



A path to universal early childhood education and care

The Australian Government today tabled the final report of the Productivity Commission’s inquiry into early childhood education and care (ECEC). The report presents government with a roadmap to a high-quality universal early childhood education and care system that is accessible, within the means of all families, equitable and inclusive for all children. This system would ensure every child aged 0–5 has access to high-quality ECEC for at least 30 hours or three days a week, for 48 weeks of the year.

Modelling shows that the recommended reforms would increase demand for ECEC by 10%, primarily from children in low- and middle-income families who are currently not attending services.

Parents’ labour force participation would be expected to rise, as services become more inclusive, available and responsive to families’ needs.

The report’s recommendations were informed by engagement with hundreds of people from the ECEC sector, academia, advocacy and the broader public across Australia.

To achieve the long-term goal of a universal ECEC system, the Australian Government should first act to ensure that cost is not a barrier to access for children from low-income families. The report recommends abolishing the activity test and increasing the rate of the Child Care Subsidy for families on incomes of up to \$80,000 to 100% of the hourly rate cap.

“Children experiencing vulnerability and disadvantage benefit the most from quality early childhood education and care, but they are currently the least likely to attend,” said Associate Commissioner Deborah Brennan.

The report finds that the activity test, which links the amount that a family works, studies or volunteers with the amount of Child Care Subsidy they receive, is a barrier to access for low-income families and does little to incentivise labour force participation and should be removed.

“A child’s entitlement to at least three days of ECEC a week should not depend on how much their parents work,” said Associate Commissioner Brennan.

The report also recommends that governments introduce new measures to support the ECEC workforce – giving those who are starting in the sector access to tailored training options and creating better mentoring, professional development and career pathways for those who already work in the sector. These measures, coupled with the recently announced improvements to pay, should alleviate some of the recruitment and retention challenges the sector has been experiencing for a long time.

[MORE]

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“We will not make any progress towards a universal system without addressing the sector’s workforce challenges. Improving pay and conditions is critical but more can be done to improve career and qualification pathways for ECEC professions,” said Commissioner Martin Stokie.

Achieving universal childcare will also require government to further invest in establishing ECEC services in communities experiencing disadvantage and regional and remote communities.

“Some areas of Australia have few or no early childhood education and care services. More funding will be needed to address these persistent service gaps,” said Commissioner Lisa Gropp.

The report also recommends expanding access to outside school hours care. State and territory governments should facilitate the provision of outside school hours care in all public schools where there is sustainable demand.

The report says that increasing access and availability cannot come at the expense of quality. It recommends investing in quality, through greater support for the regulatory system and better information to services and parents.

Government should also prioritise ensuring that ECEC services are inclusive for all children.

“Governments and ECEC services also need to do more to achieve the commitments in the Closing the Gap Agreement for Aboriginal and Torres Strait Islander children. That means working towards a sustainable funding model for Aboriginal Community Controlled Organisations and investing in the capability of the sector, to make all services culturally safe,” said Commissioner Stokie.

“The system can only be universal if every child is welcome. The Australian Government should increase funding to enable the inclusion of all children regardless of their ability or cultural background,” said Commissioner Stokie.

Read the final report, *A path to universal early childhood education and care*, at www.pc.gov.au.

[SEE OVER FOR KEY POINTS]

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Key points

- * Early childhood education and care (ECEC) can improve outcomes for children – particularly those experiencing disadvantage and vulnerability – throughout their lives and deliver net community benefits. ECEC is also a critical enabler of parents’ participation in the labour force.**

Governments should work towards creating a high-quality universal ECEC system that is accessible, within the means of all families, equitable and inclusive for all children.
- * ECEC services already play a major role in the lives of many young children and their families but those who would benefit most are missing out.**

 - Following significant expansion, the number of ECEC places available to children has increased by 50% in the decade to 2023. Nearly half of one-year-olds attend some form of ECEC, and about 90% of four-year-olds are enrolled in ECEC. About one-in-seven children aged 5–12 years attend outside school hours care.
 - The expansion of ECEC has enabled an increase in parents’ labour force participation, in particular mothers with children aged 0–4 years. In 2023, three-in-four mothers with children aged 0–4 years were in paid employment.
 - But not all children and families benefit from ECEC. In parts of the country, services are scarce and for some families, ECEC may be unaffordable or not inclusive of all children. Children experiencing disadvantage and vulnerability, while most likely to benefit from ECEC, are less likely to attend.
- * Addressing affordability barriers should be a priority for reform.**

 - The Australian Government should raise the maximum rate of the Child Care Subsidy (CCS) to 100% of the hourly rate cap for families on incomes up to \$80,000 – about 30% of all families with children aged 0–12 years. The Higher Child Care Subsidy (HCCS) rate should rise to 100% for families with multiple children aged five and under in ECEC and incomes up to \$140,000. A consistent taper rate should apply to CCS and HCCS, reducing the rate of subsidy by one percentage point for every \$5,000 increase in income.
 - The CCS activity test should be removed. Children’s participation in ECEC should not depend on their parents’ activity.
 - Almost all families using ECEC are expected to benefit from these changes. Half of families would be eligible for CCS rates of 90% or more; nearly 80% would be eligible for CCS rates of over 75%. Attendance at ECEC is expected to rise by 10%, with most of the increase coming from children from low and middle income families.
 - The reform package is expected to increase CCS costs by 37% to reach about \$17.4 billion a year. Of the affordability options assessed, the recommended option is the most cost effective, supporting higher ECEC attendance by the children who would benefit most.
- * All children whose families choose to use ECEC should have access to high-quality services. All families with children aged 0–5 years who choose to use ECEC should be able to access at least 30 hours or three days a week of high-quality ECEC, for 48 weeks a year.**

 - Supply will respond in many areas to deliver this benchmark, in particular once additional subsidies are implemented. But in persistent ‘thin’ markets or communities with complex needs, the Australian Government should provide additional funding to enable the establishment of appropriate services and, where necessary, ensure their ongoing viability.
- * State governments should facilitate the provision of outside school hours care for children aged 5–12 years in public schools, wherever there is sustainable demand. Any impediments to the provision of wrap-around care in dedicated preschool should be removed, to expand the ECEC choices available to working families.**

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- * Quality is paramount to achieving the benefits of ECEC. Regulators should be adequately resourced to deliver timely assessments of service quality, take action to tackle persistently poor quality and support continuous quality improvement.**

 - By 2030, the proportion of ECEC services that are 'Working Towards the National Quality Standard' should be halved, to reach 5%. Services should not be allowed to hold this rating for longer than two years.
- * Addressing workforce challenges is a priority for expanding the availability of ECEC. This will require governments to focus on accelerated qualification pathways and consistent registration requirements. The pay and conditions offered to the ECEC workforce will likely be improved through processes arising out of recent changes to the Fair Work Act.**
- * All children, regardless of their characteristics or circumstances, should be welcomed and included in ECEC. In 2026, the Australian Government should establish the ECEC Inclusion Fund, which will allocate needs-based funding to CCS-approved ECEC services based on factors related to children's inclusion needs.**

 - Pending the establishment of the Inclusion Fund, the Australian Government should immediately improve access to the Inclusion Support Program by increasing funding and streamlining administrative requirements.
 - The new Inclusion Fund should take account of the reforms to the National Disability Insurance Scheme, which are likely to see some early intervention supports delivered through ECEC.
- * Aboriginal and Torres Strait Islander children are under-represented in ECEC. Aboriginal community-controlled organisations require a sustainable funding model, which recognises their knowledges and expertise to deliver the ECEC priorities of their communities.**

All ECEC services should be culturally safe. The ECEC workforce should have access to publicly funded professional development to support better cultural safety and inclusion practices.
- * Achieving universal access to ECEC will require long-term commitment and investment. Sequencing reforms will be critical to avoid crowding out children and families experiencing disadvantage.**

The Australian, state and territory governments should sign a new national agreement on ECEC that will outline their respective roles and responsibilities and the objectives they seek to achieve.

 - By 2030, governments should work towards expanding access to ECEC in communities experiencing disadvantage, particularly in remote, regional and rural areas. By 2036, all children should have access to at least 30 hours or three days a week of high-quality ECEC for 48 weeks a year.
 - By 2030, the proportion of children who are developmentally on track when they start school should rise by five percentage points as a result of greater access to ECEC. The labour force participation of parents is also expected to increase.
- * An independent ECEC Commission should be established to support, advise and monitor governments' progress towards universal access to ECEC.**

 - Ongoing evaluation and monitoring by the ECEC Commission should be used to guide the planning of further investment and reform.
 - Trials of alternative models of funding and service delivery would help develop an ECEC system that maximises benefits for children and the broader community.

[END]

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