3 October 2025

The Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

RE: Senate Inquiry into the quality and safety of Australia's early childhood education and care system

Dear Committee Secretary

Family Day Care Australia (FDCA) welcomes the opportunity to contribute to the Senate Education and Employment References Committee's Inquiry into the current provisions and operations of early childhood education and care (ECEC) policy and regulation. As the national peak body representing approximately 9,000 family day care educators and nearly 357 approved family day care (FDC) services, FDCA is committed to advocating for a regulatory, funding and policy framework that ensures child safety, promotes high quality, respects service diversity and sustains sector viability.

In recent years, the family day care sector has come under increasing pressure from rising compliance burdens, inequitable funding settings, and regulatory approaches calibrated more so for centre-based models rather than home-based services. These pressures contribute to a concerning decline in educator numbers and approved services despite growing demand for flexible, regulated home-based early learning. In its January 2025 Pre-Budget Submission, FDCA documented a 26.9% decrease in the number of approved services and a 41.3% fall in educator numbers since the commencement of the Child Care Package, emphasising that this decline is jeopardising care access for many Australian families.

The safety and quality of care delivered to children must always be paramount in any reform process. However, safety measures must be evidence-based, proportionate, and fit-for-purpose, particularly when applied to the unique structure of family day care. This submission addresses the Senate Inquiry's terms of reference through a family day care lens, offering insights and recommendations grounded in sector realities, empirical evidence, and the lived experiences of educators and approved services. FDCA seeks to contribute constructively by identifying policy solutions that strengthen quality outcomes while ensuring the viability and sustainability of this essential mode of education and care.

It must be clearly acknowledged that family day care is not a scaled-down variant of centre-based care - it is a structurally distinct model with a fundamentally different service delivery framework, workforce configuration, and regulatory interface. Educators operate as small-business contractors or sole traders from their own homes, under the regulatory oversight and support of approved services. This dual-layered governance structure is unique within the ECEC landscape, and its associated risk profiles, cost structures, and pedagogical relationships differ markedly from institutional and/or centre-based settings. Policy, funding, and regulatory design must recognise and accommodate these differences.

FDCA stands ready to provide further evidence, appear before the Committee, and work in partnership with governments to ensure that reform strengthens, not undermines, Australia's diverse early learning ecosystem.

1. The health and safety of children in childcare services across the country

FDCA reaffirms that health and safety must underpin every reform to early childhood education and care. Quality is indeed paramount in the delivery of ECEC (which in turn leads to the achievement of ECEC's potential benefits) and, as such, the regulatory and legislated framework that governs practice in the sector, coupled with how obligations are enforced by regulatory authorities, is clearly extremely important. FDCA is exceptionally supportive of the objectives of the NQF, those being to:

- ensure the safety, health and wellbeing of children attending education and care services;
- improve the educational and developmental outcomes for children attending education and care services;
- promote continuous improvement in the provision of quality education and care services;
- establish a system of national integration and shared responsibility between participating jurisdictions and the Commonwealth in the administration of the National Quality Framework;
- improve public knowledge, and access to information, about the quality of education and care services; and
- reduce the regulatory and administrative burden for education and care services by enabling information to be shared between participating jurisdictions and the Commonwealth.

In family day care, the model's small group sizes (maximum of 7 children, with no more than 4 under school age) and the continuity of care offered by a single educator provide an inherently safe and responsive environment. While no model is immune to risk, child abuse cases recently confirmed in long day care (LDC) services including in Victoria and Queensland highlight failings in supervision and staffing in large-scale, often commercially driven models. These cases have involved failures to properly vet staff or maintain safe practices in environments with higher educator turnover and large child-to-staff ratios. In contrast, family day care educators are known, consistent individuals who form close and ongoing relationships with children and families.

In terms of the most recent regulatory reforms under consideration as a result of ACECQA's Child Safety Review, which subsequently culminated in the Child Safety Review Consultation Regulation Impact Statement, FDCA's submission outlines support for a range of the regulatory amendments being considered by the Review, including (but not limited to), in summary, the following:

- broadened requirements for child protection training;
- strengthened regulatory authority powers;
- improved information sharing to enhance regulatory authorities' ability to share information with approved providers;
- tighter controls for digital devices;
- stronger penalties for inappropriate conduct and expansion of regulatory responses to educator and staff member conduct; and
- broadened requirements for WWCCs and associated notifications.

FDCA also supports a number of improved child safety measures that sit outside the scope of the Child Safety Review including (but not limited to):

- measures enacted through the *Early Childhood Education and Care (Strengthening Regulation of Early Education) Act 2025*;
- nationally consistent and improved WWCC systems;
- a centralised national Educator Register; and
- a national quality uplift program, similar to ACECQA and the NSW Government's Quality Support Program.

It is evident that considerable progress is being made across both state and territory and Commonwealth legislative structures and programs. Ensuring the health, safety and wellbeing of all children in early childhood education and care must remain the foremost priority of every legislative reform, regulatory adjustment, and policy initiative. While risk exists in all service types, the structure and model of family day care inherently lends itself to high levels of continuity, relational safety, and personalised oversight, factors that are not always present in larger, more institutional service settings. The small group environments, consistency of educators, and strong educator-family relationships are integral safeguards that must be recognised in regulatory design.

FDCA has consistently supported a robust and responsive regulatory system and has welcomed many of the child safety reforms proposed through the ACECQA Child Safety Review and other Commonwealth and jurisdictional initiatives. At the same time, it is vital that reforms are evidence-based, proportionate, and tailored to each service context. The family day care sector stands ready to be a strong partner in implementing reforms that genuinely improve outcomes, provided they recognise and preserve the integrity of the model. With careful policy calibration, collaborative engagement with the sector, and a commitment to continual improvement, Australia's ECEC system can lead the world in delivering safe, high-quality, and inclusive early learning experiences for all children.

2. The effectiveness of Australia's childcare regulatory system, including the performance and resourcing of state and territory regulators and ACECQA, in maintaining and improving quality

It is FDCA's position that the National Quality Framework (NQF) and its state/territory regulators, as well as ACECQA, are central to maintaining and improving ECEC quality. FDCA would suggest that the Inquiry would best be served by referring to the most recent comprehensive analysis of the effectiveness the regulatory systems and the regulators, that being the Productivity Commission's "A path to universal early childhood education and care Inquiry Report" (2024) to answer this question, at least in part, which offers several recommendations pertaining to this matter, such as "Recommendation 8.1 - State and territory regulatory authorities should improve their performance reporting" and "Recommendation 8.3 - Ensure regulatory authorities are adequately resourced".

FDCA strongly believes that in assessing the effectiveness of Australia's ECEC regulatory system and, in undertaking these review processes, the impact on and outcomes for children must be the paramount consideration. Regulatory reform in the ECEC sector made without adequate consideration of the centrality of children's outcomes in the service type in which ECEC is taking place may result in a range of unintended consequences, such as putting children at greater risk of harm and/or rendering some services unviable, which would compound accessibility, affordability and/or service quality issues.

As stated in FDCA's recent submission to the Child Safety Review Consultation Regulation Impact Statement, we FDCA urge governments to support policy- and training-led solutions, professional accountability frameworks and context-specific enforcement. This approach keeps children safe, services viable, and educators supported.

Effective child protection in family day care cannot be achieved through prescriptive or inflexible regulation that disregards the operational realities of the sector. All too often the family day care sector is met with the application of a centre-based logic to a distinctly home-based model of care, leading to proposals that are not only disproportionate and impractical, but likely to compromise both educator capacity and child safety outcomes.

FDCA calls for regulatory responses that are evidence-based, proportionate to the actual risks present in family day care, and developed in close partnership with the sector. A collaborative, policy-driven approach that builds capability, preserves educator autonomy, and enhances accountability represents the most effective path forward for protecting children while sustaining a vital and increasingly in-demand mode of early education and care.

3. Early learning providers' compliance with quality standards and legislative requirements, including compliance with workplace laws and regulations

While compliance is essential for sector integrity, the mechanisms by which it is pursued can unintentionally undermine viability, particularly for family day care, where the scale, structure and regulatory interface differ significantly from centre-based models.

In terms of NQS assessment and rating levels, which is the benchmark for assessing quality in ECEC, the family day care sector has seen significant and ongoing improvement over recent years. Quality improvement remains a key priority across the sector; however, there are specific Quality Areas that family day care generally performs less well in than centre-based models, those being "Quality Area 1: Educational Program and Practice" and "Quality Area 7: Governance and Leadership". Family day care does, however, perform comparably to the national average in Quality Areas 4, 5 and 6.

However, while the NQS rating system is integral to the NQF, it is complex. For example, services are assessed and rated against 7 Quality Areas, 15 Standards, and 40 Elements. The NQS rating system is hierarchical, with specific criteria required to achieve each level, particularly the "Meeting NQS" rating. The framework is as follows:

- To receive an overall rating of "Meeting NQS" service must be rated Meeting NQS or above in all 7 Quality Areas. If even one Quality Area is rated below "Meeting", the overall service rating will reflect the lowest rating across those areas. For example, if one area is rated "Working Towards NQS", the overall rating will be "Working Towards NQS".
- To be rated "Meeting NQS" in a Quality Area, a service must be rated Meeting NQS or above for all Standards within that Quality Area and each Quality Area contains between 2 –3 Standards.
- To be rated "Meeting NQS" for a Standard, a service must be rated Meeting NQS or above for all Elements within that Standard, which contain 2 -3 Elements each. As outlined above, there are 40 Elements in total across the 15 Standards. If even one Element within a Standard is not met, that Standard will be rated "Working Towards NQS".

The Quality Areas, Standards and the Elements within them vary dramatically and have a significant degree of variability in the extent to which they are direct measures of child safety. For example, it may, in many cases, be inaccurate to say that a service rated "Working Towards NQS" is "failing" to meet NQS standards or that a service with that rating is necessarily a poor-quality service. There are many examples of very good services with "Working Towards NQS" ratings, and of course, those that need to do better. The terminology "Working Towards NQS" as appropriate nomenclature has been a matter of contention since the inception of the NQF, we believe the current focus on the ECEC sector heightens the need for expedited reconsideration.

More specifically to the family day care sector, the assessment and ratings system's efficacy appears uneven. FDCA has a long-held position that, despite its importance, the assessment and ratings system holds several inherent misalignments with the family day care model.

To this point, in 2019, FDCA commissioned ARTD Consultants to undertake an independent review to better understand the experience of its members participating in the NQS assessment and ratings process with a view to contributing to continuous improvement in the family day care sector. The review was focused on how the assessment process is undertaken across jurisdictions, how the process is applied to the family day care sector compared with the long day care sector and whether any specific mechanisms should be explored in the interest of improving the process. The review concluded that, while there was no overt widespread evidence of active systematic bias against certain types of family day care providers in the assessment and rating process based on their location or type of service, there was substantial variation in some of the key structural aspects of how the process is applied. As it stands, the assessment and ratings process appears to provide long day care services with a greater opportunity to perform well in an assessment than family day care services.

The research undertaken by ARTD Consultants on behalf of FDCA showed that there is a remarkable degree of variation in the experience of family day care services participating in the assessment and ratings process, that is unrelated to the jurisdiction in which they operate or the type of service they operate. Variation in subjective experience is inevitable; yet if the variance in individuals' experiences stems from systemic variance in the administration of structural processes, this may call into question the validity and accuracy of the ratings system as a whole.

The variation may partly be the result of the diversity of skills, experience and resource pressures on individual Authorised Officers and their teams. Further research on the experience of Authorised Officers and turnover in the sector is required to deliver greater certainty that this is the primary cause of variation in the quality of the experience of participating in the NQS ratings and assessment process.

Unlike centre-based care, family day care is not a 'homogenous model'; it is, by contrast, a rich tapestry of unique care environments, reflective of its communities and the needs of the children and families it supports. While this underpins its strengths, it can on occasion also impact the sector's alignment with the A&R process.

FDCA maintains that consistency of implementation of the NQF across jurisdictions and transparency of decision making are foundational to the NQF's continued validity and reliability as a national framework and critical to ensuring the NQF continues to achieve its objectives into the future.

<u>Administrative Burden as a Barrier to Compliance in Family Day Care</u>

The growing complexity and volume of regulatory obligations in early ECEC is placing an unsustainable burden on family day care services and educators, directly impacting their ability to meet compliance requirements and deliver high-quality education and care. FDCA's own internal member data, supported by the Department of Education's quarterly child care usage reports, shows a sharp and ongoing decline in the number of approved family day care services (26.9%) and educators (41.3%) since the commencement of the Child Care Package. This is not due to a decrease in demand, which remains strong, but rather the cumulative effect of increasing regulatory and administrative pressure and its consequences for viability.

Recent research commissioned by FDCA and undertaken by *Survey Matters* has confirmed that the intensifying administrative burden is one of the most significant factors driving educators to exit the sector. The study found that:

- 73% of former educators reported that regulatory and administrative requirements were demanding, with 42% finding them extremely demanding;

- 44% cited National Quality Framework paperwork as a key reason for leaving the sector; and
- 50% reported that their income did not accurately reflect their responsibilities or the scope of their work.

These findings make clear that the occupational load created by the regulatory environment, when coupled with insufficient remuneration, creates a tipping point, beyond which many educators choose to exit. This is particularly problematic in the family day care sector, where small business educators operate with limited administrative support and approved services are required to fulfil a unique co-regulatory role that is increasingly resource intensive.

As a result, compliance with legislative and quality standards is becoming more difficult, not because of unwillingness or incompetence, but because the regulatory load is outpacing the capacity of legitimate providers to manage it sustainably. While compliance must remain a cornerstone of child safety and service quality, the system must also recognise the distinct operating model of family day care and ensure that reforms are proportionate, fit-for-purpose, and do not penalise legitimate providers through blunt or poorly targeted regulation.

Without a more nuanced approach, one that balances safety with sustainability, there is a growing risk that family day care services will be regulated into decline, with fewer providers able to meet compliance obligations, and many educators choosing to leave the sector entirely. This would represent not only a failure of compliance enforcement, but a loss of a flexible, community-based, and often culturally responsive model of care relied upon by thousands of Australian families.

It must be acknowledged that the Australian Government has already invested in foundational work to inform a reduction in FAL, NQF and business-related administrative burden through the funding of the Capability Trial, with two of the key workstreams being to:

- Improve family day care CCS payment integrity and FAL compliance through good practice business and systems analysis, the development of resources and support structures and exploration of potential CCSS and/or compliance administration system changes.
- Explore and trial specific digital solutions to close CCS compliance loopholes (including but not limited to a digital attendance verification tool).

FDCA commends the Australian Government for investing in this objective; however, we reiterate that this work is foundational, and beyond which it is vital that investment is made, either by government directly or in compelling third-party providers, to fundamentally develop or redesign technologies that simplify and systematise administration in the family day care context. Technology-enabled solutions that simplify documentation, automate compliance workflows, and support efficient educator–service communication would reduce the growing administrative burden experienced by both services and educators. This would not only increase compliance with National Quality Framework and Family Assistance Law (FAL) obligations but also improve record-keeping accuracy, educator wellbeing, and the sustainability of high-quality practice. A strong focus on system integration with existing platforms (such as the National Quality Agenda IT System) and usability for small businesses and sole traders must be central to such initiatives.

4. The role of private for-profit incentives and their impact on childcare quality and safety

Evidence suggests that for-profit services are overrepresented in lower quality and compliance statistics, both in family day care and in the broader sector. However, the key driver is not profit-driven status alone, but the alignment between commercial incentives and regulatory and quality expectations.

FDCA acknowledges that some compliance challenges have been driven by low-cost, high-volume operators. We support accountability measures, including the use of performance-linked sanctions such as those enacted through the *Early Childhood Education and Care (Strengthening Regulation of Early Education) Act 2025*.

Our position is not to stigmatise the for-profit model, but to demand a system that promotes reinvestment into educator support, service governance, and child safety infrastructure regardless of business structure.

In this discussion, an important distinction should be made here between the "corporatisation" of the centre-based care, and "for profit" providers in family day care. "For-profit" providers in family day care are not large chains, corporate conglomerates, or entities backed by multinational private equity firms; they are almost exclusively single service entities who are small business operators.

In family day care there are high quality dedicated providers that operate as private providers and not -for-profits; equally there are those in both categories where improvements could be made.

The growth of for-profits is a misnomer in the family day care context. The proportion of for-profit vs not-for-profits is more a product of the unfortunate exit of many of the sector's oldest and most established providers, mostly as a result of viability strain, as opposed to a proliferation of private providers into the market. In fact, in the last five and a half years, in the entire country, there have been only 15 new family day care services that received CCS approval to operate.

In family day care services, the service fulfils a co-regulatory function that, in our view and as evidenced by the overall decline in provider numbers, is dramatically underfunded. In some cases, not-for-profit providers are local government services or are an arm of a larger not-for-profit organisation that cross-subsidises the service. On occasions this may mean that the service is more adequately resourced to fulfil this co-regulatory function. FDCA believes that better resourced services will support better outcomes for children. Overall, FDC services are doing an incredible job of supporting children and families with the limited resources at their disposal.

Additionally, there is a distinction between regulatory breaches and serious incidents that should be noted: "*Not all confirmed breaches represent a risk to children's health and safety, and the degree of risk varies according to the individual circumstances of the breach. For example, a breach may relate to a failure to display prescribed information at the service premises. It is also important to note that multiple confirmed breaches can be the result of a single event and the same service can be the subject of several confirmed breaches.*" (Source: Australian Children's Education and Care Quality Authority (ACEC QA) (2024), National Quality Framework Annual Performance Report , p.23)

While ACECQA data from the National Quality Framework Annual Performance Report (2024) in 2023/24 indicates that the rate of confirmed breaches is higher in family day care, the proportion of FDC services with one or more confirmed breaches (45%) is considerably lower than long day care, at 57%.

Additionally, in terms of serious incidents, in the same year the proportion of family day care services reported one or more serious incidents was 40% compared to 67% in long day care. However, as with all statistics of this nature, caution must be applied as noted in the report: "*It is also very challenging to make robust comparisons of the rate of reported serious incidents* *across service types or financial years for a number of reasons. In common with other sectors, dealing with both the likely 'over' and 'under' reporting of serious incidents from different parts of the sector is particularly difficult.*

For example, an approved provider might report a relatively high number of serious incidents because of one or more of the following factors:

- *Robust and comprehensive reporting mechanisms*
- *Overly cautious reporting procedures*
- *Unique child cohorts and service circumstances*
- *Lack of understanding of what constitutes a serious incident*
- *Poor health and safety standards."*

(Source: Australian Children's Education and Care Quality Authority (ACECQA) (2024), *National Quality Framework Annual Performance Report*, p.19)

There are family day care services, both for-profit and not-for-profit, that provide exceptional support to children and families. Many not-for-profit providers, such as councils or community organisations, benefit from cross-subsidised central services that bolster their governance, operational sustainability, and capacity to fulfil their intensive co-regulatory responsibilities under the National Quality Framework. In contrast, across the family day care sector more broadly, these critical service-level functions are chronically underfunded. While governments continue to prioritise capital investment in new centre-based infrastructure, direct funding for the governance and operational supports required by approved family day care services remains limited or entirely absent. A more equitable and tailored funding approach for the family day care model is essential to support quality, sustainability, and improved outcomes for children.

5. Transparency within the early childhood education and care system, including access to information and data

Transparency is a foundational pillar of public confidence, sector accountability, and regulatory fairness in ECEC. In a system as diverse and complex as Australia's, with multiple service types, regulatory authorities, and operational models, the timely and meaningful availability of data is essential to safeguarding quality, informing policy, and empowering families to make informed decisions.

FDCA has long advocated for improvements to data transparency across the ECEC system. This includes public access to disaggregated data on key quality and safety indicators, such as serious incidents, compliance actions, and complaints, reported by service type. Disaggregating these datasets would allow for a more nuanced understanding of sector performance and risk profiles, avoiding broad-brush characterisations and enabling targeted interventions where they are most needed. For example, raw comparisons across service types that fail to account for operating context, service scale, or reporting variations risk misrepresenting performance and driving policy that is blunt or misaligned.

Public access to clear, contextualised data also strengthens family engagement and consumer choice. At present, parents and guardians seeking care for their children are often faced with limited, outdated, or highly technical information that does not clearly communicate the quality or character of a service, particularly within the family day care model. There is significant opportunity to improve both the transparency and usability of publicly available information by enhancing how service quality, compliance history, and safety records are reported through central platforms such as StartingBlocks.gov.au.

Transparency must also extend to the operations and decision-making processes of regulatory authorities. This includes publishing greater detail on:

- assessment and Rating (A&R) moderation processes across jurisdictions;
- enforcement priorities and decision rationales, especially in cases of service suspension or revocation;
- appeal mechanisms and educator/service-level rights when contesting regulatory decisions; and
- timeframes and standards for the delivery of regulatory functions, such as investigations, reassessments, and information sharing.

Variability in regulatory practice and decision-making remains a recurring concern for the family day care sector. FDCA continues to receive reports from its members indicating inconsistencies in regulatory interpretation and enforcement across jurisdictions and even among individual authorised officers. Greater visibility of regulatory performance metrics, including comparative data on compliance response times, frequency of reassessment, and use of sanctions by region and service type, would support sector accountability and promote a culture of continuous improvement.

Finally, transparency is a two-way street. The current regulatory design, particularly in relation to family day care, requires services and educators to comply with substantial documentation, notification, and reporting obligations. Yet, the feedback loop, how that information is used, assessed, and responded to, is often opaque. There is an urgent need to ensure that data collected from services and educators is not only proportionate to risk and capacity, but also used constructively to support improvement, rather than solely for compliance enforcement.

It is evident that significant work has commenced in this area through recent legislative reform. However, consideration should be given (across governments, regulatory authorities and relevant statutory authorities) to the establishment a national transparency agenda focused on:

- routine publication of de-identified, service-type-disaggregated data on compliance and quality outcomes;
- clear communication of regulatory decision-making frameworks and performance indicators;
- user-focused redesign of public information portals for families; and
- strengthened mechanisms for sector feedback and review of regulatory actions.

By embedding greater transparency across the ECEC system, policymakers and regulators can promote fairness, build trust, and ensure that reform efforts are guided by evidence, context, and the lived experiences of the sector.

6. The suitability and flexibility of the funding of early education and care across Australia

Despite playing a critical role in Australia's ECEC landscape, the family day care sector continues to be disadvantaged by a funding model that fails to reflect the sector's unique operational structure, diverse workforce model, and contribution to addressing unmet demand, particularly in regional, remote, and under-served markets.

Two key structural funding inequities remain unresolved and are significantly undermining the long-term sustainability of family day care: the *inappropriately low Child Care Subsidy (CCS) hourly rate cap* and the *absence of tailored, predictable supply-side funding mechanisms*.

As confirmed by both the ACCC Childcare Inquiry and the Productivity Commission Inquiry, the current CCS hourly rate cap for FDC does not accurately reflect actual delivery costs or workforce remuneration needs, *with an astounding 51% of family day care services charging* *above the hourly rate cap*[1]. This inequitable market intervention places downward pressure on educator income, compromises viability, and undermines sector growth.

Similarly, while existing mechanisms such as the Community Child Care Fund provide limited relief, their short-term and project-based nature fails to deliver the consistent and strategic investment required to support FDC service operation in high-need areas. The lack of a permanent supply-side framework, such as per-child, per-hour service funding with appropriate loadings (i.e. for non-standard hours and in regional areas of need) further constrains provider capacity to attract and retain educators. Compounding these challenges, the family day care sector was excluded from the 2024 ECEC Worker Retention Payment package, exacerbating inequities in workforce support. The family day care model, characterised by flexible hours, non-standard care, and decentralised educator locations, requires a funding system that is equally flexible, responsive to variation in care types, and capable of supporting innovation in service delivery, including mixed-hour sessions, overnight care, and education in rural or isolated settings.

There is evidently a compelling, if not undeniable, case for urgent policy reform starting with an interim adjustment to the FDC CCS hourly rate cap and the introduction of appropriately tailored, legislated and program funding streams to ensure that Australia's early education and care system is flexible, equitable, and fit for purpose across all service types.

<u>The Inequitable CCS Hourly Rate Cap</u>

One particular funding-oriented factor that should be emphasised within the broader discussion relates to the lower CCS rate cap applied to family day care. The inappropriate hourly CCS fee cap that applies to family day care has been a key advocacy priority for FDCA since inception in 2018 and our long-standing position is that the assumptions underpinning the calculations leading to the current CCS fee cap rates were never or are no longer accurate/applicable.

In summary, when the "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: 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.

In essence, the lower fee cap for family day care is an inequitable market intervention that puts family day care at a competitive disadvantage and affects educators' ability to be appropriately remunerated, which has flow on effects to educator attraction, retention and hence approved service viability. Additionally, at each indexation of the cap, the gap between family day care and centre-based care widens. Please see https://www.familydaycare.com.au/representing-you/submissions for FDCA's Pre-Budget Submissions which provide more detail relating to the debunking of the original rationales applied to the differential CCS hourly rate cap calculation for family day care.

FDCA has repeatedly challenged and refuted the 'lower overheads' assumption underpinning the calculation of the inadequate CCS cap rate for family day care. Consultation with and evidence from FDCA members show that, while family day care can

[1] Department of Education, Child Care in Australia report, March Quarter 2025.

be more agile and efficient in meeting and responding to variable demand especially in under-served, the 'dual-layered' overheads for both family day care services and family day care educators are fundamentally comparable to those in centre-based care.

The evidence is indisputable that the CCS hourly rate cap for family day care is inaccurately calculated, inequitable and is hindering a significant number of family day care educators to be adequately remunerated for the important work they do every day. This position has been confirmed by the ACCC Childcare Inquiry's Final Report, which states:

- One in three (34% in the September 2023 quarter) family day care services continue to charge fees above the hourly rate cap, despite the largest indexation of the cap in July 2023 (p.32).
- Immediately prior to the indexation of the hourly rate cap, in the June quarter 2023, about 52% of family day care services were charging above the hourly rate cap. This reflects how closely family day care services are priced to the hourly rate cap, and we expect that over the course of the period up to July 2024, a greater number of services are likely to exceed the cap (p.78).
- Fees charged above the cap increase the out-of-pocket expense for households (p.44).
- The relatively high share of family day care services exceeding the hourly rate cap likely reflects the lower hourly rate than for other services, a large number of non-standard hours of care in the sector, and ultimately, a need to charge higher fees to remain viable and profitable in the sector (p.32).

This evidence culminates in the following findings and recommendations by the ACCC:

- "*There is little financial incentive for family day care and in home care educators to enter or remain in the sector, as effective wages are below comparable award rates for other forms of childcare*" (Finding 22).
- "*...the family day care hourly rate cap is also unlikely to be sufficient to adequately cover costs and recompense educators*" (Finding 23).
- "*The ACCC recommends further consideration and consultation on changes to the Child Care Subsidy and hourly rate cap, to simplify their operation and address unintended consequences, including on incentives and outcomes. In doing so, we recommend consideration be given to:*
  - Determining an appropriate base for the hourly rate cap and indexing the cap to more closely reflect the input costs relevant to delivery of childcare services. This could include consideration of labour costs. As part of this, the family day care and in home care hourly rate caps should be reviewed and consideration given to increasing them. This should ensure providers can adequately cover costs, including appropriate labour costs" (Recommendation 2a).

Furthermore, in the recent Productivity Commission Inquiry Final Report, it is noted that 24% of centre-based day care services (predominantly in more advantaged communities), and 40% of family day care services, charge fees that are above the cap (p.17), including in lower socio-economic status areas and that the FDC hourly rate cap should be reviewed (Finding 6.1).

Accordingly, under Recommendation 6.3, the Productivity Commission proposes: "Change the approach taken to indexing the hourly rate cap and review levels of the hourly rate cap for some types of service". This recommendation specifically proposes that the Australian Government should review the hourly rate cap for family day care to determine the levels they should be set at to better reflect operating costs and support affordability, while maintaining integrity.

FDCA notes that this recommendation is being considered under the Service Delivery Price Project (SDPP); however, it is our contention that an equitable and appropriate adjustment to the CCS hourly rate cap for family day care must be expedited as the timeframe for the completion of the SDPP is too long for a sector under clearly immense viability strain and the evidence for a readjustment to the rate for FDC has been recommended through both the ACCC and Productivity Commission Inquiries. An interim adjustment is imperative for a sector facing its demise due to inappropriate funding support measures that can be remedied, at least for an interim period, through a simple rate adjustment.

Operational / Supply-side Funding

While it is imperative that extremely careful consideration must be given to the design of any new supply-side funding mechanisms, FDCA would advocate for a model that provides an ongoing supply-side funding mechanism that is directly tied to actual sessions of care provided.

FDCA acknowledges that the Community Child Care Fund (CCCF) currently fulfils a supply-side funding role that is designed to address barriers to ECEC participation for disadvantaged and regional/remote communities: however, it is time limited, and at the service or approved provider level, often fails to provide the requisite certainty of ongoing funding and thereby viability to achieve the necessary long term commitment of the provider to operate in these areas.

FDCA strongly believes that there is significant merit in exploring a supply-side, ongoing funding structure, enshrined in Family Assistance Law, that provides funding to the approved service based on a per child, per hour basis for all registered educators, with tailored loading applied where those educators are operating in predetermined SA2 regional/remote areas and areas of high disadvantage based on SEIFA decile. Such a funding structure would both secure and improve service viability and confidence, while also incentivising and supporting approved services to recruit and retain educators across underserved/unserved markets.

While it may be necessary to retain a form of CCCF-type supply-side funding, for example, in cases where a service may dip below a certain educator number threshold, the per child, per hour type of funding would ensure that payments are actually tied to provision and usage, rather than lump sums based on projections with no guarantee of improved service viability and/or increased supply in areas of need.

As specified in Recommendation 8 of the ACCC Childcare Inquiry Final Report, "The ACCC supports further consideration of the benefits and challenges of supply-side subsidies (particularly as a longer-term consideration) coupled with other more direct forms of market intervention, as appropriate." It should be noted, however, that the ACCC, when considering family day care as a solution to addressing under-served markets in regional and rural areas, accurately stated "the ability of a family day care service to be able to oversee a rural or regionally located educator in a cost-effective manner also needs to be taken into account. High travel costs associated with coordinator visits to an educator (for example flights or petrol costs and accommodation) may challenge the viability of a family day care service" (186).

To this point, it should also be noted that under the Australian Government's previous "Community Support Programme" (CSP) the need for support in this area was acknowledged and delivered through the "regional Travel Assistance Grant" (RTAG) which was "a support payment designed to assist FDC services and IHC services with the travel costs incurred by coordination staff. RTAG [could] only be claimed for journeys undertaken in order to support the service's network of Educators."

Similarly, broader supply-side funding was delivered under the CSP to the family day care sector through "FDC Operational Support" and "Sustainability Assistance" (targeted primarily towards a specific group of services) which were designed to support family day care services with the ongoing, day to day costs of delivering quality, affordable ECEC through its support for approved services to fulfil their co-regulatory function, and thereby underpinning quality and placing downward pressure on out-of-pocket costs to families, until the CSP was terminated in 2015–16.

Clearly, there is a precedent for these types of sector-specific funding mechanisms. It should be noted that when these funding systems were in place, including when the previous Educator Start-up Grant was available (i.e. prior to 2010–11), the family day care sector was thriving with 13,575 educators operating, which when compared to current numbers (approximately 9,000) represents a decrease of approximately 33.7% on current educator numbers.

<u>Remuneration Boost for Family Day Care Staff and Educators</u>

In August 2024, the Australian Government announced a wage increase for the centre-based and outside school hours care ECEC workforce, which is being delivered through a new "worker retention payment". The payment supports a wage increase of 10% on top of the current national award rate in the first year rising to 15% above the current national award rate in the second year, starting in December 2024 and running for 2 years. This measure did not apply to family day care.

As a result of FDCA's Request for Election Policy Commitments for Family Day Care, FDCA received a guarantee from the ALP that a re-elected Labor Government would consider how the Worker Retention Payment can be extended to the family day care sector. Subsequently, the Department of Education has acknowledged FDCA's positions and given a clear commitment to explore how a similar support mechanism can be extended to the family day care workforce. This work remains ongoing; however, it is exceptionally important that a result be expedited for both employees of family day care approved services and independent contractor educators as the capacity for appropriate remuneration is skewed inequitably against the family day care which remains in a state of ongoing decline.

7. The choice of care options available to parents and families

Family day care is a unique and essential part of the ECEC landscape in Australia. Parents and guardians with children in family day care often choose this form of care because of the type of service offered. That is, they highly value the home-based, small group environment provided by family day care.[2] Furthermore, the family day care sector provides much needed ECEC for families living in less advantaged areas and is preferred by families who come from a culturally and linguistically diverse (CALD) background.[3]

Over 40 years ago the family day care sector pioneered the 'sharing economy', leveraging the capacity and capabilities of communities to deliver a unique and innovative approach to supporting the diverse ECEC needs of Australian children and families. What evolved was a thriving network of early childhood education professionals, mostly women in small business, that became the global benchmark in home-based ECEC approaches.

However, sadly, through more than half a decade of neglect, blunt instrument', compliance-focused regulatory reform between 2014 and 2021 (approx.), and inequitable market intervention from governments, our sector is facing immense viability strain and the resulting outcome for children and families will be devastating. Without prompt intervention the family day care sector faces collapse, and in turn, the families and children for whom family day care is, for so many reasons, their option of choice, or in many cases, their only choice, will be left stranded.

[2] Australian Consumer and Competition Commission, (June 2023): Childcare Inquiry, Interim Report
[3] Department of Education, Skills and Employment (August 2022), 2021 ECEC National Workforce Census, prepared by the Social Research Centre.

A Sector that Supports Regional and Disadvantaged Areas

The Productivity Commission found the following: "*ECEC availability tends to be poorer in regional and remote areas and in communities experiencing higher levels of socio-economic disadvantage. It is unclear whether this reflects a lack of local demand for ECEC, viability concerns that cause providers to decide against establishing services or both. Only 8% of children aged 0–5 live in communities with sufficient centre-based day care places to support access to 30 hours or three days of ECEC a week*."[4]

Given there doesn't appear to be any available evidence of a widespread lack of demand for approved ECEC in regional and/or disadvantaged areas across Australia, this should indicate that the assertion that "viability concerns that cause [centre-based] providers to decide against establishing services" [in regional and remote areas and in communities experiencing higher levels of socioeconomic disadvantage], is at least moderately, though possibly highly, accurate.

However, if family day care were actively supported to grow with appropriately tailored funding and support mechanisms, the goal of up to 30 hours or three days a week of quality ECEC being available for all children aged 0–5 years whose families wish for them to participate, particularly in unserved or under-served areas, would be considerably more attainable given:

- The family day care sector provides care for a significant proportion of households in areas of less advantage, with approximately 72% of children who attend family day care services in 2023 located in areas that are ranked in the 5 deciles of least advantage.[5]
- Family day care services are slightly more concentrated in areas of less advantage, with around 19% of services located in the most disadvantaged area, compared with around 4% in the most advantaged area, in the September 2023 quarter.[6]
- 23.5% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index.[7]
- 26.1% of family day educators operate in regional and remote areas of Australia.[8]
- Family day care 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.[9]

As such, and as asserted both in the ACCC Childcare Inquiry Final Report and the Productivity Commission ECEC Inquiry Final Report, family day care can be an effective solution to addressing thin, under-served and/or unserved markets.

Meeting the Needs of CALD Children and Families

As referenced in the ACCC Childcare Inquiry Final Report, family day care is important for many culturally and linguistically diverse households, providing an alternative choice to centre based day care that may be more flexible or better able to cater to particular cultural and linguistic needs (p.173); however, the availability of these services is reducing (p.131), which is highly problematic.

The ACCC Childcare Inquiry Final Report also states that one of the benefits of family day care is that a family day care educator may have the same cultural background as the

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[4] Productivity Commission (November 2023), A path to universal early childhood education and care, Draft Report, Canberra, p.62.
[5] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.185.
[6] Ibid. p.98
[7] FDCA internal member data.
[8] Ibid.
[9] Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.31.

children in care and may be able to reproduce cultural values and speak the same language as the household. Additionally, the Australian Education Research Organisation (AERO) found that "family day care may be an important complement to preschool for emerging multilingual children. When we analysed children's pathways from one ECEC setting to another, we found that emerging multilingual children had better outcomes when they participated in family day care in the early years (between 2013 and 2016), followed by standalone preschool in the year before school (2017) … family day care followed by standalone preschool was associated with an increase in Language and Cognitive Skills (school-based) scores between 1.2 to 2 times larger than for those children using long day care followed by standalone preschool."[10]

Recent evidence also shows that family day care is playing a significant role in supporting children from CALD backgrounds and their families. Indeed, the latest Early Childhood Education and Care National Workforce Census National Report (2024) revealed that around half (n= 4,140) of the total number of children attending child care services (n=8,732) during the reference week from a refugee or special humanitarian program background, attended family day care services. This compared to only 3,811 in centre-based services, a sector well over 10 times the size of family day care.

Data from the AIFS Child Care Package Evaluation: Early monitoring report[11] indicates that 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.
- 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.

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.[12]

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

- 88.2% 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.
- 85.5% of family day care services offer care on weekends, compared with a mere 0.5% of long day care services.
- 47.5% of family day care services offer overnight care, as compared with 0% of long day care services.[13]

Evidently, family day care is the primary regulated and approved ECEC option of care during non-standard hours, including evenings, weekends and overnight. Australian Government ECEC session data for the September quarter 2023 indicates family day care used the highest percentage of subsidised hours as a share of total hours charged by service type. "This may

[10] Lampe, B., Healey, B., Collier, L., & Jackson, J. (2023) Promoting equity for multilingual children in early childhood. Australian Education Research Organisation. From https://www.edresearch.edu.au/resources/promoting-equity-multilingual-childrenearlychildhood-research-report
[11] 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.
[12] Source: www.wgea.gov.au/data/fact-sheets/gender-workplace-statistics-at-a-glance.
[13] 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.

be due to the greater flexibility in session hours offered by family day care educators, allowing households to structure their usage in the most beneficial manner."[14]

The ACCC Childcare Inquiry Final Report also notes that "any family day care educators advised during outreach discussions that they will offer flexible hours to their clients to meet their needs. For example, offering an earlier start time if needed by a household on a particular day, or by not enforcing a late fee as long as a parent or guardian keeps the educator informed of their expected pick-up time… (p.184) … in this sense, family day care provides a small scale, highly flexible childcare option for parents and guardians needing care for their child or children" (p.180).

This type of care is also 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, FIFO workers, cleaning contractors, factory workers, and farmers.

Family day care is an essential pillar of diversity, access, and responsiveness in a system that must cater to the varied needs of Australian families. The evidence is unequivocal: family day care plays a disproportionately vital role in supporting families in regional and remote communities, those experiencing socio-economic disadvantage, and culturally and linguistically diverse households. It offers unmatched flexibility, across hours, session types, and cultural adaptation, ensuring that care is available when and where families need it most, including evenings, weekends, and overnight.

At a time when workforce participation is shifting and demand for non-standard hours care is rising, family day care remains the only regulated service model that reliably meets this demand. Furthermore, data from the ACCC, the Productivity Commission, and the Australian Education Research Organisation confirm that family day care is not only the preferred ECEC option by many families, but it also demonstrably supports better outcomes for some cohorts of children, including emerging multilingual learners.

Without urgent policy recalibration to safeguard and grow this sector, thousands of families, particularly those for whom centre-based care is either unavailable or unsuitable, face the risk of being left without any viable childcare option. Ensuring a strong, sustainable future for family day care is not just about preserving choice - it is about upholding equity, access, and the fundamental right of all families to high-quality, contextually appropriate early learning.

Conclusion

FDCA reaffirms that family day care is a vital, distinct and irreplaceable pillar of Australia's early childhood education and care landscape. It delivers high-quality, flexible, relationship-based education and care to tens of thousands of children every day, particularly vital for those in rural and remote communities, culturally and linguistically diverse families, and for households working non-standard hours. Despite this, family day care continues to face structural disadvantage across policy, regulatory, funding, and public narratives that are largely shaped around the needs and characteristics of centre-based models.

The evidence presented throughout this submission makes clear that the current trajectory places the sector under increasing strain. The regulatory and compliance burden continues to grow in complexity and scale, while funding settings (such as the inequitable Child Care Subsidy hourly rate cap) undermine viability and workforce sustainability. At the same time,

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14 Australian Competition and Consumer Commission (ACCC), December 2023: Childcare Inquiry, Final Report: p.180.

public discourse often overlooks or mischaracterises the unique strengths of the model. Without immediate and contextually informed intervention, family day care will continue to contract, leaving families with fewer choices and more children without access to flexible, quality care.

To that end, FDCA recommends the following actions:

1. Implement nationally consistent, risk-proportionate regulatory reform tailored to the operational context of family day care through consultation with the sector.
2. Review and adjust funding mechanisms, including the hourly CCS rate cap and supply-side funding models, to better reflect real costs and support workforce viability.
3. Strengthen data transparency, including disaggregated reporting by service type, to ensure a fair and accurate understanding of sector performance.
4. Invest in provider and educator capacity-building, including governance, training, and quality support mechanisms.
5. Preserve and support diversity of delivery models, including explicit policy recognition of family day care as a core component of the national system.
6. Reframe public narratives and policy design to acknowledge the expertise, professionalism, and social value of family day care educators and services.
7. Invest in technology solutions that reduce administrative burden and enhance regulatory compliance in family day care.

Throughout the submission, FDCA has argued that child safety must remain paramount, but that this imperative must be pursued through regulation that is proportionate, practicable, and grounded in sound legal and ethical principles. Family day care educators provide education and care from within their own homes. As such, reforms that fail to account for the personal, private, and small-scale nature of the model risk creating disproportionate burdens that erode sector participation and workforce dignity without delivering commensurate safety benefits.

A balanced, collaborative approach is needed, one that upholds the highest standards of quality and child safety while also fostering sustainability, choice, and equity across the system. With the right settings in place, family day care can not only survive but thrive, continuing to meet the evolving needs of Australian families with compassion, flexibility, and professionalism.

FDCA welcomes the opportunity to appear before the Committee and provide further evidence in support of these recommendations.

Yours faithfully

Andrew Paterson
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Family day care Australia