

Quality and safety of Australia's early childhood education and care system

Senate Inquiry, Education and Employment References Committee

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Executive summary

CPD welcomes the opportunity to make a submission to the Senate Select Committee Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care (ECEC) system.

While recent safety measures are welcome, they alone cannot create a system where all children can be supported to thrive in high quality services. There is significant momentum and support for the creation of a high quality universal ECEC system. Good first steps have been taken, particularly through the removal of the Activity Test, Early Education Service Delivery Prices work (SDP), the Building Early Education Fund (BEEF) and the Worker Retention Payment. We must build on these first steps to continue to create universal system that will guarantee the highest quality ECEC for all children.

Consistent with the government's objectives, a high-quality universal system is both desirable and possible. Quality is essential to delivering an effective ECEC system, and children experiencing vulnerability or disadvantage particularly require high-quality service delivery to fully benefit from their participation in ECEC. CPD urges the Inquiry to tackle the major challenges with Australia's current ECEC system head on to create a truly universal high-quality system for all children.

The current market-based system is not delivering desired outcomes, as evidenced by declining child development trends and uneven distribution of high-quality services.

To create a truly universal high-quality system for all children requires systemic reform across all system levers. This submission proposes a long-term vision with 10 key reform elements, including:

- (1) legislated goals for the ECEC system,
- (2) a national entitlement for all children to access free or low-cost ECEC,
- (3) embedded equity and inclusion,
- (4) clear government roles as active system stewards,
- (5) a child-centred funding model,
- (6) investment to fill service gaps,
- (7) support for a sustainable workforce,
- (8) active government support for quality improvements,
- (9) better information support for families, and
- (10) improved data sharing.

CPD offers a future vision for a system that delivers on the government's objectives of a high quality and equitable universal ECEC system.

The ECEC system is currently not delivering desired objectives

While Australia's ECEC system has many strengths, there are numerous challenges with the current system that prevent Australia from delivering a high-quality, universal system for all children and families. Recent safety concerns have put into focus the importance of high quality and safety for all children. While immediate safety measures are welcomed, creating a truly high-quality system requires governments and providers to take systemic actions that address the critical system issues that hold us back. Key concerns include:

- ⇒ There is no agreed national purpose, and the system is not delivering the outcomes we want for children and families.
- ⇒ Quality is not high enough, and high-quality services are not fairly distributed.
- ⇒ The workforce is essential to high-quality delivery but is experiencing persistent challenges.
- ⇒ ECEC is not accessible for all children and families.
- ⇒ The national ECEC system does not promote equity.
- ⇒ Services are not sufficiently inclusive.
- ⇒ The system does not provide a universal platform for entry to other services and supports.
- ⇒ The governance of the ECEC system is confusing and disjointed.
- ⇒ There is a lack of current and comprehensive data.

These challenges must be addressed to create a high-quality system for all children.

The system is not delivering the developmental outcomes we want

After a decade of progress from 2009 - 2018, the Australian Early Childhood Development Census (AEDC) shows us that Australia is seeing a clear reversal in early childhood development trends. In 2024, just 52.9% of

children were on track across all five AEDC domains, meaning nearly half are not. Since 2018, developmental vulnerability is rising and the percentage of children on track in all five domains falling, affecting children in every state, across all socioeconomic levels, and in both urban and rural areas.¹ While gaps between population groups remain persistent, the overall national trend is one of decline, pointing to wider structural or system-level factors that require urgent attention.

Therefore, despite significant investments in ECEC, the AEDC results demonstrate that this has not translated into improved developmental outcomes for children. While we know that, at an individual level, high quality ECEC improves developmental outcomes, the disconnect at a system level highlights flaws in how the system is designed and funded. Uneven quality, affordability pressures, workforce challenges and fragmented governance mean that, without reform, investment risks becoming a blunt term that sustains participation but fails to deliver on the developmental foundations critical to children's wellbeing.

Quality is not high enough or fairly distributed

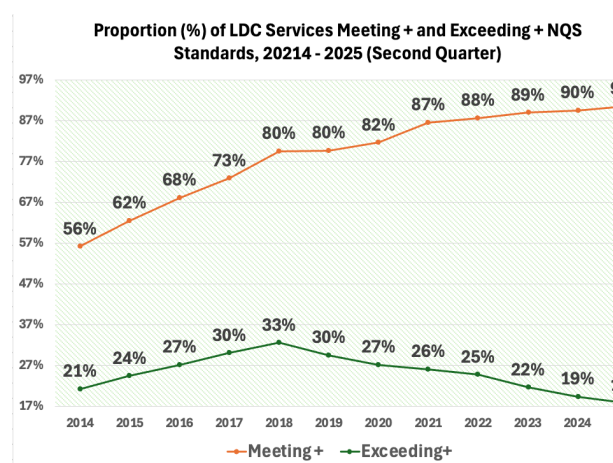
Quality is not high enough

Recent research by the Australian Education Research Organisation (AERO) confirms that children in services rated *Exceeding* National Quality Standards (NQS) are consistently less likely to be developmentally vulnerable than children in *Meeting* or *Working Towards* services. The study found that 'the NQS rating of *Exceeding* is the threshold for most effectively reducing developmental vulnerability through ECEC'.² This suggests that reversing the AEDC trends described above, requires us to incentivise and invest in services that are rated *Exceeding* and above. Unfortunately, the current system is not structured to deliver this.³

Over the past decade, the proportion of Long Day Care services (LDC) rated as *Meeting* and above has grown. However, the proportion of

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services rated *Exceeding* and above has declined since 2018, falling from 32.5% to 17.8%.⁴ This trend is striking when placed alongside other system shifts: the clear reversal of developmental trends since 2018, the introduction of the Child Care Subsidy (CCS), and the tightening of quality standards through the revised NQS. The recalibration of the NQS made an *Exceeding* rating harder to achieve, which may partly explain the downward trend. However, the decline in the proportion of high-quality services, which continues year to year, suggests that the system is not lifting enough services beyond the minimum threshold. A universal, high-quality ECEC system cannot rest on the fact that most services now meet the baseline, it must create the conditions for a growing share to achieve and sustain high quality.

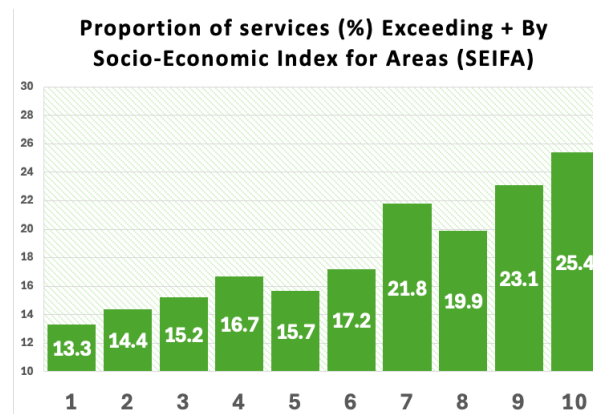
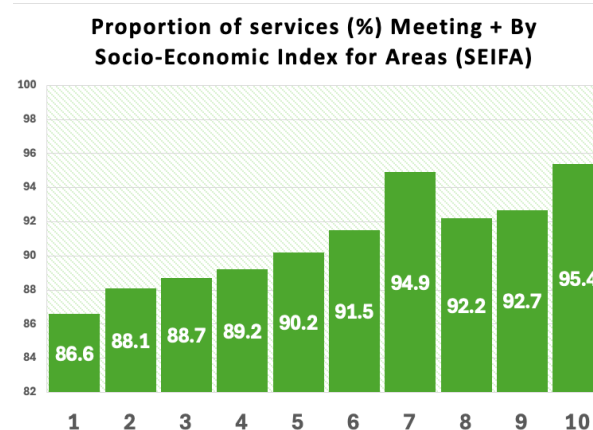


Quality is not distributed equitably across socio-economic status and geographic area

Access to high-quality services is also unevenly distributed across socio-economic and geographic contexts, reinforcing patterns of disadvantage.

When looking across Socio-Economic Indexes for Areas (SEIFA) and geographic location (ARIA+), inequities in quality become clear. The more disadvantaged and/or remote an area is, the less likely services are to be rated as *Meeting* and above the NQS and especially *Exceeding* and above the NQS. As seen in the tables below, while most services in disadvantaged areas reach the minimum

threshold, far fewer achieve the higher standard associated with stronger child outcomes. A similar pattern emerges by location: while 91.9% of services in major cities meet the NQS and 19.2% exceed it, these proportions fall sharply with remoteness with only 5.4% of services *Exceeding* and above the NQS in very remote areas. This means that the children who stand to benefit most from high-quality ECEC are the least likely to access it.⁵



Proportion of services Meeting and above NQS and Exceeding and above NQS, by remoteness⁶

ARIA+	Meeting+ (%)	Exceeding+ (%)
Major Cities of Australia	91.9	19.2
Inner Regional Australia	88.7	16.5

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Outer Regional Australia	83.1	8.7
Remote Australia	76.1	1.1
Very Remote Australia	67.9	5.4

Persistent workforce challenges

A stable and high-quality educator workforce is critical for the quality of services and viability of providers - it is the cornerstone of a quality service. As the Australian Competition and Consumer Commission (ACCC) noted, the current educator shortages are having a material impact on the supply and cost of childcare.⁷ In its Inquiry into Early Childhood Education and Care, the Productivity Commission highlighted how 'workforce challenges constrain the ability of the ECEC system to deliver quality, accessible services.'⁸ The Report pointed to the low pay and unattractive working conditions as major factors that limit attraction and retention of staff.⁹ More recently, a report by the Front Project found that pay and conditions support not only workforce retention but also service quality. They found that this also has a flow on effect on child outcomes. Their analysis of *Exceeding* and *Excellent* services in low-SES communities showed a strong association between high-quality ratings and enterprise agreements, with better pay, non-contact time, and leave entitlements compared to award-reliant services. Australian research has also highlighted the importance of the quality of adult-child interactions to child development outcomes.¹⁰ In other words, quality and workplace conditions are intertwined.¹¹

Issues such as low pay, lack of career progression and limited professional development mean that the ECEC workforce is characterised by high turnover, with a large proportion of staff consistently reporting

that they don't intend to stay in the sector.¹² This instability undermines the very conditions needed for consistent, high-quality relationships and interactions with children, meaning that workforce challenges directly translate to limits on quality.

Limits of a market-based system

The current ECEC is a marketised system through the CCS, which limits its ability to deliver government objectives of an affordable, equitable and universal system. Market dynamics mean that those with the highest capacity to pay are being provided with higher quality services - as demonstrated above. The ACCC's final report shows that providers' supply decisions are highly influenced by expectations of profitability within a particular area or market, which is driven by expectations of demand and ability to pay. This is resulting in inequitable educational and/or developmental outcomes across all children and households.¹³

The dominance of for-profit providers in the sector is an important part of the story. As at the second quarter of 2025, 71.3% of all long day care services were for-profit, up from 59.1% in 2014 - and the share has continued to rise year on year.¹⁴ This is particularly important because provider management type is a predictor of service quality. As the table below shows, the likelihood of a service being rated *Exceeding* and above varies significantly by provider type. While high rates of services across most provider categories have high proportions of services rated *Meeting the NQS* or above, the share achieving *Exceeding* the NQS and above diverges sharply. State and Territory government schools, independent schools, Catholic schools and community-managed not-for-profit schools are far more likely to be rated *Exceeding* and above (30.6% and 32.9%), compared with private for profit services, where only 13.2% achieve this standard.

Between the second quarter of 2024 and the second quarter of 2025, approximately nine in ten new services (92.8%) were opened by

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private for-profit providers. Growth among the provider types most likely to achieve *Exceeding* quality was very limited: independent schools accounted for just 1.7% of new openings, community-managed not-for-profit services for 2.6% and state or territory managed services for 0.7%. In other words, the market is driving expansion in the segment least likely to achieve *Exceeding* standards.

This pattern suggests that structural factors linked to provider type; governance, reinvestment of surpluses, workforce arrangements and institutional mission appear to be significantly associated with quality outcomes. These differences reinforce the conclusion that the current market-based system is not designed to lift quality equitably across all providers. Without active government stewardship and funding tied to quality improvement, the system risks entrenching disparities, with children in for-profit settings systematically less likely to access the highest-quality education and care.

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Proportion of services Meeting and above NQS and Exceeding and above NQS, by provider management type¹⁵

Provider Management Type	Number of services	Meeting+ (%)	Exceeding+ (%)
Catholic schools	36	88.9	30.6
Independent schools	190	91.6	33.7
Other	6	50.0	16.7
Private for profit	6160	89.4	13.2
Private not-for-profit community managed	952	89.5	32.9
Private not-for-profit other organisations	1131	96.7	22.6
State/Territory & Local Government managed	319	93.1	32.3
State/Territory government schools	9	88.9	55.6

The funding model does not support quality

The current funding design is blunt. It is built around a standard per-child, per-day fee, with the CCS payable only up to an hourly cap. The approach does not recognise variation in children's needs or service costs, nor does it provide incentives for providers to improve quality. For example, services receive no additional support when they employ higher-qualified staff, operate over ratio to support children with disabilities or complex needs, or face higher rent and occupancy costs.

Investing in higher quality drives higher operating costs, yet the funding model provides no additional support for these investments. Increasingly, despite generally achieving higher quality ratings, not-for-profit providers are less likely to charge above the rate cap. In the September 2023 quarter, around 40 percent of large for-profit providers charged above the cap, compared with only 15 percent of large not-for-profit providers.¹⁶

Yet fees do not reliably reflect higher quality - not for profit providers generally have higher quality ratings than for profit providers.¹⁷ As a result, the price families pay does not reliably signal the quality of the services. Families may therefore pay more without necessarily accessing higher quality, with affordability challenges greatest in households on the lowest incomes.¹⁸ The current system therefore fails to align costs, quality and family contributions in a consistent or equitable way.

A lack of price regulation

Affordability and quality are inseparable. When fees rise faster than subsidies, low-income families, whose children would benefit most from high-quality ECEC, are the first to be priced out.¹⁹

The Productivity Commission's final report into early childhood education and care noted that "out of pocket cost can be a significant barrier to ECEC access." The ACCC also found that the unique characteristics of childcare markets mean the CCS and the price cap are having limited effectiveness as a price signal and constraint on prices, meaning that retaining the subsidy-based CCS system is unlikely to be able to ensure affordability for households.²⁰

Prior to the introduction of the Worker Retention Payment and associated fee growth cap, there was no price regulation of out-of-pocket costs to families. Under the current arrangements, providers who sign up to the Worker Retention Payment must limit their fee growth by a specified percentage. However, this requirement does not apply to

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providers who have not opted in. Importantly, the Worker Retention Payment is a temporary measure, in place for only two years, meaning that price regulation is currently partial and short-term. The ACCC found that 'direct price regulation is more likely to be required where countries expand public expenditure as this reduces the price sensitivity of households (any price increase has only a limited impact on out-of-pocket expenses)'.²¹

Internationally, many OECD countries are moving toward greater regulation of childcare fees, including low fees or free hours for parents and guardians, supported with supply-side subsidies to cover providers' provision costs. Many Australian states and territories are requiring preschool providers not to increase fees more than is reasonably necessary and imposing reporting and monitoring requirements as a condition of supply-side funding.²²

Without stronger regulation and supply-side investment tied to quality, Australia risks entrenching a system where access to high-quality services depends more on ability to pay than on children's developmental needs.

Lack of inclusion embedded in the current system

A high-quality system is an inclusive system.

The Review of the Inclusion Support Program (ISP) found that 'the ISP in its current form is a programmatic response, however, the aspiration of inclusive early childhood provision requires a systemic response which is incorporated into the very structure of ECEC'.²³ Similarly, the recent National Disability Insurance Scheme (NDIS) Review found significant challenges with the lack of inclusion within early childhood education in Australia.²⁴ The Final Report recommended an action that 'All Australian governments should take steps to protect the right to inclusive education for children with disability and developmental concerns in early childhood education'.²⁵

Inclusion is therefore not a separate add-on to quality, but a core dimension of it. A system cannot be considered genuinely high

quality if children with disability or developmental concerns are excluded from full participation. Embedding inclusion into the design and funding of ECEC is therefore essential to achieving equitable, high-quality outcomes for all children.

The system does not provide a universal platform for entry to other services and supports

Children's needs do not start and end at the doors of an ECEC service. A truly high-quality early childhood education experience recognises this by integrating care, education and access to wider supports. Quality is not only about what happens inside the classroom but also about how well services connect families to the help they need. Many children and families need to access multiple services across the ECD system. The system is complex, confusing and expensive to navigate alone, including waiting lists, multiple referrals and families having to repeat their story several times over. However, ECEC services are often overstretched and do not have the resources, training, or professional support to offer this support.²⁶ Without systemic investment and coordination, the potential of ECEC as a universal entry point to other supports remains untapped.

There is a lack of current and comprehensive data

Without timely, comprehensive and transparent data, governments cannot effectively steward the system, identify gaps, or ensure that investment is driving quality and outcomes.

Limited ECEC utilisation data is available to understand current and unmet demand. The workforce is perhaps the single biggest challenge facing the sector today. However, the National Workforce Census is conducted irregularly, with results slow to be available, and the most recent census not including preschools. The AEDC is the best existing measure of early childhood outcomes, but is only conducted triennially, limiting its usefulness for timely policy

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decisions. The NQS provides important quality data, but services are not frequently re-rated, the data lacks granularity in important areas, and parents themselves are not sufficiently aware of NQS ratings. At the same time, critical data is not consistently being shared between the Commonwealth and state and territory governments, such as attendance, enrolment, fees and subsidies.

These challenges in the system are well known and have been consistently found in the work of the ACCC, The Productivity Commission and the South Australian Royal Commission. CPD urges the Committee to move beyond identifying the systemic issues and focus on the reform action needed to build a high quality universal ECEC system for all children and their families.

System reform is needed

Tackling these major challenges requires a long-term vision for a new high quality ECEC system. Rather than limiting recommendations to tweaks to the current system, we encourage the Senate Select Committee to propose a long-term vision for Australia to work towards.

CPD has developed a long-term vision for how to transform Australia's ECEC system to deliver high quality universal access that:

- ⇒ ensures that all children and families, regardless of background or financial status, can utilise high quality ECEC services;
- ⇒ ensures an equitable start for all children by increasing attendance and addressing needs early, especially for those experiencing vulnerability and disadvantage;
- ⇒ alleviates the cost of living for families by significantly reducing out-of-pocket expenses for ECEC, contributing to household financial stability;
- ⇒ advances gender equality and improve workforce participation, by facilitating work-family balance for women and improving wages in the female dominated early childhood sector; and

⇒ boosts economic growth and tax revenue, through increases in workforce participation and reduced government spending on welfare, health, justice and other social service systems. High-quality Early Childhood Education and Care (ECEC) services offer universal access regardless of background or financial status, providing an equitable start for all children, especially those experiencing vulnerability.

Why 'Universal, not uniform'?

Australia has several major universal service systems that are long-standing pillars of our social compact, notably universal healthcare and universal schooling. ECEC should also be one of these pillars.

It is in everyone's interest for all children to be educated and safely cared for, and doing so has major social and economic benefits, both in the short and long term.

Universal ECEC also shapes community norms to foster widespread participation. It better reflects what is known about the value of early childhood education, sending a clear message to parents and the community about its importance in a child's learning and development. This has been seen through the introduction of universal 4-year-old preschool in Australia which has fundamentally built community consensus around the role and importance of early education and normalised preschool attendance in the year before school.²⁷ Evidence also suggests that children experiencing disadvantage obtain greater benefits from preschool if they are in a mixed cohort with children from diverse backgrounds.²⁸

Universally affordable ECEC means that potential vulnerabilities are more likely to be identified for all children and addressed. They help ground support in the realities of families' lives, ensuring targeted interventions are not just driven by eligibility rules but informed by real, on the ground understanding. Vulnerability, while more concentrated in disadvantaged areas, can impact children in all communities.

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Universal ECEC represents a more equitable and efficient way to use resources by investing directly in children and families rather than relying on fragmented funding arrangements that create perverse incentives and inequities. A recent parliamentary Issues & Insights Report (May 2025) on Universal access versus targeting of social services and welfare, found that while Australia's direct public social spending is around the OECD average, once private spending and tax concessions are included, Australia ranks amongst the highest overall social spenders. This highlights the issue is not now much we spend, but how we spend it.

By ensuring broad inclusivity, universal services maintain public support, reduce social division, and strengthen societal trust in public systems. This makes the funding and support for universal services more resilient to political and economic pressures over time.

These benefits and their particular impact on children experiencing disadvantage have led academics to conclude that subsidising ECEC for all children is a worthwhile investment, even if the gains are greatest for children and families experiencing disadvantage.²⁹

A universal system does not mean uniformity, or that everyone accesses or experiences a service in the same way. A well-designed and well-functioning universal system should provide people with the services they want or need, and this will be different for different people. For example, our health system ensures that everyone who turns up to the emergency department of a hospital is seen by a health professional, but only provides overnight care for people who need it.

As such, it is not an either/or choice between a universally affordable service system and targeted and tailored services. These two approaches must work together, with universal services providing a platform upon which targeted and tailored services and supports can be 'stacked', or a backbone to which they can be connected.

Successfully implementing a high-quality universal system will require a shift, moving away from focussing on who is eligible for public support and how much they should receive. Rather, ECEC should be viewed as a central component of Australia's social contract (alongside schooling and healthcare). It will also require a shift for governments, moving from their current roles and approaches, to being stewards of the system.

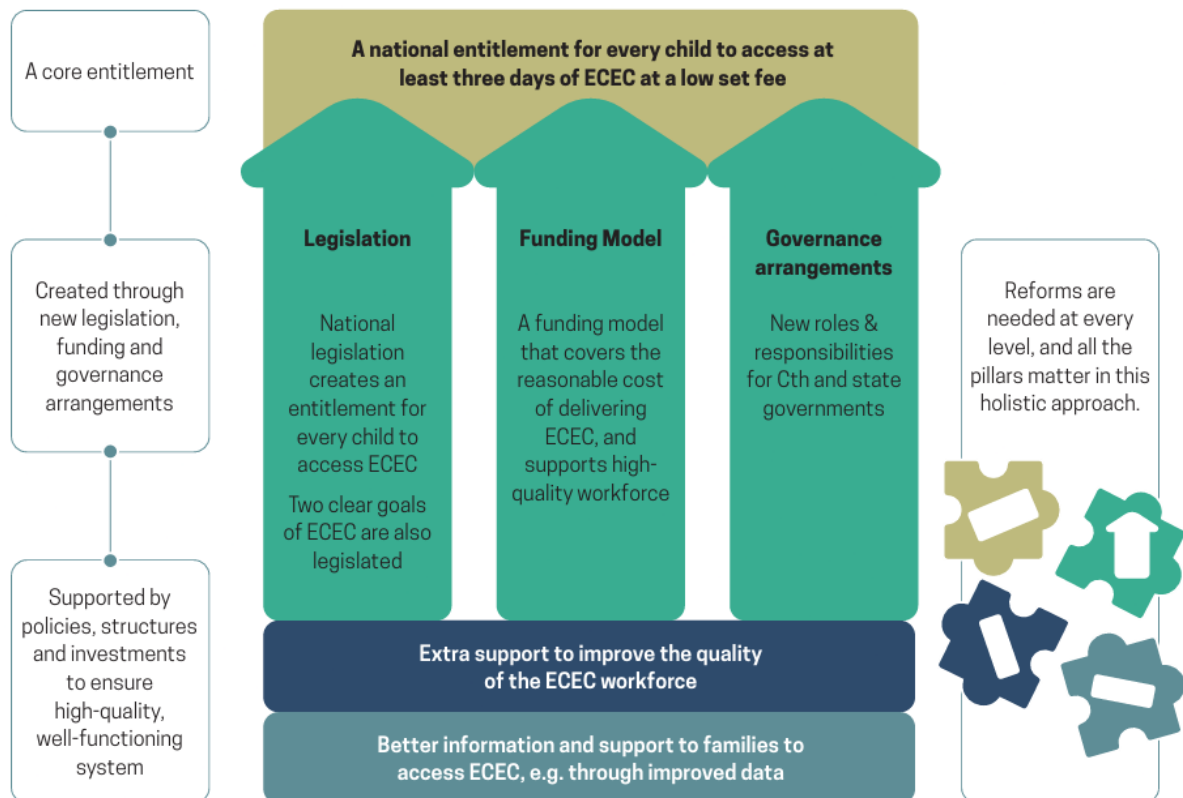
Cost

The cost of setting up and delivering a Universal ECEC system for years to come would require significant initial and ongoing investment beyond the current cost of subsidising the CCS. Total Australian, State and Territory real government recurrent and capital expenditure on ECEC services was \$18.2 billion in 2023-24, an increase of 17.4% from 2022-23.³⁰ CPD estimates that once rolled out, a new funding model guaranteeing three days of free or low-cost ECEC a week would have an approximate additional annual cost of \$7.2 - \$11.5 billion (joint Commonwealth and State and Territory funding).³¹ If we do nothing, however, the cost of the current system will continue to increase at unsustainable rates.

We know that this significant additional investment is offset by the long-term cost savings of high-quality, universal ECEC for all children. CPD [modelling](#) shows that a truly universal early childhood education and care system – where families can access three days of care at no or low cost – would generate up to \$44 billion a year in extra tax revenue, additional GDP growth and associated savings from reduced spending on crime, child protection, welfare and healthcare.³²

The Women's Economic Equality Taskforce estimated that \$128 billion can be added to the economy by removing the barriers to women's full and equal participation in economic activity.³³ Access to universal, high-quality and affordable ECEC is one of these barriers.

CPDs proposed universal system for early childhood education and care



CPD's vision is made up of 10 key reform elements that will build a high-quality system for all children and families:

1 | Two clear legislated goals for the ECEC system - to support all children's education, development and wellbeing and to support families to balance work and family life

Clearly and explicitly enshrining the dual objectives of ECEC in legislation would elevate their prominence, provide clarity to all actors and guide system development and implementation. Importantly, they should be clearly positioned as the dual objectives that all governments are working towards, removing the historical split between the Commonwealth's primary focus on workforce participation and state and territories' primary focus on learning development. Having two clear system goals enables the reform effort to build a safe and high-quality system to align around their achievement.

2 | A national entitlement for all young children to access a minimum of three days of ECEC per week free or at a low set fee

A high-quality system ensures that all children have access to affordable ECEC regardless of where they live or how much their parents earn. We know that access to high-quality service delivery is essential to impact developmental outcomes for children experiencing vulnerability and disadvantage.

The system should move from a subsidy-based system, to one where all young children have a universal national entitlement to access ECEC. The entitlement will begin at birth and continue until the child starts school. The removal of the Activity Test was an important step towards this entitlement. However, a 2023 survey by the Parenthood found that two-thirds of surveyed parents either find ECEC a financial burden or don't use it because it is too expensive.³⁴ We recommend that the entitlement extend to consistency in access and affordability.

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The entitlement should be straightforward - every child will be entitled to at least three days per week of ECEC free or at a low set fee, with more available at minimal cost for those who need it. For families with multiple children attending ECEC at the same time, second or subsequent children could be offered a further reduced set fee.

ECEC would be free for low-income families and for highly vulnerable children, up to five days per week.

There are several ways for determining a low set fee. CPD's vision includes a set fee per child amount, such as \$10 a day for all children (and \$5 a day for second or subsequent children), and free for low-income families. Potential alternatives that remain aligned with the core aim of affordability are available. CPD has used \$10 per day, to ensure no child under the new system is worse off. However, depending on how the fee structures are designed, a higher threshold for free access could be paired with a higher set fee (e.g. \$15), which would equally ensure no families are disadvantaged.

An alternate option for determining a set fee is to base it on parental income. This approach is used in a number of countries such as Norway, Sweden and Denmark. Some examples include:

- ⇒ The fee is a small percentage (e.g. 3%) of parental income, up to a maximum weekly limit.
- ⇒ A simple fee structure that changes depending on current tax brackets (and could adjust as tax brackets change). For example:
 - up to \$80,000 - free;
 - up to \$120,000 - \$10 per day;
 - up to \$180,000 - \$15 per day;
 - up to \$250,000 - \$20 per day;
 - more than \$250,000 - \$25 per day.

Through this approach, parents with higher incomes pay more, thereby reducing the public's financial burden. Keeping the fees low helps to ensure that no family faces a steep increase in costs just beyond a certain

income threshold. The different set fee options have different trade-offs. A flat fee is simple for families and ensures that all families pay the same rate regardless of income.

An income-based fee on the other hand, reflects capacity to pay by tailoring charges to a family's income. However, this approach would maintain some complexity in the funding system for families if their income changes. This could have a particular impact on parents or carers who are engaged in casual employment and find it more difficult to predict their income. It would also require a system to assess parent's financial status.

3 | Embedded equity and inclusion

A high-quality system must be inclusive, to ensure that the benefits are shared by all children. ECEC must be available to everyone, but where children have higher needs, they should receive more support.

ECEC services must also be available to, and welcoming of, all members of the community, and provide culturally appropriate support. This is important to encourage participation by all children. Failing to do so risks creating a system that exacerbates rather than closes gaps in early childhood outcomes and undermines the ability of the system to support workforce participation if some parents do not feel confident or comfortable entrusting their children to the system's care. This includes First Nations communities, culturally and linguistically diverse communities, children with a disability or developmental delay, and children experiencing vulnerability or disadvantage.

System improvements for greater equity include:

- ⇒ An entitlement to free days of ECEC for children experiencing vulnerability or disadvantage.
- ⇒ Additional need-based funding provided to services based on the level and concentration of disadvantage.
- ⇒ Education and training should be available for all educators to develop the skills they need to support children with higher

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needs. Additional resourcing is available where necessary to support their development.

- ⇒ Access to additional services to support children, such as health services, or speech therapists. Provision of these services in natural settings like ECEC is prioritised where possible.
- ⇒ Funding is based on a child's need, ensuring more support is provided to those who need it.
- ⇒ Families of children who have higher needs receive wrap around services that support the child's overall development and family wellbeing.
- ⇒ Greater investment in the Aboriginal Community Controlled Sector, including a funding model that better reflects its needs.
- ⇒ Services are inclusive and culturally responsive environments. They offer services where all children and families feel welcomed and comfortable.

4 | All actors in the system, especially governments, have clear roles and responsibilities and are active system stewards

Recent safety issues highlight the importance of all governments being clear on roles and responsibilities, working together and the need for them to be active system stewards. This extends beyond safety and is also critical to build a high-quality system. Government and the sector all have critical roles and responsibilities in delivering a high-quality, inclusive and affordable ECEC system for all children and families, as system stewards.

To enable the future vision, the different roles and responsibilities between levels of government should be agreed, with a nationally collaborative approach reducing confusion and complexity, system objectives aligned and consistently cascaded through the national system. With this, governments need to take greater responsibility for the system and the outcomes it achieves - as system stewards.

Stewardship needs to be carried out at all system levels, involving both Commonwealth and state and territory governments, ensuring joint responsibility for the health and performance of the system. Importantly, stewardship doesn't mean governments need to do everything in a system. Rather, they actively and coherently use their levers, so the system better delivers on its objectives, preventing adverse or perverse outcomes.

As part of system stewardship, governments need to provide greater oversight, facilitation and system management in the ECEC market. This means taking a role that goes beyond funding and regulating, to include other more intentional steps such as provision planning, better informing families, monitoring the market for inequities, filling service gaps, and actively setting and adjusting the 'rules of the game' (such as funding rules).

To support system stewardship, CPD's vision sees both a movement of current responsibilities, and greater responsibilities being introduced. The Commonwealth should take responsibility for the national entitlement, and states and territories take on the role of system managers - working directly with services on issues such as quality, access and inclusion, and connecting services with other service systems (such as schools and health).

Providers should also partner in the delivery of the system's objectives of high-quality, affordable and inclusive ECEC and have clarity on their roles and responsibilities in the system.

Significant government investment is made in ECEC. System actors must be accountable for the high level of public spending and ensure that the investment delivers the best value for the community. Providers have important responsibilities in:

- ⇒ High- quality service provision - Services have a role in retaining educators through creating good organisational cultures, enabling professional

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development and fostering supportive organisational conditions.

⇒ Contributing to the provision of data and information to support system stewardship, planning and support for families.

⇒ Creating inclusive and welcoming services - providers create the environments within their services that make children and families feel welcome and safe. They should also support any child to enrol in their service, regardless of their level of need or family income. Services should meet the needs of their communities.

These changes should be supported by new governance arrangements, such as a new Ministerial Council on Early Childhood, a National Early Childhood Reform Agreement and Bilateral agreements between the Commonwealth and states and territories.

5 | A child-centred funding model

To support a national entitlement, the system could transition from a subsidy-based funding model to a child-centred funding model that supports the reasonable cost of quality provision. A child-centred funding model is critical to supporting a high-quality system as it can drive policy objectives such as quality standards, wages and conditions and support for priority cohorts.

Under this model, funding for services is determined on the reasonable cost of quality provision taking into account the needs of children and service-specific costs. Services would receive:

1. Base funding to cover the core costs of providing high-quality ECEC, based on the age of children and the number of days of ECEC provided. The base cost could reflect all the ordinary, reasonable costs of ECEC delivery, including staff costs, occupancy, consumables, administration, regulatory compliance, building maintenance, etc.
2. Additional funding that accounts for

a) Child based differences, such as education need or disadvantage, Aboriginal or Torres Strait Islander status and additional inclusion funding for disability or additional needs.

b) Cost driven differences, such as access to a preschool program for three- and four-year old children, additional funding for services that exceed their National Quality Standard rating and services that improve their rating, and an additional loading based on certain service-specific costs such as higher workforce costs in some areas.

Conditions are placed on services to be eligible for funding including that they meet minimum quality standards, provide their staff a specified and fair wage and conditions (if this has not already occurred through industrial agreements or other processes), and agree to implement a system of priority of access for enrolments.

6 | Investment to fill current service gaps, to establish new services in unserved and underserved communities so supply meets demand

A high-quality system must be available to all children, and postcode should not determine whether a child can access a high-quality service. Separate funding approaches will need to be taken for unserved and underserved markets to support ongoing service sustainability, and the establishment of new services where the market doesn't meet need. The BEEF is a good start but systematic efforts are needed to build supply across all unserved and underserved markets so that all children can benefit.

Minimum funding levels should be guaranteed to services serving small

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communities, where no alternative services are reasonably available. Governments should also undertake provision planning to better inform and support the supply of services.

Government can also play a greater role in the establishment of new services, including identifying opportunities within existing public infrastructure such as school locations and other public buildings, utilising planning incentives and bringing capital to markets for providers who can't attract it. This work has already commenced with the BEEF but will need to be maintained long-term to ensure provision planning can continue to address under-supply.

7 | Support for a sustainable and quality workforce

Well trained and supported educators are the backbone of a high-quality system and must be supported to stay in their roles long term with opportunities for career progression and recognition. Government must invest in both its existing workforce and building out the workforce to meet the universal entitlement. Creating a high-quality, sustainable ECEC workforce includes:

1. **Equitable remuneration:** Quick and significant improvement in pay and conditions could provide a quick boost to supply, relieving some current pressures. Fair Work's 2025 decision on Gender-based undervaluation recently recommended a 23% increase to the award which would absorb the 15% worker retention payment. Coupled with this, the government should also consider ways to ensure that the system is designed to continue paying educators fairly over the long term.
2. **Sustainable work conditions:** Work conditions support the wellbeing and sustainability of the workforce. This includes manageable workloads, adequate staffing levels, and access to resources and support.

3. **Professional development:** There are ongoing professional development opportunities for ECEC service/preschool leadership and educators to enhance their skills and knowledge.
4. **Career progression:** There are clear pathways of career progression within the ECEC sector to motivate and retain talent.
5. **Attraction and retention:** New people are attracted and incentivised to the sector, and new and existing staff and leadership are supported so they stay in the system and grow their careers. There are specific efforts to support workforce attraction and retention in underserved and unserved communities, particularly in rural and remote areas. This includes building local workforces.

8 | Active government support for quality improvements

Consistent with a stewardship approach, governments can be more active in seeking and supporting agreed outcomes, including planning for the future and improving quality and practice. Recent quality and safety reforms agreed between the states and territories are a good starting point, with changes such as rating assessments to now occur every three years and the introduction of a National Educator Register important initial actions. These are key functions of the state and territories' role as system managers. Government can do several things further to support and improve quality in the system:

1. Properly investing in and maintaining the regulatory system, including services rated Significant Improvement Required or Working Towards the NQS being re-rated within 12 months.
2. Identifying best practice supports and approaches and aggregating or curating certain services to enable educators to meet the needs of all children. For example, the government could establish a panel

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of allied health specialists or disability inclusion advisers in a local area for services to draw on.

3. Services, especially those that do not meet the NQS, could receive targeted assistance to improve quality (for example, resources or mentoring).
4. Providing broader supports to services, particularly to small services. This could include governance and administrative support to strengthen leadership and allow services to focus on core educational service delivery. This could include providing or facilitating a shared services approach to common services (for example payroll processing services).
5. Supporting the workforce, services and providers through the development and implementation of the system.

9 | Better information and support to families

Families need more help navigating the system, including better information about service quality to make choices. Recent announcements to update the Starting Blocks website to display information about conditions imposed on centres and regulator visits as well as compliance breaches and enforcement actions will support families to have better access to clear and timely information about service availability in a simple, easy to access place. Services could be required to provide and regularly update this information as a condition of funding. The information should be available in a way that is easy to understand, navigate and compare, and complement other relevant information for parents (for example, about maternal and child health supports, local playgroups, and ways to stimulate the home learning environment). It should be connected to relevant enrolment assistance and processes.

10 | Improved data and information sharing

There needs to be a significant improvement in the quality, quantity and timeliness of information about ECEC made available in Australia. This data must be available in a form that people can access and understand and should include both real time data and data that monitors long-term outcomes.

New data architecture and sharing protocols should be developed and implemented to inform government stewardship and others' roles in the system.

Greater investments can be made in longitudinal data to enhance understanding of ECEC and its role in children's education and in supporting workforce participation.

Government could establish a framework of, and regularly report on, outcomes and progress measures to monitor system performance. This is an important measure of transparency and accountability - the government should say, in advance, what it is trying to achieve and how it would judge success, and report regularly against it.

CPDs vision is a holistic system reform approach to ECEC governance, funding and delivery and ongoing investment in system health, that addresses issues and leverages opportunities. Cherry-picking elements, for example implementing funding reform but without building system management capability, will not have the desired effect. Reform is needed at every level of the system, and all the pieces matter for the benefits to be realised.

Conclusion

The market-based ECEC system is failing to deliver desired outcomes. This is evident in declining child development trends, declining rates of services *Exceeding* NQS, and the unequal distribution of high-quality services, indicating the current system is not fit for purpose. Achieving a truly universal, high-quality, and equitable ECEC system in Australia requires long-term, comprehensive and systemic reform.

High-quality provision is central to this vision and presents a unique opportunity for government to intervene in areas such as the distribution of high-quality services to underserved and unserved markets, addressing persistent workforce challenges such as poor retention and a lack of career growth opportunities and addressing the limits on quality of a market-based system through price regulation and a new child-centred funding model. Further steps to

enhance the quality and capacity of ECEC to address developmental outcomes can be taken to better embed inclusion and ensure that the system provides a universal platform for entry to other services and supports where needed.

In line with the government's vision to create universal ECEC, embedding high-quality as a key element within the system is fundamental. We urge the Senate Select Committee to recognise the need to form a long-term vision that will create sustainable and lasting reform, rather than just making tweaks to the current system. Such a vision has the potential to alleviate family cost-of-living burdens by reducing out-of-pocket expenses, foster gender equality and improve workforce participation, particularly for women, and ultimately boost economic growth and tax revenue through increased workforce engagement and reduced government expenditure on welfare and social services.

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