



Early Childhood Education and Care Funding Systems in Select Overseas Countries

2025 Early Childhood Education Funding Review – Ministerial Advisory Group

8 August 2025





What this presentation will cover:

- High level overview of some key features across countries
- Selected country overviews (Australia, England, Scotland, Ireland, Denmark, Netherlands)
- Recent ECE funding reform examples (England, Australia, Canada)
- Key themes from overseas ECE funding approaches
- Questions / Discussion

Comparison Table

	New Zealand	Ireland	Australia	England	Netherlands	Scotland	Denmark
State / non-state provision	Non-state	Non-state	Both	Both	Non-state	Both	State
Hours subsidised > 20/week	Yes	No	Yes	No (15 hrs)	Yes	Yes & No (depends on term vs full yr)	Yes
Maximum (fully or partly) subsidised hours	30	45	72 / fortnight	30	230 / month (53 / week)	1,140 / year (22 or 30 hr/week)	No fixed maximum
Free (fully funded) ECE available	Yes (20 hours per week)	Yes (3 hours/day)	Yes (income-based)	Yes (15-30 hours per week)	Yes (income-based)	Yes	Yes
Income-based subsidy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Flat or variable subsidy rate	Variable	Both	Both	Both	Variable	Both	Both
Funding to support equity / inclusion	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age ranges covered by subsidies	From age 0	From 6 months	From age 0	From age 3 (9 months from Sept 2025)	From age 0	From age 3 + eligible 2-year-olds	From 6 months
Employer Contribution schemes	No	No	No	No	Yes	No	No
All ECE 2020 annual expenditure per child in \$USD, converted using PPP (public and private expenditure [OECD EAG, 2023]	Missing MoE estimate: \$8,238 (public \$ only)	4,790	8,983	Missing	8,901	Missing	16,508

Comparative information (continued)

2022 ECE / ECAC participation rate by age [OECD EAG 2024]	New Zealand %	Ireland %	Australia %	Netherlands %	Denmark %	United Kingdom
Under age 2	30	10	36	66	37	1
Age 2	63	27	65	87	87	55
Age 3	76	88	77	88	96	100
Age 4	81	76 (ECE) + 18 (primary)	92	89	98	98 (ECE) + 2 (primary)

Additional information (not in the background paper)	New Zealand %	Ireland %	Australia %	Netherlands %	Denmark %	United Kingdom
Relative proportion of private expenditure on all ECE [OECD EAG 2023]	missing	16	26	14	24	40
% labour market participation of mothers with children age 0-2 [2021, OECD Family Database]	58.7 (2020)	71.2	missing	81.0	74.5	66.1 (2019)
% labour market participation of mothers with children age 3-5 [2021, OECD Family Database]	69.9 (2020)	66.9	missing	80.9	82.7	71.5 (2019)

Note: Countries variously fund 'childcare', 'childminding', 'daycare', 'nursery schools', 'early childhood education and care services'. The nature of the services funded / provided is sometimes differentiated by age (e.g. ECAC for younger children; pre-school for older children).



ECE funding in selected countries

Australia

Child Care Subsidy (CCS):

- Main ECE funding mechanism. Subsidises fees costs to families (paid to providers and passed on as fee reductions) for up to 100 hours/fortnight.
- Means-tested and currently subject to activity test (work/training/ study/volunteering)
- Eligibility and subsidy rates depends on income and number of children in childcare (lower income = higher subsidy rates)
- First Nations Activity Test - Aboriginal and Torres Strait Islander children currently guaranteed 72 hours CCS per fortnight, regardless of activity. Will rise to 100 hours from January 2026
- Additional CCS (ACCS) – extra, usually time-limited, support in certain circumstances (e.g. loss of work, transitioning off benefit, at-risk children)
- ‘Three Day Guarantee’ from January 2026: All children entitled to 72 hours of CCS per fortnight, regardless of parental income or activity. Can continue to access up to 100 hours CCS if in work/study/etc for 48hrs+ per fortnight

Worker Retention Payment:

- 15% wage increase for ECEC workers over two years, delivered via opt-in grants

Building Early Education Fund:

- Capital investment that supports the construction of ECEC Centres, particularly in underserved areas

Ireland

Universal ECCE:

- Free, universal two-year preschool (3 hours/day, 5 days p.w, 38 weeks/year) from age 2 yrs and 8 months

National Childcare Scheme:

- Helps parents meet childcare costs
- Universal set-rate subsidy for children aged 6 months–15 years, up to 45 hours per week if working, studying or training (20 hrs if not working etc), and
- Means-tested subsidy (variable depending on family circumstances). Can opt for this or the universal rate.

Early Start:

- Targeted preschool in 40 disadvantaged areas, offering preschool education to children at risk of educational disadvantage

Access and Inclusion Model (AIM):

- Seven-tiered support system to ensure children with disabilities can participate in mainstream ECCE



Note: Ireland also has a 'Core Funding Scheme' (introduced in Sept 2022) that provides direct capacity-based grants alongside ECCE and fees / NCS subsidies. Provision is conditional on services freezing fees at 2021 levels. A fee 'cap' will also apply from Sept 2025.

England



Universal Early Years Entitlement (EYE):

- 15 hours/week of free ECE for all 3-4-year-olds.
Funded by central government via local authorities

Targeted Entitlements:

- 'Extended entitlement': 30 hours/week of free ECE for 3-4 year olds in eligible working families
- *(From Sept 2025 – expansion of 30 hours/week free ECE for children age 9 months+ in working families)*
- 'Free for Two': 15 hours/week free ECE for disadvantaged 2 year-olds (means-tested)

Tax-Free Childcare:

- For every £8 that working parents pay into the account, the government contributes £2 for them to use to pay for childcare (ECE and out-of-school care).
UK-wide scheme.

Scotland

Universal entitlements

- 1,140 hours/year of free ECE for all 3-5-year-olds (30 hours/week in term-time; or 22 hours/ week across the year)
- Available regardless of parental employment status
- Local authorities decide how overall grant from the Scottish Government is spent (e.g. funding of public, private and voluntary providers, and other provision to support access)

Targeted entitlements

- 1,140 hours/year of free ECE for eligible 2-year-olds (eligibility includes parents receiving qualifying benefits; being care-experienced)

Tax-Free Childcare:

- For every £8 that working parents pay into the account, government contributes £2 for them to use to pay for childcare / out-of-school care (UK-wide scheme)

Denmark

Universal ECE Entitlement

- Municipalities are responsible for financing and delivering ECE and childminding services, funded via central government grants and local taxes
- Guaranteed access to daycare within four weeks of reaching 26 weeks of age
- No maximum hours of entitlement
- Parent fees capped at 25% of delivery costs.

Fees subsidies

- Means-tested approach to subsidising parental fees (full and partial exemptions depending on income)



Netherlands

Childcare Allowance

- Available to parents who are working / studying / training
- Means-tested (sliding scale), with increased income thresholds for second and subsequent children
- Payable for up to 140% of least-working parent's hours (maximum 230 hours/month)
- Funded partly by employer contributions (0.5% of salary)
- Capped hourly rates, with parents paying excess

Targeted early intervention for at-risk children

- Municipalities set criteria and provide access to ECE services / programmes for children assessed as at risk of educational disadvantage

Recent reforms in selected countries

Australia – ECEC Reforms

2023 ACCC Child Care Price Inquiry:

- Found market forces insufficient to meet family needs
- Subsidy increases often offset by fee increases
- Hourly rate cap ineffective in controlling fees

2024 Productivity Commission inquiry – ‘A Path to Universal ECEC’:

- Goals: Affordable, accessible, equitable, high-quality ECE
- Informed by ACCC findings
- 56 recommendations
- Government considering reccs. Some reforms implemented:
 - Three-day Guarantee
 - Worker Retention Payment
 - Building Early Education Fund

England – Childcare Reforms

2023 Spring Budget Reforms (implementation over 2023-2028):

- **Objectives:**
 - Support parental workforce participation, especially mothers
 - Expand access to early education from 9 months of age
 - Promote gender equity and economic growth
- **Key Changes:**
 - Phased expansion of Free Childcare Entitlement (more hours at younger ages for working parents)
 - Increases in hourly funding rates
 - Significant additional investment in childcare, taking it to historically high level of annual funding

Canada – CWELLC Reform (2021-2023)

Objectives:

- Make childcare more affordable, accessible, inclusive
- Support maternal workforce participation and post-pandemic recovery

Key Changes:

- \$10-a-Day Vision: Reduce average fees to \$10/day by 2026
- Federal Investment: \$30B over 5 year and \$34B total projected
- Expansion: 250,000 new childcare spaces by 2026
- Workforce Support: Funding for wages, training, recruitment

Equity Measures:

- Focus on improved participation in low-income, indigenous, and rural communities
- Provinces required to submit action plans
- Quebec's separate agreement. 37,000 subsidised spaces by 2025

Key Themes Identified in Descriptions of Overseas Funding Models

- Most countries provide some universal funding supplemented with targeted assistance
- Targeted assistance is generally in the form of means-tested fees subsidies to reduce costs to families
- Additional targeted supports / services for disadvantaged, vulnerable and at-risk groups also common
- Most countries expect parents to contribute to ECE costs for some or all hours of ECE, or at some ages
- Variability in countries as to whether subsidised ECE is linked to parental employment / activity
- Countries are increasingly formalising ‘guaranteed’ access or an ‘entitlement’ approach to an amount of ECE, unrelated to parental employment / activity
- A trend in recent reforms is increased funding to support ECE participation for more hours and / or at younger ages, with supporting maternal employment a key driver
- Some countries set caps on fees payable (or a maximum % of costs met) by parents
- Some countries invest directly in ECE infrastructure and workforce to support capacity / supply.

Discussion / Questions?



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