ECE Assessment – Unmet demand Analysis

m.e consulting

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1 Introduction

1.1 Objective

This Paper provides a preliminary assessment of Un-met Demand for Early Childhood Education in New Zealand. Note that work is in progress, these findings are preliminary.

1.2 Approach

There is considerable information about the ECE sector and its performance. There is less information about the key interactions and processes within the sector which drive that performance, to draw the knowledge together. There is enough information to track through the key elements of the ECE system, and show their flows and interactions. These elements are:

a. Demand (children by age, their households) and
b. Participation in each ECE Type, and
c. Funding of each ECE Type by source (State, Private).
d. Unmet Demand - the difference between Demand and Participation showing the extent to which Demand is not met.

1.3 Un-Met Demand

The pattern of Unmet Demand is crucial. Identifying the patterns of Unmet Demand starting with scale and location is the key first Step (1), to show the extent, distribution and nature of any shortfalls in ECE sector performance.

This Step provides the basis to explain/account for levels of Unmet Demand (Step 2) taking account of the most likely drivers, including:

a. ECE supply and accessibility limitations
b. ECE charges (gross and net)
c. Household Incomes
d. Household structure (adult numbers employed, not employed, available for child care)
e. General location (TLA and LBA)
f. Local economy conditions especially work opportunity.

Served Demand and Unmet Demand can be examined individually and jointly to help identify the effects of these likely drivers, including location (see below).

The third step is to use this analysis of Unmet Demand to identify how changes to the ECE (funding) system may be expected to help reduce Unmet Demand and achieve wider MAG objectives.

2 Methodology

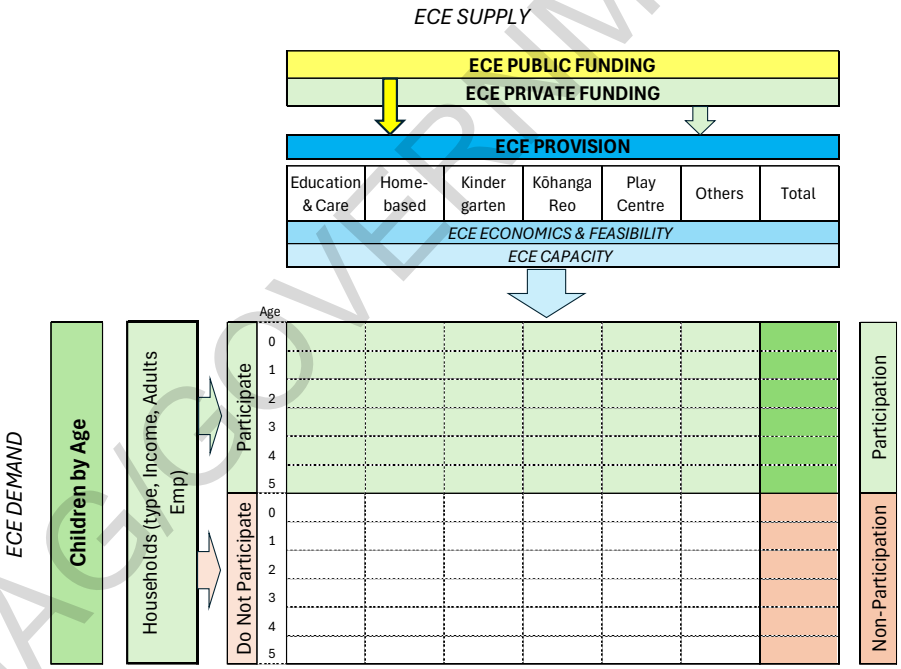
2.1 Evaluation Framework

The Evaluation Framework which combines the key elements is relatively straightforward, since the structure of the ECE system is detailed rather than complex. The Framework combines the elements, and tracks these through the key flows in the system.

a. **Children** – the flow from basic Demand (N of children by age band in the household) to Participation in ECE facilities of each type. The Unmet Demand is the difference between Total Demand, and Participation in ECE.
b. **Parents/Households** making the decision to send (and fund) their children to ECE.
c. **ECE supply** – ECE outlets of each type in each market (TLA), and key business parameters.
d. **Funding** – flows from each State and Private sources to each point in ECE supply network, for MInEd, MSD and IRD funding or rebates, and householders' private funding.

The system is represented in Figure 2-1, reflecting a simplified demand-supply (origin-destination) structure.

Figure 2-1 - Model Structure



There is substantial information to inform the key interactions, in particular:

i. Demand side – detail by Household income and by Household / adult participation in the workforce. This provides the link to the size of the potential FMB rebate $; and indicates households' ability to pay, since both are based on income levels.

ii. Supply side – indicates feasibility of ECE operations according to total Demand in the market and level of competition (noting that while there is information on the performance of the mainstream types in the ECE sector, however there is less information on the minor types, and some Participation occurs outside the mainstream, and risk of under-estimating sector total performance).

This Framework has been used to identify the patterns of Unmet Demand, within a Demand-Supply structure. The relevant detail helps show and inform the patterns of Unmet Demand relating to the key demand and supply side influences.

2.2 Demand Side

There are several elements to the demand side:

i. base level is children in each age band eligible for ECE, the 0-5 years olds
ii. the households of these children with responsibility for entering them in the ECE system
iii. demand for ECE facilities of each type

2.3 Supply Side

2.3.1 ECE Sector – Supply Side

There is information from IRD and StatsNZ on ECE entities performance as businesses, mainly at regional or national level. The demand-side (Participation) data offers good insight on supply relative to demand to suggest under- or over-provision of capacity.

2.4 Other Drivers

The patterns of Unmet Demand will provide guidance on other influences, including:

a. from Parents' choices - ECE facilities are available, and affordable but ECE option not taken (including for reasons of preference).
b. from Parents' circumstances - ECE facilities available but not affordable, so the ECE option is not taken.
c. from supply side shortfalls (not enough ECE facilities/capacity available, and/or insufficient funding, and/or insufficient staff, market won't support required fees).

2.5 Location is Critical

An important matter is that the scale and nature of Unmet Demand can be expected to vary considerably by location (TLA and LBA). The national pattern is the sum of the TLA and LBA locations (there is minimal prospect of transfer among locations), accounting for Unmet Demand and strategies to improve performance need to take account of regional and city/district variations.

3 Unmet Demand for ECE

3.1 Total Potential Demand

Conceptually, total potential demand for ECE arises from all children in the 0-4 age bands. In any population there will be a share for whom ECE is not a feasible option, however the total Census population figures are a suitable starting point. For this assessment, we have taken the 2023 Census figures, for comparison with the ECE statistics for the 2023 year. There are options to use the 2024 or 2025 years, for comparison with population estimates adjusted for known shifts and trends. The Census and other StatsNZ figures are as at June 30 (a point in time), and the ECE figures are mostly for the calendar year. While some potential error is recognised from the time frames, these are not considered material.

Table 3-1 shows the numbers of children by age band in New Zealand from Census 2023. In total, the Census shows 302,300 children aged in the 0-4 year band, with 56,500 to 62,500 in each age band. These 302,300 children were members of some 230,740 resident private households, with on average 1.31 children in the 0-4 age band per household. The table shows the proportion of households of each type, with some 71% of households with children in the 0-4 band being 2-parent households with 1-2 children, or 3+ children, Some 14% were one-parent families, and 12% were multi-family households.

Table 3-1 - Children by Age Band and Household Type New Zealand 2023

HOUSEHOLD TYPE	CHILDREN BY AGE						HOUSEHOLDS		
	0	1	2	3	4	Total 0-4	Hhlds with 0-4	Share %	Mean 0-4 per Hhld
A One-Person Household	-	-	-	-	-	-	-	0%	-
B Couple Only Household	-	-	-	-	-	-	10	0%	-
C 2 Parents with 1 to 2 Children	32,471	35,223	31,445	30,940	29,164	159,240	127,452	55%	*1.25*
D 2 Parents with 3 or more Children	9,278	10,492	11,723	13,673	15,310	60,480	40,493	18%	*1.49*
E One Parent Families	5,824	7,607	8,149	9,032	9,980	40,590	31,634	14%	*1.28*
F Multi-Family Households	7,822	8,003	7,174	6,755	6,390	36,140	26,956	12%	*1.34*
H Non-Family Households	-	-	7	7	7	20	29	0%	*0.72*
X Not elsewhere included	1,149	1,176	1,153	1,146	1,180	5,800	4,170	2%	*1.39*
Total	56,550	62,500	59,650	61,560	62,030	302,290	230,740	100%	*1.31*

Source: NZ Stat, Market Economics 2025

Table 3-2 shows the numbers of children by age band by household income (values in $2023 terms). The table shows the largest income band was $100-200,000 accounting for 46% of households, with another 17% at incomes of $200,000 or more, and 16% with incomes in the $70-100,000 band. Some 20% of households with children in the 0-4 band had incomes of less than $70,000.

Table 3-2 – Number of Children by Age Band by Household Income New Zealand 2023

HOUSEHOLD INCOME	CHILDREN BY AGE						HOUSEHOLDS		
	0	1	2	3	4	Total 0-4	Hhlds with 0-4 yo	Share %	Mean 0-4 per Hhld
A Up to $20,000	2,370	2,707	2,738	2,806	2,711	13,330	9,793	4%	*1.36*
B $20,001 to $20,000	1,173	1,446	1,360	1,603	1,664	7,250	5,469	2%	*1.32*
C $30,001 to $50,000	3,222	3,764	3,741	4,146	4,334	19,210	14,611	6%	*1.31*
D $50,001 to $70,000	4,382	5,394	5,057	5,387	5,340	25,560	19,107	8%	*1.34*
E $70,001 to $100,000	9,063	10,526	9,486	9,667	9,759	48,500	36,384	16%	*1.33*
F $100,001 to $200,000	26,934	28,229	26,910	27,118	27,190	136,380	105,493	46%	*1.29*
G $200,001 and over	9,346	10,386	10,308	10,778	11,007	51,830	39,679	17%	*1.31*
H Not stated	61	48	51	44	38	240	205	0%	*1.18*
Total	56,550	62,500	59,650	61,560	62,030	302,290	230,740	100%	*1.31*

Source: NZ Stat, Market Economics 2025

Table 3-3 shows the numbers of children by age band according to the workforce status of adults in the household. This is from a customised dataset from NZ Stat, which identified 9 core household types according to the numbers of adults and their workforce participation/ status at the time of Census 2023. This was based on whether the household had one adult, or two or more adults, and the status of those adults according to how many were engaged in the workforce ('working') as none, 1 or 2 working, and whether they were engaged part-time or full-time. There are necessarily approximations in the Census data as not every adult or pair/group of adults in a household will necessarily match the categories exactly. However, the definitions were designed to capture all adults in the household to give complete coverage, with those adults categorised according to the closest match with the employment categories. we are comfortable that the dataset offers a sound approximation of adults' workforce status at Census 2023.

Table 3-3 – Households of Children by Age Band and Workforce Status of Parents 2023

WORKFORCE STATUS OF ADULTS	CHILDREN BY AGE						HOUSEHOLDS		
	0	1	2	3	4	Total 0-4	Hhlds with 0-4 yo	Share %	Mean 0-4 per Hhld
A 1 adult not working	2,649	3,096	3,174	3,161	3,106	15,190	11,075	5%	*1.37*
B 1 adult working PT	269	580	733	927	1,132	3,640	3,018	1%	*1.21*
C 1 adult working FT	655	1,074	1,367	1,776	2,196	7,070	5,847	3%	*1.21*
D 2+ adults, none working	3,928	3,768	3,645	3,754	3,614	18,710	13,660	6%	*1.37*
E 2+ adults, 1 only working PT	1,487	1,548	1,555	1,616	1,705	7,910	5,993	3%	*1.32*
F 2+ adults, 1 only working FT	21,318	13,752	13,557	13,520	12,456	74,600	53,528	23%	*1.39*
G 2+ adults, 2+ working PT	488	621	614	719	723	3,170	2,468	1%	*1.28*
H 2+ adults, 1+ working PT & 1+FT	9,581	16,012	14,198	14,839	15,467	70,100	53,840	23%	*1.30*
I 2+ adults, 2+ working FT	16,118	22,003	20,762	21,195	21,597	101,680	81,106	35%	*1.25*
J Household Comp unident	61	48	51	44	38	240	205	0%	*1.18*
Total	56,550	62,500	59,650	61,560	62,030	302,290	230,740	100%	*1.31*

Source: NZ Stat, Market Economics 2025

Key patterns evident in the table are that some 59% of households with children in the 0-4 band have 2 or more adults working, including 35% with both adults working full-time, and 23% with one adult working full-time and one working part time.

Another 26% of households with 2+ adults have one working full-time (23%) or 1 working part time (3%). Some 4% of households have 1 adult working full-time (3%) or part time (1%). Overall, the Census data indicates that

11% of households with a child(ren) in the 0-4 age band are 2 adult households with neither working (6%) or a 1-adult household with the adult not working.

This information is important to indicate the potential numbers of households where changes to support greater up-take of ECE services might have impact on the workforce status of the adults responsible for the care of the children. We note that the dataset takes no account of other parameters of these households, such as the role of grand-parents and other family members. The dataset was commissioned to specifically address key matters around the purpose of the MAG enquiry, relating to the affordability of ECE, and potential demand elasticities.

We also note that the table shows the pattern for New Zealand as a whole, and has not been further differentiated here according to household income levels. That said, the dataset is a comprehensive one, and offers further detail according to household income levels and household types. For example, it can identify a table the same format as Table 3-3 which shows households in the $30-50,000 income band only, or the $50-70,000 income band.

It important to note that the Census data is unlikely to directly match analysis which draws from the IRD datasets, or the MSD data. That said, it offers a sound approximation and opportunity to utilise together with the IRD and MSD information to help inform the research findings.

3.2 Current Demand for ECE Services

3.2.1 Total Participation

There is substantial information available on the ECE sector. For this analysis of Unmet Demand, we have focused on the current levels of participation in ECE facilities. The assessment is based on the 2023 ECE statistics, to offer the closest potential fit with the Census 2023 figures. However, the available ECE data includes 2024 and 2025 figures, as well as more than two decades previously.

Table 3-4 shows the numbers of children enrolled in ECE facilities by age band for 2023. in total the participation figures show 236,180 children enrolled in ECE Facilities, including 231,720 in the 0-4 age band.

Table 3-4 - Children Enrolled by ECE Type and Age Band 2023

Age	All ECE 2023	Education & Care 2023	Home-based 2023	Kindergarten 2023	Kōhanga Reo 2023	Playcentre 2023
0	11,622	6,563	1,107	74	402	3,476
1	37,953	30,450	3,037	393	1,727	2,345
2	52,401	39,699	3,038	5,253	2,142	2,185
3	63,169	44,803	2,606	11,824	2,156	1,641
4	66,578	45,537	2,213	15,491	1,780	1,397
0-4	**231,720**	**167,050**	**12,000**	**33,040**	**8,210**	**11,040**
5+	4,457	3,133	196	911	-	177
Unknown	-	-	-	-	-	-
Total	236,180	170,185	12,197	33,946	8,207	11,221

Source: Ministry of Education 2025

Table 3-5 shows the high-level comparison of Census 2023 figures of children by age band, and participation in ECE for 2023. The total number is recorded as participating in ECE facilities for 2023.

In total, the figures indicate a high level of participation nationally. Overall, the indicted participation of 231,720 children indicates a mean 77% level of participation.

However, for the age bands of 2 years and over, the participation level is very high, with participation at 88% in the 2-3 age band, and exceeding the population estimates in the 3-4 and 4-5 age bands.

There is clearly some imprecision in the figures, reflecting the likelihood that the age categorisation in the ECE figures for the 2023 year does not match the Census figures which are 'point in time' (June 2023). That does not mean the ECE figures are not correct, it simple reflects the 'fuzziness' of data when comparing information from different sources. (The heading 'Difference' is deliberately not labelled as Un-Met Demand).

The key point is that the data is showing a very high level of participation in the ECE sector in the 2 years and over age bands. The indicated level of participation is around 99% across those bands.

Table 3-5 – Census Population and ECE Participation by Age 2023

Age Band	Census 2023	ECE Participation	Difference	ECE as % of Census
0-1	56,550	11,620	44,930	21%
1-2	62,500	37,950	24,550	61%
2-3	59,650	52,400	7,250	88%
3-4	61,560	63,170	- 1,610	103%
4-5	62,030	66,580	- 4,550	107%
Total (0-4)	**302,290**	**231,720**	**70,570**	**77%**
Total (2-5)	*183,240*	*182,150*	*1,090*	*99%*

Source: Ministry of Education 2025; NZ Stat 2025

3.2.2 ECE Participation by Number of Hours

It is important to examine the detail which underlies the big picture. The high levels of participation might indicate *prima facie* that the ECE sector has limited scope for change.

However, the statistics show participation at all in terms of numbers enrolled, rather than the uptake of total ECE capacity. For this, we have examined the levels of participation in terms of the number of hours per week. The available data on this is drawn from the annual Early Childhood Education Census, which represents one week, typically the last week of June. We have assumed that the ECE Census data represents the position across the year provides a sound indication of households' uptake of ECE capacity.

Table 3-6 shows the take up of ECE hours by type of facility and age band for 2023. Two aspects are important.

One is that the mean hours of attendance are around 23 per week. This suggests that around half of the total weekly capacity is being taken up. There is a high level of participation, in terms of numbers enrolled, but the average level of participation per child enrolled is relatively low.

If we assume the maximum household requirement for ECE and child care is around 50 hours per week (5 days at 10 hours per day), this indicates that household needs are currently being met at a level around half of that maximum need.

Table 3-6 – Take-Up of ECE Hours by Age and ECE Type 2023

Facility Type	Age	10 and under	11-20 hours	21-30 hours	31-40 hours	41-50 hours	Over 50 hours	Total	Total Hours (000)	Mean Hours	As % Max
Education & Care Service	0	928	1,438	1,347	898	457	9	5,077	115	23	45%
	1	2,900	6,624	6,942	4,910	2,758	13	24,147	593	25	49%
	2	3,588	8,952	9,012	6,675	3,434	24	31,685	778	25	49%
	3	3,122	10,747	11,455	7,850	3,035	15	36,224	885	24	49%
	4	2,976	10,604	12,604	8,063	2,761	17	37,025	905	24	49%
	5	294	760	898	459	103	1	2,515	57	23	45%
	Total	13,808	39,125	42,258	28,855	12,548	79	136,673	3,333	24	49%
Free Kindergarten	0	18	19	8	8	3	-	56	1	19	37%
	1	50	122	71	40	9	-	292	6	20	40%
	2	977	1,982	1,015	134	13	-	4,121	68	17	33%
	3	1,364	4,428	3,178	323	21	-	9,314	169	18	36%
	4	1,290	4,893	5,573	488	26	-	12,270	241	20	39%
	5	113	309	279	24	-	-	725	13	18	37%
	Total	3,812	11,753	10,124	1,017	72	-	26,778	499	19	37%
Homebased Network	0	69	125	590	138	34	3	959	24	25	49%
	1	232	530	1,266	384	143	6	2,561	62	24	48%
	2	230	604	1,224	393	133	12	2,596	62	24	48%
	3	173	488	1,120	355	102	4	2,242	54	24	48%
	4	163	476	912	277	70	3	1,901	44	23	47%
	5	15	38	94	13	5	-	165	4	23	45%
	Total	882	2,261	5,206	1,560	487	28	10,424	249	24	48%
Playcentre	0	2,829	11	-	-	-	-	2,840	23	8	16%
	1	1,916	22	-	-	-	-	1,938	16	8	16%
	2	1,829	29	-	-	-	-	1,858	15	8	16%
	3	1,354	38	-	-	-	-	1,392	11	8	16%
	4	1,149	38	-	-	-	-	1,187	10	8	16%
	5	141	5	-	-	-	-	146	1	8	16%
	Total	9,218	143	-	-	-	-	9,361	76	8	16%
Total Facilities	0	3,844	1,593	1,945	1,044	494	12	8,932	163	18	36%
	1	5,098	7,298	8,279	5,334	2,910	19	28,938	676	23	47%
	2	6,624	11,567	11,251	7,202	3,580	36	40,260	923	23	46%
	3	6,013	15,701	15,753	8,528	3,158	19	49,172	1,119	23	46%
	4	5,578	16,011	19,089	8,828	2,857	20	52,383	1,201	23	46%
	5	563	1,112	1,271	496	108	1	3,551	75	21	42%
	Total	27,720	53,282	57,588	31,432	13,107	107	183,236	4,157	23	45%

Source: Ministry of Education 2025

A second key feature is that, apart from play centre attendees, the mean number of hours utilised shows little variation according to the age of the child. Across all facilities in the Census, the mean number of hours taken up is around 23 per week. It is lower for those aged less than 1, however after that the mean hours per week remains fairly stable at around 23 per pupil[1]. This suggests that the pattern of attendance remains relatively stable for children from the time they enrol at age 1-2 through their subsequent years of attendance when 2-3, 3-4, and 4-5. The figures suggest that the number of hours does not increase as the children get older, apart from the jump from the under 1s to 1-2 year olds.

[1] This is based on 8 hours for the Under 10 band, 15 hours for the 11-20, 25 hours for 21-30, 35 hours for 31-40, 45 hours for 41-50, and 55 hours for the Over 50 hours group.

3.2.3 ECE Participation Days

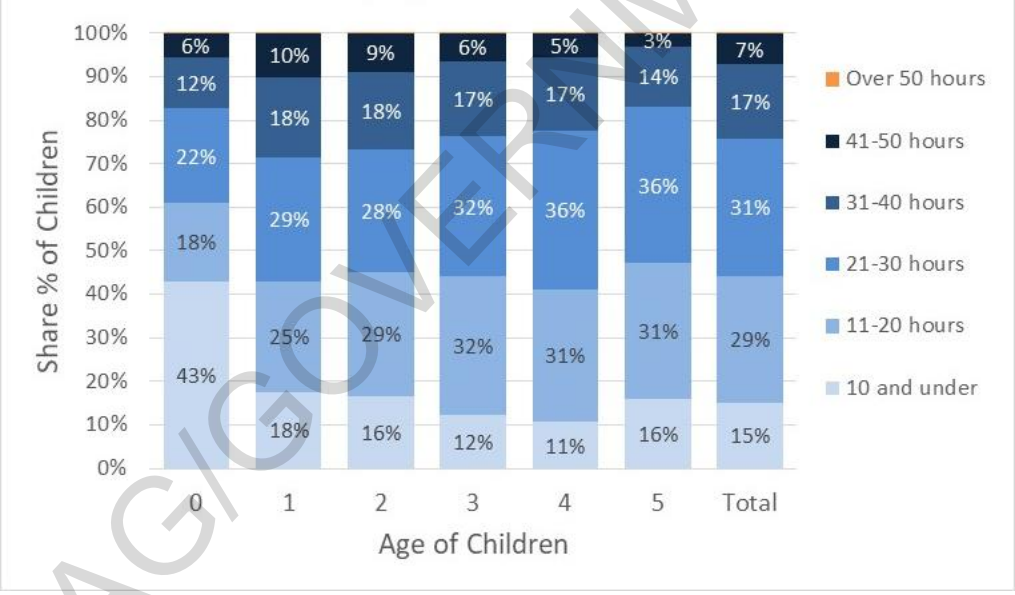
There is no data at this stage on the numbers of days attended. However given the facilities' likely requirements to have children attend for whole days, the number of hours is a good indicator of the numbers of days per week in ECE.

That suggests that less than 10 hours equates to one day per week, 11-20 hours likely 2 days per week, 21-30 hours likely 3 days per week, 31-40 hours 4 days per week, and more than 41 hours 5 days per week. This indicates the hourly patterns would see 15% of children attending 1 day per week, 29% attending 2 days, 31% attending 3 days, 17% attending 4 days, and 7% attending 5 days.

Figure 3-1 shows the hours taken up by children enrolled in ECE Facilities by age band for 2023. This does not include Kohanga Reo. The pattern is similar across each type of ECE facility (Education and Care, Free Kindergarten, Home based Network, and Playcentre).

The attendance patterns have important implications for the indicated balance of time for parents to participate in the workforce while their children are in ECE. The attendance data suggests that 15% of parents would have 1 day per week available for employment, 29% would have 2 days, 31% would have 3 days, with around 17% having 4 days, and 7% potentially able to work 5 days. The effect of ECE costs on this is not known.

Figure 3-1 – Hours by Age Group – All Facilities 2023



3.3 Some Implications

The main implication of these attendance patterns is that the potential to increase ECE parents' time in employment is encouraging them to utilise more hours and more days of participation. The gross participation rate in ECE is high, but the average utilisation of ECE capacity is not.

Where affordability is a main issue, it seems likely that the sensitivity is to the total weekly cost of ECE, as distinct from the average cost per day.

The survey results are expected to cast considerably more light on this.

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