

# Affordable, accessible early childhood education and care

19 December 2023

We have published our Final Report and have:

Reviewed the  
market

Collected  
cost and  
revenue data

Estimated  
benchmark  
prices

Made  
recommendations to  
improve affordability

Our findings and recommendations are about NSW services for children aged 0 to 12 years:



Long day care, family day  
care and occasional care  
(0 to 5 years)



Preschool  
(3 to 5 years)



Outside school hours care  
(5 to 12 years)

# 1 Our recommendations aim to improve affordability, accessibility and choice in NSW

In April 2023, we released an [Issues Paper](#) seeking feedback on early childhood education and care affordability, accessibility, and consumer choice in NSW. We received 31 submissions and over 1,000 survey responses, as well as other feedback expressing concerns about how services are funded, workforce shortages, affordability, increasing costs, and barriers to inclusion.

We also published an [Interim Report](#) in October 2023 on our draft findings about factors that drive affordability, accessibility, consumer choice and supply of early childhood education and care in NSW. Our Interim Report considered stakeholder feedback in response to our Issues Paper and set out our analysis and draft recommendations to address barriers to affordability and access in the sector. We received 42 submissions and over 300 survey responses providing feedback on our Interim Report which generally supported our draft findings and recommendations

We also received and analysed data about the sector from service providers, the Commonwealth Government and the NSW Government.

In undertaking our review, we made 5 overarching findings. Firstly, we found there is an undersupply of accessible and affordable early childhood education and care in some disadvantaged areas and for some families experiencing disadvantage and/or vulnerability. We also made overarching findings about key factors that drive affordability, accessibility and choice in NSW including:

- Workforce availability, expertise and sustainability are critical to the supply and accessibility of quality early childhood education and care services, and constitute a significant problem currently facing the sector.
- The funding system for early childhood education and care services remains complex, fragmented and inefficient, leading to perverse outcomes.
- Action is needed to improve access to services and to increase support in services for families with children with diverse needs, disability, additional needs or experiencing disadvantage or vulnerability in NSW.
- The lack of comprehensive, integrated, accessible, high quality digital services and data about early childhood education and care makes it hard for families to find, choose and use services and impedes good decision-making for providers and policy-makers. A digital transformation is needed.





We have made 41 recommendations to improve accessibility, affordability and choice, including recommending targeted supports for children and families experiencing disadvantage and/or vulnerability. We made 3 priority recommendations that:

- The NSW Government should advocate to the Commonwealth Government for more urgent implementation of the National Workforce Strategy, take more of a leading role in implementing the National Workforce Strategy and refresh the 2018-2022 NSW Early Childhood Education Workforce Strategy.

- Australian state, territory and Commonwealth governments should work together to develop a coordinated, harmonised and simplified policy and funding approach to early childhood education and care.
- The NSW Government should develop a digital service and data strategy for the early childhood education and care sector, so families can more easily find, choose and use services that meet their needs, and providers and governments can make better informed decisions.



The rest of this Information Paper summarises our findings and recommendations on specific issues that we have investigated as part of our review.

## 2 Factors driving accessibility and choice of services

Issues	Findings summary	Recommendations summary
<b>Availability and choice</b> 	<p>There is under-utilised capacity in some services.</p> <p>Families need more flexible options and would benefit from more support in their workplace.</p> <p>Remote families face more barriers.</p>	<p>The Government should ensure that regulatory and funding systems create appropriate incentives for making places available for occasional bookings.</p> <p>The NSW Department of Education should design Department preschool hours to suit the needs of the community.</p>
<b>Inclusion</b> 	<p>Action is needed to improve allied health service provision in early childhood services.</p> <p>Aboriginal Community-Controlled Organisations provide culturally supportive education and family support services.</p>	<p>The NSW Government should:</p> <ul style="list-style-type: none"> <li>ensure provision of culturally safe and inclusive education and care</li> <li>extend health and development checks to children from 3 years old</li> <li>develop and implement a model and system for wrap-around support for children and families experiencing disadvantage and/or vulnerability.</li> </ul>
<b>Information</b> 	<p>Families need more meaningful information about the inclusive practices of services.</p> <p>Rating information is not routinely shared.</p> <p>Digital literacy and access can impact families' ability to navigate and engage with the system.</p>	<p>The NSW Government should:</p> <ul style="list-style-type: none"> <li>as part of the digital strategy, ensure families can more easily find, choose and use services that meet their needs</li> <li>advocate for the National Quality Standard to highlight inclusion</li> <li>provide information on services at Service NSW.</li> </ul>
<b>Funding arrangements</b> 	<p>Action is needed to improve the design of existing funding programs to better support inclusion.</p>	<p>The NSW Government should review funding programs and grants that support accessibility and inclusion.</p>


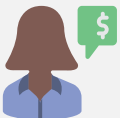


See Chapter 4 of our Final Report for more information on accessibility and choice.

### 3 Factors driving affordability of services

Issues	Findings summary	Recommendations summary
<b>Out-of-pocket costs</b> 	<p>Available subsidies may not be adequate for some families, especially for those experiencing high levels of disadvantage and/or vulnerability.</p> <p>Additional out-of-pocket costs associated with enrolment or vacation care are often not subsidised.</p> <p>Out-of-pocket costs influence parents' employment decisions.</p>	<p>The NSW Government should:</p> <ul style="list-style-type: none"> <li>• recommend the Commonwealth Government consider additional support for families experiencing disadvantage and/or vulnerability, children in out-of-home care, and asylum seeker status families</li> <li>• require OSHC providers to include excursion costs as part of advertised fees</li> <li>• as part of its digital strategy, work to improve data transparency, collection and sharing arrangements to inform family decision-making.</li> </ul>
<b>Funding arrangements and provider costs</b> 	<p>The Child Care Subsidy (CCS) activity test is a barrier for some families.</p> <p>The CCS application process is difficult to navigate.</p> <p>Families experiencing disadvantage and/or vulnerability would benefit from additional support.</p>	<p>The NSW Government should recommend the Commonwealth Government simplify the CCS application process and review the activity test requirement and eligibility criteria.</p>



See Chapter 5 of our Final Report for more information on affordability.

## 4 Factors driving supply of services

Issues	Findings summary	Recommendations summary
<b>Quantifying demand for services</b> 	<p>Providers use population levels as an indicator of demand.</p> <p>Remoteness of a location is associated with a lower number of places for outside school hours care.</p>	<p>The NSW Government should, as part of its digital strategy, advocate to the Commonwealth Government to provide access to CCS attendance and enrolment data to inform planning.</p>
<b>Different providers respond to different incentives</b> 	<p>For-profit services are more likely to establish in areas with more economic resources.</p> <p>There are more preschools and fewer long day care centres as remoteness increases and population centres are more isolated, limiting flexibility of care for families in these areas.</p>	<p>The NSW Government should use its system stewardship role to ensure sufficient services are available to families across NSW that have the flexibility and mix to meet family and community needs, particularly in regional and remote areas of NSW.</p>
<b>Workforce availability</b> 	<p>Recruitment and retention of workers is an issue across the sector.</p> <p>There is opportunity to progress the National Workforce Strategy.</p> <p>Staff absences can significantly impact families.</p>	<p>The NSW Government should:</p> <ul style="list-style-type: none"> <li>• update its Early Childhood Education Workforce Strategy</li> <li>• recognise the value of a diverse workforce, including Aboriginal and Torres Strait Islander culture and language.</li> </ul> <p>The Department should develop guidance to assist services that are finding it difficult to maintain services due to temporary staffing issues.</p>
<b>Other factors</b> 	<p>Not-for-profit services lack access to capital.</p> <p>When establishing or expanding services, providers are affected by regulatory and planning constraints.</p> <p>There may not be suitable premises available.</p>	<p>The NSW Government should:</p> <ul style="list-style-type: none"> <li>• review the process and criteria for applying for capital grant funding</li> <li>• investigate better coordination of regulatory and planning processes.</li> </ul> <p>The Department should explore partnerships with providers to co-locate services on school premises in regional NSW.</p>

See Chapter 6 of our Final Report for more information on supply.

## 5 Provider costs and revenue in delivering services

Issues	Findings summary	Recommendations summary
<b>Revenue from fees and government funding</b> 	<p>The current funding system for early childhood education and care services is complex and fragmented.</p>	<p>Australian state, territory and Commonwealth governments should work together to develop a coordinated, harmonised and simplified policy and funding approach to early childhood education and care.</p> <p>The NSW Government should, pending a national review of the funding system for early childhood education and care, in the short term, review all NSW funding programs and grants for the early childhood education and care sector.</p>
<b>Data transparency, collection and sharing</b> 	<p>Data sources for cost and revenue data are varied, fragmented, hard to access, and often inconsistent.</p> <p>Reliable government data on funding other than CCS is fragmented and difficult to aggregate and reconcile.</p>	<p>The NSW Government should as part of its digital strategy, work to improve data transparency, collection and sharing arrangements.</p>

See Chapter 7 of our Final Report for more information on costs and revenue.

## 6 Estimating benchmark prices for services

We have estimated benchmark prices for services (before subsidies for families are applied) using two different methods:

- We analysed data on actual fees paid for services by families in NSW.
- We analysed data on provider costs to build up an estimate of the cost per place.

Our estimates are limited by data quality and completeness as well as other factors and assumptions we have made. They are based on the best available data and serve as a starting point for families, providers and policymakers wanting to measure, compare and understand fees for early childhood services in NSW at a high level.

In some cases, the benchmark estimates based on the cost per place are higher than the benchmark estimates based on actual fees paid. This can be due to several factors including that the cost per place estimates do not deduct subsidies, grants or funding that services may receive directly. Actual fee estimates may also include discounts that providers apply for certain days or if more than one child attends.

## Benchmark price estimates

	Actual price methods		Cost per place method	
	\$/hour	\$/day	\$/hour	\$/day
 Long day care	\$12.63	\$126	\$11 to \$19	\$105 to \$195
 Family day care	\$12.60	\$126	\$13 to \$20	\$130 to \$200
 OSHC	\$8.52	Morning: \$17  Afternoon: \$26  Holidays: \$85	Morning: \$5 to \$8  Afternoon: \$5 to \$8  Holidays: \$6 to \$11	Morning: \$10 to \$15  Afternoon: \$15 to \$25  Holidays: \$60 to \$110
 Community preschool	N/A	\$48	\$10 to \$19	\$80 to \$150

See Chapter 8 of our Final Report for more information on benchmark prices.