



Early Childhood Education and Care Inquiry
Productivity Commission
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Melbourne VIC 3008

By email: childhood@pc.gov.au

To whom it may concern

Thank you for the opportunity to provide feedback on the Productivity Commission's (PC) national inquiry on *Early Childcare Education and Care*. This review provides an important opportunity to examine concerns raised by operators within the early childcare education and care sector (ECEC sector) and our experiences with NSW small businesses that provided these services.

The NSW Small Business Commission (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The ECE sector is experiencing systemic challenges which if unaddressed, will create significant barriers to affordability and access to quality childcare services in Australia. In a recent consultation with the ECE sector in NSW, the Commission found that providers are experiencing regulatory, staffing and other business challenges. The Commission has released a report that summarises the consultation feedback and identifies opportunities to improve outcomes for providers.

I have attached a copy of this report, Stakeholder consultation: *Small business experiences in the early childhood education and care sector* ([Stakeholder consultation report](#)). This report recommends options to improve systemic challenges in the ECE sector, which we request be considered as part of the PC's inquiry.

Navigating a complex regulatory system comprising different agencies and three tiers of government is a considerable barrier and challenge to establishing a new childcare centre or expanding the number of places in a centre. While regulatory requirements are necessary to ensure the safety of children and quality of care, their impact needs to be considered in a broader context, including in circumstances where their benefits may not exceed their cost.

The NSW Productivity Commission found that moving to the national standards could have benefits for NSW of around \$3.1 billion in net present value terms, or \$410 million per annum and that the educational outcomes for children in NSW are not any better than comparable states despite the more stringent standards.

The stricter staffing requirements in NSW increase the cost of childcare by up to 9 percent or \$230 million and decrease the wages of parents by up to \$180 million annually as they stay at home to look after children.

While the operation of NSW-specific arrangements may not be a central focus of the PC inquiry, we encourage consideration of how individual states implement national standards. State implementations

of the national framework involving increased stipulations ought to be measured against benefits and outcomes. If state-specific requirements cannot demonstrate more favourable outcomes with associated benefits that exceed their cost, then they should be repealed and revert to the national standard.

Assessment and ratings process

Feedback to the Commission indicates smaller providers find the assessment and ratings process stressful, administratively burdensome, and at times a distraction from their core responsibilities of providing essential care and education to children.

The purpose of the National Quality Standards (NQS) is to deliver high quality care and education, however the Commission observes that many providers do not view the rating and assessment process as contributing to improved outcomes or as providing an accurate indication of their actual quality or performance. It is also considered to be costly and resource intensive process.

The Commission recommends an independent review of the assessment and ratings process which considers and includes:

- The development of clear, objective measures for each assessment rating.
- Options to transition to a more collaborative regulatory approach with a productive, ongoing working relationship between the service and a single allocated assessor.
- Options for implementing more regular and targeted assessments on particular focus areas.
- Ensuring that services are given clear, specific guidance in relation to specific rectifications needed to improve any identified deficiencies and a rectification period so that rating outcomes can be improved immediately.
- Explore options to enhance the assessment and rating of family day care providers in consultation with family day care educators.

There is an opportunity to assist providers with their compliance obligations and reduce disputes between providers and assessors, by developing templates, tools and resources that can be adopted (or adapted). While a simple solution, templated policies and procedures have the potential to significantly reduce administration costs for early childhood education providers, and better support the sector to deliver early childhood education.

Optional template policies, procedures, checklists and forms can assist providers by reducing the time taken and costs to develop policies independently while ensuring the Department of Education's requirements and expectations in this regard are fulfilled. While policies may need to be adapted to meet specific needs and family preferences, template policies reduce unnecessary red tape and duplication of effort. This will support the growth of services in the sector, reduce costs and make it easier for small business providers as well as providing efficiency savings for the Department of Education compliance teams.

Governance and regulatory policy development

Effective regulatory stewardship involves a system wide view of the regulation. The Commission observes a potential tension whereby the agency responsible for policy development and implementation is also the regulator. This gives rise to the risk where best-practice regulatory policy development, including consideration of diverse perspectives and impacts, is overshadowed by compliance priorities. The Commission encourages the inquiry to consider the regulatory policy architecture, including arrangements under which policy development and regulatory functions are fulfilled within jurisdictions.

Streamlining processes for setting up a new centre

Small businesses have reported complexity and unnecessary delays associated with their applications to establish a new centre. There is an opportunity for Commonwealth, state and territory governments to come together and explore opportunities to streamline approval processes for new centres, including concurrent approvals and by applying the 'ask once, use many times' principle.

Thank you for the opportunity to make a submission. If you require further information, please contact Megan Bennett

Yours sincerely

Chris Lamont
Commissioner
NSW Small Business Commission

Date: 24 May 2023

Encl. [Stakeholder consultation: *Small business experiences in the early childhood education and care sector*]