Enhancing Participation, Affordability and Sustainability synthesis

**note: affordability figures generated from the Ipsos parents survey are preliminary only and may change in the final affordability paper.*

Enhancing participation

Engagement Feedback (not MoE advice)

- Respondents noted challenges with 20 Hours ECE, which they believe no longer reflect modern work or family needs, and negatively impacts on ECE attendance and participation. Feedback also noted affordability of ECE as a barrier to children's ECE participation.
- Some of the concerns raised around attendance and participation were a direct or indirect consequence of features of the current funding system. For example:
  - ECE services will refuse disabled children unless the child has 1:1 funded support
  - Children being asked to wait until age 3 to enrol (when funding is higher via 20 hours ECE) but then places not available
  - Many services operate with low or no fees, despite the system originally being designed as co-funding
  - Many communities do not have equitable or accessible services that matches their needs.
  - Admin, lack of knowledge of the payment, the rate paid, and/or the tight eligibility criteria.
- Other factors that impact attendance:
  - Health & sickness, which disproportionately affects socio-economic communities
  - Financial stress, unpredictable incomes, unpredictable hours of work, precarious employment
  - The cost of ECE
  - Housing instability
  - Poverty.

MoE Data

CURRENT PARTICIPATION

- In 2025, there were 194,922 children aged 0-5 enrolled in ECE.

Participation in licenced ECE

Age	StatsNZ Population Estimates (June)	Participation in licensed ECE (Jun)
0 Years	57,090	9,193
1 Years	57,230	28,341
2 Years	61,710	44,015
3 Years	62,560	53,883
4 Years	62,280	55,931
5 Years	63,940	3,559
Total children	364,810	194,900
Total Families	210,885	162,000 (IRD)

- In March 2025, 96.8% of children regularly attended ECE in the six months prior to starting school.
- There are differences in ECE starting age by ethnicity. In 2025, the average starting age of children attending ECE ranged from 1-year-old (Pākehā) to 2-years-old (Pacific).

Participation intensity

- In 2024 the average weekly attendance was 22.8 hours, in comparison to 16 hours in 2004. Average attendance by age was:
  - **0- 1 years:** 16.5 hours (compared to 18 in 2004)
  - **1 years:** 23 hours (compared to 19 in 2004)
  - **2 years:** 23 hours (compared to 16 in 2004)
  - **3 years:** 23 hours (compared to 14 in 2004)

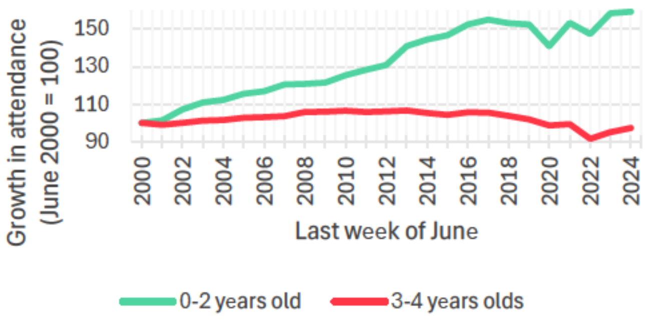
MoE papers and advice

CURRENT PARTICIPATION

- Children attending schools facing more socio-economic barriers tend to have noticeably fewer years of ECE participation prior to starting school.

Participation intensity

- 9(2)(g)(i) [redacted] In 2025, just over 50 percent of NZ five-year-olds reported prior participation in ECE of between 15 and 25 hours.
- The graph below shows the change in participation in licensed ECE services, from 2000-2024, as a proportion of the population by age group.
- The attendance of 0–2-year-olds has increased steadily, while 3–5-year-olds has remained stable, declining between 2018-2022.



- Education and care services are the most attended service type, with 50% of children enrolled in ECE attending education and care.
- By age, 78% of children aged 1 and 75% of children aged 2 enrolled in ECE attend Education and Care.
- Kindergarten enrolments concentrated among older children (aged 3-5) – highest for age 4 at 24% and very few children aged 0-1 attending Kindergarten.
- The number of 2-year-olds attending kindergartens increased by 89% (from 2,146 in 2014 to 4,050 in 2024). Playcentre is the second most common service type for children aged 0-1 to attend. However, as children age, they tend to shift to either education and care or kindergarten.

MSD / IRD data and papers

CURRENT PARTICIPATION

Participation intensity

ECE participation for children receiving CCS, October 2025

Hours attended	Proportion of children
1-10	29%
11-20	9%
21-30	26%
31-40	22%
41-50	15%
Total	100%

- Just over one-quarter (29%) of children 19,800 children receiving the MSD's Childcare Subsidy (CCS) are enrolled for between 1-10 hours. 63% attend for over 20 hours, 15% attend for over 40 hours, and 5% attend for 50 hours.

	ENGAGEMENT RECOMMENDATIONS • Reviewing six-hour day model and considering funding for longer days to better align with family needs.	◦ **4 years:** 23 hours (compared to 17 in 2004) ◦ **5 years:** 21 hours (compared to 17.7 in 2004). • Kindergarten saw an increase in average attendance from 12 hours in 2002 to over 18 hours in 2024, following the transition of kindergarten services to all-day services. • Nearly half of services surveyed in 2008, believed their enrolment (total hours for all children) had increased since the introduction of 20 Hours Free ECE – particularly in three- and four-year-old children attending ECE, and for longer days or more days per week. • According to Education Counts data, in 2024, Children from least deprived areas attended ECE for 22.9 hours per week, in comparison to 22.1 hours for most deprived areas. • The average number of hours that children from least deprived areas attend per week has increased over the past 20 years. • In 2004, children from the least deprived areas attended an average of 14 hours of ECE per week. By 2014, this had increased to 19.8, and by 2024 it was 22.9. • In 2004, children from the most deprived areas attended an average of 19.6 hours of ECE per week. By 2014, this had increased to 22.1, and by 2024 it was unchanged. **Prior participation of children starting school** • Includes children who have regularly attended ECE in the six months prior to starting school • In 2025, 51% of children attended ECE for between 15-25 hours before starting school. • Māori (5%) were slightly more likely to attend between 15-25 hours compared to total ethnic groups. • Māori and Pacific children have lower participation intensity than the total population. • Broken down by ethnicity, the proportion of children enrolled in ECE for 20 hours p.w. or less (i.e. only using 20 hours exact) was: ◦ **Pākehā:** 47.6 percent ◦ **Māori:** 53.5 percent ◦ **Pacific:** 50.9 percent ◦ **Asian:** 40.6 percent ◦ **Other:** 40.7 percent.	• Home-based and Kohanga Reo maintain a balanced age distribution, though Kohanga appears to have little or no 5-year-olds. • Around 3-6% of children aged 0-4 enrolled in ECE attend Kohanga Reo. **Impact of 20 Hours Free ECE on participation** • There was a small increase in participation following the introduction of 20 Hours Free ECE. The change in participation rates for June 2011 vs June 2006, by ethnicity are as follows: ◦ **Pākehā:** 96.9 percent to 97.9 percent ◦ **Māori:** 88.1 percent to 90.4 percent ◦ **Pacific:** 83.8 percent to 86.3 percent ◦ **Asian:** (small decrease from 96 percent to 95.6 percent) ◦ **Other:** 90.8 percent to 95.4 percent. • These small increases are seen as a positive sign of 20 Hours Free ECE, as during this time the GFC hit and the increase in unemployment would expect demand for ECE to fall. **Participation in home-based services** • The number of home-based early learning licences and the number of children participating in home-based ECE nearly halved from 2016 to 2024. • In the same period, the number of home-based educators decreased by 62%. Provision of home-based ECE in 2024 has returned to close to, but slightly higher, than their pre-growth levels in the early 2000s. • The drive for educators to become qualified is one of the main factors contributing to a decrease in provision as not all educators want to undertake study. Other factors have also affected provision: • Covid-19-related factors (e.g. additional health concerns, vaccination mandates, Covid-related guidance and regulations) may have made the educator role less appealing. Border closures affected services that relied on staff from overseas. Increased remote work options and more flexible roles have created alternative opportunities for stay-at-home parents to work and care for their children rather than employ an educator. • Some of the reduction in the number of home-based licences is attributable to closures of large service providers some of which were associated with regulatory non-compliance. Closures from these	

			providers alone accounted for more than two thirds of the 175 home-based licence closures from 1 Jan 2021 to 31 July 2023. Within this period, 49 PORSE and 18 Creators@Home licences were cancelled. • Home-based services have a larger percentage of Asian and Pacific children than other service types, with one quarter of home-based services provide a bilingual or immersion education and care in a language other than English, with Tongan and Mandarin being the most common. **Literature on the impacts on ECE participation** • The literature on the impact of intensive ECE participation on child outcomes is mixed. • Research from the USA's Institute of Education Studies found that children who participate in two years of Head Start (as opposed to one year) have stronger academic, cognitive, and social literacy skills upon exiting Head Start and at the end of their kindergarten year. • Several studies indicate that participating in ECE beginning as an infant or toddler and continuing until kindergarten entry is associated with stronger cognitive skills compared to children who enrol in ECE closer to kindergarten. However, within these studies it is difficult to disentangle effects based on age of entry to ECE from effects based on amount of exposure to ECE. • A 2022 Canadian study of more than 10,000 preschoolers from five countries around the world found that young children who spend extended hours in early childhood education and care (ECEC) settings are not at greater risk for behavioural problems. • A 2019 paper from the American Economic Journal: Economic Policy fond that while there are positive impacts of ECE there are also some negative effects on non-cognitive outcomes that persist to school ages. Specifically, they look at a program introduced in Quebec in the late 1990s and found that cohorts with increased childcare access had worse health, lower life satisfaction, and higher crime rates later in life. They then state "an unanswered question is whether the evidence of negative impacts is particular to the Quebec program, or whether the lessons here apply more broadly […] Our findings for young children clearly contrast with evaluations of	

			targeted programs like Perry, Abecedarian, and Head Start". • A 2024 paper from he National University of Singapore found no significant differences in child outcomes between those attending ECE and those not attending. They found an inverted-U-shaped relationship between ECE hours and child outcomes, with a turning point at approximately 35–40 hours per week. Before this turning point, longer hours in ECE were linked to higher academic achievement but also increased externalizing behaviour problems, which is consistent with the findings from Li et al. (2015) in China. However, beyond the turning point, longer ECE Hours and Child Outcomes ECE hours were associated with fewer behaviour problems.	
Affordability	LABOUR MARKET PARTICIPATION • Respondents noted that the inflexibility of funding settings and affordability of ECE impacts on both ECE attendance and labour market participation. • The business community discussed the barriers preventing parents from engaging in the labour market. People want to engage more in labour force. However, the cost of childcare doesn't make that equation of reward vs. effort for applying skills in labour market work. • Once non-financial costs are factored in, such as transport to childcare, dealing with children's sickness, coordinating work and care, it may not be worth returning to work. • There was some discussion that incomes were not adequate in regard to covering the cost of childcare to justify a return to work. COST TO PARENTS • Respondents emphasised that cost is one of the biggest barriers to participation • Some centres report that one-third of enrolled children's families cannot afford to pay fees. • MSD subsidies often do not cover fees, and limited eligibility hours create further barriers.	LABOUR MARKET PARTICIPATION **Statistics New Zealand, Census 2023** • At the 2023 Census, 68% of mothers with dependent children aged 0-5 were employed (45% full-time and 23% part-time. In comparison, for all women, 43% were employed full-time, and 18% part-time. • The unemployment rate for mothers with dependent children aged 0-5 was 3.5% - slightly lower than the unemployment rate for all women at 3.7%. • Women with dependent children aged 0-5 were less likely to be in the labour force than all women aged 25-44, but slightly more likely than all women of all ages. • In contrast, men with young children were more likely to be in the labour force than all men aged 25-40, and significantly more likely than all men of all ages. • Parents with children aged 0-1 were less likely to be in the labour force than parents with children aged 1-5 • Labour force participation rises steadily as the youngest dependent child ages.	LABOUR MARKET PARTICIPATION **Impact of price on employment rates and labour market participation** • The literature around labour market participation and employment rates in relation to the cost of ECE varies – and is often dependent on the particular design of the ECE subsidy being studied. • There is strong evidence that free part-time childcare has weak, but positive, effects on labour force participation • For example, 2-3 hours of free childcare per day is not enough to incentivise parents not-in-work into work. • Full-time, or close-to-full-time, free or low-cost childcare leads to more significant increases in labour force participation and employment of mothers. • Estimates suggest, for every one percent increase in the cost of childcare, maternal employment rates drop by 0.05 to 0.35 percent. • Estimates suggest that a 10% reduction in the price of childcare would lead to a 0.25–11% increase in maternal employment (likely near 0.5–2.5%). • Knox (2012) notes that decreases in the childcare cost consistently have a greater impact on childcare use than maternal employment. However, a 2012 paper from the Ministry of Women's Affairs found for every 1 percent increase in the cost of childcare, maternal employment rates drop by 0.1 to 0.8 percent." • A 2023 Motu Economics study found mothers with children under 3 may be foregoing total wages of	LABOUR MARKET PARTICIPATION **MSD key findings – incentives to work** • Incentives to work for sole parents increase sharply moving from 19 to 20 hours of work because the MFTC replaces the net benefit. • For lower incomes, there are periods that working more hours does not increase net earnings. This is because these people lose more in income support than they gain from employment income. • Median wage earners have shorter periods of negative work incentives in comparison to minimum and living wage earners. • It is slightly better to be in a couple (with a 4-year-old). Work incentives for secondary earners are marginally positive for every hour of additional work. The In-Work Tax Credit provides an extra incentive to work as it replaces reduced income support from higher earnings. • ECE funding streams are designed to work together, not to be accessed in isolation. Families cannot "double dip" for the same hours, but they do benefit sequentially and cumulatively from different funding sources. For example: • Children aged 3-5 including those in MSD-supported households, benefit from

- Fee sensitivity is increasing among middle- and higher-income households due to stagnant or declining real incomes.
- Aggressive pricing strategies by large providers can lock families into contracts after promotional periods
- Children who most need ECE often have parents who cannot afford any fees.
- While equity and targeted funding help subsidise low-income families, the amounts are relatively small, and compliance requirements are high.
- The cost of ECE can trap parents in welfare and limit workforce participation, reinforcing cycles of disadvantage.

20 Hours ECE

- Funding starting at age three does not meet the needs of families returning to work earlier.
- Many parents and families assume 20 hours ECE is entirely free, creating tension between parents and services.
- Financial stress and affordability issues mean some parents cannot or will not pay for additional hours.

ENGAGEMENT RECOMMENDATIONS

- Reducing and capping fees,
- Work toward full public provision of low-cost or free ECE
- Allowing services to charge a standard fee for six-hour sessions instead of relying on optional charges, which limit subsidy access was also suggested
- Funding to eight hours per day to enable full-day attendance without end-of-day fee spikes.
- FamilyBoost funding could be replaced or redirected to expand 20 Hours ECE for younger children.

Not in the Labour Force, couples, 2023 Census

Age of youngest dependent child	Female	Male
Less than one year	54%	8%
One year	28%	8%
Two years	24%	8%
Three years	22%	9%
Four years	20%	8%
Five years	19%	8%
Total ages 0-5	30%	8%
Six-seventeen years	15%	9%
Total population	36%	29%
All (incl. non-parents) ages 25-40	21%	13%

Employment of partnered women with children, 2023 Census

Age of youngest dependent child	Employed Full-time	Employed Part-time
Less than one year	29%	14%
One year	43%	26%
Two years	48%	26%
Three years	50%	25%
Four years	52%	26%
Five years	53%	25%
Total	45%	23%
Six-seventeen years	61%	23%
General population	43%	18%

COST TO PARENTS

Subsidies

- 45% (equal to 88,053) of children enrolled in ECE were in receipt of one of five subsidies (FamilyBoost, CCS, GCAP, ELP, or Flexible Childcare Assistance).
- The FamilyBoost rebate accounts for 34% of those receiving a subsidy.
- There are also other benefits or subsidies available to parents of young children (not for childcare costs). These include the Family Tax Credit, Minimum Family Tax Credit, Best Start, Child Disability Allowance, and the In-Work Tax Credit.

$116 million per year because of childcare access issues, $32 million of which is attributable to Māori mothers, and $11 million to Pasifika mothers. This amounts to an annual average of $660 of wages foregone per mother with a child under 3 years old, $830 per Māori mother, and $540 per Pasifika mother.

Impact of price on parents' hours worked

- The studies reviewed suggest that price of childcare has larger impact on the number of hours worked by already employed parents than it does on increasing labour market participation rates of parents not in the labour market.
- Across the Australian literature reviewed, on average a one percent increase in the net price of childcare leads to a decrease in hours of labour provided by partnered women of between 0.10 and 0.65 percent.
- International studies found that subsidising ECE costs by a minimum of 25% lead to an average increase of 2 hours worked per week. Subsidies covering a full-day (6.6 hours per day) lead to an increase of 2.5 hours worked per week, while a study into universal pre-kindergarten (10 hours per day) found an increase of 12.8 hours worked per week.
- The Australian Productivity Commission's (2024) findings showed that the policy option with the largest estimated positive impact on labour supply (hours) was a 90% subsidy rate for all families with activity test.
- Abolishing or relaxing activity tests was estimated to have a negative impact on labour supply – however a positive impact on demand for ECE, particularly when coupled with high subsidy rates or low flat fees ($10 a day).

COST TO PARENTS

- According to data from the OECD, New Zealand ranks as the 19th least affordable country for childcare costs out of 22 countries.
- New Zealand's net child-care cost also ranks higher than the OECD average of 9%, Australia 8%, Canada 6%, USA 40%. Luxembourg ranks as the most affordable at 2% (excluding countries with zero cost).

20 Hours ECE, which reduces the cost of early learning for a portion of the week.

- However, 20 Hours ECE does not cover all hours required for parents to work, study, or meet obligations.
- MSD childcare assistance is therefore critical for covering the remaining hours, particularly for low-income families who would otherwise face unaffordable fees.
- Because MSD subsidy rates are calculated after universal ECE funding is applied, families receiving MSD support are not advantaged relative to others; rather, MSD assistance fills the affordability gap that remains.

COST TO PARENTS

- Childcare is generally the most significant in-work cost for families, (NZ's one of the least affordable in OECD). Reducing its cost is likely to have a positive impact on labour market participation and ECE take-up. Various surveys indicated that parents either did not work, turned down work, stopped working, resigned or changed working arrangements due to difficulties getting childcare, which included it being too expensive.
- Māori, Pacific and low-income households are also more likely to experience issues accessing childcare, with cost being a major factor.

FamilyBoost

Cost/value to parents:

- For families in receipt of FamilyBoost the average weekly cost of ECE (before FamilyBoost) was $133.84 and the average weekly value of the rebate was $14. This value varied by household income and age of child (1 July 2024 to 31 December 2024).
- The average weekly cost of ECE for FB recipients was highest in Wellington ($156) and Auckland ($154). It was lowest in Gisborne ($99) and Tasman ($100).

		Parent survey
		• On behalf of the MAG, MoE commissioned Ipsos to conduct a survey of 800 parents with ECE aged children. The survey achieved its target sample size and representative sample across key demographic groups.
		• According to the results of the parent's survey the average family with one child:
		• **Aged 0-2** attends 13 hours of ECE and pays $179 per week (after subsidies). This average weekly cost is equivalent to 10% of this group's household disposable income after housing costs.
		• **Aged 3-5** attends 22 hours of ECE and pays $146 per week (after subsidies). This average weekly cost is equivalent to 11% of this group's household disposable income after housing costs.
		
		• For those attending Education & Care for **40 hours exactly** (with one child):
		  ○ **Aged 0-2** are paying an average of $335 per week, which is equal to 17% of this group's average disposable income after housing costs.
		  ○ However, if all families were to use 40 hours of ECE, this average weekly cost of $335 for one child aged 0-2 is equal to 27% of the average disposable income after housing costs for *all survey participants* – indicating that those who are more able to pay for 40 hours may be more likely to use 40 hours.
		  ○ **Aged 3-5** are paying an average of $260 a week, which is equal to 11% of this group's average disposable income after housing costs.
		  ○ However, if all families were to use 40 hours of ECE, this average weekly cost of $260 for one child aged 3-5 is equal to 19% of the average disposable income after housing costs for all survey participants.
			20 Hours ECE
			• The average service cost underlying this funding is unlikely reflect actual service cost, particularly for services who exceed regulations or provide additional services. In 2025 many ECE service providers said that the funding received for the 20 hours free doesn't cover service delivery cost.
			• As a result, many centres require families to enrol for more than 20 hours per week, effectively meaning parents cannot access any free hour of ECE unless they pay for some hours.
			• Fee structures are often complex, making it difficult for parents to understand what they were paying for and why 20 Hours ECE hours are not entirely free.
			• Services, especially smaller services or those striving for higher quality, often claimed that without additional charges or requiring minimum hours, they would not be financially viable.
			• By 2008 nearly half of services had introduced an optional charge, with services reporting most or all parents elected to pay this. In 2010, the policy was renamed '20 Hours ECE' to better reflect that most parents faced costs for these hours.
			• Advice to the Minister from November 2022 discussed how mainly due to limited or no cost adjustments between 2009 and 2017, the real value of the 20 Hours ECE subsidy had declined by 18% since 2010 – from $15.26 per funded child hour to $12.45 in 2022.
			
			FamilyBoost
			• The FamilyBoost rebate still requires an upfront payment for access. Meaning only parents who can afford ECE can access the quarterly rebate. Uptake of FB has been less than expected since its introduction.
			
			Kindergartens
			• Kindergartens are generally regarded as lower cost for parents and caregivers (partly due to 'free kindergarten' ethos). This can result in:
			  ○ Offering 20 hours of free provision to 2-year-olds.
			  ○ Offering fees-free hours over and above that provided through 20 Hours ECE. Sometimes this offer is provided on the condition that eligible children use their full 20 Hours ECE entitlement at the kindergarten.
				• For the quarter ending September 2025, households with a child aged 0-2 the average weekly cost of ECE ranged from $128-$233 with the cost of ECE increasing for each increase in the income band. The value of the rebate ranged from $6-$66.
				• For households with a child aged 3-5 the average weekly cost of ECE ranged from $89-$151. The value of the rebate ranged from $5.63-$45.
				• Households with children aged 0-2 in receipt of FamilyBoost spent between 5-10% of the household income on ECE.
				• Households with children aged 3-5 in receipt of FamilyBoost spent between 3-10% of the household income on ECE.
				
				Effectiveness/trends:
				• IR estimates an eventual uptake of FB by 92,000 households. This represents a 71% household uptake rate (29% being eligible families unlikely to claim for having little/no unsubsidised fees or other reasons).
				• Of the 162,000 families with children enrolled in ECE, 127,000 families are estimated to qualify for FamilyBoost.
				• 223 households have received the full payment ($975) across all four quarters.
				• 25,337 households have received a payment in all four quarters (~38% of all households who have received a payment.)
				• There are 6,516 households that have registered for FB but not claimed.
				• In the quarter ending September 2025, 64,812 families submitted a claim, and payments were processed to 59,430 families (66,678 children).
				• FamilyBoost requires families to know about and actively register for the payment.
				• According to IR the following factors may be influencing uptake:
				  ○ People believe the effort to claim may outweigh the benefits
				  ○ Lack of awareness or understanding of FamilyBoost

Average hourly cost (Ed&Care)	
One child (aged 0-2)	7.34
Two children (aged 0-2)	4.73

Average hourly cost (Ed&Care)		
	>= 20 hours	40 hours
One child (aged 3-5)	6.83	6.5
Two children (aged 3-5)	3.58	NA

Total average weekly cost Ed & Care ($)			
	Hours per child	0-2 years	3-5 years
One child	20	203	122
	40	335	260
	45	284	193

*Counts too low to include two children households

- According to the MoE parent survey responses, the median hourly cost of an Education & Care service for someone with one child entitled to 20 Hours ECE (and attending for 20 hours or less) is $4.38, in comparison to $7.28 for one child aged 0-2.
- 38% of those with one child aged 3-5 were paying between $15 and $37.5 an hour for 20 hours or less. This could be a combination of daily charges and/or bad data. Further engagement with parents would be required to fully understand this.

Hourly cost of Education & Care, one child families ($)		
	3-5 years	0-2 years
Range	0-37.5	0-42.5
Quartile 1	1.00	4.84
Quartile 2 (median)	4.29	7.50
Quartile 3	7.69	10.00
Average	6.04	8.33
Average (two-children)	5.55	5.29

Source: Parent survey

  - Having minimum enrolment requirements (for example six hours per day, three days per week).
  - Charging an hourly fee for non-20 Hours ECE hours, often between $4 and $6 per hour.

COST TO GOVERNMENT

- The predominant ECE subsidies are measured on an average cost basis, rather than actual costs. However, the funding system does recognise the two key quality input costs of ratios and teacher qualifications.
- The affordability of ECE is partly driven by the cost of quality inputs, for example requirements for higher teacher pay.
- Administration costs for government are low.

  - Unfamiliarity or unwillingness to engage with government or its systems.
  - Some households may not be receiving compliant invoices or may have lost that documentation
  - Limited digital skills or literacy barriers that mean they struggle to navigate myIR
  - Unfamiliarity or unwillingness to engage with government systems (for example, unwillingness to disclose personal details)
  - Misconceptions about going into debt (as IR's other social support products, such as Working for Families, can result in debt).
- According to an online survey from 9-16 July 2025:
  - 14% of customers report difficulty registering (mainly confusion about eligibility and complex administrative requirements)
  - 8% of customers report difficulty claiming, primarily due to ECE invoice requirements
  - Lack of knowledge and perceptions of ineligibility are main reasons most potentially eligible customers haven't registered for FB.
  - 51% of potentially eligible FB customers don't know about FB.

Planned FamilyBoost improvements:

- IR will provide advice on progressing work on longer-term improvements to FB, including having fees information provided directly to IR by ECE providers – aimed at improving uptake. This would likely require increased data collection by ECE providers, which smaller providers may struggle with – there may be other system reasons why this could be difficult/costly.
- Awareness and uptake are still developing; long-term behaviours are unclear (families have 4 years to claim FamilyBoost refunds).

Household Economic Survey

Median household equivalised disposable income, HES 2024

	Median ($)
Couple:	
One dependent child	60,691
Two dependent children	56,362
Three + dependent children	41,760
Single parent:	
With dependent child(ren)	34,537
All other 'One parent with child(ren) only' households	43,899

* Disposable personal income is the total of total personal income plus tax credits, less ACC levy, less tax payable.

- Uptake may be lower than expected if families have no residual fees after other subsidies.

MSD's Childcare Subsidy (CCS):

Cost/value to parents:

- October 2025, the average weekly invoice amount per child was $140.52, while the average amount paid by MSD was $106.25.
- This means that the average weekly out-of-pocket costs per child in receipt of the CCS sat at $34.27.
- 5% of those in receipt of the CCS received the maximum entitlement of 50 hours per week. Their after subsidy out-of-pocket costs were $39.79 per week, or $7.96 per day.
- 9(2)(g)(i) [redacted]

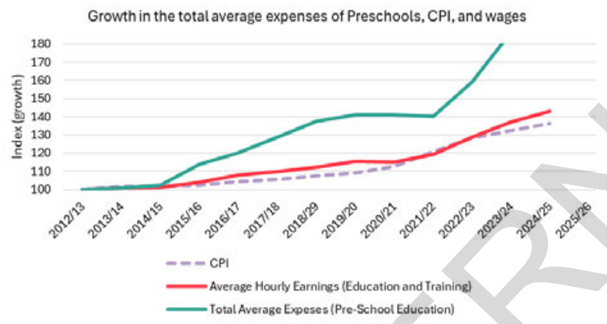
Effectiveness/trends:

- MSD childcare assistance aims to increase parental labour market participation, reduce in-work poverty, and encourage participation of children in ECE. This differs from MoE's funding goals for ECE that are more focused on education and development outcomes.
- In April 2022, income thresholds for the Childcare and the OSCAR Subsidies were indexed to changes in the net average wage
- In October 2025, 19,800 children received the CCS.
- Total take-up of CCS has declined between July 2014 (29,004 caregivers) and July 2025 (17,343 caregivers).
- Since income thresholds were adjusted in 2023, total CCS take-up has increased.

				• From 1 November 2024-31 October 2025, MSD paid out $123.507 million in CCS payments. • In October 2025, the largest proportion of children in receipt of a CCS have parents in receipt of no benefits (38%), followed by sole parent support (37%), and non-beneficiaries who qualify for supplementary assistance (DA, AS, TAS) (16%), Supported Living Payment (3%). • Number of parents/caregivers in receipt of CCS, October 2025: o Māori: 36% o **Pākehā**: 46% o Pacific Peoples: 11% o Asian: 6% o Middle Eastern, Latin American, and African (MELAA): 2% o Other: 13% o Unknown: 3% • The 2022/23 Review of Childcare Assistance identified these main issues by parents: o CCS rates falling behind childcare costs o Low-income thresholds meaning far fewer families are eligible for CCS than in 2010 o Settings being inflexible and out of step with labour market realities o Childcare costs remaining a key issue for low-income parents o Burdensome administrative arrangements o Interface with 20 Hours ECE is complex **MSD's Early Learning Payment (ELP)** • ELP is paid for children aged between 18 and 36 months when their family is enrolled in a Family Start or Early Start programme. • Between July 2014 – July 2025 take up has risen from 645 children to 1,155 children (paid directly to services).

				MSD's Guaranteed Childcare Assistance Payment (GCAP)
				• GCAP is a targeted payment for parents aged 16-19, receiving the Young Parent Payment with a child/children aged under 5 and enrolled in an approved ECE.
				• In July 2025, 180 children were receiving the GCAP. 93% of them were aged 0-2.
				• GCAP covers around 95% of the cost of childcare.
				Flexible Childcare Assistance (FCA)
				• Helps with the costs of informal childcare
				• In July 2025 132 children received FCA.
				• The weekly rates from 1 April 2025 are:
				  ○ $65.44 for one child
				  ○ $32.72 for each additional child
				  ○ Maximum $196.32 a week.
				• On average, FCA pays out $94.84 per week.
				• 36% of recipients are also receiving Sole Parent Support.
				• 59% are non-beneficiaries

Sustainability	COST-BASIS OF ECE FUNDING • Service providers say ECE funding (including for 20 hours) does not reflect or cover the real cost of delivering the service. • Funding based on attendance rather than enrolment creates financial instability for services. Even small delays such as arriving 15 minutes late can affect funding. • Declining attendance leads to a downward funding spiral. • Fee structures tied to optional charges also create sustainability issues and limit access to MSD subsidies. • There are financial and sustainability challenges for centres offering minimal or no fees, fee waivers, not raising fees or not pursuing unpaid fees. • Centres offering low-fee structures provide significant community benefits beyond	COST BASIS OF ECE FUNDING • On average, Vote Education ECE funding sits at 0.63% of GDP (ranging from 0.61% to 0.66% over the past decade). • Funding is held in three Votes: Education (MoE), Social Development (MSD) and Revenue (IRD), with Ministry of Education accounting for about 91% of the total ECE funding. • 20 Hours ECE accounts for 47% of all government funding (across the three Votes), the ECE Subsidy accounts for 42% split almost 50/50 between children aged under 2 and 2 and over (20 Hours ECE is for 3–5-year-olds). Need-based funding for equity and disadvantage sits at just 7.4% of ECE funding across the three Votes. • There is a lack of comprehensive data on the increased cost of ECE provision by service type (data by provider should become available in the IDI at the October 2026 refresh)	COST-BASIS OF ECE FUNDING • MoE provides supply-side subsidies that are demand-driven while MSD and IRD provide demand-side subsidies. • MoE subsidies to providers are demand driven, not capped. The funding needed each year varies depending on changes in the number of funded child hours (FCH) and the average value of FCH funding rates. • In 2022, MOE identified that the 20 Hours ECE subsidy's real value has declined by 18% since 2010 (from $15.26 per funded child hour to $12.45 in 2022), primarily due to limited or no cost adjustments being made during 2009-2017. This increase incentives to pass costs onto parents. • Targeted funding administered by the Ministry has also declined in real value over time (as not adjusted regularly). • 'Cost to Serve' analysis and modelling will provide information about cost of delivering ECE services, relative to funding provided, and also extent to which	COST BASIS OF ECE FUNDING **FamilyBoost** • FB is estimated to cost $146 million for the 2025/26 fiscal year and $168 million in the 2026/27 fiscal year • IR is anticipating the income thresholds for FB to remain unchanged in outyears following the 2026/27 fiscal year. While incomes are expected to increase in line with CPI/LCI (therefore reducing the total number of eligible families). This is estimated to results in small decreases in the future cost of FB to the government. • IR has a projected annual uptake of 71%. There is a risk of overspending if uptake exceeds 71% or if claimed fees are higher than expected. **MSD Subsidies**

	education, but these efforts are under strain. • Adequate funding is critical for maintaining high-quality ECE, but centres often compromise on quality and workforce to remain viable. Services are often forced to make trade-offs and compromises on quality and workforce to remain viable. • Funding rates haven't kept pace with rising costs – difficult for centres to balance quality, affordability for parents, and financial sustainability. • Smaller services seen as particularly vulnerable. Larger centres can share resources and cross-subsidise, smaller community-based or culturally-specific services often struggle to meet quality standards within existing funding. • Some kindergartens reported relying on fundraising donations to remain viable - not sustainable in long term. Others exploring alternative funding approaches. • Concerns about long-term viability were common. Comments that financial strain has led to more service closures, particularly smaller providers. • Overall, feedback suggested that funding settings need to better reflect actual operating costs and support sustainability of diverse ECE sector. ISOLATED AND RURAL COMMUNITIES • Lack of qualified educators is the biggest barrier to sustaining services in these areas • Funding formulas based on high enrolment levels disadvantage small rural centres • Equity and targeted funding help but are insufficient to meet the needs of rural isolation and high-needs children PREVIOUS MOE ENGAGEMENT ON BUSINESS SUSTAINABILITY Kindergartens • Funding rates insufficient for KTCA requirements, including these failing to consider the varying levels of average	BUSINESS SUSTAINABILITY FOR PROVIDERS • Licensed places grew in the past 20 years. • Licenced places generally increase in line with ECE services, though there have been dips in service numbers in past (2011/12) driven by mergers following an increase in maximum licensed capacity. There have been some decreases between 2021 and 2024 for licensed places and ECE services (drivers unclear). • Growth in the total average expenses of preschools has outpaced CPI and the average hourly ordinary wage for those working in education and training since June 2013.  Source: Statistics New Zealand, Annual Enterprise Survey, total average expenditure for preschools is sourced from IRD – business IR10 forms (n=1,500 preschools). • In June 2013, the average costs for 20 Hours ECE were still being met by the government subsidy (except playcentres, where it covered about 80 percent of costs). • Between 2010 and 2022, the real value of the 20 Hours ECE subsidy declined by 18 percent – from $15.26 per funded child hour to $12.45. • The decreased real value of 20 Hours ECE rates means there is an incentive for services to pass costs not fully met by 20 Hours ECE onto parents. **Closures** • Between 2015-2019, 310 services closed compared to 585 in 2020-2025 (note this includes the COVID-19 period) • Between 2020-2025, voluntary closures were the most common closure reason.	small services face higher costs relative to larger services. BUSINESS SUSTAINABILITY FOR PROVIDERS **Kindergartens** • Due to KTCA, Kindergartens have higher funding rates than all other service types – on average, 8% higher than education and care funding rates. • Kindergartens have consistently displayed lower teacher turnover – in 2024, the turnover rate for permanently employed certificated teachers in kindergartens was 5 percent, compared to 16 percent for education and care services, and 10 percent for teachers working as home-based co-ordinators.	• The Annual General Adjustment adjusts the CCS, ELP, and GCAP rates each year to account for the cost of living (CPI). • However, a main issue identified by parents during the 2022/23 Review of Childcare Assistance was that CCS rates had not kept pace with childcare costs. • As part of this work, on 1 April 2023 the income thresholds for Childcare Assistance (CCS and Out of School Care and Recreation (OSCAR) Subsidy) were increased to account for growth in the net average wage (a "catch-up" increase).[1] Until this point the income threshold had been frozen since 2010, which meant the thresholds had eroded significantly relative to general inflation and wages, and fewer families were eligible for support. • The total appropriation for Childcare Assistance in Vote Social Development for the 2024/25 financial year is approximately $183 million with a forecasted actual spend of $170 million. • MSD's childcare assistance products in scope of the ECE Funding review are the Childcare Subsidy, Early Learning Payment and Guaranteed Childcare Assistance Payment. • MSD also administers the OSCAR Subsidy and Flexible Childcare Assistance, which are out of scope.

	teacher pay step between kindergarten associations. • Kindergartens serving vulnerable communities can be subject to large funding reductions due to the application of absence rules, which risk the additional services that are often offered in these kindergartens (e.g. food or transport). • Kindergartens in rural or remote areas struggle to access kaiako in both permanent and relieving roles. • System doesn't support quality outcomes. • The funding band for 100% certificated teaching teams should be retained. • Lack of Crown land made available, rent-free, to community-based services. • Insufficient Crown funding for property maintenance. • Lack of capital funding and support for the establishment of new kindergartens in communities where there is population growth. **Home-based services** • There was an increase in home-based closures over the 2020-2024 period, likely due to Covid and closure of several large providers, some due to regulatory non-compliance) but this has slowed recently. • Funding increases do not meet the fixed costs of home-based services nor adequately scale with inflation. In their view, this stems partly from the differences between home-based costs and those faced by the wider ECE sector. • 20 Hours ECE limits educators' ability to set their own rates as self-employed contractors, and they do not see current funding as adequate to provide "free" 20 Hours ECE. Allowing educators to charge top-up fees was introduced from June 2024 to help address this. • They must compete with teacher-led services for certificated teachers to fulfil their person responsible requirements, but do not receive pay parity funding to compete with centres' pay parity salary scales. • Various operational requirements impose costs – e.g., persons responsible must be	• 2020-2025 saw the number of voluntary closures of ECE services increasing to 54%, in comparison to 35% in 2015-2019 has been a greater number of closures in teacher-led ECE services during • Between 2020-May 2025, a declining roll was the second most common reason for a service to close at 17% - down from 36% in the 2015-2019 period. • The number of closures due to financial reasons has dropped slightly from 11% (2015-2019) to 8%, which typically involve liquidation or receivership. • Between 2020-2024 there were more closures than there were new services opening. This was across all service types. • More closures than new kindergartens in 2020-2024. Inverse for previous years though we see number closed has increased over time (2000-2010-2019). Total service grew due to changes in ownership from ed & care to kindergarten. • Ed & care also increase closures over time, with a marked drop in new services opened in 2020-2024. ANNUAL ENTERPRISE SURVEY – PROFIT/LOSS • The average net profit/loss before tax for all pre-schools for the financial year ending 2024 was $60,300 profit. Data sourced from Statistics New Zealand's IDI estimates (experimental linking at provider level) that the median net profit/loss before tax by provider was: ○ **Education & Care:** $12,488 ○ **Kindergarten:** a loss of $1,408 ○ **Homebased:** $273,103 ○ **Playcentre/playgroup:** $27,072		

	available all hours children attend the service; all living in a home where education and care taking place must be police vetted. • Once an educator's income exceeds $60,000 p.a. they must be GST-registered and switch from the standard costs model to the actual costs model, which requires them fully record actual income and expenditure. Educators using the actual cost model may pass the additional costs of paying GST onto families through increasing their fees.			
Access (other/ non- cost-related)	LABOUR MARKET PARTICIPATION • Tension between maintaining traditional models (such as six-hour days) and meeting the needs of working families who require longer or more flexible hours. • 20 Hours ECE no longer aligns with modern labour market patterns and rules create barriers to access, reduces choice and limits workforce participation. • The 6-hour daily cap limits how families can use their 20 hours, making it difficult to structure care around work schedules. ISOLATED AND RURAL COMMUNITIES • Limited access to ECE services nearby meaning families often travel long distances, sometimes up to 120 km per day • Transport and fuel costs can be a barrier for families especially where public transport or van services are unavailable. This also restricts access to bilingual or culturally anchored services • Lack of diversity of provision • Seasonal enrolments and attendance volatility caused by farming cycles • Remote areas sometimes rely on playgroups rather than licensed ECE, but funding barriers make it difficult to maintain these networks even where demand exists	TRANSPORT AND TRAVEL • Average and median distances are for rural areas are 3 km further than small urban areas, and around 6 km further than major urban areas. • Travel times for rural areas are on average 3 minutes longer than urban areas. • Slightly higher average distance and travel time for EQI 3-5 (around 4km and 6.4mins) compared to EQI 1-2 (3.4km and 5.9mins). EQI >5 have longest average distance and average – around 5km and 7.2 minutes. LICENSED PLACES • Home-based services have the highest median licensed places (including for under 2s – at 60, significantly greater than other services which range from 8 to 17 (0 for kindergarten)). • Greatest spread in service's licensed places is for ed & care services at 5-150. Playcentres are the smallest, followed by casual ed & care services and hospital-based services. SUPPLY Service type growth has varied • Significant expansion of ed & care services from ~2002 (1k between 2002 and 2024), though has fallen since peak in 2021. • Steady growth in kindergartens (~68 more services in 2022 to 2024)	SUPPLY • Motu Economics found many mothers whose young children are not in childcare due to a lack of access report being prevented from working by childcare access issues. LABOUR MARKET PARTICIPATION Non-standard hours of work access • Just over a fifth of mothers whose children are not in care due to access issues do work, and some mothers whose children are in care still report they are unable to work due to childcare issues, in part because childcare providers do not cater well to the nearly 50% of working mothers of young children who work irregular hours • Some mothers whose children are in childcare still report they are unable to work due to childcare issues. This suggests childcare availability may not be sufficient to enable mothers to work, and longer hours or more flexibility of childcare is also required. LICENSED PLACES FOR UNDER 2s • 100% of Playcentre, Home-based and Hospital-based services are licensed for under 2s, where 99% of Kōhanga Reo services, 82% of Ed and Care, 67% of Casual Ed and Care, and 8% of kindergartens offer places for under 2s.	

	SUPPLY • Land costs in regions like Queenstown further constrain service expansion	• Home-based and casual ed & care has seen decreases. Home-based saw growth between 2002 and 2021 before falling closer to 2007 numbers in 2024. • Parent-led services have decreased. • Home-based early learning licences nearly halved from 2016 to 2024, with the number of home-based educators decreasing by 62%. The drive for educators to become qualified is a main factor.		

2. Contrasting and consistent views and evidence

Contrasting views and evidence

Affordability

- The high cost of ECE was noted as a barrier for engagement participants, this aligns with the data. However, cost as a barrier is unique as each household has a unique structure, income, work arrangements, and demand for ECE. The amount of ECE you require, for how many children, whether you're a dual income household, or a sole parent, and where you live (where you live impacts on incomes, cost of living, ECE cost, housing costs, and availability of services), has a significant impact on whether it's 'affordable' to that household or not. ECE is affordable for some households – dual-income households who only wish to use a small amount of ECE, or those in receipt of full subsidies. However, as soon as you start requiring full-time ECE care this is highly unaffordable to the average household.

Sustainability

- Stakeholders expressed concerns about long-term viability of services under current settings and have commented that financial strain has led to more service closures (particularly smaller providers). Data does show an increase in the number of services that closed in the 2020-2024 period compared to 2015-2019 (585 compared to 310). The bulk of closures were in the home-based sector in the first part of the 2020-2024 period, with COVID impacts and increased qualifications requirements as likely drivers. However, financial viability was the primary reason for closure in only a small number of services (8% in 2020-2024).
- Services have commented that pay parity has negatively impacted on viability, however MoE data indicates that most services have voluntarily opted into the extended and full party schemes. This may be so they can be competitive when recruiting staff, but we would expect financial viability to also be a consideration when making decisions about opting into pay parity.
- Some kindergartens reported relying on fundraising donations to remain viable – not sustainable in long term. However, many kindergartens elect not to charge parents fees. Within the co-funded model for ECE, there is an expectation that parents will contribute to the cost.

Consistent views and evidence

Enhancing participation

- Engagement indicated respondents believe 20 Hours ECE no longer reflects modern work or family needs and that this impacts ECE attendance and participation. This is consistent with the gradual downward trend of 3-4-year-old attendance as a proportion of that age population (since an initial uptick in participation following the introduction of 20 Hours), and the higher fees charged for subsequent hours.

Affordability

- Engagement respondents emphasised cost as one of the biggest barriers to participation. OECD data shows New Zealand ranking as the 19th least affordable country for childcare costs out of 22 countries, with our net childcare costs also ranking higher than the OECD average.
- Service providers noted that 20 hours funding does not cover the cost of delivering the service leads to many centres requiring families to enrol for more than 20 hours per week, effectively meaning parents cannot access any free hour of ECE unless they pay for some hours. Engagement results reveal that this creates tension between services and parents, as many parents assume 20 hours ECE means fees-free.
- There is general agreement that the level of subsidy provided by Government is insufficient to cover the cost of delivering ECE, and that the variable nature of adjustments to ECE / childcare subsidies over time have meant that their value has eroded over time. This needs be seen in the context of co-funding by government and parents as a core principle and design element of the ECE funding system. However, as the value of government funding has reduced, parental fees are likely to have increased in order to cover the costs of delivering ECE services (we do not know this for sure because of the limited fees information collected by government).
- Engagement showed that the cost of ECE can trap parents in welfare and limit workforce participation, reinforcing cycles of disadvantage. This is echoed by the MSD finding that for those on lower incomes, there are periods where working more hours does not increase net earnings, as they lose more in income support than they gain from employment income.

Sustainability

- Service providers stating 20 hours funding does not cover the cost of delivering the service is consistent with data showing the real decline of this subsidy. Wider engagement feedback indicating increasing cost challenges for services also converges with the data showing growth in average expenditure for preschool education increasingly outpacing CPI.
- Engagement stressed that Frequent Absence Rule creates financial instability and can hurt services, while declining attendance creates a funding loss spiral. MoE advice to the MAG identified Kindergarten sector concerns including the risk to kindergartens serving vulnerable communities, which can be subject to large funding reductions due to absence rules.
- Engagement findings note services often compromise on quality and workforce to remain viable – Kindergarten sector concerns listed in MoE advice to the MAG also specifically reflect this, reference a lack of funding support for quality outcomes and 100% certificated teachers.
- Stakeholders noted equity and targeted funding are insufficient to meet the needs of rural isolation and high-needs children – consistent with real value decline of targeted funding administered by the Ministry over time.
- Common theme between engagement and data of a lack of qualified teachers, particularly in rural and isolated areas.

Access

- Apparent in both data and engagement findings is the need for a funding system that supports the childcare needs parents/caregivers with non-standard working hours.
- Significant distances to ECE services have been found/reported for some in rural communities.
- The differing growth patterns in service types is consistent with engagement's reported lack of diversity in rural and isolated communities.

3. Insights/considerations

The following insights material alludes to options or changes that could be made to address the insights and issues considered in this report. Please note, these are included as examples only and do not constitute Ministry advice. Options to address problems and issues will need to be considered, analysed and assessed alongside a full spectrum of policy options at the appropriate time. The following sections include examples only and do not constitute the full range of options that could be considered for change

- Affordability, access, ECE participation, labour market participation, and sustainability of the funding and pre-school ECE business model are all intrinsically linked.
- ECE must be both low-cost, accessible, and have flexible operating hours suitable to full-time employment to enable parents to engage in the labour market.
- There are very limited services available for parents who work irregular hours or shift work this prevents both ECE participation and labour market participation.
- Parents not being able to afford suitable childcare is a barrier to employment. Not being employed prevents parents from being able to afford childcare. This contributes to a poverty trap. It keeps children, who would most benefit from ECE, out of ECE and it keeps parents out of work.
- Funding for 20 Hours ECE no longer covers the cost of providing the services. Funding for service providers can act as an income cap, which has negative impacts on the sustainability of the service. This in turn encourages additional fees for parents and contributes to the unaffordability for parents and 20 Hours ECE not being 'free'.
- The gap in funding available to parents of 0–2-year-olds delays parents return to work, and labour market participation which results in stalled careers, and wage-scarring.
- Those from lower socio-economic areas, low-income households are more likely to have trouble affording childcare.
- Subsidies that require parents to work (activity tests) are beneficial for increasing labour market participation. However, they can also be a double-edged sword. Preventing parents from accessing a subsidy before finding employment creates a barrier to being able to take up employment where parents are usure if they will be able to access the subsidy (at all or in time) to enable them to take the job. Knowing that you can secure appropriate childcare is a key need before seeking or agreeing to employment.
- Funding structures for ECE should consider the expectations of the modern workforce and employer which shape their childcare needs. For example, full-time work is much easier to come by than part-time – a full-time job typically requires an 8-hour day, whereas 20 hours ECE caps out a 6. The typical household today requires two working parents to run a financially stable household – this is backed up by the labour force participation rates of partnered mothers and fathers at the 2023 Census, where fathers of young children (aged 0-5) were significantly more likely to be in the labour force than the general male population, and mothers were slightly more likely to be in the labour force than the general female population. The only exception to this was mothers with a child aged less than one.
- While 20 Hours ECE is partially designed to encourage parents into the labour market, the 6-hour cap reduces its effectiveness in enabling meaningful labour market participation.
- Funding for 20 hours can also act as a price cap for services which impacts the sustainability of their business model.
- 9(2)(g)(i) [redacted]
- 9(2)(g)(i) [redacted]
- It's important to understand what is a desired and necessary amount of time that a child should be enrolled in ECE, and at which point children receive the most benefit and if there is a point at which it become detrimental – this is likely to be different for different children and heavily influenced by the nature of the child's home life.
- A modern full-time job generally requires a 40-hour week and an 8-hour day.
- We know that 45% of women with children aged 0-5 work full-time in comparison to 61% for women with older dependent children aged 6-16. It's therefore possible that if ECE was cheaper with operating hours more flexible to full-time work and shift work that the number of women in full-time work may increase to something more in-line to those with older children.
- Based on the results of the parent's survey, we know that the average cost of accessing 40 hours of childcare would cost:
  - $335 a week for 0-2 years old (equal to 27% of the average disposable income after housing costs)
  - $260 a week for 0-2 years old (equal to 19% of the average disposable income after housing costs)
- It's useful to put the above % of household income in the context of the main and most commonly cited definition of affordable childcare from the US Department of Health and Human Services (HHS), in which childcare is considered affordable if it does not exceed 7% of a low-income working household's income after childcare subsidies.
- Consideration could be given to removing barriers/ better enabling non-working parents to access childcare subsidies if they are looking for work.

What (if any) issues are identified that are not in scope for the ECE funding review?

- None of note

What is working well / was not raised as an issue (e.g. positive aspects of the current system the MAG may want to preserve / retain)?

- The concept of 20 Hours ECE is largely seen as positive; however, the design and implementation prevent the intended benefits (aiding affordability, increasing ECE and labour market participation) being fully realised. Additionally, feedback suggests that the 6-hour cap no longer reflects the realities of the modern labour market.
- 9(2)(g)(i), 9(2)(f)(iv) [redacted].
- 9(2)(g)(i), 9(2)(f)(iv) [redacted]
- Working parents can receive the CCS for up to 50 hours. However, if you're not working you can only receive 9 hours. Consideration could be given to exploring if this creates a barrier into work for those open to work.

What connections are there between the issues in this area, and other aspects of the MAG's ToR?

- Equity and targeted funding directly impact on access for families, and affordability for both families and providers.

4. Information gaps

- The affordability paper is still being developed.
- The equity and targeted funding paper (which has some links to affordability, participation, access, and sustainability) is still being developed. It will include information on the key issues for each fund, how they're being used, accountability measure, and the impact for services that are receiving multiple funds.
- MSD have said that they do not have any estimates of how many families are entitled to their childcare assistance, to provide an estimate of actual take-up vs eligible population.
- MoE modelling and forecasting team has collected broad figures from the IDI on eligibility for families with 0–4-year-olds (both those with children in ECE, and those meeting the income thresholds not in ECE) – this data is still undergoing review and quality assurance checks.
- This paper discusses ECE attendance with the understanding that more children enrolled in ECE for more hours is preferable. However, we lack comprehensive data around what is both the desired and necessary amount of time that a child should be enrolled in ECE and at which point children receive the most benefit and if there is a point at which it become detrimental – this is likely to be different for different children and heavily influenced by the nature of the child's home life. A quick scan of the literature in this area provides mixed results and an indication that there are both long-term and short-term, positive and negative impacts of no ECE, small amounts of ECE, moderate amounts of ECE and intensive amounts of ECE participation.

20 Hours ECE

- It is difficult to assess the impact of the 20 Hours ECE policy on ECE participation of eligible children. This is because of the range of factors that influence participation. However, a survey of 60 ECE services found that by March 2008, nearly half of services believed their enrolment (total hours for all children) had increased since the introduction of 20 Hours Free ECE – particularly in three- and four-year-old children attending ECE, and for longer days or more days per week.[1]
- There is a lack of comprehensive data on the increased cost of ECE provision by service type over the 18 years since 1 July 2007 in comparison to increases in funding for 20 Hours ECE per child hour.

FamilyBoost

- Data on ECE fees paid per household is not currently exchanged between government agencies and it remains difficult for government agencies to provide advice on overall ECE affordability for parents and caregivers.
- IR could not determine why households with quarterly earnings between $0 and $5,000 (less than $20,000 per year) report higher average fees and receive higher average payments relative to other lower-income groups, as shown in Graph 1.
- FamilyBoost data has limited capacity to generate meaningful insights into fee structures and changes, due to four data limitations:
    - Claimants may enter incorrect figures or make mistakes when inputting information
    - Data does not include the ECE fees of families who either choose not to claim or are ineligible to claim due to the eligibility criteria.
    - Software limitations prevent the extraction of some data

[1] thehub.sia.govt.nz/assets/documents/41472_Early-Effects-of-20-Hours-ECE_0.pdf

- FamilyBoost data does not collect the hours of ECE being used.
- It does not separate invoice amounts out per-child for households with more than one child attending ECE.

Understanding low incomes from FamilyBoost/IRD data

- Around 7,255 families who claimed Family Boost in the quarter ending September 2025 had taxable incomes below benefit levels (as estimated using Treasury's Income Explorer). These can largely be explained due to the fact that Family Boost is calculated using taxable income only. Non-taxable support from the crown like the payments listed below are not included in the definition of taxable income and therefore not used in the Family Boost calculation.

Non-taxable support not included in Family Boost incomes	
Payment	Eligible For
Accommodation Supplement	Rent, board, or home costs
Temporary Additional Support (TAS)	Essential living costs (up to 13 wks)
Income-Related Rent Subsidy (IRRS)	Social housing rent subsidy
Emergency Housing SNG	Urgent housing needs
Child Disability Allowance	Primary caregiver of a severely disabled child
Disability Allowance	Health-related additional costs
Job & Training Support Funds	Supports to stay in/enter employment/training
Best Start	
Family tax credit	
In-work tax credit	
Minimum family tax credit	
Independent earner tax credit	
Winter energy payment	

- The chart below shows the distribution of income sources for those with low quarterly incomes below benefit levels in receipt of FamilyBoost.
- Unlike FamilyBoost income data, the Treasury's Income Explorer includes all benefit entitlements like WFF, winter energy, best start, accommodation supplement, MFTC, IFTC. Therefore, we are able to estimate what the minimum family income would be for families entitled to these non-taxable benefits and use these figures as our estimate household income floor. Therefore, we can estimate using the Treasury Income Explorer data that a single parent with household income below $11,774 is likely not in work. A two-parent household earning less than $15,655.2 would indicate both parents not in work)

Quarterly Income	Main source of income for FamilyBoost recipients, September 2024						
	Benefit	Business income	Student	Super	Wage	Other	Total
0-$5,000	88	103	6		211	332	740
$5,000 to $10,000	5,219	244	74	6	888	84	6,515
$10,000 to $15,000	828	374	88	9	2,608	109	4,016
$15,000 to $20,000	81	496	24		3,738	60	4,399
$20,000 to $25,000	18	542	11		3,943	41	4,555
$25,000 to $30,000	8	652			5,158	43	5,861
$30,000 to $35,000	11	705			6,477	42	7,235
$35,000 to $40,000		612			7,300	19	7,931

$40,000 to $45,000			484			6,409	15	6,908
$45,000 to $50,000			295			4,925	10	5,230
$50,000+			255			4,310	c	4,565
Total	6,253	4,762		203	15	45,967	755	57,955

Source: IRD

What are the implications of these gaps / limitations for problem definition and options analysis.

- FamilyBoost data not including the number of hours used prevents us from knowing the hourly rate that people are paying for ECE. We also cannot tell if a family is paying a lot/very little for ECE whether that's because they are using a lot of hours or very few hours.
- FamilyBoost income data not including non-taxable support, many of which are paid to families with young children, means that we do not know the true household income for these families. This means we are more reliant on the survey results (with much smaller counts) to provide this information.
- MSD not having estimates on those entitled to their subsidies presents challenges for us around estimating uptake.

Source material:

Item 4 - Introduction to the sector.pptx
Overview of Ministry of Education-administered funding Item 6 - Overview of the ECE Funding System.pptx
MSD Childcare Assistance Information pack for 2025 Early Childhood Education Funding Review MAG.docx Slides - MSD presentation ECE MAG.pptx
FamilyBoost background paper for ECE funding review MAG.docx FamilyBoost for MAG.pptx
MoE Sector data overview presentation.pptx
Day 2, Session 16 - Benefits of 20 hours free.docx
Day 1, Session 3 Overview of Home-Based Services.docx
Day 2, Session 17 Kindergartens overview.docx
Day 2, Session 14 - FamilyBoost data.pdf
Day 2, Session 13 - Affordability research presentation for the MAG.pptx
Draft - Initial Overview of ECE Equity and Targeted Funding.docx
Engagement summary
Benefits of 20 hours free ECE for Funding Review MAG copy
Raw data supplied from MSD and IRD in excel formal on FamilyBoost and Childcare subsidies (cost to parents, value of rebate, number of households in receipt)
Draft literature review for December MAG (Part of the affordability paper currently underway)
ECE funding typologies paper for MAG
Ipsos parents survey