimate out-of-pocket expenses.

The final report's recommendations to the Australian Government included:

- Reconsider and restate the key objectives and priorities of its early childhood education and care policies, including price regulation.
- Determine an appropriate base for the hourly rate cap and ensure it is indexed to more closely reflect the changing costs of delivering of childcare services, including labour costs.
- Remove, relax or substantially reconfiguring the current activity test, as it may be acting as a barrier to disadvantaged children accessing care and stopping parents starting or returning to work or study.
- Further consider how the existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the sector.

ACA President Paul Mondo said: “Our sector has operated under very difficult circumstances as the cost of delivering the services has increased well and truly above indexation and CPI over the last four or five years. We are gratified that the ACCC acknowledges this important point.”

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“None of the three ACCC reports have found evidence of excessive profits in the sector. The inquiry has found that structural reasons have driven up costs across the whole sector, specifically wage operating costs and that there is no evidence of excessive profits across the sector.”

The report states that “approximately 25% of childcare providers structured as companies are making almost no profit or suffering a loss”.

“ACA supports the need to abolish the activity test due to its harsh impact on lower income families as they spend a greater share of their disposable income on early learning (childcare).”

The report also acknowledges the widespread workforce shortages across the sector. This significantly impacts the capacity for families to access early learning services and that the government should consider the broader implications on fees and affordability that will result from increases to pay and conditions.

Mr Mondo said the report explicitly states; “that direct price controls or direct price interventions may be necessary but only in specific situations that would warrant this degree of control”.

“The ACCC report does highlight the risks of fee control mechanisms and that if not done correctly these measures can have unintended consequences. ACA would like to emphasise this point – if any price control mechanism were to be introduced, it is imperative that the government works with the sector to ensure such a mechanism does not negatively impact service viability.”

The Australian Childcare Alliance has provided two priority recommendations to Federal Government:

- **Implementation of a Government-funded wage increase** which invests in sector longevity and value, responds to growing population needs and ensures that the stabilisation of the ECEC workforce does not come at the cost of parents; and
- **Removal of the activity test** to give vulnerable families and children equal access to, and participation in, ECEC services.

“Our foremost priority is to ensure that we have a funding system that ensures affordable and accessible early learning for all Australian children, for our workforce to be appropriately remunerated and for services to remain viable.”

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About the Australian Childcare Alliance

The Australian Childcare Alliance (ACA) works on behalf of early learning (long day care) service owners and operators to ensure families have an opportunity to access affordable early childhood education and care (ECEC) throughout Australia. We represent over 3,000 early learning service providers across the country.

Our national and state bodies work collaboratively with all levels of government, regulatory authorities and other stakeholders with an evidence-based approach, to ensure that families are supported into the future with a sustainable, affordable and viable ECEC sector.

ACA believes that with the right policy and financial frameworks in place, we could ensure that every child in Australia has access to high quality, affordable and sustainable early learning (childcare) services, and therefore the **best start in life**.

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