

## 2025 Early Childhood Education Funding Review Ministerial Advisory Group

Early childhood education and care funding systems in  
selected overseas countries

Proactively Released

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## Comparison Table

	New Zealand	Ireland	Australia	England	Netherlands	Scotland	Denmark
<b>State / non-state provision</b>	Non-state	Non-state	Both	Both	Non-state	Both	State
<b>Hours subsidised &gt; 20/week</b>	Yes	Yes	Yes	Partial (15 hours)	Yes	Yes	Yes
<b>Max (fully or partly) subsidised hours</b>	30	45	72 / fortnight	30	230 / month	1,140 / year	No fixed maximum number
<b>Free (fully funded) ECE available</b>	Yes (20)	Yes (3 hours/day)	Yes (income-based)	Yes (15-30 hours)	Yes (income-based)	Yes	Yes
<b>Income-based fee subsidy available</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Flat or variable subsidy rates</b>	Variable	Both	Both	Both	Variable	Both	Both
<b>Funding to support equity / inclusion</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Age ranges covered by subsidies</b>	0 to 6 years old	6 months to 15 years old	0 to 13 years old	3 to 4 years old	0 to 12 years old	3 to 5 years old, and eligible 2-year-olds	6 months to 6 years old
<b>Employer contribution schemes</b>	No	No	No	No	Yes	No	No
<b>All ECE 2021 annual expenditure per child<sup>1</sup> in \$USD, converted using PPP (OECD EAG, 2023)</b>	Missing <sup>2</sup>	4,790	8,983	Missing	8,901	Missing	16,508

<sup>1</sup> Expenditure per child is based on headcounts rather than full-time equivalent students.

<sup>2</sup> New Zealand reports data on public expenditure on ECE but does not report data on private expenditure on ECE. While public ECE investment comparisons are not included in this year's edition, in previous years New Zealand's investment per child in ECE has been shown to be high. When New Zealand's public-only expenditure per child is compared alongside total public and private expenditure per child in other countries, New Zealand sits around the OECD average.

## Ireland

Ireland's ECE system is optional and primarily delivered outside the formal school system by a mix of private, public community and voluntary providers. The system is nationally led, with funding administered by the Department of Children, Equality, Disability, Integration and Youth, and the Department of Education. Primary school education is compulsory for children at age 6.

Enrolment rates in early childhood education and care services and primary education, in 2022 were 10% for under age 2, 27% for age 2, 88% for age 3, 93% for age 4, and 99% for age 5 (OECD, 2024).<sup>3</sup>

### ECE Entitlement

ECCE Programme: Universal entitlement to two years of free pre-school from age three, covering 3 hours per day, 5 days per week, for 38 weeks per year (September – June).

National Childcare Scheme (NCS): Subsidised childcare for children aged 6 months to 15 years, with 20 to 45 hours per week depending on attendance and whether the family is eligible for the income-assessed subsidy.

### Key Funding System Elements

#### Funding to ECE Services

- Government funds providers to deliver 3 hours/day of free ECE for eligible children through the ECCE programme.
- Early Start provides funding to selected primary schools for pre-school classes.

#### Fee Subsidies to Parents

- National Childcare Scheme (NCS)
  - Universal Subsidy: Up to 45 hours/week.
  - Income-assessed Subsidy: A higher subsidy rate available for families with low annual income. This rate is based on income, the age and educational stage of the child, and the number of children in the family.
  - Subsidies are paid directly to providers and deducted from parents' fees.
  - ECCE hours do not reduce NCS entitlements.

#### Funding to Support Access / Equity / Inclusion

- Access and Inclusion Model: Ensures children with disabilities can access and participate in ECCE with seven levels of progressive support.
- Early Start: Targeted pre-school classes in 40 primary schools in disadvantaged urban areas.

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<sup>3</sup> Participation rates in New Zealand were 30% for under age 2, 63% for age 2, 76% for age 3, and 81% for age 4.

# Australia

Australia's ECE system is nationally regulated but locally delivered, with a mix of public, private and not-for-profit provision. Primary school education is compulsory for children at the age of 6.

Enrolment rates in early childhood education and care services and primary education, in 2022 were 36% for under age 2, 65% for age 2, 77% for age 3, 92% for age 4, and 100% for age 5 (OECD, 2024).

## ECE Entitlements

- From January 2026, all children will be entitled to at least three days (at least 72 hours per fortnight) of means-tested CCS funding, regardless of parental activity level. First Nations children will get 100 hours of subsidised care each fortnight.

## Key Funding System Elements

### *Funding to ECEC Services*

- Worker Retention Payment: Supports a 15% wage increase for ECEC workers over two years from December 2024. This is delivered via grant agreements through the Child Care Subsidy (CCS) system.

### *Fee Subsidies to Parents*

- Child Care Subsidy (CCS): This demand side subsidy is currently the Government's main mechanism for funding ECE, paid directly to approved providers who pass it on to families.
- The amount of CCS a family receives depends on:
  - a family's income
  - how many children a family has in care
  - the age of the children in care
  - a family's activity level
  - the type of care a family uses

### *Funding to Support Access / Equity / Inclusion*

- Additional Child Care Subsidy (ACCS): Covers full ECEC fees for families facing hardship or challenging circumstances.
- First Nations Activity Test Exemption: Ensures access to CCS for Aboriginal and Torres Strait Islander children regardless of family activity level.

### *Capital Grants*

- Building Early Education Fund: Capital investment to build and lease ECEC centres, especially in outer suburbs and regional areas where access / supply may be an issue. Includes targeted capital gains and a business case for Commonwealth ownership/leasing.

## England

The ECE system in England is a mix of public, private and voluntary sector providers. The system is centrally funded but locally administrated by local authorities. Provision includes nursery schools, childminders, and early years settings, with entitlements and subsidies aimed at improving access and affordability. Primary school education is compulsory for children at age 5.

Enrolment rates in early childhood education and care services and primary education, in 2022(UK statistics) are 1% for under age 2, 55% for age 2, and 100% for ages 3, 4 and 5 (OECD, 2024).

### **ECE Entitlement**

**Universal Entitlement:** All 3 and 4-year-olds are entitled to 15 hours per week of free nursery education for 38 weeks per year.

### **Key Funding System Elements**

#### *Funding to ECE Services*

- Early Years Entitlement (EYE): Central government funds local authorities to deliver free early education entitlements. Funding is passed to providers to cover the cost of delivering up to 15 or 30 hours per week per child (depending on parental entitlement).

#### *Fee Subsidies to Parents*

- UK Tax-Free Childcare:
  - Available to working parents with children under 11. Provides up to £500 quarterly per child (£1,000 per quarter for disabled children) to help meet childcare costs.
  - Operates via an online government account where the government adds £2 for every £8 paid in. Parents make childcare payments from the account.

#### *Funding to Support Access/Equity/Inclusion*

- 15-hour entitlement for disadvantaged 2-year-olds: targeted support for low-income families or those meeting specific criteria (e.g. receiving certain benefits).
- Extended 30-hour entitlement: Free childcare available for children ages 3-4 years old. This will be extended to children aged 9 month to 2 years in September 2025. Eligible parents must be working and meet the low-income threshold.

#### *Distribution of Funding*

- The Department of Education provides funding to local authorities in the 'early years block' of each authority's dedicated schools grant.

- Local authorities then distribute funding to providers in their areas, within a framework set by the department.

## Netherlands

ECE in the Netherlands is optional and primarily delivered by private providers, with oversight and funding from both central and local governments. The system emphasises parental responsibility for children under 4, with targeted subsidies for working families and children assessed as needing preschool education. Primary school education is compulsory for children at age 5.

Enrolment rates in early childhood education and care services and primary education in 2022 were 88% for age 3, 89% for age 4 and 99% for age 5 (OECD, 2024)<sup>4</sup>.

### **ECE Entitlement**

No universal entitlement to free ECE for children under 4.

Childcare allowance is available for working parents, based on the least-working parent's hours of employment. For preschool children compensation for ECE / childcare costs is available for up to 140% of the least-working parent's hours.

Maximum: 230 hours per month per child across all types of care.

### **Key Funding Elements**

#### *Funding to ECE Services*

- Local authorities fund playgroups and compensatory education, often spending more than they receive from central government.
- No central subsidies for general playgroups unless the child is assessed as needing preschool education.

#### *Fee Subsidies to Parents*

- Childcare allowance
  - Introduced in 2007.
  - Funded partly by employer contributions (0.5% of salary).
  - Income-Dependent: Families with higher incomes may not receive subsidy for the first child. After the first child, the income threshold increases, meaning more families may qualify.
  - Eligibility is based on working hours of the least-working parent.

#### *Funding to Support Access/Equity/Inclusion*

- Preschool education subsidies are available only for children assessed as at risk of educational disadvantage. Municipalities themselves determine the criteria they use for this.

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<sup>4</sup> Enrolment rates are missing for under age 2 and age 2.

- Local compensatory education targets disadvantaged children, funded by municipalities.

## Scotland

Scotland's ECE system is publicly funded and locally administered. Local authorities receive grants from the Scottish Government and decide how to allocate funding, including operating their own preschools or commissioning places from private and voluntary providers. Primary school education is compulsory for children at the age of 5.

Enrolment rates in early childhood education and care services and primary education, in 2022(UK statistics) are 1% for under age 2, 55% for age 2, 100% for ages 3, 4 and 5 (OECD, 2024).

### **ECE Entitlement**

All 3 to 5-year-olds and eligible 2-year-olds are entitled to up to 1,140 hours of funded ECE per year. Eligibility for 2-year-olds includes families receiving certain benefits or children with experience of care. Funded ECE is available regardless of parental employment status.

### **Key Funding System Elements**

#### *Funding to ECE Services*

- Local authorities manage and allocate funding from the Scottish Government.
- Some local authorities operate their own services or commission places from private and voluntary providers.

#### *Fee Subsidies to Parents*

- UK Welfare System: Parents that are employed and eligible for the low-income Universal Credit may be able to claim up to 85% of childcare costs back.
- Tax-Free Childcare:
  - Available to working parents with children under 11.
  - Operates via an online account where for every £8 paid in, the government adds £2.
  - This applied across the whole United Kingdom

#### *Funding to Support Access/Equity/Inclusion*

- Local authorities may reduce fees or offer free care for:
  - Children on child protection registers
  - Children with disabilities
  - Families with low income
- Funded ECE for eligible 2-year-olds targets children from disadvantaged backgrounds or with care experience.

- Some local authorities provide free transport to improve access, particularly in rural areas.

## Denmark

The ECE system in Denmark is predominantly publicly provided, including childminding services. Municipalities are responsible for financing and delivering ECE services, which are supported by block grants from central government and local taxes. The system has strong public investment and affordability measures to guarantee access to day care from 26 weeks old. Primary school education is compulsory for children at the age of 6.

Enrolment rates in early childhood education and care services and primary education in 2022 were 37% for under age 2, 87% for age 2, 96% for age 3, and 98% for ages 4 and 5 (OECD, 2024).

### **ECE Entitlement**

Guaranteed access to a day-care place within four weeks after a child reaches 26 weeks of age, with no maximum number of hours of entitlement. If a municipality cannot meet this obligation, it must cover the cost of private care or a place in another municipality.

### **Key Funding System Elements**

#### **Funding to ECE Services**

- Municipal funding covers at least 75% of gross operating costs for day care services.
- Parent fees are capped at 25% of total costs.
- Funding is provided per child, across all types of ECE settings.

#### **Fee Subsidies to Parents**

- An income-based subsidy is available to provide additional support for low-income families, provided by municipalities. Children must attend a public childcare service.
- There is a sibling discount for childcare (0-18) where parents pay the full price for the most expensive provider, and 50% for each additional child enrolled in preschool care. This is in conjunction with the capped parent contribution of 25%.
- Fee subsidies are not dependent on parental employment status.

#### **Funding to Support Access/Equity/Inclusion**

- Including income-based subsidies and guaranteed access within their ECE system contributes to broad inclusion.
- Municipalities may also provide support private care arrangements if public provision is unavailable.

# Recent International Early Childhood Education Funding Reforms

## Australia

### 2023 Australian Competition and Consumer Commission Child Care Price Inquiry

#### *Objective of the Review*

- Assess how childcare markets and competition are functioning.
- Examine the impact of market outcomes on different households.
- Evaluate price changes resulting from government policies, particularly the Child Care Subsidy (CCS).

#### *Key Findings*

- Market forces alone are not meeting the needs of children and households.
- Subsidy increases initially reduce out-of-pocket costs but are often offset by subsequent fee increases.
- The design and implementation of CCS and its hourly rate cap has limited effectiveness in placing downward pressure on fees and constraining the burden on taxpayers.
- The hourly rate cap does not act as an effective signal of high prices. Providers of centre-based day care consider many factors other than the cap when setting daily fees, including competitors' prices, households' willingness and ability to pay, and costs.

#### *Further Information*

- <https://www.education.gov.au/early-childhood/about/strategy-and-evaluation/accc-price-inquiry>

### 2024 - A path to universal early childhood education and care inquiry

- Findings from the ACCC Child Care Price Inquiry informed and supported this inquiry.
- The objective of the inquiry was to identify solutions that would support affordable, accessible, equitable and high-quality ECEC that reduces barriers to workforce participation and supports children's learning and development.

#### *Key Changes Through the Reform*

- Building early education fund.
- Three-day guarantee.
- Worker retention payment.

#### *Further Information*

- [Volume 1: A path to universal early childhood education and care](#)

## Canada

### 2021 – 2023 Canadian Federal Child Care Agreements

#### *Objective of the Review*

- The Canada-wide Early Learning and Child Care Plan (CWEELCC) was introduced in Budget 2021 to:
  - Make childcare more affordable, accessible, and inclusive.
  - Support maternal workforce participation and economic recovery post-pandemic.
  - Address inequities in access to quality ECE across provinces and territories.

#### *Key Changes Through the Reform*

- \$10-a-Day Child Care Vision
  - Federal commitment to reduce average fees for regulated childcare to \$10/day by 2026. Fees in 2024 averaged between \$20 - \$58 per day.
  - Initial goal to cut fees by 50% by end of 2022.
- Significant Federal Investment
  - \$30 billion over five years.
  - Funding distributed through bilateral agreements with provinces and territories.
- Expansion of Child Care Spaces
  - Target to create 250,000 new childcare spaces by March 2026.
  - Focus on not-for-profit and publicly managed services.
- Support for Workforce Development
  - Funding to improve wages, training, and recruitment of ECE educators.
  - Recognition of childcare as essential social infrastructure.
- Equity and Inclusion Measures
  - Emphasis on serving low-income, racialised, indigenous, and rural communities.
  - Provinces are required to develop action plans outlining how they will meet federal goals.
- Quebec's Asymmetrical Agreement
  - Quebec opted for a separate agreement as their fees were \$10 a day prior to the Canada-wide agreement due to their flat fee model (fee caps).
  - The Canada-Quebec asymmetrical agreement, the province states that the creation of over 37,000 subsidised spaces by 2024-2025 is a priority.

#### *Cost implications*

- The CWEELCC Plan is Canada's largest investment in childcare (i.e. is not fiscally neutral). The Federal government is assuming a major funding role to transform the system.

## England

### 2023 Spring Budget Childcare Reforms

#### *Objective of the Reform*

- Enable parents to return to or progress in work, particularly mothers.
- Expand access to early education for children from 9 months old.
- Transform childcare to support parents, children, the economy, and gender equity.

#### *Key Changes Through the Reform*

- Phased expansion of Free Childcare Entitlement
  - April 2024: 15 hour/week for working parents of 2-year-olds.
  - September 2024: all working parents of children aged 9 months to 3-years-old can access 15 hours free childcare per week.
  - September 2025: all working parents of children aged 9 months to 3-years-old can access 30 hours free childcare per week.
- Improved Funding Rates
  - From 2024-25, local authorities will receive an average of £11 per hour for under-2s. This is identified as a significant increase although information isn't readily available about previous under-2 rates.
  - Increased funding paid to nurseries for existing free hours offer from September 2023 – from £6 to £8 for 2-year-olds (30% increase) and a small inflation adjustment to the funding rate for 3- and 4-year-olds.
- Historic Investment in Childcare
  - An additional £4.1 billion by 2027-2028 to fund the 30-hour entitlement for children over 9 months.
  - Total investment of over £8 billion annually by 2027-28 on free hours and early education.
  - At the Spending Review 2025, The British Government have agreed to provide an additional £1.6 billion a year by 2028/29 compared to 2025/26 to continue the expansion.

## Key Themes Identified in Descriptions of Overseas Funding Models

- Most countries use base funding supplemented with targeted assistance.
  - It is well-recognised that base funding instruments are not sufficient in themselves to cover the needs of all children. Many countries also provide targeted funding for some groups.
  - Additional support funds are sometimes attached to individual children or paid directly to services or municipalities based on anticipated needs of all enrolled children.
- Many systems include income-based subsidies to make ECE more affordable for low- and middle-income families.
  - Australia's CCS (with this being the Government's main mechanism for funding ECE).
  - Ireland's National Childcare Scheme.
  - Canada's Child Care Subsidy Programme.
  - Netherlands' income-dependent allowances.
- Countries are increasingly formalising guaranteed access to ECE, reflecting a shift from optional services to rights-based approaches.
  - Australia's Three-Day Guarantee from 2026.
  - Denmark's legal obligation to offer a place within four weeks of a child turning 26 weeks.
  - Scotland's 1,140 funded hours annually for eligible children.
- Targeted supports for vulnerable groups are common policies to promote social inclusion and educational equity.
  - Ireland's AIM programme for children with disabilities.
  - Australia's First Nations activity test and ACCS.
  - Scotland's free transport and reduced fees for children in care.
- Some systems invest directly in ECE infrastructure to focus on expanding capacity, especially in underserved areas.
  - Australia's Building Early Education fund.
  - Quebec's grants for creating more subsidised spaces.
- Most countries do not mandate ECE attendance, though some are moving toward earlier compulsory ages. Some countries do not start compulsory schooling until age six.