REPORT

The price of a place:

Instability, risk and the hidden cost of Australia's early childhood education and care system

The Mitchell Institute, Victoria University

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Acknowledgement of Country

The Mitchell Institute at Victoria University acknowledges, recognises and respects the Ancestors, Elders and families of the Bunurong/Boonwurrung, Wadawurrung and Wurundjeri/Woiwurrung of the Kulin who are the traditional owners of University land in Victoria, the Gadigal and Guring-gai of the Eora Nation who are the traditional owners of University land in Sydney, and the Yulara/Yugarapul people and Turrbal people living in Meanjin (Brisbane).

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Executive summary

Australia's early childhood education and care (ECEC) policy and funding settings have driven strong growth in childcare places for relatively low public investment.

However, the way the sector has grown matters. Australia has relied on a managed market model, where public subsidies support a mix of providers to deliver services. The sector has been shaped by the sophisticated approaches designed to match the demand and supply for childcare in the most cost-effective way possible.

Recent high-profile reports of serious safety breaches in ECEC have rightly prompted concern and calls for stronger oversight. This report examines how the design of Australia's ECEC system — including its funding model, provider management types, workforce settings, and relatively low barriers to entry and exit — may be creating conditions that increase instability and risk.

Key findings

+ Over the last 25 years in Australia, the number of long day care places increased by over half a million, growing from 190,900 in 2000 to over 720,000 by 2025. Most of this growth has been in private for-profit providers, which now make up 74% of long day care places. This shift has profoundly changed the ECEC landscape in Australia.
+ The growth in long day care places has been accompanied by substantial instability, or what we describe as 'churn', in the ECEC system. Since 2013, about one-third (32%) of long day care services open in 2025 had changed approved provider. This means the registered legal operator of the service had changed. The rate is higher in for-profit centres where 40% have changed provider, compared to 11% of all other centres.
+ There have also been significant workforce pressures contributing to high turnover. An analysis of Australian Tax Office data shows that in 2022-23, the duration for more than half of jobs in child care services (52.4%) was less than one year. This is more than double the rate for jobs in primary and secondary education (24.5%).
+ Early childhood educators and child carers have some of the lowest median wages, at approximately $34.30 per hour compared to the national average of $42.40. This is also much less than the median wage of $62.00 per hour for school teachers.
+ There is also evidence that for-profit providers are more likely to have enforcement actions recorded. Enforcement actions are a broad set of actions ranging from quality measures to safety breaches. Centre-based services run by large private for-profit providers (those that operate 25 or more services) were over three times more likely (229%) to have an enforcement action recorded than all other large providers.

+ Governments should investigate funding that is based more on the cost of high-quality provision, rather than using the existing market benchmark price. A model that focuses on the actual costs incurred by providers to deliver high-quality services, including wages, infrastructure and operational expenses, would remove some of the pressures currently built into the system.
+ The Early Education and Care Commission foreshadowed by the Australian Government should be established, and it should play a leading role in stewarding the sector towards a new approach.

This report highlights how Australia must balance policies designed to grow childcare places and keep costs down with the needs of children, families and communities. To get the most out of our ECEC sector, Australia needs to look beyond immediate fixes and examine the fundamentals of how the sector operates.

ECEC and childcare

The term ECEC encompasses a range of education and care services for children before they begin school. The most common are centre-based ECEC providers such as long day care, preschool and kindergarten. Other services include family day care (provided in the home of an ECEC qualified educator) and in-home care (provided by an educator in the home of the child). In this report, the term 'ECEC' includes all of these education and care services for children prior to school.

We also use the term 'childcare' to describe services provided to non-school aged children that are covered by the Child Care Subsidy - this is usually long day care. It is important to note that 'childcare' is a contested term. It is not the preferred terminology for many in the ECEC sector because there is a perception that it minimises the importance of early learning and devalues the role of the ECEC workforce (Early Childhood Australia, 2025). However, the term is commonly understood by the public and is used to describe the Child Care Subsidy. It is used in this report with this caveat.

ECEC in Australia is set up very differently to schooling

Australia's ECEC system is different to other parts of our education system, arising from a distinct approach to the fundamentals of funding, governance and provision.

Table 1 outlines some key differences between for- and not-for-profit long day care versus non-government schools in terms of ownership, profits, government funding, how easy it is to set up new centres or schools, how staff are paid and how quality is assessed.

In the drive to increase access for more families without direct public provision, the Australian Government sought to incentivise supply through a 'marketisation' approach.

Used in a range of service sectors, this public policy approach creates a 'managed mixed-market model', where the government oversees public services delivered by a mixture of for-profit and not-for-profit providers.

This managed mixed-market model means a system that is, by definition, dynamic – responsive to demand, and which has relatively low barriers to entry and exit.

At its core, it is a system that rewards those who can produce the service (an hour of early learning) in the most 'efficient' way possible.

While this approach has many economic benefits, and with appropriate regulation can work well, it is important to understand the incentives inherent in the system it creates, and what that means for children and families.

Before we move on to exploring parts of the ECEC system, it is important to understand how it has evolved in Australia.

At its core, it is a system that rewards those who can produce the service (an hour of early learning) in the most 'efficient' way possible.

For-profit long day care is different to non-government schooling

Table 1: Comparison between for-profit long day care, not-for profit long day care and non-government schools

	Not-for-profit long day care	For-profit long day care	Non-government schools
Who owns them?	Privately owned businesses run by individuals, organisations or firms.	Privately owned businesses run by individuals, organisations or firms.	Churches, religious-affiliated groups, organisations or independent associations.
Where do profits go?	Profits reinvested or used in the centre/business.	Profits go to the owners.	Most non-government schools are not-for-profit. Those that are for-profit do not receive any government funding.
How does government funding work?	Demand-side subsidies – similar to a voucher – with parents' out of pocket costs reduced through a means tested subsidy.	Demand-side subsidies – similar to a voucher – with parents' out of pocket costs reduced through a means tested subsidy.	Schools are funded per student, with additional funding based on the needs of the school. Funding is also adjusted by the Capacity to Contribute, determined by school socioeconomic factors.
How are new centres or schools set up?	Services apply and seek approval through a number of steps – provider approval, operations approval and CCS approval so families can access subsidies.	Services apply and seek approval through a number of steps – provider approval, operations approval and CCS approval so families can access subsidies.	Schools apply to state or territory governments and are required to meet a range of criteria. The process can take years before a new school is approved.
How much are educators paid?	Lower than the median salary.	Lower than the median salary.	Higher than the median salary.
How is 'quality' assessed at the centre or school level?	Nationalised system of quality assessment based on minimum benchmarks.	Nationalised system of quality assessment based on minimum benchmarks.	No minimum standards for school quality per se.

How did we get here?

The ECEC landscape has changed considerably since the first kindergartens run by church and philanthropic groups in the 1800s (Brennan, 1998).

Changes during the Hawke-Keating government (1986 – 1996) set the pre-conditions for Australia's current ECEC system.

In 1986, Australian Government funding for ECEC services became 'demand-driven' and linked directly to enrolments, but it was only accessible to not-for-profit providers. This is different to 'supply-side' funding, which is paid directly to providers based on staff numbers, materials or other costs like those related to buildings.

Directly linking funding to the enrolment of a child means an enrolment acts like a type of 'voucher' as the funding follows the child, rather than being attached to a service.

By 1990, there were 40,000 long day care places for families through not-for-profit community providers (Bray, 2023). This equates to about 5% of the places available today.

In 1991, former restrictions were removed, and private-for-profit providers became able to receive government funding. This is very different from the school system, where schools cannot receive government funding and be 'for-profit'.

In the late 1990s, the number of formal childcare places plateaued and were still relatively sparse compared to today. A lack of access to ECEC disproportionately impacted women, especially those who wanted to return to the workforce. Consequently, the Australian Government looked to different models to increase supply.

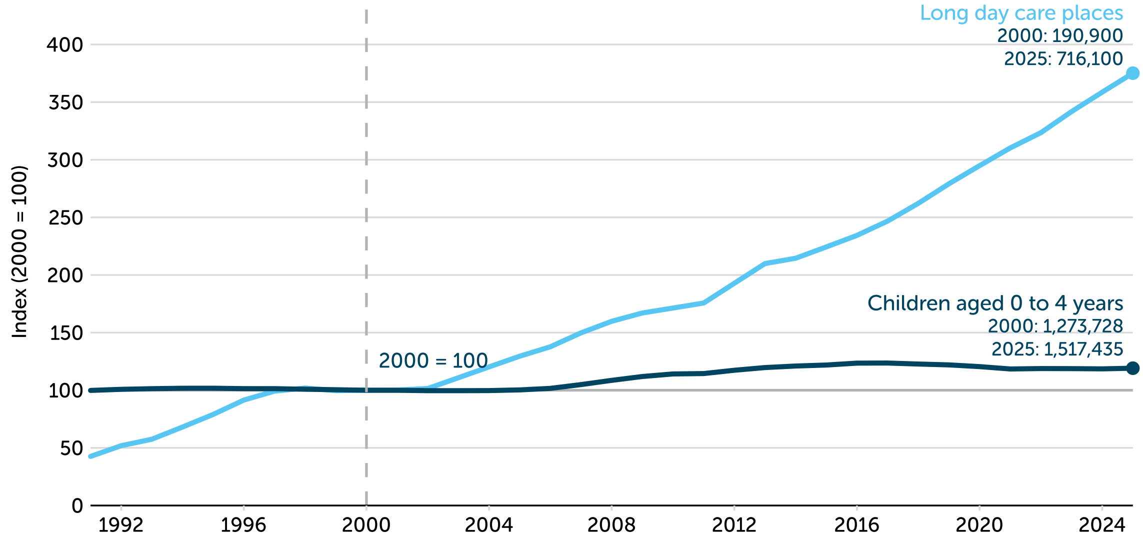
To encourage an increase in places, the Australian Government began offering a series of payments and subsidies, like the Child Care Benefit (CCB) in 2000 and the Child Care Rebate (CCR) in 2004.

In 2018, the Child Care Subsidy (CCS) replaced the CCB and CCR and has continued to be the main form of funding for ECEC in Australia.

As Figure 1 shows, the subsidies and system settings have resulted in a huge increase in places relative to the number of non-school aged children.

The supply of childcare has increased at a much greater rate than the population of young children

Figure 1: Index of growth of long day care places and the population of children aged 0 to 4 years (Year 2000 = 100)



Source: Adapted from ACECQA (2026b); ABS (2025); and Bray (2023)

Understanding the subsidy model

Australia operates a mixed ECEC 'market' comprising a range of different providers – public and private and for-profit and not-for-profit.

Currently, more than half (54%) of all centre-based day care services (which includes long day care services, preschools, and outside school hours care) are private and are operating for-profit and about 72% of long day care services are operated by private for-profit providers (ACECQA, 2026b).

The funding system Australia uses for ECEC services covered by the CCS is known as a demand-side subsidy model.

The CCS is a means-tested subsidy that is paid to the service provider, who then pass it on to families as a fee reduction. The CCS pays a percentage of childcare fees up to an hourly rate cap.

The Australian Government provides the funding and sets funding rates, while state and territory governments retain overall responsibility for the system by ensuring providers meet minimum requirements, such as child to educator ratios.

The CCS treats one hour of care as the basic unit of funding. The National Quality Framework makes those hours comparable by setting common rules for approved services, such as minimum staffing and quality standards. This does not mean every hour of care is the same, but it does create a consistent unit that can be funded, regulated and compared.

One common principle of these market-based approaches is that providers should be able to enter and leave markets relatively easily (Baumol, 1982). Lower barriers to entry encourage providers to start services or expand existing ones. This helps supply grow in response to subsidised demand from families.

Lower barriers to exit reduce the risk of being left with large sunk costs, which are costs that cannot be recovered if a provider closes or leaves the market.

Australia's childcare system also relies on the 'efficient' production of early learning services to ensure that costs to taxpayers remain low.

The per-hour subsidy rate for the CCS uses the average market hourly rate (plus some loadings) from when it was introduced in 2018. This maximum hourly subsidy rate is indexed to inflation. Providers can charge above the subsidy cap, but families must pay the difference out of pocket.

Using market averages to set funding rates is known as a 'benchmark price'. Because the cap was derived from observed market fees, it carried forward the pricing structure already embedded in the market.

This means the subsidy rate effectively locks in a per-hour rate based on what has happened before.

What are some intended benefits and characteristics of a market-based approach?

Many services in Australia, such as aged care, disability services and vocational education, have been designed using market-based approaches over the past twenty years (Considine, 2022).

The statement below from the 2014 Productivity Commission Report into Childcare and Early Learning on market-based approaches helps demonstrate the perceived benefits of removing barriers to entry and exit, and the importance placed on efficiency in the production of ECEC services.

There are many benefits of market-based delivery of ECEC services, including that parents are able to choose the type, quality, location, price and other service features that best meet their needs.

Another benefit is that competition among providers to supply services that parents want improves the flexibility and responsiveness of the sector, while also driving productivity improvements that reduce the cost of service delivery.

The report goes on to outline the following characteristics of an 'efficient' ECEC market that we now observe in our ECEC system:

- *there should not be unnecessary barriers to entry and exit or other impediments to efficient innovation in service delivery*
- *families should face price signals that accurately reflect the cost difference between different service types, quality levels and ages of children*
- *families should be informed about the availability, price and quality of services, be able to compare services and easily switch between services.*

– Productivity Commission (2014, p. 348).

How has this model impacted provision?

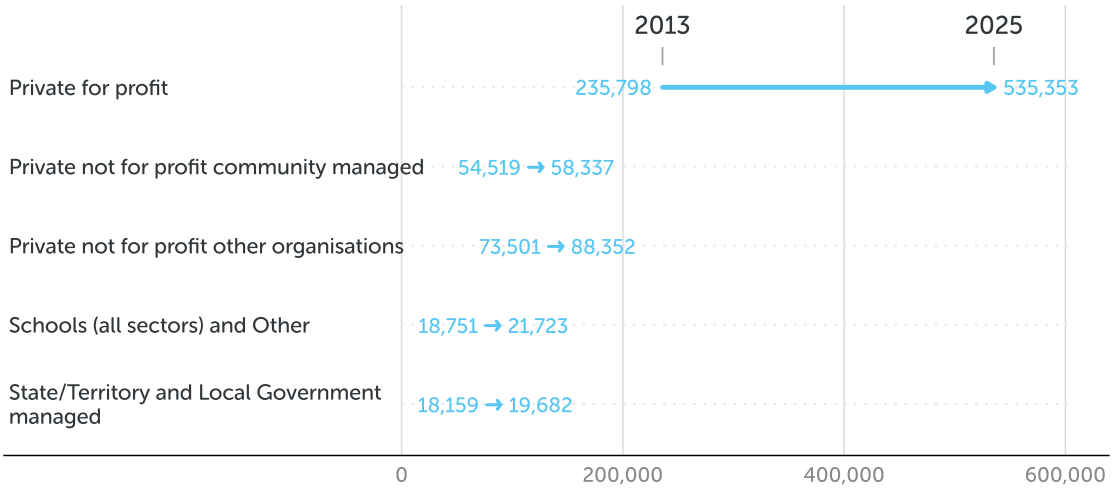
The policy approach underpinning childcare in Australia has been enormously successful in increasing the supply of childcare places within for-profit centres, as Figure 2 shows.

Since the national register was established in 2013, almost all the growth in long day care places has come from for-profit providers, such that they now dominate the 'mixed market'.

For-profit providers are diverse and can include single operators as well as large corporate organisations – the implications of which this report considers later in relation to child safety.

For-profit providers account for most of the growth in long day care places

Figure 2: Change in long day care places by provider management type, Q3 2013 to Q4 2025



Source: Mitchell Institute analysis of ACECQA (2026b) data

What does it mean for provider management?

The result of this model is considerable change in provider ownership and management.

It is possible to show this using changes in approved provider details for each service on the national register, which commenced in 2013.

The approved provider details identify the entity with regulatory responsibility for operating the service. We use this as a measure of churn in approved providers.

Since 2013, of the services that were operating at the end of 2025, about 32% had changed approved provider at least once.

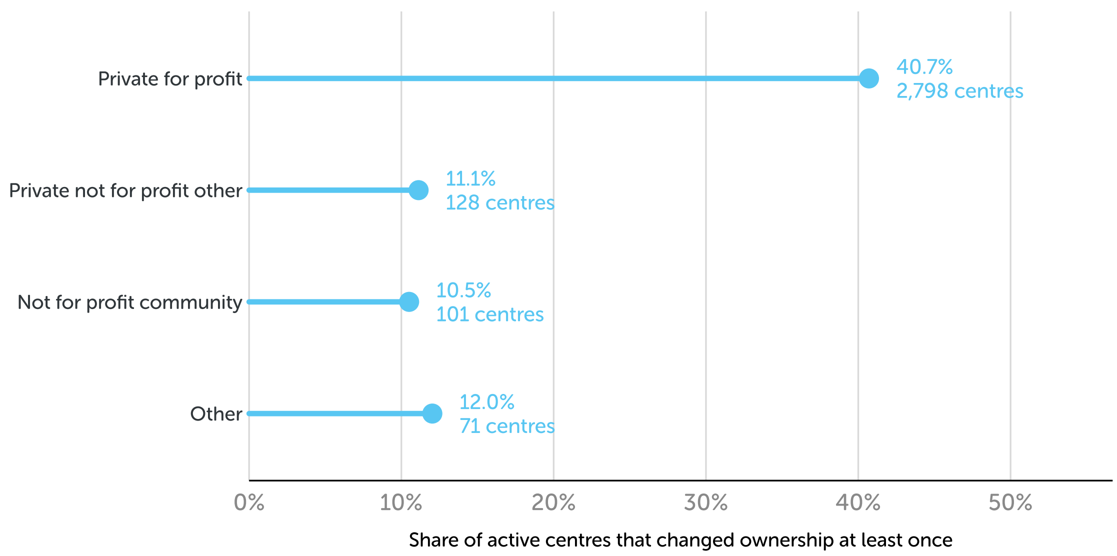
For-profit centres are much more likely to have changed approved provider. Since 2013, 40% of for-profit long day care centres have changed approved provider. This compares to about 11% of not-for-profits.

Some of this change is minor and may reflect internal legal restructures. However, many provider changes are likely to reflect substantive transfer of service approval to a different operator.

This level of change can be seen as consistent with the policy architecture of a managed market model designed to remove barriers to entry and exit, and to create the conditions for “efficient innovation in service delivery” (Productivity Commission, 2014, p. 348).

Changes in approved providers are more likely in for-profit services

Figure 3: Changes in approved provider for long day care centres on the national register in 2025 by provider management type, Q3 2013 to Q4 2025



Source: Mitchell Institute analysis of ACECQA (2026b) data

What does it mean for the ECEC workforce?

The CCS is the main source of funding for the ECEC sector, as such it has a big impact on funding wages.

Using a market benchmark price means that there is little room to provide anything beyond what was funded when the benchmark price was set.

This means that it supports a minimum service and cements the funding deficiencies that have long existed in the ECEC sector.

You can see the impact of this in sector wages. Figure 4 uses survey data from the Australian Bureau of Statistics to show the median hourly wage of selected occupations in Australia.

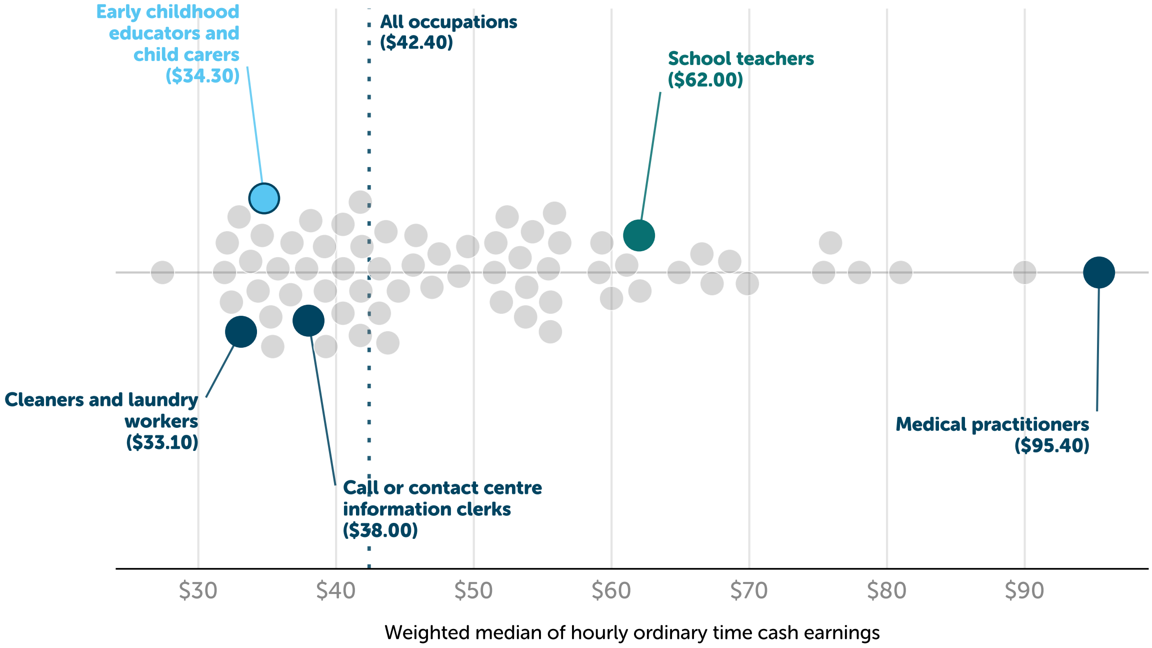
This figure shows that medical practitioners have the highest median hourly wage ($95.40).

School teachers earn more than the median hourly wage at $62.00 per hour.

Early childhood educators and child carers, however, have some of the lowest median wages ($34.30) and are below the median for all occupations ($42.40).

Early childhood educators are paid less than the median hourly wage

Figure 4: Median hourly ordinary-time cash earnings by occupation. Dots show 3-digit occupation groups; highlighted labels identify early childhood educators and selected comparator occupations.



Source: Mitchell Institute analysis of ABS (2025) data

This is the logical result of a system design that incentivises providers to offer the baseline service in the most 'efficient' way possible.

As staffing is one of the highest costs and restraints to growth, it is important to have a supply of workers. From an economic perspective, the rapid movement and entry of staff into an industry can be viewed as a positive. This is because it means there is a greater pool of available workers and with a greater supply of workers there is less pressure to increase wages.

However, the impact of this design approach can be seen in the high rates of staff turnover in ECEC.

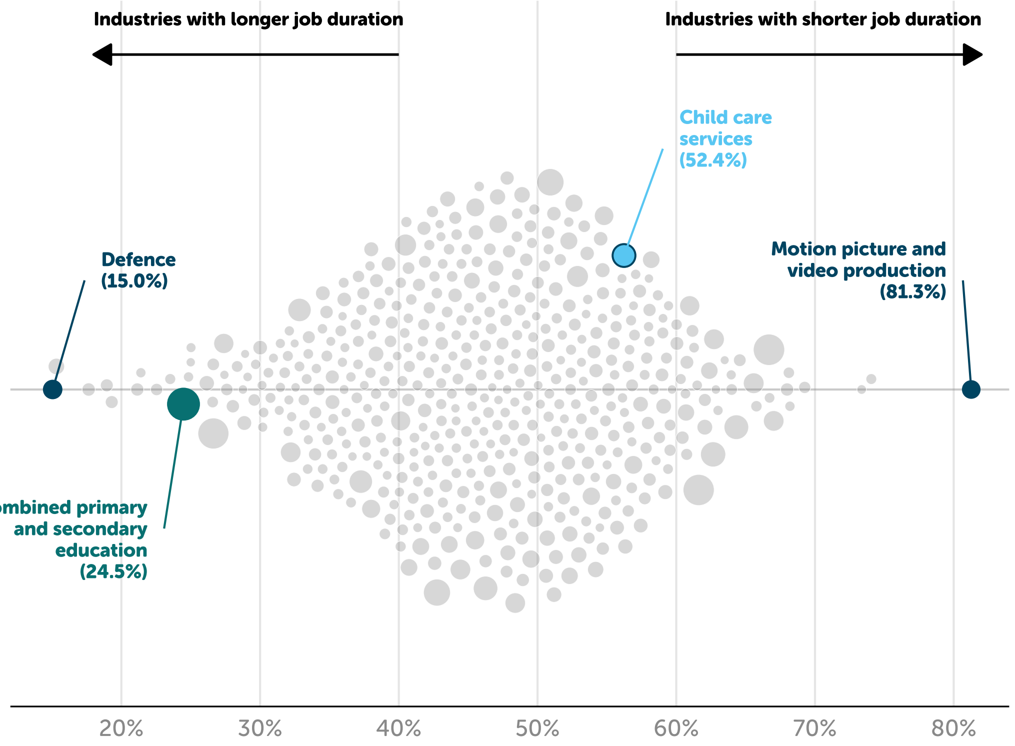
There is far greater turnover of employment in ECEC compared to other parts of the education system, and many other industries.

Figure 5 uses Australian Tax Office data from tax returns to show the duration of jobs that were less than one year by industry.

More than half of jobs in child care services (52.4%) were held for less than one year. This is more than double the rate in primary and secondary education (24.5%).

More than half of jobs in child care services have a duration of less than one year

Figure 5: Per cent of jobs with a duration less than 365 days, 2022-2023 financial year



Source: Mitchell Institute analysis of ABS (2025) data

What does it mean for child wellbeing and safety?

As described earlier, policy settings in Australia's childcare system have resulted in rapid growth and encouraged relatively easy movement of providers in and out of the market. This market design may also create conditions that affect compliance.

Recent changes to the public register mean the Australian Government now publishes data on enforcement actions recorded against large providers over the past two years.

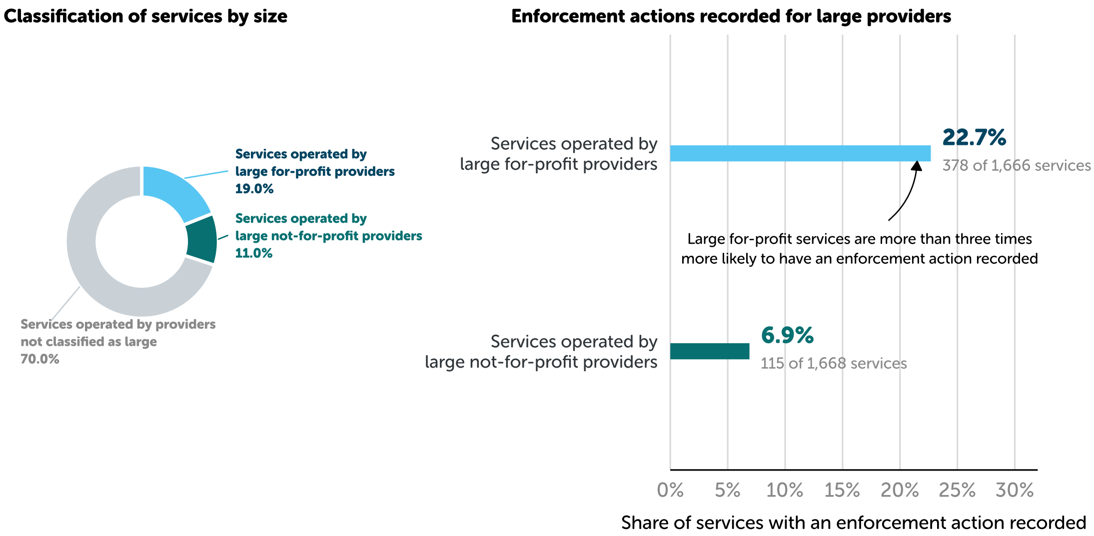
Large providers are those that operate, or intend to operate, 25 or more services.

Enforcement actions are taken by the state or territory regulatory authorities when a service is found to be not complying with National Health and Safety regulations. They range in severity and are designed to improve and ensure children's safety and wellbeing (ACECQA, 2026a).

We examined the likelihood of these large providers having an enforcement action listed for a centre-based service. These are long day care services and preschools.

Large for-profit services are more likely to have an enforcement action recorded

Figure 6: Share of centre-based services (long day care or preschool/kindergarten, excluding OSHC) by provider size and share of large provider services with an enforcement action recorded over the past two years.



Source: Mitchell Institute analysis of ACECQA (2026a) data

As Figure 6 shows, centre-based services run by large private for-profit providers were over three times (229%) more likely to have an enforcement action recorded compared to all other management types.

Poor quality providers and compliance issues are not defined by provider management type or service type. The service type with the highest proportion of 'working towards' quality ratings is family day care at 19%, compared to long day care at 8% (ACECQA, 2026b). There are many not-for-profit and community-managed centres that have low quality ratings and where regulators have noted serious compliance issues.

For-profit providers are more likely to have enforcement actions recorded than other provider management types. This is the same provider management type that has grown the most under the current system settings, which suggests a link between the system design and incentives used to grow provision, and increased risk as measured through enforcement actions.

For-profit providers are more likely to have enforcement actions recorded than other provider management types.

Where does this leave us?

The public policy approach Australia has used to design its ECEC system has led to enormous expansion of provision and places. And the use of a subsidy model based on benchmark pricing has led to an 'efficient' market that has kept a lid on public investment.

But in ECEC the product is not just a 'place' in a service. It is care and education for young children. These children can be left incredibly vulnerable when things don't go as planned.

Research shows children need safe, predictable environments. Families need to have trust in the system. Educators need stable workplaces, and the ability to build connections with children, families and the community.

Conversely, our ECEC system works by rewarding providers that can produce an hour of care efficiently. When the system design prioritises low barriers to entry and exit and rewards low-cost delivery, it can also create the conditions for churn – in providers and staff. That churn can increase risk.

And because the CCS subsidy is based on what the market has charged before, rather than the full cost of quality care, it supports a minimum service. This situation bakes in existing deficiencies, including low wages and a workforce that is already in a state of relative impermanence.

Our analysis suggests that Australia gets a lot of early childhood education and care for relatively low public investment. But this comes at a great cost.

With these settings embedded into the system at its very core, it is difficult for the ECEC sector to break free.

At the very least, it creates barriers to educators focusing on the developmental needs of the child, and at worst, it creates environments that may put children at risk.

To fix the problem, a new approach will be needed.

Research shows children need safe, predictable environments. Families need to have trust in the system.

What are the next steps?

Governments should investigate implementing a model that is based more on the cost of provision, moving away from relying on the existing market benchmark rate. Incorporating a 'cost-based' model that focuses on the actual costs incurred by providers to deliver services, including wages, infrastructure and operational expenses, would help remove some of the constraints and pressures built into the system currently.

The proposed Early Education and Care Commission should be established, and it should play a leading role in stewarding the sector towards a new approach.

Governments should play a greater role in addressing thin markets, ensuring that uneven supply across the country is better managed to ensure equitable access. Without this intervention, the market-based model will reproduce existing inequalities.

There should be an acknowledgement that a different approach is needed to ensure stable, high-quality ECEC services are available in disadvantaged areas, where they are needed the most.

As is already happening in the wake of significant safety breaches, there should be stronger oversight of all aspects of quality and safety, with better cooperation between different levels of government and law enforcement.

Overall, as we move into the next 25 years of ECEC in Australia, governments should take the lessons learned from previous decades of reform. This means being intentional about the objectives underpinning the system, the policy settings put in place to achieve those objectives and the trade-offs they are willing to make.

Our analysis of the evidence suggests the policy framework used to shape the sector has major shortcomings that need to be acknowledged and addressed.

We must rebalance the policy imperative to grow the number of places and keep costs down – for governments and families – with a stronger focus on the needs, and rights, of children.

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Contact

The Mitchell Institute, Victoria University
300 Queen Street, Melbourne
Victoria, 3000, Australia
info@mitchellinstitute.org.au
mitchellinstitute.org.au