

PRE-BUDGET SUBMISSION 2023-24

Department of Treasury,
Commonwealth Government

Family Day Care Australia

January 2023



1. INTRODUCTION

Family Day Care Australia (FDCA) welcomes the opportunity to provide a submission to the Treasury, in advance of the 2023-24 Federal Budget.

As part of this submission, FDCA would also like to present the Workforce Output Model Review developed by Deloitte (please see Appendix A), which assesses the validity of a Workforce Output Model, developed by FDCA, that details the economic outcomes and return on investment associated with additional targeted government funding for the family day care sector to both incentivise new educators to enter the sector and provide additional support for approved services to engage them.

1.1 RECOMMENDED INVESTMENT MEASURES

This submission reflects the views of the family day care sector which we represent and outlines the case for four key funding priorities that are not only pivotal in ensuring the long-term viability of the family day care sector, but represent an appropriate and equitable allocation of funding for the sector through amendments to the calculation of the Child Care Subsidy (CCS) hourly fee cap, alongside two new funding measures that will directly support increased women's economic security through incentivising growth in the family day care sector.

These recommended investment measures are:

- 1. raise the hourly CCS cap rate for family day care in line with the calculation afforded to centre-based care services so that it more accurately reflects the cost of providing family day care; and**
- 2. apply an additional loading of 20% to the recalculated CCS fee cap for non-standard hours family day care to adequately reflect the cost of this type of care.**
- 3. a direct funding support program (an "Approved Service Engagement Payment") for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and**

- 4. a direct funding support program (an "Educator Start-up Grant") for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector in establishing their micro-business.**

FDCA contends that if the above proposed investment measures are not introduced in the 2023-24 Federal Budget, the family day care sector will experience market failure to the significant detriment of the Australian children, families and communities that rely on family day care. As detailed in Section 2, the family day care sector has been under sustained and significant viability pressures.

Furthermore, as outlined in Section 1.4, the COVID-19 pandemic shone a light upon the significant strengths of the family day care model; strengths that cannot be replicated by other forms of early childhood education and care (ECEC). These strengths should be celebrated and valued by the Australian Government. FDCA contends that if the recommendations put forward in this submission were adopted, this would assist greatly in fortifying the model into an increasingly uncertain future.

The investment measures proposed herein are key in maintaining the viability of a sector that is highly valued for its flexible, responsive and affordable ECEC, as well as contributing to key policy objectives of the Australian Government including to:

- continue to "build quality and access to early years learning and development in environments that meet the needs of all Australia families"¹;
- facilitate greater access to affordable and flexible ECEC options for families to meet their changing needs and enable and encourage their participation in the workforce; and
- increase ECEC service delivery in regional areas and areas of high socio-economic disadvantage.

These investment measures are discussed in detail in Sections 2 and 3.

¹ Alice Springs (Mparntwe) Education Declaration, December 2019

1.2 ABOUT FAMILY DAY CARE AUSTRALIA

FDCA is an apolitical, not for profit, national member association representing over 10,000 family day care educators and 422 approved family day care services². 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 build a highly skilled workforce.

1.3 ABOUT THE FAMILY DAY CARE SECTOR

As acknowledged in the Alice Springs (Mparntwe) Education Declaration, a world class education system for young Australians “begins with making sure that every young child has the opportunity to benefit from structured play-based learning before they start school, because this helps build the social, emotional and cognitive skills they need to succeed in the years to come.”³

The family day care sector is an essential part of the ECEC sector, providing flexible, affordable and accessible education and care for more than 40 years. Regulated under the *Education and Care Services National Law Act 2010* and the *Education and Care Services National Regulations*, it plays a vital role in meeting the diverse and changing child

care needs of a significant proportion of Australian families, while at the same time responding to parents’ desire for a ‘home-based’ and ‘family-like’ environment for their children.⁴

According to the September 2021 version of the *Child Care in Australia* quarterly report published by the Commonwealth Department of Education, Skills and Employment (DESE), of the 1,344,520 children who attended approved child care services, 6.7% (90,450) attend family day care. The family day care sector supports more than 64,390 families across Australia.

While educators are registered with approved services, they effectively run their own small business, working 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.

Importantly, the family day care sector offers significantly higher levels of flexible sessions than centre-based day care. For example:

84.7%

of family day care services offer shorter sessions (up to 6 hours) compared to only 17.2% of long day care services.⁵

94%

of family day care services also offer longer sessions (7-12 hours)

65.3%

allow for the swapping of days/sessions or sessions to be added or changed at short notice, compared to 51% and 50.2% of long day care services respectively.⁶

This flexibility is critical to catering for the current and future needs of Australian families, especially in the face of changing work patterns, where casual, contract and part-time work is common, and women form 68.1% of the part-time workforce.⁷

² FDCA internal member data, January January 2023.

³ Alice Springs (Mparntwe) Education Declaration, December 2019

⁴ Pascoe, S. Brennan, D. (2017) *Report of the Review to Achieve Educational Excellence in Australian Schools through Early Childhood Interventions*

⁵ Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

⁶ Ibid.

⁷ www.wgea.gov.au/data/fact-sheets/gender-workplace-statistics-at-a-glance.

Family day care also offers considerably higher levels of non-standard hours care, compared to the long day care sector:

88.2%	85.5%	47.5%
of family day care services offer sessions of care on weekdays before 7am or after 6pm, compared with 45.7% of long day care services. ⁸	of family day care services offer care on weekends, compared with a mere 0.5% of long day care services.	of family day care services offer overnight care, as compared with 0% of long day care services. ⁹

Availability of responsive ECEC services during non-standard hours is absolutely key to supporting a range of employees and contractors who work casual and on-call shift work, split shifts and irregular hours in a range of occupations including nurses, paramedics, police officers, FIFO workers, cleaning contractors, factory workers and those that work in the hospitality industry.

Finally, the family day care sector provides much needed ECEC for Australian families in areas of high disadvantage, with 23.8% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index and over half of educators (53.6%) being located in areas ranked in the first five deciles of the SEIFA index.¹⁰ Furthermore, 24.4% of family day educators operate in regional and remote areas of Australia.¹¹ In some of these areas, family day care is the only option available for child care.

1.4 FAMILY DAY CARE AND LESSONS FROM COVID-19

Since the spread of COVID-19 to pandemic levels in early 2020, family day care has proven to be the most

responsive form of early childhood education and care, as evidenced by the strong attendance levels across the peak period of the pandemic, as indicated in the Australian Government's "ECEC Relief Package Four Week Review Summary Report".

The data indicated that while 53% of family day services experienced a decline in attendance of 20% or more in the first four weeks since commencement of the ECEC Relief Package, this is compared with 80% of centre-based care services care experiencing a 20% or more attendance decline. Furthermore, 9% of family day care services actually experienced growth in attendance during this period as compared with zero percent of centre-based care services.

The reasons for family day care's responsiveness in the face of a pandemic are clear, as they are evident in the fundamental structure of the model itself. For example:

- family day care is conducted in small group settings in educators' approved residences, and therefore risks of transmission of infectious disease are significantly lower than larger centre-based models;
- families have ongoing, consistent and trusted relationships with their family day care educator;
- the model caters for flexible sessions and non-standard hours care, including weekends and overnights, which is particularly important for essential front-line workers;
- family day care can accommodate for school-age children within the ratio requirements prescribed under the Education and Care Services National Regulations; and
- the "satellite" micro-business model is agile and responsive to the localised needs of communities.

The family day care sector remained highly resilient in the face of considerable adversity - the continuity of education and care remained largely unbroken, and our members worked collaboratively and professionally to provide for the diverse and continued needs of Australian children and families throughout the crucial points of the pandemic.

⁸ Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

⁹ Ibid.

¹⁰ FDCA Family Day Care Sector Profile, June 2021

¹¹ Ibid.

Although it has taken a 1 in a 100-year pandemic, the COVID-19 experience has demonstrated to governments:

- the unique capacity of the model to support children and families, in particular, in the context of emergency situations;
- how vitally important the sector is in supporting non-standard hours care; and
- that, in the event that there was another pandemic and centres had to be shut down, family day care would be the primary care type that could adequately respond.

FDCA made multiple submissions to the Senate Select Committee on COVID-19 and appeared as a witness at one of the Committee's public hearings detailing these issues. It is, therefore, not the purpose of this submission to reiterate details of our sector's positions regarding these matters specifically; rather, it is to make the point that the COVID-19 pandemic shone a light upon the significant strengths of the family day care model and the recommendations contained herein would significantly, for an extremely modest investment, support the ongoing national viability of an exceptionally important component of the ECEC landscape.

“...the family day care sector remained highly resilient in the face of considerable adversity - the continuity of education and care remained largely unbroken and our members worked collaboratively and professionally to provide for the diverse and continued needs of Australian children and families throughout the crucial points of the pandemic.”

ANDREW PATERSON, CEO FAMILY DAY CARE AUSTRALIA

2. ISSUES

2.1 FACTORS AFFECTING THE LONG-TERM SUSTAINABILITY OF THE FAMILY DAY CARE SECTOR

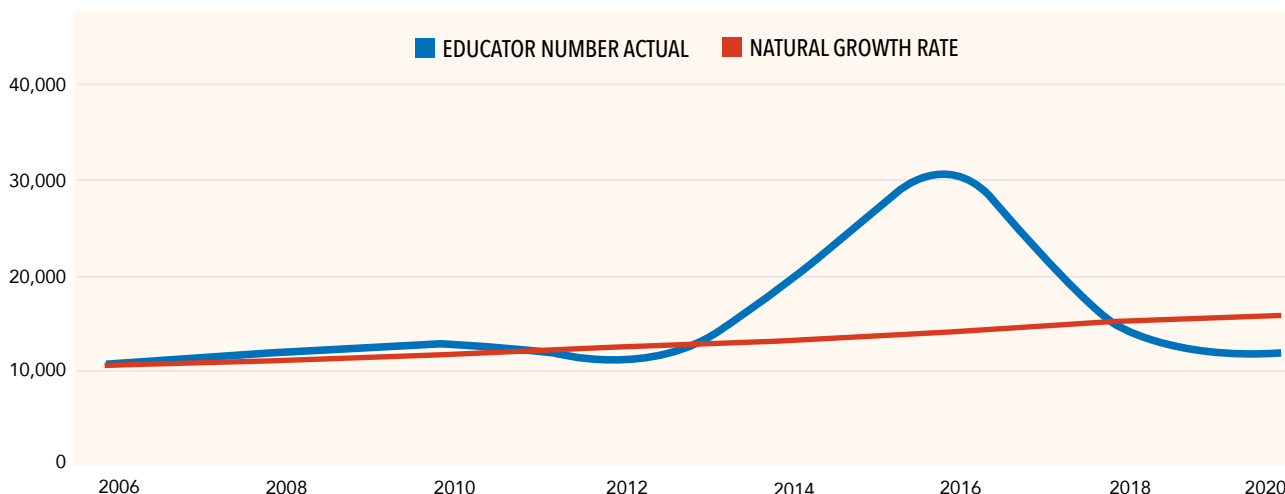
While the evidence is clear that the family day care sector is a flexible and responsive form of ECEC that is highly valued by almost 8% of Australian families who use approved child care, in recent years, a number of significant challenges have impacted on the future viability of the sector¹², including:

- a strong and sustained downward trend in educator and service numbers occurring since 2016; and
- an inappropriate hourly CCS fee cap rate for family day care.

SUSTAINED DECREASES IN EDUCATOR AND SERVICE NUMBERS

FDCA's quarterly Family Day Care Sector Profile¹³ reports show that over the past 4 years, since the commencement of the Child Care Package there has been a 25.2% decrease in the number of approved services and a 33.0% decrease in the number of educators. What is exceptionally alarming is that the actual numbers of educators in the family day care sector is, as of mid-2018, dipping below what should have been the "natural" projected growth line of educator numbers in the sector, according to internal modelling undertaken by FDCA, depicted in Figure 1. The drop in educator numbers below the natural growth line can be seen where the two separate lines intersect in 2018.

FIGURE 1: NUMBER OF FAMILY DAY CARE EDUCATORS: ACTUAL NUMBERS AND NATURAL GROWTH LINE, 2003-2020



While we acknowledge the impact of fraudulent and unscrupulous operators on the sector over the past few years, and have been an advocate for proportionate reform, the long-term viability of legitimate family day care services is now being jeopardised by the sustained decrease in the sector. While there are many likely reasons for this decrease, including the cumulative effect of an increased regulatory and compliance burden on sustainable growth and financial viability, if left unaddressed, it will almost certainly lead to a reduction in the availability of flexible and affordable ECEC for Australian families, especially during non-standard hours. The longer-term viability of the sector can be partially achieved by the adoption of the recommended investment measures made herein.

¹² For a detailed discussion of these issues see FDCA's Sector Viability Brief at www.familydaycare.com.au/representing-you/sector-viability-strategy

¹³ Available online at familydaycare.com.au/representing-you/sector-profile

INAPPROPRIATE HOURLY CCS FEE CAP CALCULATION FOR FAMILY DAY CARE

A significant issue affecting the sustainability and viability of the family day care sector is the inappropriate hourly CCS fee cap. When the Government's Child Care Package was developed, the cap price for family day care was calculated differently than other service types.

The calculation that informs current cap rates was based on the projected mean fees at the time (2015) (post removal of top 5% of fees) and were increased by 5.75% for family day care and 17.5% for other service types. FDCA sought clarification of the rationale for this significant differentiation in treatment of family day care compared with centre-based care. In summary, the (then) Australian Government Department of Education and Training advised that this approach was taken due to the following assumptions:

- inappropriate practices in the family day care sector (at that time);
- family day care sessions of care being typically 10 to 12 hours long;
- lower overheads; and
- fees charged for non-standard hours were lower or similar to standard hours.¹⁴

FDCA accepted that the widespread unscrupulous activities in the family day care sector at that time would have impacted the data set the Government drew on, thereby contributing to an inaccurate picture of legitimate fee charging practices. However, due to the Australian Government's significant work over recent years in eradicating fraudulent behaviour in the sector, FDCA maintains that the primary assumptions underpinning the calculations leading to the current CCS fee cap rates for family day care are no longer applicable and therefore invalid. It is therefore imperative that, following the closure of over 400 family day care services, the above rationale and assumptions be reviewed.

A much cleaner data set is now available showing that the average hourly rate for family day care is higher than that of the centre-based day care sector: \$11.05

as opposed to \$11.00¹⁵ FDCA contends that this represents a much more accurate picture of legitimate fee charging practices, and that the primary reasons for a comparatively higher mean fee in the family day care sector reflect that:

- overheads in family day care are on par with those of centre-based day care;
- family day care charges are significantly closer to actual usage; and
- family day care is the primary ECEC option delivering non-standard hours care.

It should be noted that, the Department of Education's average fee data shown above notwithstanding, FDCA's October 2022 survey of FDCA educator members (n=451) indicated that the average standard hours fee is \$12.78, which is exceptionally close to the current CCS fee cap for centre-based care, which is \$12.74.

OVERHEADS AND THE COST OF DELIVERING FAMILY DAY CARE

FDCA has always refuted that family day care has "lower overheads" than centre-based care. The overheads of both family day care services and family day care educators must be taken into account in any calculation of the CCS fee cap for family day care. Feedback from FDCA members shows that the costs associated with running a small business for family day care educators, as independent contractors, are significant and the CCS hourly fee cap should be amended to reflect this. As sole traders or independent contractors, educators have significant overheads including, but not limited to: equipment; property maintenance; mortgages or rent; insurances (home and contents, public liability, health, personal accident/income protection, car etc); bookkeeping and accounting expenses; leave entitlements; and superannuation. When combined with the overheads of the approved service itself, the costs of running a quality family day care service in its entirety are certainly comparable to those of running a centre-based service.

¹⁴ Letter to FDCA from the Department of Education and Training dated 9 December 2016.

¹⁵ Department of Education, Skills and Employment, Child Care in Australia report, September Quarter 2021

It is important to note, as indicated in Table 3.4 of the Government's September 2021 Child Care in Summary Report (see Table 1), that a significant percentage of family day care services are charging above the fee cap, which is occurring to cover family day care service and educator operational costs and provide for adequate remuneration for educators. Again, this may be attributable in part to the CCS fee cap not accurately reflecting the cost of delivering family day care in a

range of circumstances, including but not limited to non-standard hours care. This is negatively impacting the out-of-pocket cost of family day care for families and significantly undermining the sector's viability.

It must also be noted that the percentage of family day care services charging over the fee cap continues to rise, moving over 10 percentage points from 21.2% to 31.8% from September 2019 to September 2021.

TABLE 1: NUMBER OF SERVICES CHARGING UNDER AND ABOVE THE CCS FEE CAP, SEPTEMBER 2021

SERVICE TYPE	FEE CAP (\$)	UNDER OR AT THE FEE CAP	ABOVE FEE CAP	TOTAL	% SERVICES ABOVE THE CAP
Centre-based Day Care	12.31	7,305	1,364	8,669	15.7
Family Day Care	11.40	288	134	422	31.8
Outside School Hours Care	10.77	4,107	565	4,672	12.1

ADEQUATE REMUNERATION FOR FAMILY DAY CARE EDUCATORS

In October 2022, FDCA surveyed educator members in order to get a clear understanding of contemporary family day care educators' hours worked, fees charged, and average net income received ¹⁶

Table 2 below presents a comparison of the hours worked and net incomes of centre-based care educators and family day care educators. The Children's Services Award 2010¹⁷ indicates that a Certificate III qualified

employee at a centre-based care service, on a Level 3.3 award and after 2 years of service in the industry, which could be considered somewhat comparable to the base qualification requirement and role of a family day care educator, earns considerably more than family day care educators and works less hours, on average. This is in part due to the CCS fee cap for family day care not appropriately remunerating family day care educators while simultaneously negatively impacting on the out-of-pocket cost for families using family day care.

¹⁶ Based on 451 qualified responses – outliers removed.

¹⁷ Source: http://awardviewer.fwo.gov.au/award/show/MA000120#P350_34360

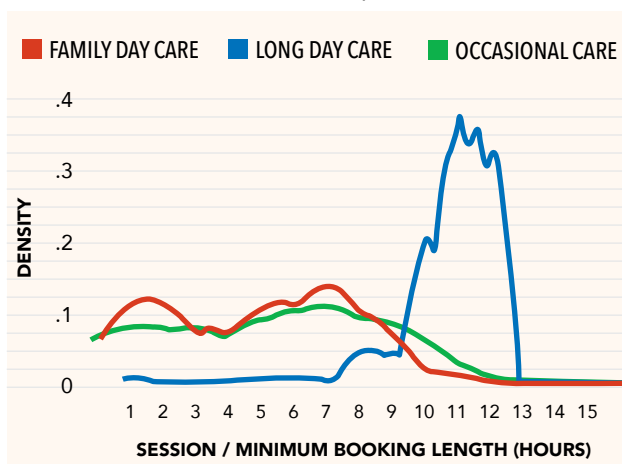
TABLE 2: COMPARISON OF HOURS WORKED AND NET INCOMES, CENTRE-BASED SERVICE EMPLOYEES AND FAMILY DAY CARE EDUCATORS

	CENTRE-BASED CARE EMPLOYEE	FAMILY DAY CARE EDUCATOR
Average hours worked (2022-23 Financial Year)	1,920 (40 hours per week)	2,116.8 (44.1 hours per week)
Net income per annum	\$51,981.4	\$49,167.65
Net income per week	\$999.64	\$945.53
Net income per hour	\$24.99	\$21.44

SESSIONS OF CARE AND ACTUAL USAGE

The mean fee for family day care is higher than centre-based day care as, generally, booked sessions of care for family day care are shorter and a closer reflection of actual usage. The existing cap calculation was predicated upon the assumption that family day care services typically charged for sessions of care that were “10-12 hours long”. However, the cleaner data set now available shows a much clearer picture. Recent research undertaken by the Australian Institute of Family Studies (AIFS)¹⁸, as depicted in Figure 2, indicates that unlike centre-based day care, family day care does not typically charge 10-12 hour sessions. In fact, the vast majority charge for 8-hour sessions or less.

FIGURE 2: DISTRIBUTION OF SESSION LENGTHS OR MINIMUM BOOKING LENGTHS, BY SERVICE TYPE¹⁹



Source: Australian Institute of Family Studies (AIFS) Child Care Package Evaluation: Early monitoring report (2019; 49)

Furthermore, family day care services are charging significantly closer to actual usage hours than centre-based care, as indicated by Table 6.2 of the June 2019 Child Care in Australia report, revealing that 22.7% of charged hours were not attended in family day care, as opposed to centre-based care where 36% of charged hours are not attended (see Table 3).

¹⁸ Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

¹⁹ Australian Institute of Family Studies (AIFS) Child Care Package Evaluation: *Early monitoring report* (2019; 49)

The standard '12-hour session' charging practice within centre-based care essentially dilutes the hourly rate by spreading the 'total cost' across a full day. By contrast, in family day care, where charging practices more closely reflect actual usage, although the average hourly rate may be slightly higher, the total cost (and government investment) is markedly lower.

TABLE 3: AVERAGE WEEKLY HOURS (PER CHILD) - CHARGED HOURS AND ATTENDED HOURS BY SERVICE TYPE, JUNE QUARTER 2019²⁰

SERVICE TYPE	CHARGED HOURS	ATTENDANCE HOURS	% OF CHARGED HOURS NOT ATTENDED
Centre-based Day Care	29.7	19.0	36%
Family Day Care	24.2	18.7	22.7%
Outside School Hours Care	11.1	6.2	44.1%

DELIVERY OF NON-STANDARD HOURS CARE

As stated above in Section 1.2, family day care is the primary regulated and Commonwealth approved ECEC option of care during non-standard hours, including evenings, weekends and overnight.

This type of care is increasingly important for Australian working families and their communities. FDCA members who offer non-standard hours care tell us their service is highly valued in their communities and meets the needs of a range of families, in particular shift workers from a range of industries, for example aged care staff, disability support workers, nurses, paramedics, police officers. Family day care also services other important cohorts that require non-standard care, including single parents and grandparents, business owners needing to work weekends, families where both parents work in an owner operated business together, and importantly children transitioning from the care of emergency or state child protection services. The continued availability of regulated, high quality non-standard hours ECEC is exceptionally important for these groups.

Consultation with FDCA members in October 2022 indicates that fees charged for non-standard hours are significantly higher than those for standard hours, with

the average hourly fee for non-standard hours family day care (excluding overnight and weekend care) being \$13.56. The average fee charged for non-standard hours care, including overnight and weekend care, is \$15.10. However, it should be noted that if the cost of family day care delivered on weekends alone were considered, which is one of the most common forms of non-standard hours care delivered by the sector, then the average fee charged would increase to \$16.65.

Clearly, the current CCS fee cap for family day care is not adequately recognising the actual cost of delivering family day care in non-standard hours care, and as such, is not allowing for family day care educators to be appropriately remunerated for the important work they do and/or disincentivises the provision of this care type.

The impact of delivering this form of care on a family day care educator and their family is significant and this is not currently recognised by the child care family assistance payments framework. Importantly, this lack of recognition is also increasing out-of-pocket costs for families who need this type of care.

See the case study below for an example of the cost of non-standard hours family day care in a socio-economically disadvantaged area.

²⁰ Please note, this data has not been included in any subsequent editions of the Department of Education, Skills and Employment's Child Care in Summary Report.

 **CASE
STUDY****NON-STANDARD HOURS FAMILY DAY CARE CASE STUDY**

Educator, Burnie, TAS

"L" is a passionate family day care educator who has been working in the sector since 2004. She holds Diploma and Certificate III qualifications in Early Childhood Education and Care and is registered with a service to provide care 24/7.

Care provided:

In response to the needs of her families, and following successful registration through her service, L has provided care during standard and non-standard hours, including weekends, evenings and overnight almost as soon as she began in the sector. When L provides overnight care she only accepts a maximum of 3 children.

Flexibility and high quality of care are important features of her business and as a result she has never been other than fully booked in that whole time. The deep connections and strong bonds that L develops with the children she has cared for over the years, and with their families, is evident in that these connections have endured well beyond the child care years in many instances.

Types of families supported:

In Burnie, there is a strong need for flexible hours' care in the area to support people who work in a wide range of occupations and professions, especially single parents who have no family close by. Shift workers often work a rotating roster; some may only work night shift and others are on call. Her clients mostly work as:

- Nurses and support staff at the local hospital
- emergency professionals such as paramedics and on call hospital staff
- factory workers
- miners

Child protection authorities have also used L's services when there is an urgent need to place a child in care due to families experiencing a crisis.

Fees charged:

- standard hours Mon-Fri (8 am – 6 pm): \$10 ph
- extended hours Mon – Fri (6 am – 8 pm) : \$13 ph outside standard hours
- overnight care Mon – Fri (8 pm – 6 am): \$ 17 ph
- weekend and public holiday care (daytime) : \$18 ph
- weekend / public holiday overnight: \$19.50 ph

Meals are charged separately. School pickup and drop-off also provided free of charge if a child stays overnight. L sometimes picks up from centre-based day care service if a child staying overnight.

L would greatly welcome an increase in the CCS cap for non-standard hours family day care as it would significantly lessen out-of-pocket expenses for families that need this type of care.

2.2 ACCESSIBILITY, AFFORDABILITY, SUSTAINABILITY AND UNINTENDED CONSEQUENCES

In relation to the impact of the introduction of the CCS and the hourly fee cap rates on affordability and accessibility for families, FDCA must largely defer to the extensive research undertaken by the Australian Institute of Families (AIFS) through the Child Care Package Evaluation: Final Report.²¹ In summary, in reference to the Child Care Package as a whole (of which the CCS, and hence the cap rates, are the major component) the report suggests that:

- "...the introduction of the Child Care Package has had little impact on the accessibility or flexibility of child care provision" (v);
- "Analysis of data at the time of the implementation of the CCS and the following 18 months shows no marked changes in access to child care" (v);
- "Fees charged by services have increased at a similar rate following the introduction of the Package to what they were before the changes ... the subsidy fees cap is regularly exceeded by services. This suggests that the Package has not been effective, to date, in reducing increases in child care fees" (vi).

Significantly, for the purposes of this review, it is clear that if the CCS fee cap is not appropriately reflecting the actual cost of family day care, parents are unnecessarily paying higher gap fees in those instances where educators must charge fees higher than the fee cap in order to remain financially viable. However, the key point for family day care specifically that must be reiterated is that given the hourly fee cap has a direct correlation with family day care educators' capacity to be adequately remunerated, there must be a balance between consideration of the impact of the fee cap on families' ECEC affordability and the fee cap's capacity to adequately remunerate educators, as this is pivotal to an educator's willingness to remain in the sector, and thus the sector to remain viable and grow, which in turn will increase accessibility for children and families.

Through extensive consultation, FDCA is aware that a significant reason for educators exiting the sector over recent years is that the work is often underpaid, which is in part a result of the CCS fee hourly cap not being set at an appropriate level.

In terms of declining educator numbers, FDCA's quarterly Family Day Care Sector Profile²² reports show that over the past 4 years, since the commencement of the Child Care Package there has been a 25.2% decrease in the number of approved services and a 33.0% decrease in the number of educators.

Logically, these numbers clearly correlate with a comparable decline in the number of children and families able to access family day care. In September 2018, there were 131,600 children and 89,160 families utilising family day care. In September 2021, there were 90,450 children and 64,390 families using family day care. This represents a decline of an astounding 31.3% children and 27.8% of families accessing family day care.

While we acknowledge the impact of fraudulent operators on the sector over the past few years, and have been an advocate for proportionate reform, the long-term viability of legitimate family day care services is now being jeopardised by the sustained decrease in the sector. While there are a number of interrelated reasons for this decrease, including the cumulative effect of an increased regulatory and compliance burden on sustainable growth and financial viability, the issue of adequate educator remuneration (which again, for family day care educators, hinges directly on the level of the CCS hourly fee cap) is leading to a reduction in the availability of flexible and affordable ECEC for Australian families, overall and specifically during non-standard hours, for which family day care is virtually the only provider.

Despite common misconception, this decline is no longer a function of governments justifiably cancelling the approvals of unscrupulous operators but is in fact the demise of many of our sector's oldest and most respected services. Table 4 below provides a small sample snapshot as evidence of the dire state of our sector.

21 Bray, J. R., Baxter, J., Hand, K., Gray, M., Carroll, M., Webster, R., Phillips, B., Budinski, M., Warren, D., Katz, I., Jones, A. (2021). Child Care Package Evaluation: Final Report. (Research Report). Melbourne: Australian Institute of Family Studies.

22 Available online at familydaycare.com.au/representing-you/sector-profile

TABLE 4: SAMPLE OF ESTABLISHED FAMILY DAY CARE SERVICE CLOSURES AND DECLINING EDUCATOR NUMBERS, 2022

SERVICE NAME	SERVICE PROFILE	CRISIS STATUS
Mission Australia Family Day Care	3 services, 2 in Western Sydney and one in Tasmania. Across the 3 services, in July 2019 Mission Australia Family Day Care had 207 educators operating.	Closed July 2022
City of Casey Family Day Care	Long-standing council service in Narre Warren Victoria operating for over 25 years prior to closure. In 2019 City of Casey Family Day Care had more than 200 educators and over 2,000 children using the service.	Closed November 2021
Churches of Christ Family Day Care	Churches of Christ Care was the first family day care scheme in the Wide Bay Region, establishing in January 1979. 878 children affected in Cunnamulla, Gin Gin, Hervey Bay, Maryborough and Brisbane.	Closed June 2022
Mornington Peninsula Family Day Care	Long-standing council service in Mornington Peninsula and Frankston, Victoria, operating for over 25 years prior to closure. 145 families and 183 children affected.	Closed June 2021
Kath Dickson Family Day Care	One of the first family day care services in Australia - a not-for-profit, community-based service established in 1975 operating in Toowoomba, South West Queensland and the Sunshine Coast.	Number of educators: July 2019: 83 June 2022: 30 % decline: -63.9%
Uniting Education Family Day Care	Not-for-profit church-based service established in the mid-1980s in the Brisbane area.	Number of educators: July 2019 - 67 June 2022 - 37 % decline: -44.7%
Bright Futures Family Day Care	Community based not-for-profit established in 1988 operating in the Kwinana area, WA.	Number of educators: July 2019 - 103 June 2022 - 62 % decline: -39.8%
Northern Rivers Family Day Care	A community based not-for-profit service that has been operating since 1980 in the Lismore up to Tweed Heads area.	Number of educators: July 2019 - 153 June 2022 - 94 % decline: -38.6%
Coastwide Family Day Care	Community based not-for-profit established in 1983 operating in the Central Coast region.	Number of educators: July 2019 - 173 June 2022 - 119 % decline: -31.2%

The decline in educator numbers, and subsequent impact on approved service viability, and hence impact on accessibility overall, is clearly a significant and potentially catastrophic unintended consequence of the inequitable and miscalculated CCS fee cap for family day care, which is without doubt a significant contributing factor to this trend.

3. RECOMMENDED INVESTMENT MEASURES

FDCA recommends four key investment measures to address the issues raised above to support the continued viability of a sector that is highly valued for its flexible, responsive and affordable ECEC:

- raise the hourly CCS cap rate for family day care to be on par with that of the centre-based care sector;
- apply an additional loading of 20% to the recalculated CCS fee cap for non-standard hours care;
- initiate a direct funding support program (an “Approved Service Engagement Payment”) for family day care approved services to assist in the recruitment, induction and training of new family day care educators; and
- initiate a direct funding support program (an “Educator Start-up Grant”) for new family day care educators to assist in overcoming some of the financial barriers to entry into the sector in establishing their micro-business.

While it is evident that the current average hourly fee for family day care is greater than that of centre-based care, FDCA would also support parity in the CCS hourly fee cap between the two service types as this would be beneficial to the Australian consumer, would better reflect the actual cost of providing family day care and would not prejudice any of the approved ECEC service types that provide ECEC under the *Education and Care Services National Law*.

The evidence is clear. The CCS hourly fee cap for family day care must be recalculated. Its current calculation is based on a flawed and outdated rationale, it does not appropriately reflect the cost of delivering family day care, it is placing the sector in an inequitable market disadvantage position and is contributing to the decline of educator numbers in the sector, which has a flow on effect onto both approved service viability and accessibility to flexible approved ECEC for children and families.

3.1 RAISE THE HOURLY CCS CAP RATE FOR FAMILY DAY CARE

Given the facts outlined above, FDCA is urging the Australian Government to invest in supporting the future viability of the family day care sector through the application of an appropriate formula for the calculation of the CCS hourly fee cap for family day care, that is, that which is applied to the centre-based day care fee cap calculation (i.e. applying a 17.5% loading to the projected mean) which would more adequately reflect the actual cost of standard hours family day care service provision. If this was applied to family day care, based on the September 2021 average fee, the fee cap for family day care would sit around \$12.98,²³ which is higher than the current CCS fee cap for centre-based day care and outside school hours care. That being said, it should be noted again that FDCA’s October 2022 survey of 451 educator members produced an average standard hours fee of \$12.78 (outliers removed).

3.2 ADDITIONAL LOADING FOR NON-STANDARD HOURS FAMILY DAY CARE

The current CCS cap is not only inappropriate for *standard hours* family day care, as outlined above, it is vastly inadequate in the case of *non-standard hours* care which, in many cases, costs significantly more than care that is delivered in standard hours.

FDCA therefore urges the Australian Government to also invest in the provision of non-standard hours care provided by the family day care sector by applying an additional loading of 20% to the recalculated CCS fee cap for non-standard hours family day care. This measure will more appropriately reflect the actual cost of delivering this type of care, thereby ensuring that educators who provide this type of care are adequately remunerated and the future viability of this type of care is safeguarded. Family day care is a natural option of choice for families

²³ Subject to the removal of outliers.

²⁴ Survey of FDCA Educator members, January 2021: 241 qualified responses.

seeking ECEC in non-standard hours, given the flexibility offered that cannot be replicated in a centre-based setting, the small numbers in a family day care setting as well as the strong connections and personalised ECEC experience that it affords children.

It should be a priority for governments to incentivise and adequately remunerate this type of family day care service delivery given it is the primary regulated and Commonwealth approved ECEC option that can cater for non-standard hours and there is an increasing need for families to access this type of care due to the changing nature of the Australian workforce and communities.²⁵

Implementation of this recommendation would result in (based on the base-level CCS fee cap for family day care having already increased to \$12.74, on par with centre-based care) the CCS fee cap for non-standard hours family day care being raised to \$15.29, which would appropriately reflect the actual cost of service delivery and alleviate the additional out-of-pocket costs for families that have no option but to access this form of vital care.

“Family day care is a natural option of choice for families seeking ECEC in non-standard hours, given the flexibility offered that cannot be replicated in a centre-based setting, the small numbers in a family day care setting as well as the strong connections and personalised ECEC experience that it affords children.”

²⁵ Productivity Commission (2014: 198) Childcare and Early Childhood Learning, Inquiry Report No. 73, Canberra.

3.3 INCREASING WOMEN'S ECONOMIC SECURITY THROUGH RECRUITMENT AND START-UP FUNDING SUPPORT

Increasing women's economic security is a significant priority of all governments. While achieving this outcome is complex and demands diverse and innovative policy and program responses, it is inarguable that equitable participation in the workforce is a core underpinning. Family day care offers women the unique opportunity to start their own micro-business, supporting secure, flexible, long-term work opportunities with significant financial autonomy, and, through the creation of child care capacity, achieving the cumulative benefit of enabling workforce participation for many more women in their community.

To present the opportunities afforded by family day care to more Australian women, we propose that a two-pronged support mechanism be initiated that supports approved family day care services to engage, train and support new educators, alongside a start-up support payment to new educators to incentivise their entry into the sector and assist in the establishment of their new micro-business, as outlined below.

APPROVED SERVICE ENGAGEMENT PAYMENT

Due to the increased cost of compliance, business administration and a number of market restrictions specific to the family day care sector, many services report difficulties in the recruitment of new family day care educators. Support for approved services in the engagement, training, support and monitoring of new educator small businesses is a key lever in supporting growth in the sector.

Like centre-based ECEC approved services, family day care approved services must allocate significant resources in the recruitment, induction and training of new family day care educators entering the sector. However, unlike the centre-based care sector, which is supported by programs like the 'Boosting Apprenticeships Commencements' scheme that provides a wage subsidy

to support businesses to take on new apprentices and trainees, there are no programs that directly support approved family day care services with the cost of engaging new family day care educator sole traders. Based on modelling from one of Australia's leading family day care services,²⁶ the direct cost to a service (in terms of staff resource allocation alone) for the engagement, and training of a new educator in their first two months is approximately \$4,000.

The Australian Government's 'Launch into Work' program may have the capacity to address this barrier by way of the 'pre-employment support payment' component of the program, providing financial support for induction, ongoing training and employment. However, again, the program guidelines are designed for the employer/employee context. The program would need to accommodate the registration of a new family day care educator sole traders, which is not currently the case.

As such, FDCA is proposing that the Australian Government initiate a program that provides specific support to the approved family day care service whereby, in accordance with agreed conditions and eligibility criteria, the service would receive an incentive payment (an "Approved Service Engagement Payment") to assist in the allocation of resources to engaging, inducting and training new educators throughout their first 3-6 months.

FDCA engaged Deloitte Australia to review and assess the validity of a 'Workforce Output Model' developed by FDCA and provide an independent report (see Appendix A) that details the economic outcomes associated with additional government funding used towards engaging new family day care educators to provide education and care to enable workforce participation and increase women's economic security. This model and the workforce outputs are outlined in more detail in the section below, as it is based on the combination of the two commitment requests working in tandem (i.e. the "Approved Service Engagement Payment" and the "Educator Start-up Grant" combined).

EDUCATOR START-UP GRANT

New family day care educators can face considerable costs in the establishment of their businesses in order to

26 Wynnum Family Day Care, Service Approval No. SE-00000803

comply with regulatory standards and be appropriately equipped to run a family day care business, including, but not limited to, educational programming and play equipment, property modifications to ensure child safety (i.e. fencing, safety glass) insurances (i.e. home and contents, public liability, income protection etc), Certificate III level qualifications, and first aid, asthma and anaphylaxis training. This can act as a barrier for potential new entrants to the sector, which is problematic as the sector as a whole relies on new entrants for approved services to remain viable.

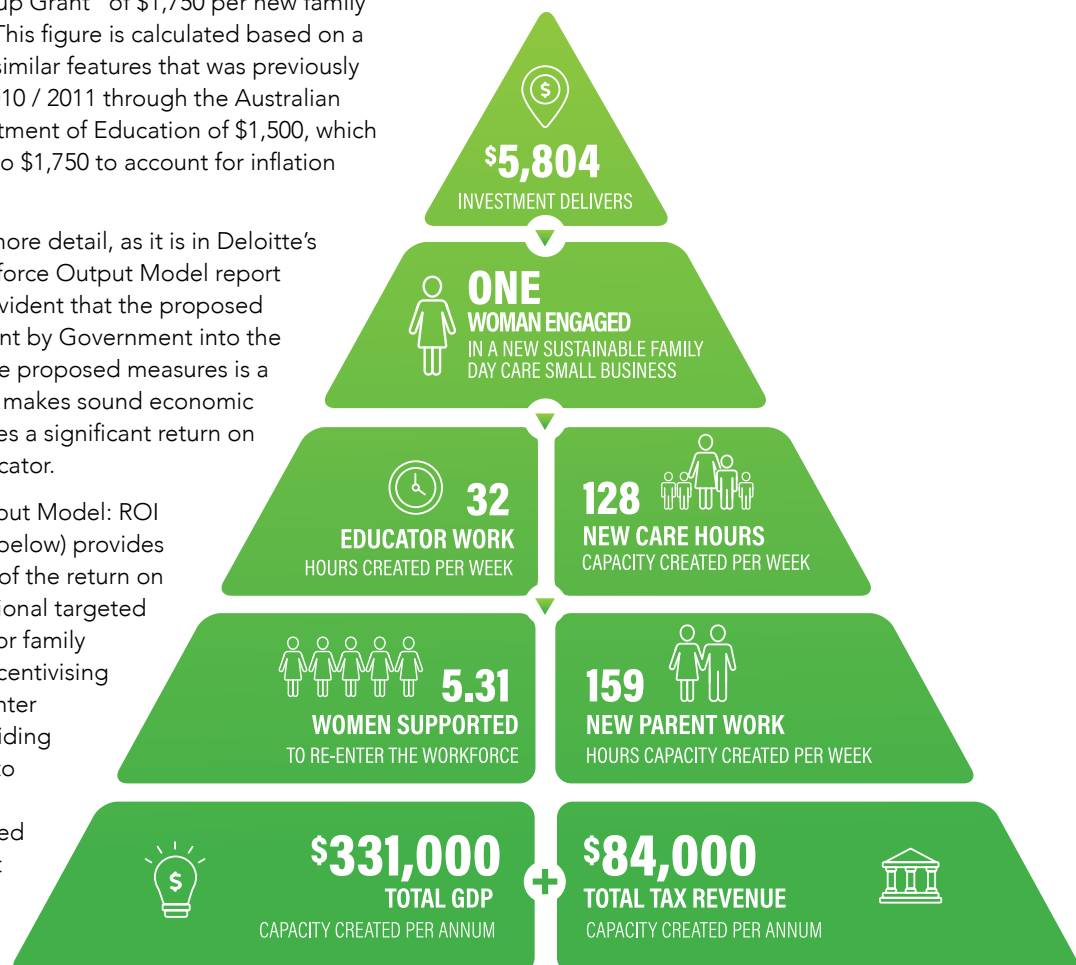
Support for the educator in the establishment and initial growth phase of their small business is a vital component in reactivating sector growth. As such, we are asking the next Australian Government to commit to initiating an “Educator Start-up Grant” of \$1,750 per new family day care educator. This figure is calculated based on a start-up grant with similar features that was previously available prior to 2010 / 2011 through the Australian Government Department of Education of \$1,500, which has been adjusted to \$1,750 to account for inflation (CPI).

When explored in more detail, as it is in Deloitte’s Review of the Workforce Output Model report (Appendix A), it is evident that the proposed additional investment by Government into the sector through these proposed measures is a policy decision that makes sound economic sense, as it generates a significant return on investment per educator.

The Workforce Output Model: ROI Snapshot (Figure 3 below) provides a graphic summary of the return on investment of additional targeted funding programs for family day care through incentivising new educators to enter the sector and providing additional support to services to engage them. This is explored in detail throughout Deloitte’s report, though in essence it

shows that a funding injection of \$5,804 (a combination of the “Approved Service Engagement Payment” and the “Educator Start-up Grant” proposed herein) to support one woman to become an educator can generate up to 191 new work hours per week and approximately a \$331,000 annual contribution to GDP, or more simply put, each \$1 invested returns 1.58 new weekly work hours capacity and approximately a \$57 annual contribution to the GDP of Australia. Extrapolate this out to multiple new educators and the economic benefits alone are immense.

FIGURE 3: WORKFORCE OUTPUT MODEL: RETURN ON INVESTMENT SNAPSHOT



4. CONCLUSION

As indicated herein, it is imperative that the Australian Government increase the CCS fee cap for family day care. The net effect of the current CCS family day care fee cap calculation error for family day care is a disproportionate level of out-of-pocket expenses for families in family day care, promotes inadequate remuneration for educators and is a significant detriment to the sector's viability, undermining this vital ECEC option for more than 90,000 Australian children.

As such, FDCA maintains that the CCS fee cap for family day care for standard hours should be raised so that it is on par with that of centre-based care at \$12.74 or provided with a 17.5% loading to the projected mean rather than the application of the inadequate 5.75% loading the sector is currently afforded. FDCA internal modelling projects that implementation of the proposal would equate to merely a 0.02% increase of total CCS expenditure, which is a negligible amount of funding as a proportion of total expenditure; however, the impact on 10,000+ family day care educators and more than 64,000+ families utilising family day care would be significant.

Additionally, FDCA contends that if the Australian Government is to adequately support working families requiring non-standard hours ECEC, a loading of 20% should be applied to the reformed CCS fee cap for family day care in non-standard hours. It is evident that this would more accurately reflect the cost of vital service delivery for non-standard hours.

FDCA strongly urges the Australian Government to implement these investment measures as they represent not only an investment in the viability of the family day care sector by adequately supporting the operational cost of family day care service delivery, and correct the errors of numerous defunct rationales for the current CCS fee cap calculation methodology, but importantly they will also reduce the out-of-pocket expenses for families and incentivise increased delivery of much-needed non-standard hours care from the family day care sector.

Furthermore, with the right form of targeted support, there is room to grow the capacity in the family day care sector, increase women's economic security and meet the diverse child care needs of families across Australia. The Australian Government has the opportunity to enable more women to own their own business whilst supporting

their own community, particularly in regional Australia and in disadvantaged areas. In turn, this can help overcome the current ECEC workforce crisis.

It should be noted that the recently published *National Children's Education and Care Workforce Strategy "Shaping our Future"*, endorsed by all governments, emphasises the need for dedicated support structures to grow the ECEC workforce in regional areas. As outlined herein, family day care is the ideal ECEC model for many regional areas due to the home-based satellite structure of the service; however, just as importantly, the service type presents enormous opportunities for increasing workforce participation and strengthening women's economic security in regional areas, with the right supports in place.

FDCA contends that it will be an opportune time for the Australian Government to reassess approaches to supporting family day care, focusing on incentivising entry into the sector, supporting approved services to engage new educators, and more flexible and sustainable service delivery. We urge the Australian Government to better support family day care as a vital component of an ECEC system that our children, families and communities need and deserve.

APPENDIX A

REVIEW OF THE WORKFORCE
OUTPUT MODEL – DELOITTE



Family Day Care Australia Review of the Workforce Output Model

23 September 2021

Distribution list

Scott Rollason	General Manager
Michael Farrell	Advocacy and Engagement Manager
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Scott Rollason
General Manager
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23 September 2021

Dear Scott,

RE: Workforce Output Model Review

We are pleased to provide you a report which outlines our review of Family Day Care Australia's (FDCA) Workforce Output Model.

We would like to take this opportunity to thank FDCA for engaging Deloitte to complete this work and thank all staff for their cooperation during this engagement.

Please do not hesitate to contact me on 0430 188 993 should you require further explanation or comment in relation to the matters raised in this report.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Angela Jaric".

Angela Jaric
Partner, Deloitte Risk Advisory

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The Approved Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed. Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented. We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Family Day Care personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report is intended solely for the information and internal use of Family Day Care Australia in accordance with our letter of engagement of 28 July 2021 and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Family Day Care Australia for our work, for this report, or for any reliance which may be placed on this report by any party other than Family Day Care Australia. We do not provide legal advice. You should consult a legal practitioner to obtain such advice if required.

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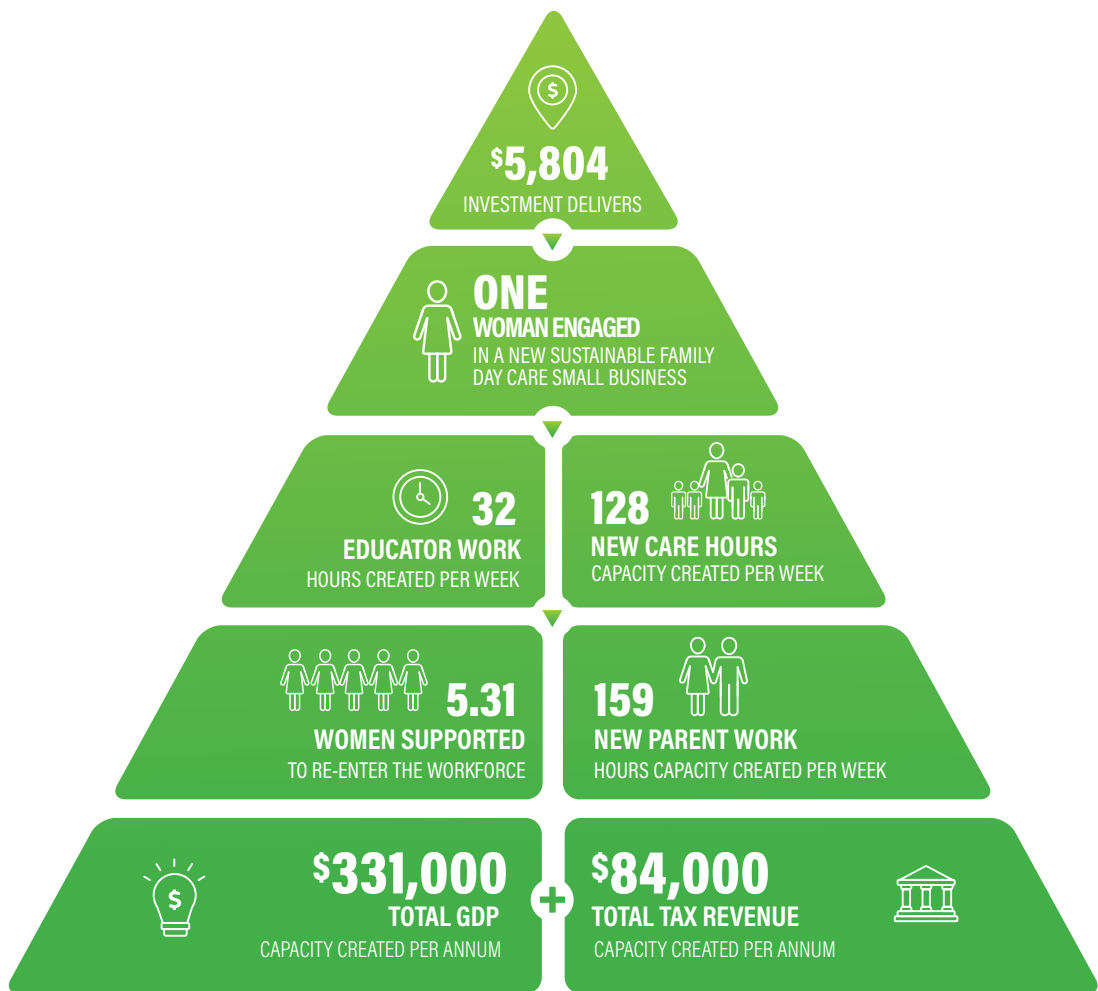
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Workforce Output Model: ROI Snapshot

The *Workforce Output Model: ROI Snapshot* below provides a graphic summary of the return on investment of additional targeted funding programs for family day care through incentivising new educators to enter the sector and providing additional support to services to engage them. This is explored in detail throughout the report, though in essence it shows that a funding injection of \$5,804 generates 191 new work hours per week and approximately a \$331,000 annual contribution to GDP, or more simply put, each \$1 invested returns 1.58 new weekly work hours capacity and approximately a \$57 annual contribution to the GDP of Australia.



1. Executive Summary



Executive Summary

1.1. Background and Context

Why the need for change?

The positive impacts of quality early childhood education and care (ECEC) on a child's future education, work and life outcomes is strongly substantiated by research in the field and now widely recognised as indisputable. Robust evidence exists to demonstrate that quality ECEC leads to positive broader economic impacts on GDP, through facilitating greater participation of women in the workforce and associated increased productivity gains, as well as by reductions in Government expenditure currently allocated to remedial education, criminal justice and health services¹.

Family day care is an important component of the ECEC landscape in Australia, providing affordable and flexible education and care in a home-like, small group environment². Furthermore, working as a family day care educator provides Australians, primarily women, an opportunity to start their own micro-business.

As the national peak body for the sector, Family Day Care Australia (FDCA) has expressed significant concern about the future viability of the sector due to the significant and sustained reduction in numbers of educators. This decrease is due to a number of factors, including:

- Challenges regarding recruitment and retention in the ECEC sector;
- Increased administrative and compliance burdens;
- Regulatory market restrictions; and
- Barriers to entry into the sector for both services and educators³.

FDCA is concerned that, if allowed to exacerbate, the decline in educator numbers will have an adverse impact on the supply of educators and ECEC choices available to Australian families, especially in rural and regional areas, thereby hampering economic productivity.

FDCA has determined that an option to address this challenge, as well as contribute to a number of the Australian Government's key objectives targeting women and support to Australia's post pandemic recovery, is through additional targeted investment in the family day care sector.



¹Putting a value on early childhood education and care in Australia (2014) PWC; *Lifting Our Game, Report of the Review to Achieve Educational Excellence in Australian Schools through Early Childhood Interventions* (2017), State of Victoria.

²*Childcare and Early Childhood Learning, Inquiry Report No. 73* (2014) Productivity Commission, Canberra.

³*Sector Viability Brief* (2019), FDCA, from https://uploads.prod01.sydney.platformos.com/instances/97/assets/public-pdf/Submissions-and-Briefs/FDCA_SectorViabilityBrief_online.pdf?updated=1585200197.

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Executive Summary

1.1 Background and Context

The Family Day Care Workforce Output Model

The Workforce Output Model (the Model), as outlined in **Figure A**, was developed in July 2021.

The Model details the economic outcomes associated with additional government funding in engaging new and innovative educator opportunities to provide education and care to enable workforce participation. Further, the Model also illustrates the potential economic benefits of the Australian Government providing additional targeted funding to support the viability of the family day care sector by incentivising new educators to enter the sector and providing additional support to services to engage them.

FDCA envisage this additional targeted funding to support an increase in output benefits which would align with a number of Australian Government objectives and initiatives, including:

- Increased women's workforce participation;
- Decreased frictional and structural unemployment;
- Increased labour productivity and innovation;
- Increased economic security for more women;
- Strengthened economic growth due to increases in consumption, business investment and GDP;
- Increased tax revenue meaning a reduced chance of fiscal deficit; and
- Increased options for early education and care opportunities in regional and rural areas.

A more detailed overview of the Model including a review of the Model's values is outlined in **Section 2** of this report.

Educators	
Number of new educators engaged (N)	1.00
Investment	
Educator Start-Up Grant	\$ 1,750.00
Service Engagement Subsidy	\$ 4,054.00
Investment required (1 educator)	\$ 5,804.00
Total investment required (N educators)	\$ 5,804.00
Return on Investment	
Care hours provided (per Educator)	
Hours / Day	8.00
Days / Week	4.00
Children under school age	4.00
Care hours provided (1 educator)	128.00
Total care hours provided (N educators)	128.00
Children cared for (per Educator)	
Avg. hours utilised / Child	24.10
Children cared for / Educator	5.31
Total children cared for (for N educators)	5.31
Additional Working Hours Capacity Created (per New Educator)	
Educator hours of work created per week (1 educator)	32.00
Educator hours of work created per week (N educators)	32.00
Average work hours per week (women)	30.00
Parent work hours created per week (1 educator)	159.34
Parent work hours created per week (N educator)	159.34
Total work hours created per week (1 educator)	191.34
Total work hours created per week (N educators)	191.34
Total work hours created per annum (48 weeks) (1 educator)	9,184.13
Total work hours created per annum (48 weeks) (N educator)	9,184.13
Work hours created per dollar invested (1 educator)	1.58
Work hours created per dollar invested (N educator)	1.58
Average hourly earnings (women)	\$ 36.00
Total contribution to GDP per dollar invested (1 educator)	\$ 56.97
Total contribution to GDP per dollar invested (N educators)	\$ 56.97
Total GDP ROI per annum (1 educator)	\$ 330,628.78
Total GDP ROI per annum (N educators)	\$ 330,628.78
Tax on new income earned per parent (1 educator)	\$ 8,438.20
Tax on new income earned per parent (N educators)	\$ 8,438.20
Tax on new income earned per parent (1 educator)	\$ 7,315.00
Tax on new income earned per parent (N educators)	\$ 7,315.00
Total tax revenue (1 educator)	\$ 83,649.49
Total tax revenue (N educators)	\$ 83,649.49

Figure A. The FDCA Workforce Output Model.

Executive Summary

1.2. Scope and Limitations

Scope

With reference to the engagement letter dated 28 July 2021, enclosed are the results of Deloitte's review of the Model. The specific scope of the review was agreed with FDCA's General Manager.

Specifically, Deloitte were requested by FDCA to:

- Review the values used in the Model prepared by FDCA, including assumptions applied, against publicly available source information as outlined in **Appendix B**.

Our work was conducted across the month of August 2021 and included the following procedures:

- *Management discussion:* we consulted with key FDCA personnel to augment our understanding of the current educator demise and development of the Model (refer to **Appendix A** for a list of business personnel consulted).
- *Review of artefacts:* we reviewed relevant Family Day Care Australia and government artefacts to gain a stronger understanding of the development of the Workforce Output Model and the perceived economic impact (refer to **Appendix B** for a list of the documents sighted).

Limitations

- Observations and recommendations have been based on the artefacts and personnel engaged, as outlined in **Appendix A** and **B**.
- Review of the Model was undertaken with reference to the source data outlined in **Appendix B**. The source data used for this engagement were provided to us by FDCA. We did not assess the appropriateness of these sources.
- We have not assessed the design or logic used in the Model.
- In undertaking the review, our examination was limited to the Model made available to us in July 2021.
- No financial evaluation or benefits analysis of the Model was undertaken as part of this review.

2. Model Review



Model Review

2.1. The Family Day Care Workforce Model

The Model

The Model outlined in **Figure A** aims to address the instances where the parent may be seeking work and details the economic outcomes associated with additional government funding used towards engaging new educators to provide education and care to enable workforce participation.

For simplicity and transparency, figures represent the gain or impact of one educator only. However, the model is primarily designed to reflect the economic output associated with multiple educators if desired (as adjusted by the initial variable, N).

Figures are based on statistical data drawn from multiple institutions and informal data such as reports from current services and educators. Given the changing nature of economics and rates, these values remain approximate at the time of analysis and average figures are generally employed. To ensure that the methodology used to reach economic outputs is clear and supported, the Model is divided into sections as outlined in **Figure B** that consider appropriate inputs. The source for each value and Deloitte's review of each value is detailed through **Section 2** of this report.

How to read the following pages

Deloitte has reviewed the values applied in the Model prepared by FDCA, including assumptions applied, against publicly available source information as outlined **Appendix B**. Where exceptions were noted; Deloitte have provided recommendations for consideration for FDCA Management.

The following pages outline results of our examination of the values and assumptions applied to the Model.

Sections of the Model

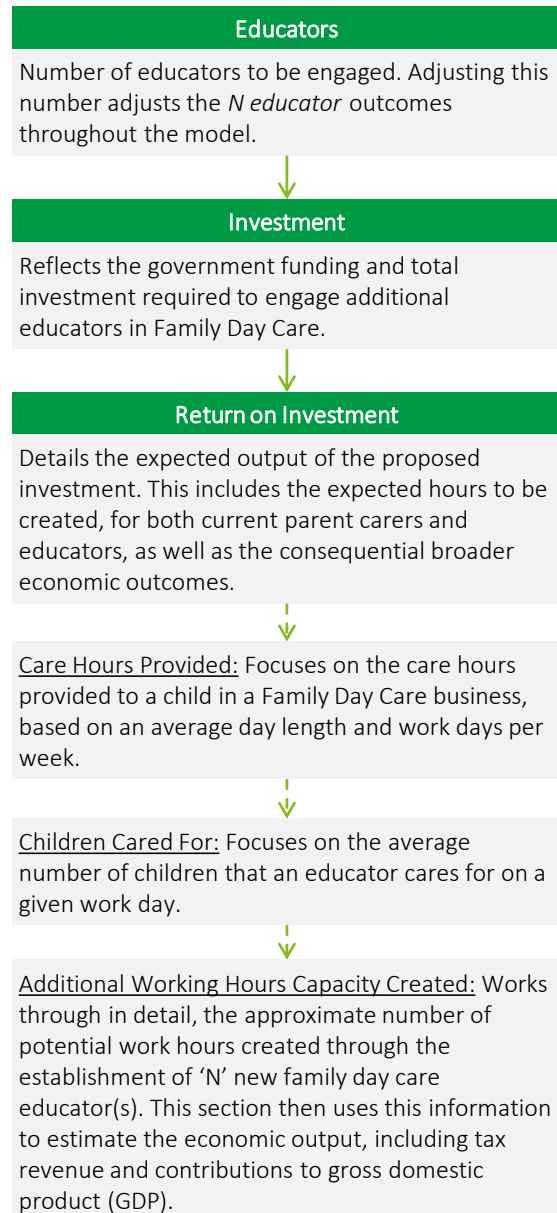


Figure B. Inputs of the FDCA Workforce Output Model .

Model Review

2.2. Review of the Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Educators	
Number of new educators engaged (N) = 1	This is an arbitrary figure used for the purposes of this Model. It is based on a 1 new educator basis, and the formula within the Model caters for the figure to change based on the number of educators.
Section: Investment	
Educator Start-Up Grant = approx. \$1,750	This is an arbitrary figure, used for the purposes of this model. It is based on a start-up grant with similar features that were previously available. For each additional educator, an expected grant of \$1,750 will be received. This grant was available prior to 2010 / 2011 and is the Department of Education equivalent of \$1,500, adjusted for inflation (CPI).
Service Engagement Subsidy = approx. \$4,054	This is drawn from staff labour costs for educator recruitment and obtained from the Wynnum Family Day Care. It approximates the cost of onboarding an educator over an initial 3-month period, based on 87 hours of recruitment efforts, to be \$4,054.
Total Investment = approx. \$5,804 (per 1 educator)	The expected total initial investment, which combines the Educator Start-Up Grant and the Service Engagement Subsidy. Therefore, for each educator that is engaged, the expected total investment is \$5,804.
Section: Return of Investment	
Hours per Day= approx. 8 hours	The average number of hours that an educator works per day. Family Day Care sessions typically range from 6 to 8 hours; 8 hours is used for the purposes of this model given that a full work day is being considered. This was drawn from the Child Care Package Evaluation which was developed by the Australian Institute of Family Studies (AIFS)¹.
Days per week = 4 days	The usual number of days that a single educator is engaged in Family Day Care is 4 days. This is anecdotal and drawn from data collected by the FDCA. Note: recent national ECEC Workforce Census data (2016) indicates a significant majority work above 35 to 41 hours².
Children under school age = 4 children	The maximum number of under school- aged children allowed per session, under the supervision of one educator is 4 children (as per the Education and Care Services National Regulations, Reg 124). Under these rules, an educator can additionally have 3 school-aged children outside school hours. Therefore, the average number of children cared for per educator would likely be higher, however these children would not be present for the full number of hours.
Total care hours provided per week = approx. 128 hours	The total number of care hours provided to four children by one educator over a given week is taken to be 128 hours. This is obtained through multiplying the care hours spent per day by the number of days per week and the number of children cared for per week.

¹Child Care Package Evaluation, Australian Institute of Family Studies (2019), pg. 49 https://aifs.gov.au/sites/default/files/publication-documents/1907_ccp_early_monitoring_report_citation.pdf

²2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment <https://www.des.gov.au/very-official-documents-about-early-childhood/resources/2016-ecec-nwc-state-regional-tables>

Model Review

2.2. Review of Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Return of Investment	
Average hours utilised per child = 24.1 hours	The average number of hours a child spends at Family Day Care each week is 24.10 hours. This is based on data presented by the Department of Education, Skills and Employment (DESE) in December 2020 ³ .
Number of children cared for per educator = 5.31 children	Across the modelled week (four 8-hour days) the average number of children that an educator cares for is 5.31 children. This is calculated by dividing the total number of care hours provided by an educator by the average number of hours utilised per child.
Educator hrs of work created / week = 32 hours	For each additional educator, the number of care hours created in a given week is 32 hours. As such, this represents the number of hours of work created for educators over an average week. This value is reached by multiplying the Hrs / Day by the Days / Week that an educator spends caring for children at Family Day Care.
Average work hrs / week (women) = 30 hours	The average number of hours worked per week by women is 30 hours. This figure was sourced from the Australian Bureau of Statistics (ABS) ⁴ . The focus is placed on women as this reflects the fundamental focus of increasing women in the workforce and therefore aligns with government objectives.
Parent hrs of work created / week = approx. 159.34 hours	For each additional educator, the total number of work hours created per week for parents (specifically women) through their involvement with Family Day Care is 159.34 hours. This is calculated by multiplying average number of children cared for by an educator by the average number of working hours per week for women.
Total work hours capacity created / week = 191.34 hours	For each educator that is engaged, the total number of work hours created per week between parents and educator is 191.34 hours. It is calculated by adding the educator and parent work hours created.
Per annum (48 Weeks) = 9,184.13 hours	For each additional educator that is engaged, the approximate total number of work hours created across a given year (48-weeks, for both female parents and educators) is 9,184.13 hours. A 48-week annum is used as this is the minimum period that a Family Day Care must operate each year. This was drawn from the Child Care Package Evaluation which was developed by the Australian Institute of Family Studies (AIFS) ¹ .
Work hours created per dollar invested = 1.58 hours	For every dollar that is invested into engaging an additional educator, approximately 1.58 hours of work will be created. This is calculated over a 48-week period through dividing the total number of work hours created by the total investment amount.
Average hourly earnings (women) = \$36.00	The average hourly earnings of female employees is \$36.00 per hour (sourced from annual data from the Australian Bureau of Statistics) ² .

¹Child Care Package Evaluation, Australian Institute of Family Studies (2019), pg. 49 [https://aifs.gov.au/sites/default/files/publication-documents/1907_ccc_early_monitoring_report_citation.pdf]
²2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment [<https://www.des.gov.au/key-official-documents-about-early-childhood/resources/2016-ecsc-nwc-state-regional-tables>]
³Department of Education, Skills and Employment (2020) Child Care in Australia report December quarter 2020 (Table 6.1) [<https://www.des.gov.au/early-childhood/resources/december-quarter-2020>]
⁴Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016, Australian Bureau of Statistics [<https://www.abs.gov.au/census/2016/2016-10-2016-Main%20Features-Employment%20Data%20Summary%20>]

Model Review

2.2. Review of the Model Values

The following table outlines outcomes from Deloitte's review of the information used and assumptions applied in the Model against source data outlined in **Appendix B**. This review is to be read in conjunction with the Model outlined in **Figure A**.

Model Value	Result of the review of the Model Value
Section: Return on Investment	
Total Contribution to GDP per dollar invested = \$56.97	For every dollar that is invested into obtaining an additional educator, approximately \$56.97 will be contributed to Australia's Gross Domestic Product (GDP). This is representative of the total number of work hours created across the 48-week period. It is calculated by multiplying the work hours created per dollar invested by the average hourly earnings for women.
Total GDP Return on Investment (ROI) per annum = \$330,628.78	The total GDP return on investment per 48-weeks annum by engaging one educator is \$330,628.78. This is representative of the educator and parents of the average number of children cared for (5.31 children). It is calculated by multiplying the total new work hours created per annum by the average hourly earnings for women.
Tax on new income earned per educator = \$8,438.20	The approximate tax revenue on new income that will be generated from an educator's earnings by engaging an additional educator is \$8,438.20. Given the average number of work hours in a given week for an educator is 32 hours, they are expected to work 1,536 hours across a 48-week period. Using an average earnings of \$36.00 per hour, the educator will earn an average of \$55,296 across the 48-week period. Based on 2021 MTR, this equates to a tax income of \$5,092 + 0.325 (\$5,296 - 45,000) = \$8,438.20.
Tax on new income earned per parent = \$7,315.00	The approximate tax revenue on new income that will be generated from a parent's earnings by engaging an additional educator is \$7,315.00. Given the average number of work hours in a given week for a parent is 30 hours, they are expected to work 1,440 hours across a 48-week period. Using an average earnings of \$36.00 per hour, the parent will earn an average of \$51,840 across the 48-week period. Based on 2021 MTR, this equates to a tax income of \$5,092 + 0.325 (\$51,840 - 45,000) = \$7,315.
Total tax revenue = \$83,649.20	The expected tax revenue that will be generated based on one educator caring for an average of 5.31 children is \$83,649.20. It is calculated by adding the tax on new income earned for a parent and educator (\$15,753.20) and then multiplying this figure by the total number of children cared for (5.31).

Model Review

2.3. Observations

In reviewing the Model assumptions in consultation with the FDCA personnel engaged and outlined in **Appendix A**, we identified 1 observation for FDCAs consideration, as follows:

Observation	Recommendation
1. In undertaking our review we identified that the Model was built upon a number of assumptions. Specifically we identified the Model assumes that: • Each child in care is from a two parent household. The current family set up as such that one parent looks after the child and the other parent is currently employed. It is therefore assumed that one parent will be able to enter the workforce. • The parent currently caring for the child is assumed to be the mother and, therefore, the parent returning to work will be a female. • Only female educators are engaged given the consideration of the average weekly hours and hourly earnings of women only. • The parent is willing and able to engage in work, that the parent can choose any type of role and will not be limited by their abilities or available opportunities. • The parent returning to work will be returning to work for an average period of 30 hours per week. Standard family day care hours are assumed to be 8 hours of care a day, 4 days a week. • Each parent only has one child requiring care and this is apparent through the one child creating work hours for one parent. Therefore, the Model does not consider: • Parents who may not want to return to work if their child is in family day care. • Households where neither parent is looking after the child (i.e. grandparents, relatives, friends or other paid services are currently utilised for the child during work hours while the parents are at work). • Male educators or fathers returning into the workforce. The Model employs earnings and average working hours for women only. • Parents who may be limited in their choices of work or are not able to find work. • Parents with multiple children.	A. To ensure assumptions are valid and discoverable, we recommend FDCA document assumptions applied through the Model against source data.

2. Appendices



Appendix A

3.1. FDCA Personnel Engaged

Name	Role Description	Period of Engagement
Scott Rollason	General Manager	August 2021
Michael Farrell	Advocacy and Engagement Manager	August 2021
Andrew Paterson	Chief Executive Officer	August 2021

Appendix B

3.2. Resources considered as part of this review

Resource	Source
Child Care Package Evaluation: Early monitoring report (July 2019) – Australian Government, Institute of Family Studies	https://aifs.gov.au/sites/default/files/publication-documents/1907_cce_early_monitoring_report_citation.pdf
Family Day Care Sector Profile (September 2019) – Family Day Care Australia	https://uploads.prod01.sydney.platformos.com/instances/97/assets/public-pdf/Representing-You/Sector-Profile/FDCA_SectorProfileSep19_online.pdf?updated=1585626569
Family Day Care Business Model (Last updated 27 March 2015) – Australian Government, Department of Social Approved Services	https://www.dss.gov.au/sites/default/files/documents/05_2015/family_day_care_business_model.pdf?_hstc=58085109.5c34ab7bf88e972fdd7a7debc8575bac.1473897600112.1473897600113.1473897600114.1&_hssc=58085109.1.1473897600115&_hsfp=1773666937
Guide to the National Quality Framework (Last updated September 2020) – Australian Children's Education & Care Quality Authority	https://www.acecqa.gov.au/sites/default/files/2020-09/Guide-to-the-NQF-September-2020.pdf
Fair Work Commission, <i>Children's Approved Services Award 2010</i> MA000120, 27 October 2020, cl 23 ('the Award')	https://awardviewer.fwo.gov.au/award/show/MA000120
Consequences of non-compliance with the Family Assistance Law (November 2018) – Family Day Care Educator Toolkit, Department of Education & Training, Australian Government	http://www.fdcsupport.org.au/new/wp-content/uploads/fdc-toolkit-7.pdf
Attracting the next generation of family day care educators (February 2019) – Family Day Care Australia, report prepared by Survey Matters	https://www.familydaycare.com.au/supporting-you/nextgen
Independent contractors and employees - Australian Government, Fair Work Ombudsman	https://www.fairwork.gov.au/find-help-for/independent-contractors
Difference between employees and contractors - Australian Government - Australian Taxation Office	https://www.ato.gov.au/business/employee-or-contractor/difference-between-employees-and-contractors/
Infection control in childcare settings Communicable Diseases Intelligence, Volume 21, Issue number 22 -27 November 1997	https://www1.health.gov.au/internet/main/publishing.nsf/Content/cda-pubs-cdi-1998-cdi2201-cdi2201d.htm
Perspectives on Quality in Australian Family Day Care (February 2016) –Social Policy and Research Centre, UNSW	https://www.researchgate.net/publication/312593573_Perspectives_on_quality_in_Australian_family_day_care
What Determines Quality in Child Care? (September 2008) –Research to Practice Notes, NSW Department of Community Approved Services	https://www.facs.nsw.gov.au/_data/assets/pdf_file/0006/321594/researchnotes_what_quality.pdf
A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia –The Front Project 2019	https://www.thefrontproject.org.au/images/downloads/ECO%20ANALYSIS%20Full%20Report.pdf
Average hourly earnings of female and male employees (2004 to 2017 Annual data ABS characteristics of employment)	https://data.gov.au/data/dataset/average-hourly-earnings-of-female-and-male-employees/resource/5684f83a-9f1b-41db-86e7-43b20ba0b6c1
Australia's Gender Pay Gap Statistics 2021	https://www.wgea.gov.au/sites/default/files/documents/Gender_pay_gap_fact_sheet_Feb2020.pdf
2016 ECEC NWC State Regional Tables, Department of Education, Skills and Employment	https://www.dese.gov.au/key-official-documents-about-early-childhood/resources/2016-ecec-nwc-state-regional-tables
Department of Education, Skills and Employment (2020) Child Care in Australia report December quarter 2020 (Table 6.1)	https://www.dese.gov.au/early-childhood/resources/december-quarter-2020
Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016, Australian Bureau of Statistics	https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Employment%20Data%20Summary~67

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