

Early childhood education and care -  
Independent Market Monitoring Review 2025  
Independent Pricing and Regulatory Tribunal  
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9 July 2025

**RE: FDCA Submission to IPART's Early childhood education and care - Independent Market Monitoring Review 2025**

Family Day Care Australia (FDCA) welcomes the opportunity to provide this feedback on the proposed methodology for the 2025 Independent Market Monitoring Review (IMMR) of the early childhood education and care sector (ECEC) to be conducted by the NSW Independent Pricing and Regulatory Tribunal (IPART).

We commend IPART's commitment to sector consultation to ensure the methodology is fit for purpose.

Under the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act) IPART is required to:

- identify and review areas where there are childcare supply shortages, or there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare.
- review the state of the childcare sector, including workforce, pay and conditions, and quality standards.
- estimate and report on the amount required to achieve the objective of the CEOF Act and otherwise fund the Board for at least the next 2 financial years after the date on which the report is given to the Minister.

We note that the NSW CEOF Strategic Investment Plan outlines 3 key investment priorities:

- Increase supply of ECEC in under-served areas
- Increase access to culturally responsive early learning services.
- Reduce barriers to access for children and families.

FDCA is encouraged that IPART will consider the outcomes of recent national and state reviews including those conducted by the Productivity Commission (2024), the Australian Competition and Consumer Commission (2023) and Jobs and Skills Australia (2024). These recent reviews reported significant findings relating to supply, access and workforce issues within family day care that will be relevant.

## 1. About Family Day Care Australia

FDCA is an apolitical, not for profit, national member association representing over 9,000 family day care educators and 355 approved family day care services. Our mission is to represent, support and promote the family day care sector in delivering high quality ECEC to more Australian children.

FDCA supports the National Quality Framework governing the ECEC sector and, as the national peak body for the family day care sector, shares many objectives in common with Australian governments and regulatory agencies including:

- promotion of continuous improvement in the provision of quality education and care services;
- reduction of the regulatory and administrative burden for education and care services, whilst simultaneously improving the efficiency and cost effectiveness of the regulation of ECEC; and
- measures to address under-served markets and build a highly skilled workforce.

## 2. About the family day care sector

The family day care sector is an essential part of the ECEC sector, providing flexible, affordable and highly valued education and care for more than 50 years. Regulated under the Education and Care Services National Law Act 2010 and the Education and Care Services National Regulations, qualified educators are registered with approved family day care providers and operate as independent contractors running their family day care business from their own homes.

Under National Law, family day care educators work from their own homes with small groups of no more than four children under school age, with the option to care for an additional three school-aged children outside of school hours. This provides educators with a unique opportunity to personalise learning programs and to develop strong connections with children and families.

Parents and guardians with children in family day care often choose this home-based, small group environment because they highly value the type of care provided to meet their children's or families' needs.

### Provision of most non-standard hours' care

When compared to other forms of regulated ECEC, the family day care sector provides the majority of non-standard hours' care nationally:

- 42.5% of all family day care services nationally provide weekend care (either day)
- 30.5% provide care before 7 am on weekdays
- 22.6% provide care after 6.30 pm on weekdays.<sup>1</sup>

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<sup>1</sup> Productivity Commission (2025): *Report on Government Services (RoGS), Part B: Early childhood Education and Care.*

## Prevalence in disadvantaged and regional areas

Furthermore, family day care provides much needed ECEC for families living in less advantaged areas and is more common in regional and remote areas, as a share of total number of the type of service, than centre-based day care and outside school hours care.<sup>2</sup>

- 72% of children who attend family day care services are located in areas ranked in the 5 deciles of least advantage<sup>3</sup>
- 23.5% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index<sup>4</sup>
- 28.1% of families whose children attend family day care are located in regional and remote areas <sup>5</sup>
- 28.3% of family day care services operate in regional and remote areas of Australia<sup>6</sup>

Additionally, family day care is also preferred by families who come from a culturally and linguistically diverse (CALD) background.<sup>7</sup>

## A sector in decline

Both the Productivity Commission (2024) and the Australian Competition and Consumer Commission (2023) have highlighted the ongoing decline in the family day care sector nationally. This was also established by IPART in its 2023 IMMR.

Without prompt intervention the family day care sector faces collapse, with the result being loss of flexibility and options in the market for families, particularly for households that are culturally and linguistically diverse, in regional and remote areas, in areas of disadvantage, or for families that work non-standard hours.

## 3. Feedback on 2025 IMMR dimensions and indicators

The 2025 IMMR proposes to build on the dimensions and indicators used in the 2023 IMMR to assess:

- supply shortages
- affordability and accessibility barriers
- the state of the sector including workforce, pay and conditions and quality standards.

### 3.1 Recognising the unique model of family day care

While IPART has made efforts to include family day care in the IMMR, the proposed indicators and metrics for 2025 remain geared towards centre-based care and do not adequately consider the unique operational model of family day care.

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<sup>2</sup> Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.31.

<sup>3</sup> Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.185.

<sup>4</sup> Ibid, p.98

<sup>5</sup> Department of Education, Child Care in Australia report, September Quarter 2024.

<sup>6</sup> Ibid

<sup>7</sup> Productivity Commission. (2024) Productivity Commission, (2024): Inquiry Report - A path to universal early childhood education and care. Canberra; Australian Competition and Consumer Commission. (2023) 'Childcare Inquiry: Final Report'. Canberra: Australian Competition and Consumer Commission.

We acknowledge the need for consistency with the 2023 IMMR to make a valid comparison with baseline data but urge IPART to strengthen modelling and analysis related to family day care through some refinements, including:

- the addition of specific educator location data where appropriate
- the addition of qualitative and survey data to capture family preferences for family day care over other care models would also contribute a more nuanced picture
- improving cost categories to include costs faced by family day care educators in setting up their home business
- recognition of important contextual factors relevant to family day care e.g. factors affecting educator attrition in family day care such as administrative and regulatory burden, income viability.

Specific comments are provided below. We encourage IPART to reach out to discuss further where needed.

### 3.2 Childcare supply / undersupply

- IPART's use of CCS enrolment data to estimate family day care places is a starting point to capturing supply, demand and undersupply in family day care. However, the proposed indicators rely heavily on licensed place counts and not specific educator related location data.
- The metrics may be useful for a basic understanding of ECEC supply and undersupply, however, as mentioned above, educator specific location data will improve accuracy of the modelling supply and undersupply in family day care.
  - I understand the IPART IMMR team has already been in contact with FDCA's Advocacy and Engagement team on the question of sharing educator location data, which has been provided. We encourage IPART to continue to consult with us to improve accuracy in modelling family day care supply and demand.
- While it is useful to capture the number of qualified educators in SA2 areas, the inclusion of "number of trainees in SA2 areas" in this supply indicator (Table 2.2), is not an appropriate indicator for family day care supply and we urge you to review this.
  - Current Government programs and initiatives that provide financial incentives and other support to assist with traineeships and other strategies designed to boost attraction and retention of ECEC educators are not generally applicable to the family day care context. Indeed, this issue was highlighted by the Productivity Commission in its 2024 report, leading to a recommendation to "*Develop bespoke traineeship pathways for family day care settings...*" (Recommendation 3.4).

### 3.3 Affordability and accessibility barriers

- The use of out-of-pocket costs as a key affordability indicator should provide a broad snapshot of affordability across the broader NSW ECEC sector. However, it should include acknowledgement of the differential CCS cap rates that currently apply to the various ECEC care types:

- Currently 43.7% of family day care services nationally charge above the cap, compared to 29.7% of centre-based day care services.<sup>8</sup>
- The lower CCS cap fails to reflect actual operating costs, particularly for those offering non-standard hours' care, placing the sector at a competitive disadvantage. This issue was substantiated in both the recent Productivity Commission's Inquiry, leading to its recommendation to review hourly rate caps for family day care. The Productivity Commission also recommended the need to consider an hourly rate cap for non-standard hours.<sup>9</sup>
- The lower fee cap also affects educator remuneration and retention, thereby threatening service viability. These implications should be explicitly considered in the 2025 IMMR.
- Additionally, using educator location data will improve the accuracy of travel distance calculations, strengthening the accessibility indicators.

### 3.4 Quality, workforce, pay and conditions

- The unique operational model of family day care should also be taken into account when assessing sector quality and workforce conditions:
- The use of "staffing waivers" may not be appropriate for family day care as a dimension of quality (Table 2.8). Unlike centre-based care, family day care educators work independently, and waivers would only be used at provider level. Additionally, staffing waiver for a coordinator role has minimal impact on care quality in our view.
- Include professional development in the "Staffing Profile" indicators. Professional development plays a key role in maintaining continuous improvement in quality. Family day care professional development data is available from the ECEC National Workforce Census (2021 and 2024).
- Disaggregate family day care and in-home care data in the ECEC National Workforce Census. The current aggregation masks workforce characteristics specific to family day care.
- Prospective family day care educators can face considerable costs in the establishment of their businesses in order to comply with regulatory standards and be appropriately equipped to run a family day care business. The current Australian Government is investing in a targeted initiative to address a number of barriers to family day care educator supply in regional SA2 "priority areas" through the Family Day Care Capability Trial project, being led by FDCA. We would be happy to share insights from this project if useful to IPART.
- The 2025 IMMR should also consider the findings from the Australian Government's Early Education Service Delivery Price Project, which is exploring service cost variation by care type. FDCA is a member of the project's reference group, and its foundational conceptual work will be relevant to IPART's final methodology.

<sup>8</sup> Department of Education, Child Care in Australia report, September Quarter 2024.

<sup>9</sup> Productivity Commission, (2024): Inquiry Report - A path to universal early childhood education and care, Recommendation 6.3.

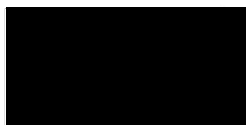
#### 4. Conclusion

Thank you for the opportunity to respond to the 2025 IMMR Methodology Paper. We trust our feedback will contribute to a more inclusive and accurate methodology that reflects the unique features of the family day care sector.

We urge IPART to ensure the final methodology appropriately captures the distinct operational model of family day care to support accurate analysis and equitable policy development.

Please reach out to Michael Farrell, General Manager, Advocacy and Engagement on [REDACTED] to clarify any points made in this submission or to request further information.

Yours faithfully



**Andrew Paterson**  
Chief Executive Officer  
Family Day Care Australia