Centre for Future Work

The Real Cost of Profit

Markets and profit in early childhood education and care

Fiona Macdonald and Matt Saunders, July 2026

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SECTION 1

Executive summary

The Australian Government has committed to achieving a high-quality universal early education and care (ECEC) system. Yet there remain persistent and serious problems in Australia's ECEC system that must be addressed for this goal to be met.

Increasingly, the market basis of the ECEC system, and the presence of for-profit providers in a universal ECEC system, are being questioned.

In this report we examine the recent performance of Australia's ECEC system, its market basis and, in particular, the role and performance of the private-for-profit ECEC providers who deliver the majority of the largely publicly funded ECEC services. We also consider the economic benefits that can be gained from publicly funding ECEC that is delivered only by not-for-profit and government owned and managed services rather than by for-profit services as well.

We find that the private-for-profit dominated ECEC market is at the heart of many problems of lack of equitable access to ECEC services in the regions, in lower socio-economic areas, for first nations communities and for children with diverse needs. The marketised system is also at the heart of the failures of the system to consistently provide safe and high-quality education and care to all children.

Overall, private-for-profit services perform more poorly than not-for-profit services. Among the large corporate for-profits, there are indications that shareholders may be prioritised over children's well-being.

We find it makes better economic sense to invest public funds on not-for-profit and government ECEC provision than on for-profit provision. The wider economic impacts from public funding going to ECEC provided *only by not-for-profit organisations and public providers*, would be, at a minimum, $1.2 billion more in 2026 than it is the current provider mix that includes a majority of for-profits.

Findings include:

Access to affordable ECEC remains a problem

Current government reforms are having some positive impacts on problems in the ECEC system, including workforce shortages. However, reforms do not directly tackle core problems that are embedded in the market approach and the heavy reliance on for-profit providers.

ECEC remains unaffordable and/or inaccessible for many families, especially those in disadvantaged areas. Lack of access to affordable care continues to hold back women's workforce participation.

Quality and safety problems persist, with some ECEC services performing poorly over long periods.

The ECEC workforce is under increased pressure

Pay increases for ECEC workers have improved jobs, increased workforce stability, and addressed some workforce shortages, but shortages and understaffing persist.

New demands and pressures on ECEC staff arising from reforms, especially efforts to address safety concerns, are contributing to ongoing pressure, overwork and burnout. There is inadequate or no additional resourcing to support staff while they face higher workloads and increased risks.

For-profit providers are key contributors to ongoing affordability, quality and safety problems

Over half of ECEC services (54%) are operated by private-for-profit businesses. There is a very high reliance on private for-profits that, overall, are less reliable, provide poorer quality education and care, and create poorer jobs for educators, including with poorer training and work environments.

ECEC remains unaffordable or inaccessible for many families. For-profit providers have consistently increased their fees when the government increases the child care fee subsidy, undermining the government's intention to increase affordability by reducing families' out-of-pocket expenses.

On average, not-for-profit ECEC services outperform for-profit services by providing higher quality ECEC (generally at lower prices), paying higher wages, employing more experienced staff, retaining staff longer and by being more likely to deliver ECEC in under-served areas and disadvantaged areas.

The market-basis of ECEC is at the heart of systemic problems

Reliance on the market has failed to deliver ECEC services in locations and to families that need access to services.

The evidence indicates that profit margins are prioritised by some for-profit providers to the detriment of safe, quality ECEC.

The very largest ECEC providers are all for-profit businesses with one exception. Some of these large ECEC providers are investment vehicles for overseas corporate investors and private equity firms. Their presence in the Australian ECEC sector is because it is an attractive investment option due to the security of guaranteed ongoing government funding. Large for-profit companies shape the overall industry composition and the availability and costs of services for many families.

Not-for-profit ECEC makes better economic sense

Our modelling shows that it makes better economic sense to invest public funds on not-for-profit and government ECEC provision, rather than for-profit provision. The wider economic impacts from public funding on ECEC that is provided only by not-for-profit organisations and public providers, would be, at a minimum, $1.2 billion more in 2026 than under the current provider mix that includes a majority of for-profits.

If the Australia government was to direct current funding for ECEC only to not-for-profit and government providers, this would lead to estimated additional employment of 18,000 positions in 2026. This includes direct jobs in ECEC centres, indirect jobs in the various industries which supply ECEC providers with the range of input goods and services, and induced jobs in downstream consumer industries which benefit from the spending power of ECEC workers.

The increase in GDP from redirection of funding away from for-profits would also increase revenues for governments at all levels by over $360 million.

Looking to the future

For profit ECEC provision has come with unacceptable costs. For-profit provision has increased risks to children's safety and to the quality of ECEC. In addition, as shown by our modelling, it costs in employment, in GDP and in revenue.

A successful transition to a universal high-quality ECEC system requires secure and adequate investment in children's wellbeing and futures. A universal ECEC system reshaped as a public good would not leak public funds to private profit.

SECTION 2

Organisation of this report

High-quality and safe early education and care is critical for children, families and the community. Recognising this, the Australian government has made a commitment to build a universal ECEC system that provides safe and quality education and care to all children,

This political commitment represents an important policy shift to recognise the value of early education and care, including its significance for children's development and wellbeing in the longer term. In the context of this new commitment, in this report, we examine the state of Australia's ECEC system to consider the prospects for achieving universal safe and quality education and care through the Australian government's current reform process.

Our focus is on the market basis of the ECEC system and the system's high reliance on provision of ECEC services by private for-profit businesses. These aspects of Australia's system have been linked to serious problems with the ECEC system in multiple inquiries and reviews and are evident in ECEC data.

The report is organised as follows. The next section serves as an introduction to early childhood education and care and to the Australian system and its problems. After that we describe the government's recent reforms directed to their ambition of a safe and quality universal system. We then turn to consider the evidence of ongoing problems in ECEC.

In the later sections of the report, we consider the evidence of the links between the market basis of the system and its reliance of private-for-profit ECEC providers and ongoing problems of affordability, access, quality and safety. We then model a scenario for a public ECEC system in which provision is via not-for-profit and government providers only. We find there are considerable economic and employment benefits in public funding ECEC provided by not-for-profit and government providers only.

SECTION 3

Achieving high-quality universal early childhood education and care

The benefits of high-quality ECEC for children and communities are multiple and substantial. Benefits include better developmental outcomes, physical and mental health, educational attainment (including higher post-school qualifications) employment and earnings, and lower likelihood of interaction with the justice system.[1]

The children who benefit most from participation in quality ECEC are those who experience disadvantage or vulnerability.[2] Research has shown gains in cognitive function, language and social-emotional development and improved long-term outcomes are some of the benefits of ECEC accruing to these children.[3]

Positive long-term outcomes for children generate significant economic benefits. Modelling undertaken in 2019 showed the long-term economic costs of not intervening early to support children in Australia, including through ECEC, were up to $18.8 billion.[4]

Access to affordable, safe and high-quality ECEC is critical for enabling parents' workforce participation and for economic equality for women. Modelling of the economic benefits flowing from women's increased workforce participation under various scenarios for a universal, low-cost ECEC system has shown additional annual tax revenue of $2.9 to $3.2 billion and GDP increases of $6.2 to $27 billion from parents working more hours.[5]

The quality of ECEC matters to outcomes for children. It is now widely recognised that quality is highly dependent on workforce capability and stability. Child development, learning and well-being are linked to working conditions and staff development, making investment in the workforce key to higher quality ECEC.[6] In Australia, investment in the ECEC workforce is also investment in better economic opportunities for women who make up 91% of the large and growing ECEC workforce. As with other

[1] Centre for Policy Development (CPD) *Starting Better. A Guarantee for Young Children and Families* (CPD, 2021), 22, 52-54; Productivity Commission, *A Path to Universal Early Childhood Education and Care*, Inquiry report – *Volume 1*, (Productivity Commission 2024).
[2] Productivity Commission. *A Path to Universal Early Childhood Education and Care*.
[3] OECD, Starting Strong: Transitions from Early Childhood Education and Care to Primary Education, (OECD Publishing, 2017).
[4] Co Lab and the Front Project *How Australia Can Invest in Children and Return More*, (Co Lab, 2019).
[5] CPD, Starting Better, 55; Wood, D., Griffiths, K. & Emslie, O. *Cheaper Childcare*, (Grattan Institute, 2020).
[6] OECD, *Starting Strong*. See also Australian Competition and Consumer Commission (ACCC) *Childcare Inquiry Interim Report*, (ACCC 2023), 88.

female-dominated care sectors, the work of ECEC educators and teachers has been undervalued and jobs are low-paid.[7]

Multiple government inquiries and reviews conducted over 2023 to 2026 have reached the same conclusion that the pathway to achieving a high quality universal ECEC system in Australia is to establish regulatory and funding settings that prioritise providers that deliver high quality, affordable ECEC to families.[8] There is also a broad consensus among experts and stakeholders that funding should prioritise providers that 'offer fair pay, decent jobs and supportive working environments to educators'.[9]

So, how is this to be achieved? For one OECD analyst, the important question for Australia is 'how to ensure that increased public subsidies translate into more affordable and available childcare'.[10] The OECD acknowledge there are risks in Australia's weakly governed market-based childcare system and conclude it will be difficult to ensure a 'levelling of the playing field' and prevent the deepening of inequality.[11]

In Australia, ECEC expert Professor Deborah Brennan has argued that, without significant intervention, the domination of the ECEC market by for-profit providers will grow. Brennan points to the Australian government's limited ability to influence broader policy goals while relying on a demand-side approach that links subsidies to affordability for families.[12]

Since coming to power in 2022 the Labor government has implemented some significant reforms towards its goal for universal, high quality ECEC, including some reforms that are directed to supplementing market-based provision and shifting the behaviour of private for-profit providers to be more aligned with goals for safe and quality early childhood learning and care. However, while having some positive impacts, these reforms do not tackle core problems that are embedded in the market approach that relies heavily on for-profit providers.

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[7] Gallagher, The Hon. K. & Chalmers, The Hon. J. 'Women's Budget Statement', *Budget 2026-2027*, (Australian Government 2026), 34.
[8] Brennan, D. 'Supplementary Statement by Professor Brennan' *A Path to Universal Early childhood Education and Care, Inquiry Report – Volume 2* (Productivity Commission, 2024), 336-340; New South Wales Parliament 'Early Childhood Education and Care Sector in New South Wales', *NSW Legislative Council. Portfolio Committee No. 3 - Education. Report no. 55*. (NSW Parliament, 2026); Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, (The Senate Education and Employment References Committee, 2026). Weatherill, J. & White, P., *Rapid Child Safety Review Interim Report*, (Victorian Government, 2026).
[9] Brennan, D. 'Supplementary Statement' (Productivity Commission, 2024). Work and Family Policy Roundtable, Submission to: The Productivity Commission Inquiry into the Early Childhood Education and Care (ECEC) Sector, Work and Family Policy Roundtable, 2023).
[10] Westmore, B., 'Fully Realising the Economic Potential of Women in Australia', *OECD Economics Department Working Papers No. 1793* (OECD, 2024), 19.
[11] Westmore, B., Fully Realising the Economic Potential of Women, 19.
[12] Brennan, D. 'Supplementary Statement'.

SECTION 4

The Australian government's pathway to universal ECEC

In 2025, just over half (50.9%) of children aged 0–5 years attended ECEC services, compared with 42.3% in 2016.[13] Over this period, policy changes have seen the Australian government become the main funder of Australia's ECEC system, although the states and territories continue to hold many key responsibilities. The bulk of funding is via an Australian government subsidy paid to families to reduce their out-of-pocket expenses for the purchase of care.

Since first coming to power in 2022 the Albanese-led Labor government has committed to building 'a universal system where every child is guaranteed access to at least 3 days of high-quality early education, and care is simple, affordable and accessible for every family'.[14] Steps taken towards meeting this objective include a new 3-day guarantee introduced in 2026. This reform removes barriers to subsidised ECEC, discontinuing the parental activity test for receipt of the Child Care Subsidy, a test that made ECEC inaccessible for many families, including many with low incomes.

The new Building Early Education Fund provides grants to 'quality' not-for-profits and state and local governments to build new or expand services, targeting 'priority and underserved markets, including regional locations and the outer suburbs'.[15] This is a positive action to address some of the undersupply of services in regional and remote communities and in communities experiencing disadvantage. The initiative includes provisioning of $500 million for future government investment in owning and leasing some ECEC centres. At present, government-managed ECEC centres account for only 6% of all ECEC services, with another 4% of ECEC services managed by government schools.[16]

A 2-year Worker Retention Payment covers pay increases for ECEC workers of 10% over the award pay rate from December 2024 and another 5% from December 2025. Providers' access to the additional funding is via an enterprise or multi-employer bargaining agreement, ensuring the money goes into workers' pay packets. Increasing pay for ECEC workers is seen to have made a positive difference in the sector. Treasury analysis shows that, since mid-2024, ECEC employee exit rates have fallen twice

[13] Productivity Commission, *Report on Government Services 2026, Child Care, Education and Training (Part B)* (Productivity Commission, 2026).
[14] Albanese, The Hon. A., 'Next Steps in Building a Universal Early Education System', *Media release, Prime Minister of Australia* (1 December, 2024).
[15] Australian Government, 'Building Early Education Fund', *Mid-Year Economic and Fiscal Outlook*, (Department of Education, 2024).
[16] Australian Children's Education & Care Quality Authority (ACECQA), '*NQF Snapshot, Quarter 1, 2026*', (ACECQA, 2026), 7, fig.6.

as much as those in other occupations.[17] In June 2026, the Worker Retention Payment was extended for an additional 2 years taking it to the end of 2028.[18]

Some limited regulation of fees for ECEC services has been established by tying providers' access to the Worker Retention Payment to a limit on their fee increases for ECEC. This appears to have had the intended effect with the Government reporting that fees at centres receiving the payment have grown at around half the rate of other centres. From mid-2027, centres receiving the Worker Retention Payment must also meet the ECEC national quality standard for safety.[19]

The government has taken a number of steps to tighten quality and safety regulation and strengthen compliance. Following media exposure of the sexual abuse and exploitation of children in ECEC, new child safety measures have been established by federal, state and territory governments. A new statutory duty making children's safety, rights and best interests of paramount concern in ECEC has been introduced, along with a range of new requirements on centres and workers to improve safety. These include new mandatory training with some funding, a national educator register and new rules around centre and staff practices, as well as additional funding for strengthening compliance actions and penalties.

New powers have been introduced to enable the Government to withdraw funding from poor-performing providers. Work is underway on the possible establishment of an Early Education and Care Commission, something that has been called for widely to strengthen and better coordinate governance of the ECEC system.[20]

Despite significant new investment and positive action much more is needed for the government's stated commitment to building a universal ECEC system to become reality. Some key initiatives are only temporary arrangements, including the Worker Retention Payment, on which critical workforce capacity depends. Reforms do not tackle major structural problems of the marketised system.

As outlined in the next section, developmental outcomes for children have not improved, quality remains uneven and few ECEC centres exceed quality expectations. Access and affordability continue to be problems for many families. The low-paid ECEC workforce continues to suffer from stress and overwork, and this may have worsened with recent safety reforms that have placed new demands and pressures on workers.

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[17] Gallagher & Chalmers, *Women's Budget Statement*, 34.

[18] Albanese, the Hon. A, et al. 'Albanese Government locks in pay rise for early educators while limiting fees for families', *Joint Media Release,* 17 June 2026.

[19] Albanese et al. Albanese Government locks in pay rise for early educators.

[20] Clare, the Hon, J. Next steps to strengthen safety in child care, *Media Release*, 17 May 2026.

SECTION 5

What's wrong with Australia's ECEC system?

Lengthy inquiries into ECEC by the Australian Competition and Consumer Commission (ACCC) and the Productivity Commission were finalised in 2023 and 2024, respectively. In 2025 and 2026 a number of new inquiries and government reviews were conducted, most of them in the wake of media exposure of extensive child abuse in ECEC centres. These inquiries have drawn attention to the ongoing shortcomings of the ECEC system, including problems with its market basis and reliance on for-profit providers.[21]

The latest available data and evidence on the ECEC sector's performance show that quality and safety continue to be below quality standards in too many ECEC services, access; the ECEC system does not provide access, equity and inclusion; and workers' pay has improved, but workforce pressures have increased, and retention remains a problem.

ECEC remains unaffordable for many families

The Government's Child Care Subsidy reforms extending eligibility and increasing subsidised hours of care are intended to increase access and reduce families' out-of-pocket costs for ECEC. Yet, affordability remains a key barrier to increasing participation in ECEC.

According to the latest data on government services, families' out-of-pocket expenses held steady over 2025, following small reductions in 2024. At the same time, the costs of ECEC increased as a proportion of family income before subsidies are taken into account, showing that increases in the Child Care Subsidy continue to be absorbed by ECEC fee increases, rather than reducing costs for families.[22] The government has made efforts to limit fee growth, including by limiting fee increases for Worker Retention Payment eligibility. Prior to this the practice of providers' increasing their fees far above inflation was widespread.[23]

Early indications are that reforms to the Child Care Subsidy have failed to improve participation rates in ECEC. The most recent data on families using approved care shows that over the 2026 March

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[21] See New South Wales Parliament 'Early Childhood Education and Care Sector in New South Wales', *NSW Legislative Council. Portfolio Committee No. 3 - Education. Report no. 55*. (NSW Parliament, 2026); Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, (The Senate Education and Employment References Committee, 2026), 135, paras 6.51, 6.54. Weatherill, J. & White, P., *Rapid Child Safety Review Interim Report*, (Victorian Government, March 2026).
[22] Productivity Commission, *Report on Government Services 2026*, Data Table 3A.23.
[23] In relation to the longer-standing nature of this problem, thein 2023 the ACCC found that, after subsidies, out-of-pocket expenses increased 7% for households using centre-based day care services during the past 4 years, by 12% for households using outside school hours care and 15.8% for households using family day care. See ACCC *Childcare Inquiry Interim Report*.

quarter, 413,870 children from 998,500 families attended a Child Care Subsidy-approved service, representing 49.0% of children aged 0 to 5 years and 34.2% of children aged 0 to 12 years. The number of children attending an approved services is down 2.1% on the March quarter 2025, despite the government's '3-day guarantee' reforms to provide subsidised care of 72 hours to all eligible families that came into effect on 5 January 2026. The number of families using centre-based day care decreased by 2.5% (17,440 fewer families).[24] More positively, the number of Aboriginal and Torres Strait Islander children attending approved care was up 2.3% from the March quarter 2025 (to 68,910).[25] This suggests the 2026 reform providing 100 hours of subsidised care a fortnight is making a difference for First Nations families.

Nevertheless, under the current demand-side funding model and high level of reliance on for-profit-centres, families continue to struggle to meet the costs of ECEC, despite increased government fee subsidies, which in 2026 total $16.3 billion. The financial impacts of childcare fees on household budgets continue to affect decisions about children's participation in ECEC and parents' participation in work, with reports of families 'reducing days of attendance, delaying enrolment, increasing reliance on informal care arrangements or reconsidering workforce participation'.[26]

Some children and families can't access ECEC

Overall, ECEC accessibility has improved across Australia in the past few years. In 2020, one in 3 regions (34%) were classified as a childcare desert' This had dropped to one in 4 (24%) in 2024.[27] However, children experiencing disadvantage and vulnerability who are likely to benefit most from ECEC, continue to be less likely to attend than more advantaged children.[28] In general, with some exceptions in different jurisdictions, Aboriginal and Torres Strait Islander children, children from non-English speaking backgrounds, children from regional and remote areas, children living in low socio-economic areas and from low-income families, and children with disability are underrepresented in ECEC.[29]

The early childhood system is failing many children and families. An estimated 111,000 children experience a high level of early childhood disadvantage and hardship and over one in 5 (25,400 children) live in areas with little or no access to ECEC. Many more children experiencing disadvantage live in communities that have partial or inadequate access to childcare services. [30]

The uneven availability of ECEC reflects the failure of the market-based system. Relying on private providers to open centres in areas where services cannot readily make a profit or may even struggle to remain viable has left large areas in which families are without any ECEC. At the same time there is an oversupply of ECEC services in some more affluent areas in large cities.

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[24] Australian Government, Child Care Subsidy Data report – March quarter 2026.
[25] Australian Government, Child Care Subsidy data report – March quarter 2026.
[26] Community Early Learning Australia, 'Cost-of-living pressures continue to shape childcare choices as affordability remains a key concern for families', *The Sector,* (5 June 2026).
[27] A *childcare desert* is where there are more than 3 children per childcare place. See Mitchell Institute 'Mapping the childcare deserts: Childcare accessibility in Australia', *Victoria University News,* (Victoria University, 20 August 2024).
[28] Productivity Commission, *Report on Government Services 2026,* 22.
[29] Productivity Commission, *Report on Government Services 2026.*
[30] Social Venture Australia (SVA) *Targeting investment where it counts* (SVA, 2025).

Recent government commitments to invest in new and expanded public ECEC centres in areas where there are no, or not enough, services is a first step in responding to the failure of the market-based approach to meeting children's educational and social needs.

As the Productivity Commission noted 'ECEC services must accommodate all children and create environments where they thrive'.[31] Yet, many cohorts of children remain underrepresented in ECEC. Removing barriers to inclusion is critical to the vision of universal ECEC.

The Australian Government's Inclusion Support Program (ISP) provides funding and support to ECEC services to include children with additional needs. However, accessing the ISP has proven difficult for many families with children needing support. There have been strong calls for changes to this program, and some recent reforms to better support inclusion have been implemented recently.[32]

Holding back women's economic participation

Among couple families with young children aged under 5, most (68.4%) have 2 parents employed.[33] Families rely on ECEC to enable workforce participation and one of the aims of publicly funded ECEC is to support women's economic equality through enabling increased economic participation by mothers of young children.[34]

Women's labour force participation is increasing and the gender gap in participation continues to decline, albeit slowly. In recent years women's labour force participation in childbearing years has increased such that there is no longer a large 'dip' in participation by women in the age groups 30 to 34 and 35-39 years.[35] But still many women want to work more, as indicated by women's underemployment rate, which was 7.9% in May 2026, meaning around one in 12 women currently employed wants to work more hours.[36] Lack of access to quality, affordable ECEC continues to be a barrier to participation and to women's employment in full-time work, contributing to long-term economic inequality.

In 2025, 205,900 people were not in the labour force due to caring for children. Caring for children continues to be the most common reason women who are not working but want a job are not available to start work, with this applying to 44% of women and only 4% of men who were not available. Women's higher rates of participation in part-time employment compared with men have also been linked to lack of access to ECEC.[37]

In 2025, almost one in 3 people who wanted work or wanted more hours of work (29.7%, 61,150) was not available to start work in the next 4 weeks due to a childcare service-related reason, with cost being the most common childcare service-related reason (24.0%). The next most common childcare service-related reason was lack of availability (13.0%).[38] Difficulty accessing ECEC is associated with higher part-time and lower full-time workforce participation by women.[39]

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[31] PC Productivity Commission. *A Path to Universal Early Childhood Education and Care*, Volume 1, 40.
[32] New South Wales Parliament 'Early Childhood Education and Care Sector in New South Wales',102; Australian Hodgins-May, S., 'Australian Greens' Dissenting Report' in Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*. 165-172.
[33] ABS Labour Force Status of Families, June 2025, (ABS, 2025).
[34] Gallagher & Chalmers, Women's Budget Statement.
[35] ABS Spotlight: Changes in participation rates for men and women in Australia, (ABS, March 2025)
[36] ABS, Labour Force, Australia, May 2026, (ABS, 2026).
[37] ABS, Barriers and Incentives to Labour Force Participation, Australia, 2024-25 Financial Year, (ABS).
[38] ABS, Barriers and Incentives
[39] Gallagher & Chalmers, 'Women's Budget Statement', 34.

Quality and safe education and care. Why are we not there yet?

Safety and quality of ECEC are critical to developmental outcomes for children.[40] A decrease in the proportion of children with ECEC experience who are developmentally vulnerable on one or more development domains in their first year of school is taken to be an indicator that ECEC performance is improving.

In 2024, almost one in 4 (23.5%) of children in their first year of school were developmentally vulnerable on one or more domains. Children who received some ECEC were less likely to be developmentally vulnerable on one or more domains (21.8%), compared to children who did not receive any ECEC (44%). However, there had been no reductions in the proportion of children with developmental vulnerabilities among children with and without ECEC experience. Over time the proportion of children with ECEC experience with developmental vulnerability has been rising, suggesting there are wider system level factors at play.[41]

While the new National Child Safety Reform initiatives are seen to be improving oversight of safety in ECEC settings[42], services' performance against the full range of national quality standards (NQS) have not improved enough over time. While the proportion of ECEC services rated as 'meeting' the NQS has risen from 72% in 2016 to 92% in 2026, the proportion of services rated as 'exceeding' minimum standards has fallen from almost one in 3 services (32.5%) in 2018 to just under one in 5 services (19%) in 2026.[43]

Most ECEC services that are rated as not meeting quality standards improve their overall rating at the next assessment. However, some services have been persistently of low quality over a number of years. Among the 229 providers with services rated as 'significant improvement required' or as 'working towards NQS' in December 2025, over 100 have a history of poor quality. [44]

The recent concerted focus on children's safety in ECEC across Australia has highlighted gaps in regulation by the responsible state and territory regulatory authorities. For example, a quarter (25%) of the ECEC providers that were not meeting the NQS in December 2025 had a quality rating that was 4 to 8 years old.[45]

Centre resourcing, staff-to-child ratios, educator qualifications, and workforce stability are all structural factors that contribute to quality and safety in ECEC and to outcomes for children. Expanding supply, increasing inclusion targets or implementing strengthened safety requirements require additional investments to be effective.

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[40] Data is collected from teachers via the Australian Early Development Census (AEDE) development of children when they are in their first year of school. See Productivity Commission, 43.
[41] Productivity Commission, Report on Government Services, 43.
[42] Hodgins-May, S., 'Australian Greens' Dissenting Report'.
[43] ACECQA NQF Snapshot Q1 2026, 6 and ACECQA data tables. Services receive an overall rating of Meeting NQS if they are rated as Meeting or Exceeding NQS in all 7 quality areas. Services receive an overall rating of Exceeding NQS if 4 or more quality areas are rated as Exceeding NQS, including 2 of the 4 particular quality areas: Quality Area 1, Quality Area 5, Quality Area 6 and Quality Area 7. For more information on the NQS see ACECQA National Quality Standard, ACECQA. For March 2026 NQS ratings data see ACECQA, NQF Snapshot Q1 2026.
[44] Front Project, Staying Power. The Case for Educator Stability in Early Childhood Education and Care, (Front Project, 2026), 32. See also Productivity Commission, 'Strengthening Quality and Transparency in Early Childhood Education and Care', *Submission to Senate Standing Committee Inquiry into Quality and Safety of Australia's Early Childhood Education and Care System*, Submission 44.
[45] Front Project *Staying Power*.

The ECEC workforce is under pressure

The ECEC workforce is large and growing. ECEC is a significant sector for women's employment and an important contributor to the Australian economy. In 2024, there were just over 240,000 workers in ECEC services. Modelling by Jobs and Skills Australia (JSA) in 2024 indicated a shortfall of around 21,000 qualified ECEC professionals needed to meet existing demand and support more sustainable working conditions.[46]

The workforce is overwhelmingly female with women making up 9 in every 10 (91.2%) ECEC workers.[47] Nine in every 10 ECEC workers have some or all of their duties involving contact with children.[48]

Investment in the workforce is recognised as key to quality ECEC.[49] Quality and safety are highly dependent on workforce capability and stability, and on the structural arrangements that underpin these, which include pay, working conditions and staff development.[50]

ECEC workers have long been underpaid and overworked, contributing to ongoing difficulties recruiting and retaining qualified staff. Recent actions by the Australian Government to improve pay and work conditions, and to improve staffing arrangements and worker-to-child ratios in ECEC centres, appear to be having some positive impact in reducing worker shortages.

Yet, workforce shortages and understaffing persist, and workers continue to experience overwork and burnout. New demands and pressures on ECEC staff arising from efforts to address safety concerns and from new ambitions for the ECEC system to be a universal safe and high-quality system are contributing to these ongoing problems.[51]

Removing barriers to inclusion to ensure children who can benefit most are able to participate in ECEC is critical to achieving a universal early childhood system. System changes designed to achieve this have included better targeted subsidisation of fees, a stronger focus on inclusion, and related NDIS reforms. These changes have also placed greater demands on ECEC educators and teachers.

Reforms are placing greater responsibility on ECEC services, increasing the complexity of work and increasing educators' and teachers' workloads. Along with the National Child Safety Reforms, inclusion initiatives increase requirements on ECEC staff to ensure they support children's agency, are responsive to diverse needs and provide supervision that keeps children safe, while working with cohorts of children with more complex needs. Safety reforms include a national childcare worker registry and strengthening of services safety practices. Bans have been places on workers having mobile phones when on duty.

Increased demands on ECEC workers are often not accompanied by enough additional support or resources, including training and extra staff. This means already-overworked ECEC staff bear much of the strain of meeting new demands that accompany greater inclusion and safer practices.

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[46] Australian Government *The Future of the Early Childhood Education Profession, Early Childhood Education and Care Workforce Capacity Study Summary Report*, (Jobs and Skills Australia, 2024), 8.
[47] Australian Government *Early Childhood Education and Care Workforce Census, 2024 National Report*, (Department of Education, 2025), 16-17.
[48] Australian Government *Early Childhood Education and Care Workforce Census, 2024,* 17
[49] ACCC *Childcare Inquiry Interim Report*, 88.
[50] OECD, *Engaging Young Children: Lessons from Research about Quality in Early Childhood Education and Care, Starting Strong*, (OECD Publishing, Paris, 2018); Schleicher, A., TALIS, Starting Strong, Insights and Interpretations, (OECD Publishing, 2024).
[51] Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, Para 6.51.

One indicator of ECEC workforce capability and sustainability problems is that a high proportion of services are granted waivers from meeting the legislated staffing requirements. In individual services, waivers – along with high turnover and high levels of casual employment and reliance on trainees – are an indicator of practices that are likely to put children's quality and safety at risk. Such practices include over-reliance on unqualified and inexperienced staff causing lack of continuity in child-worker relationships, inconsistent supervision and poorer accountability.

From a high of 9.1% in 2024 the proportion of ECEC services with a current staffing waiver had fallen to 5.1% in the first quarter of 2026.[52] However, the proportion of long day care services with a staffing waiver remains unacceptably high, as one in every 12 (8.5%) long day care services is operating without the required staff.[53]

Other evidence shows that there are many more ECEC services operating without the required levels of staff to provide safe, quality learning and care. Over three-quarters (77%) of 3,000 ECEC educators responding to a United Workers Union survey in mid-2025 said their centre was operating below minimum staffing requirements on a weekly basis and 4 out of 10 (42%) said this was happening on a daily basis.[54]

The 2026 final report of The Senate committee inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System found evidence that 'high staff turnover, casualisation and heavy reliance on agency staff' directly impact quality and safety in ECEC. The Committee concluded that 'one of the most significant factors determining the quality and safety of care for young children is employment practices and conditions'.[55] The Senate committee also found increasing compliance requirements were a significant contributor to burnout and to educators' decisions to leave the sector.[56] The 2025 Victorian Rapid Child Safety Review found, in Victoria, 66.8% of long day care and standalone kindergarten service staff have worked at their service for 3 or fewer years, including just under one in 4 (22.7%) for less than one year.[57]

Higher qualifications of educators and teachers are an important indicator of service quality, as they are associated with improved outcomes for children.[58] The latest data on staff qualifications indicates there has been poor progress against this measure of staff quality. [59]

In 2013 three-quarters (74.1%) of primary contact staff in ECEC had a relevant formal qualification at or above Certificate III level. In 2024 the proportion of staff with a relevant formal qualification had declined to two-thirds (68.6%).[60]

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[52] ACEQCA (2026) *NQF Snapshot*, Waivers at 1 April 2026 online data, W.11.
[53] ACEQCA *NQF Snapshot*, Waivers, at 1 April 2026, online data, W. 9.
[54] United Workers Union, *Submission of the United Workers' Union Senate Education and Employment References Committee Inquiry into the quality and safety of Australia's ECEC system*, Submission 80, 7.
[55] Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, Paras 6.51, 6.54, 135.
[56] Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, Paras 6.51, 6.54, 135
[57] Weatherill & White, *Rapid Child Safety Review Interim Report*.
[58] ACECQA, Submission to the Victorian Parliament's Inquiry into the Early Childhood Education and Care Sector in Victoria, (ACECQA 2025)
[59] 'Staff quality in ECEC' is defined as the proportion of paid primary contact staff with a relevant formal qualification (at or above Certificate level III), or 3 or more years of relevant experience, and the proportion of teachers accessible to preschool programs who are at least 3-year university trained and early childhood qualified. Productivity Commission, *Report on Government Services 2026,* 31.
[60] Productivity Commission, *Report on Government Services 2026,* Fig. 3.5a.

There has been some improvement in qualification levels of pre-school teachers. In 2024 two-thirds (65.5%) of teachers delivering preschool programs had at least a 3-year bachelor's degree and were early childhood qualified, compared with 58.2% in 2021. In 2024 over half of teachers (51.0%) were at least 4-year university trained and early childhood qualified.[61]

A new requirement for mandatory safety training was instituted as part of the new ECEC National Safety Reform. The fact that there had not been any mandatory requirement for such training prior to these reforms highlights the more general problem of lack of attention to and support for worker capability and development. In 2024 the Productivity Commission argued for the workforce to 'have access to publicly funded professional development to support better cultural safety and inclusion practices'.[62] A recent indication of how widespread lack of support and access to training is the finding of a 2025 workforce survey conducted by the United Workers Union in which 40% of educators responding reported never having received professional development training through their employer.[63]

In 2025 the Victorian Rapid Child Safety Review Interim Report concluded that fair pay and conditions were essential to child safety and made a recommendation for sustained and coordinated investment in worker pay and conditions and in future workforce planning.[64] Recommendations in the interim report included that training be delivered within paid work hours.[65]

Since 2024, long overdue increases in ECEC workers' pay have contributed to greater workforce stability. Funding to maintain these increases has been committed for an additional 2 years to the end of 2028. The Worker Retention Payment fills a gap, as the award rate increases made by the Fair Work Commission through its gender undervaluation review don't come fully into place until mid-2029.[66]

Access to funding for the Worker Retention above-award pay rates requires employers to enter into agreements with their employees, over a third (37%) ECEC workers are now covered by a collective agreement.[67] Recent analysis by the Front Project shows a positive association between employment arrangements under collective agreement and ECEC quality. In 2025, of all the long day care centres and preschools rated as 'exceeding' quality expectations, around two-thirds employed their staff under a multi-employer or single enterprise agreement. Five in 6 of all centres that were not meeting quality standards and were rated as 'working towards' standards employed their staff under the industrial award or an individual agreement.[68]

Despite the Worker Retention Payment and proposed award increases, many ECEC workers continue to be paid at relatively low rates, a few dollars more than the minimum wage. ECEC workers carry legal responsibilities and pressures that are far greater than workers in other sectors and jobs that attract similar rates of pay.[69] A recent senate inquiry heard evidence that qualified educators leave the sector

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[61] Productivity Commission, *Report on Government Services 2026,* Table 3A.28.
[62] Productivity Commission, *A Path to Universal Early Childhood Education and Care, Volume 1*, 3.
[63] United Workers Union. *UWU Submission to the Legislative Council Select Committee's Inquiry into the Early Childhood Education and Care Sector in Victoria*, (UWU 2025),12.
[64] Weatherill & White, *Rapid Child Safety Review Interim Report*, 26
[65] Weatherill & White, *Rapid Child Safety Review Interim Report*.
[66] Workplace Express 'Bench rules on gender undervaluation in feminised awards', *Workplace Express* (16 April 2025).
[67] Workplace Express "'Preserve stability" of funded pay rise: UWU', *Workplace Express* (Workplace Express, 15 December 2025).
[68] The Front Project, *Staying Power*, 26-27.
[69] University of Queensland/Prof. Karen Thorpe, *Submission to the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, Submission 24. (University of Queensland 2025)

for jobs elsewhere (including in schools, retail, and disability support) that have less demanding working conditions and provide equal or better pay.[70]

Without further reforms that ensure ECEC educators and teachers are fairly paid, have decent jobs, training, development opportunities and supportive work environments it would seem inevitable that workforce shortages and high turnover will continue to be significant barriers to achieving the vision for ECEC. Educators and teachers must have the time, training, resources, support and fair pay and condition they need to deliver high quality education and care and keep children safe.

[70] Parliament of Australia, *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*, para 370, 63.

SECTION 6

The ECEC market and for-profit providers' performance

What's the problem? The ECEC market and for-profit providers

While the Australian government's recent reforms to ECEC are intended to address issues of access, equity, quality and safety, they do not tackle some core structural arrangements that underpin systemic problems. Current regulatory and funding models maintain a market-based system and a very high reliance on private for-profit providers that, overall, are less reliable, provide poorer quality of education and care, and create poorer jobs with poorer training and work environments for educators.

On average, not-for-profit ECEC services outperform for-profit services by providing higher quality ECEC (generally at lower prices), paying higher wages, employing more experienced staff, retaining staff longer and by being more likely to deliver ECEC in under-served areas and disadvantaged areas.[71]

The main rationale for ECEC provision by private-for-profits is that they can access capital to build new centres, enabling expansion of services to meet demand.[72] However, experience to date in Australia's ECEC system has shown that for-profits seek to operate in locations, and provide to families, where this is going to be the most profitable for them, rather than providing in locations and to families that need access to services. For-profit provision has also been shown to heighten risks that the best interests and wellbeing of children will not be prioritised, including increasing risks to quality, safety, equity and inclusion.[73]

In response to the consistent findings over almost a decade that, overall, for-profit providers perform more poorly on many indicators, there have been calls for examination of how incentives shape provider behaviour. The rationales for this include to 'give providers and their boards clearer governance signals', as well as to support regulators and policy makers design interventions to strengthen quality and safety. [74]

For-profit providers have consistently increased their fees for ECEC services in response to increases in the child care subsidy, undermining the government's intention to increase affordability by reducing

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[71] See for example, Productivity Commission, *A Path to Universal Early Childhood Education and Care, Volume 1*, ACCC, Child Care Inquiry Final Report (ACCC December 2025), University of Queensland/Prof. Karen Thorpe, *Submission to the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*.
[72] The Front Project, *Submission. Quality and Safety of Australia's Early Childhood Education and Care System*, Submission 9 to the Senate Education and Employment References Committee (The Front Project, 2025), 20.
[73] The Front Project Submission. Quality and Safety of Australia's Early Childhood Education and Care System.
[74] The Front Project Submission. Quality and Safety of Australia's Early Childhood Education and Care System, 20.

families' out-of-pocket expenses. The child care subsidy is seen by some as 'unfit for the purpose of funding early childhood education and care'.[75] This concern echoes the OECD's concern that the current system risks a deepening of inequality.[76]

The rest of this section provides an overview of the scale and nature of private for-profit ECEC provision, discusses the failure of the market model and reviews the evidence showing that, on average, private-for-profits perform more poorly than not-for-profits.

ECEC providers and the ECEC market

In March 2026 there were 18,207 early childhood education and care services, operating under the National Quality Framework (NQF), the majority (17,820) being centre-based care services. These services were operated by 7,218 providers. Over half of ECEC services (54%, 9,917 services) were operated by private-for-profit businesses, a third (32%, 5,796) by not-for-profit organisations and the remainder by state/territory or local governments (6%, 1,127) and government, independent or Catholic schools (8%,1,247).[77]

In the year to June 2025, almost all (93%) new early ECEC services were for-profits. Over half (54%) of all ECEC services are run by for-profit businesses in 2026. Over two-thirds (71%) of long day services are private-for-profit businesses.[78]

While only 1% (64) of approved service providers are large providers that operate 25 or more services, these large providers operate over a third (37%) of all services. Just under a third (32%) of services are operated by medium-sized providers and the remaining 31% are operated by providers that operate just one service. [79]

The very largest ECEC providers are all for-profit businesses with the exception of the largest, Goodstart Early Learning, a not-for-profit organisation that in 2025 was estimated to have a 7.4% share of all ECEC sector revenue.[80] Goodstart exists as a result of the failure of what was at the time the world's largest private for-profit ECEC provider, ASX-listed ABC Learning. With the collapse of the highly financialised company, hundreds of childcare centres were to close down and thousands of families were to lose access to ECEC. Goodstart was formed by a consortium of not-for-profit organisations with support from philanthropists and loans from the Australian government and others. Goodstart purchased 678 of ABC Learning's ECEC centres.[81]

Currently the largest 4 for-profit providers are G8 Education, Affinity Education, Guardian Childcare and Busy Bees, with annual revenues ranging from $997m to $554 million in 2025.[82] Between them these companies had a combined share of Australia's ECEC market revenue of 11.9% in 2025.[83] Along with other large for-profit providers, these companies shape the overall industry composition and the availability and costs of services for many families, Some of the largest ECEC providers are investment vehicles for overseas corporate investors and private equity firms. Their investors' presence in the

[75] Georgie Dent/The Parenthood *Proof Committee Hansard,* 24 February 2026, 52., cited in *Final Report of the Inquiry into the Quality and Safety of Australia's Early Childhood Education and Care System*.
[76] Westmore, 'Fully Realising the Economic Potential of Women in Australia'.
[77] ACECQA 2026 NQF Snapshot Q1 2026, 7, 8, Fig. 6.
[78] ACECQA NQF Annual Performance Report 2024-2025, (ACECQA (2026), 5.
[79] ACECQA NQF Annual Performance Report 2024-2025, 8.
[80] Richardson, A. *Child Care Services in Australia*, 24.
[81] Lannin, S., Goodstart for ABC Learning, ABC News, (ABC, 9 December 2009).
[82] Richardson, A. *Child Care Services in Australia*.
[83] Richardson, A. *Child Care Services in Australia*, 22, 28.

Australian ECEC sector is because it is an attractive investment option due to the security of guaranteed ongoing government funding. Industry analysts expect there to be increased concentration of the ECEC market in the coming years, as the larger for-profits are expected to increase their market share.[84]

Market failure: Supply and demand mismatches

There is no overall control of the supply of ECEC services in Australia, and it is well-recognised that the market approach to ensuring supply has failed. Leaving it up to the market to determine how many services are available and where they are located has led to uncertainty for families and the ECEC workforce and forced closures of centres, including smaller, not-for-profit and community-run, services. The assumption of a perfect market in which parents can choose the service that best meets their needs does not reflect the reality for most families.

The market is at the heart of the problem of lack of access to ECEC services in regional and remote areas, in lower socio-economic areas and for many Aboriginal and Torres Strait Island communities. In small communities demand is likely to be insufficient for services to be viable.

Reliance on markets for essential human services has been shown time and again to fail when it comes to ensuring services are located where they are most needed and can be accessed by all who need them.[85] ECEC is no exception.

In 2025 some of the largest for-profits providers and some business observers suggested lower ECEC enrolments being experienced by some centres was due to families' loss of confidence in ECEC following exposure of child abuse.[86] However, there are also problems of oversupply in some areas, with for-profit providers opening new centres where demand is already being met, while undersupply problems exist in areas that are less attractive to for-profit providers (and property developers). Small, including community-run, centres that cannot get through any significant period of making a loss are likely to be especially vulnerable to closure where there is oversupply.[87]

The idea that the market will provide for all families and allow families to choose the best quality service, leaving poorer quality services to close, does not reflect reality. Many families are in areas where there are no or inadequate services to choose from in the first place. Where there are services families, choices will be constrained and shaped by a range of factors, including the amount of knowledge they have about services, the hours, days and number of places they need, amount of out-of-pocket expenses, and distance and time to travel from home and/or work.

For-profit providers have performance problems

ECEC providers operate under many different business models. For-profit providers range from small businesses running single services to large firms with multiple centres that are listed on the stock exchange and with international private equity investors. Smaller for-profit ECEC providers may

[84] Richardson, A. *Child Care Services in Australia.*
[85] See for example, Meagher, G., Stebbing, A. & Perche, D. *Designing Social Service Markets*, (ANU Press, 2022); Considine, M., McGann, M. & O'Sullivan, S., *Buying and Selling the Poor: Inside Australia's Privatised Welfare-to-Work Market* (Sydney University Press, 2022).
[86] Richardson, A. *Child Care Services in Australia.*
[87] Page, S., Market Failure and the need for Stewardship in Early Childhood Services, *The Sector News,* (The Sector, 6 May 2026)

operate with a similar ethos to not-for-profit centres. However, there are obvious tensions between commercial imperatives to generate profit and the objective to deliver high quality services in ECEC.

On average, the performance of for-profits has been consistently poorer than that of the not-for-profits and this is associated with their spending less on staffing and training. It is clear that profit margins are prioritised by some for-profit providers, to the detriment of safe, quality ECEC. As noted by the New South Wales Advocate for Children and Young People, this has 'often been through cost-cutting (i.e. through over-enrolment, manipulating ratios and undercompensating staff), rapid expansion via acquisitions, and a focus on high returns for investors'.[88]

In early 2025, for-profit ECEC centres were 10 of every 11 ECEC services with a quality rating of 'significant improvement required'.[89] In March 2026 2 of every 3 ECEC services that did not meet the national quality standards were for-profit services.[90]

Analysis of ACECQA data undertaken for the Victorian Rapid Child Safety Review in 2025 found, in Victoria, for-profit long day care services are more likely to be rated as 'working towards the national quality standard' than not-for-profit long day care services and are less likely to exceed the national quality standard. For-profit services were also more likely to be 'working towards' meeting the quality standard for child health and safety (NQS quality Area 2) and less likely to exceed the quality standard than not-for-profit long day care services. [91] Nationally, in December 2025, 4 out of 5 (80.9%) of the 110 long day care centres and preschools that did not meet the national quality standards and had a history of low-quality standards were for-profit providers.[92]

There is considerable evidence that lower quality and safety ratings are linked to minimising labour costs. High turnover and casualisation of the ECEC workforce mean a less experienced workforce, less effective supervision and staff development, and less consistency in staff-child relationships. These conditions can lead to a weaker child safety culture and less accountability.[93] For-profit services perform more poorly than not-for-profit and government-run services in regard to having a full complement of qualified staff in their centres. In 2026, one in 10 (9.6%) for-profit long day care centres had a staffing waiver in place compared to one in 16 (6.3%) not-for-profit long day care services.[94]

In 2023 the ACCC found not-for-profit providers spend significantly more than for-profit providers on labour on both a relative and absolute basis. Not-for-profit services employ more full-time primary contact staff while for-profits have more part-time staff. Not-for profits also have significantly lower staff turnover.[95] Along with shorter employment tenure, lower pay and greater casualisation in for-profit services than in not-for-profits, on average, for-profits charge higher fees. [96]

For-profits have followed a pattern of putting fees up in response to increases in government childcare subsidies. The ACCC inquiry found increases in childcare fees were outpacing inflation. Four in 10

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[88] Advocate for Children and Young People NSW, Submission to the Senate Education and Employment Committees, Submission 18, p. 2.
[89] Richardson, A. *Child Care Services in Australia*.
[90] Author's calculation from ACECQA Figure 6 and Figure 12, Snapshot March Quarter 2026.
[91] Weatherill & White, *Rapid Child Safety Review Interim Report*, 4
[92] Front Project Staying Power. 32.
[93] Weatherill & White, *Rapid Child Safety Review Interim Report*.
[94] Author's calculations from ACECQA Snapshot data tables March Quarter 2026 (2026), Table W13.
[95] ACCC *Childcare Inquiry Interim Report*, 54 -56.
[96] South Australian Royal Commission into Early Childhood Education and Care, Final Report (Department of Education, South Australia, 2023); ACCC, Childcare inquiry - December final report, 89.

(40%) large for-profit providers of long day care charged above the hourly rate cap for receipt of the government childcare subsidy compared to about 15% of large not-for-profit providers.[97]

Large corporate for-profit providers have bought many smaller centres, leading to for-profits increasingly dominating the long day care market. These companies are driven by the desire to maximise shareholder value and, the evidence shows, this makes them unreliable as ECEC providers. In recent years, 2 of the largest for-profit providers G8 Education and Affinity Education have acquired numerous smaller centres.[98] In 2025 both have closed multiple 'underperforming' centres. Both these companies have been linked with serious safety issues.

In 2023, G8 Education signed over multiple centres to Genius in a deal where G8 paid Genius $10 million and reportedly ignored warnings that Genius was a serious financial risk. Two-thirds of the 18 centres transferred to Genius were closed down in 2024 with the remaining centres running under administrators.[99] In 2024, G8 was reported to be paying its new CEO $3 million. In 2025, in the wake of falling enrolments, G8 was selling underperforming centres to improve profitability.[100] It was suggested G8 was 'bordering on bankruptcy'.[101]

At a Senate hearing in early 2026, G8 CEO confirmed that one in 5 of G8 Education's centres had received a compliance notice in the past 2 years, In July 2026 legal proceedings were commencing following an investigation by the Fair Work Ombudsman relating to underpayment of workers. The proceedings relate to allegations of G8 continuing to underpay employees for 18 months after the company became aware of the problem.

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[97] ACCC, *Childcare inquiry - December final report* (ACCC, 2023), 89.
[98] Richardson, A. *Child Care Services in Australia*.
[99] Walsh, L., Butler, B. & Toomey, J., Childcare giant G8 cut unorthodox $26 million deal with Darren Misquitta's Genius despite warning, ABC News Online (ABC, 14 September 2025); The Sector, Genius Childcare centres face closure as administrators seek buyer amid $88 million debt, *The Sector News*, 8 May 2025.
[100] Richardson, A. *Child Care Services in Australia*, 26.
[101] Irvine, S., G8 Education to close 40 childcare centres as occupancy slumps, *Australian Financial Review*, 29 April 2026.

SECTION 7

Not-for-profit ECEC makes better economic sense

In 2026-27, spending on ECEC is $19.8 million, with $16.3 billion of this funding for the Child Care Subsidy. This does not include the Commonwealth's commitment to the BEEF program of spending to establish a case for public investment in publicly owned or leased ECEC services.[102]

Provision of ECEC has different economic impacts under different ownership/management models. Private-for-profit ECEC business models include a margin for profit. This means resources are diverted from service provision to provide financial returns to the business owner/s. It also means there are incentives for services to minimise costs to maximise financial returns.

Government and not-for-profit providers can retain revenues within the ECEC service and use these to increase services and employment. Unlike for-profit providers, there is no diversion of finances away from service provision into profit. So, every dollar of spending on not-for-profit and government-provided ECEC generates more service provision and employment than a dollar of spending on for-profit provided ECEC.

The impact of for-profit delivery of ECEC on the macro-economic spinoffs of ECEC funding – which are outlined below – can be estimated on the basis of ABS input-output tables and data from the 2025 IBISWorld survey of the ECEC sector.[103] Our analysis shows that multipliers for employment and GDP are higher for the not-for-profit and government providers when compared to the for-profit providers. This is because not-for-profit and government providers do not require a profit to be paid to the owners of the service. Instead, revenues are allocated to improved and expanded services, including more and better jobs.

Estimates can be made of the foregone output represented by the diversion to profit margins in for-profit ECEC providers. We can also estimate the number of full-time equivalent positions that would be created by channelling spending through public and not-for-profit providers rather than through for-

[102] Australian Government, Portfolio Budget Statements 2026-27, Budget Related Paper No. 1.5, Education Portfolio, (Department of Education, 2026), 26-27.
[103] The methodology used here replicates that used in an earlier Centre for Future Work report. See Grudnoff, M. The Economic Benefits of High-Quality Universal Early Child Education, (Centre for Future Work at the Australia Institute, 2022). More details on the methodology used to produce these estimates is provided in Appendix A. For the IBISWorld survey see Richardson, A. *Child Care Services in Australia, IBISWorld Report Q8710*, (IBISWorld, December 2025).

profit ECEC services. We estimate the wider economic impacts of the Australian government publicly funding ECEC that is provided only by not-for-profit organisations and public providers, would be at a minimum $1.2 billion more in 2026 than under the current provider mix including for-profits.

This is a very conservative estimate, as it is based on changing the split of all ECEC *services* run by providers (from 54% for profit and 46% not-for-profit and government, *to* 100% not-for-profit and government). In fact, the provider *share of subsidised hours of ECEC* (i.e. share of overall public funding for the Child Care Subsidy) is likely to be much higher than 54%. The ECEC sector comprises 4 main types of service: long day care, out of school hours care, preschool/kindergarten services and family day care. More children spend more hours in long day care than in other ECEC service types, and the majority of these services are run by private-for-profit firms. Six in 10 (59%) children attending subsidised ECEC services are attending long day care services.[104] Over two-thirds (71%) of these services are private for profit-run services.[105] The average hours a child spends in long day care per week is 34.4 hours while it is 27.5 hours in other service types.[106]

Based on our conservative estimate, if the Australia government was to direct current funding for ECEC only to not-for-profit and government providers, this would lead to estimated additional employment of 18,033 positions in 2026. This includes direct jobs in ECEC centres, indirect jobs in the various industries which supply ECEC providers with the range of input goods and services, and induced jobs in downstream consumer industries which benefit from the spending power of ECEC workers.

Including all these channels of impact, the redirection of ECEC funding away from for-profit providers leads to an increase in total GDP of $1.2 billion. In turn, the increase in GDP from this redirection of funding away from for-profits would also increase government tax receipts. The current ratio of taxes to GDP (for all levels of government) in Australia is 30.2%. This means that the GDP would increase revenues for governments at all levels by $363 million.

Table 1: Macroeconomic benefits of current Australian Govt ECEC funding of government and for-profit providers

ECEC services by provider type	GDP ($m)	Employment (FTE)	Govt revenues ($m)
A. Current: For-profit 54%, Not-for-profit & govt 46%	$32,070	215,934	$9,682
B. Not-for-profit & govt only 100%	$33,273	233,967	$10,045
C. For-profit only	$31,045	200,572	$9,373
Difference B-A (ie. Without for-profits)	$1,203	18,033	$363

Note: The category 'Not-for-profit and govt.' includes ECEC provided by all types of not-for profit organisations and all levels of government as well as government, independent and Catholic schools.

[104] Department of Education (DET), March quarter 2026 Data Tables, Early Childhood, (DET, 2026) Table 1.1.
[105] ACECQA,NQF Annual Performance Report 2024-2025, (ACECQA, 2026), 5
[106] DET, March quarter 2026 data tables, Table 6.1.

SECTION 8

Universal, quality education and care as a public good

The ECEC market is dominated by for-profit providers because secure government funding underpins the opportunity to make profit. For-profit providers provide poorer quality education and care; their safety records are poorer; they are unreliable providers; they provide poorer quality and lower-paid jobs; and they shift public money from service provision to profit. If they don't succeed, they exit. And if they fail it is families, children and their communities who pay.

The Australian Government has taken some important steps towards building a safe high-quality universal education and care system, including by recognising that the current market-based arrangements will not provide services where they are needed and to all the children who need them. The Government has recognised the failure of earlier attempts to stop price hikes and has strengthened regulation and increased incentives for better performance.

Achieving a universal system of safe and quality early learning and care will require more substantial reform. Ongoing investment in this system must be directed to maximising benefits for children and supporting families' economic participation.

The private-provider dominated market is at the heart of many of the problems of lack of equitable access to ECEC services in the regions, in lower socio-economic areas, for first nations communities and for children with diverse needs. This market is also at the heart of the failure of the ECEC system to meet quality and safety standards.

Solutions to these problems need to go beyond finding ways round the market and providing services in places where the market will not provide. Solutions also need to go beyond ongoing tweaking of regulation to try and shift incentives towards quality and safe practices when some providers will continue to be driven by a profit imperative that will inevitably divert dollars to profit instead of building necessary capacity.

All the evidence shows that private for-profit ECEC owners and investors, in particular owners and investors of some of the largest providers, are in the industry to make profit and gain good returns on their investment. There is nothing intrinsically wrong with that. But the bulk of the evidence from the multiple recent inquiries and analyses we have considered in this report point to the profit motive being at odds with the goal of building a universal high-quality ECEC system.

For profit provision OF ECEC has come with unacceptable costs. For-profit provision has increased risks to children's safety and to the quality of ECEC. In addition, as shown by our modelling, it costs in employment, in GDP and in revenue.

A successful transition to a universal high-quality ECEC system must ensure the necessary investment in a quality workforce and in systems to keep children safe must not leak public investment to private profit, including to overseas investors and private equity funds. This requires reshaping of the ECEC system as a public good.

The establishment of a national commission for ECEC is currently being considered as a way forward, as a body 'capable of driving reforms … towards a genuinely universal, high-quality ECEC system'.[107] It is anticipated this body can write new rules that will strengthen the system through strong stewardship of the market.

Yet strong stewardship of the ECEC market is unlikely to be enough to address the current problems. Heavy reliance on for-profit providers means the ECEC system can be captured by these providers. Large providers threatening to leave the system *en masse* could prevent the implementation of effective regulation for quality and safety to ensure outcomes for children come before profits.

Alternative models are needed. The government has an opportunity to build a truly universal system now. Propping up the current market system is not the answer.

[107] Hodgins-May, S., 'Australian Greens' Dissenting Report' Para 1.10

SECTION 9

Appendix: Methodology for estimating the macroeconomic benefits of ECEC

Using ABS Input-Output tables and IBISWorld data sources, a set of indirect and induced impact multipliers were developed for the Australian ECEC sector, including separate multipliers for not-for-profit[108] and for-profit providers.

The analysis began with the ABS I-O tables for the year 2024-25. Within that I-O system, ECEC services are included as part of the *Residential Care and Social Assistance Services* sector. We disaggregated that sector into *Childcare* and *Other* segments, on the basis of data contained in the ABS's *Australian National Accounts: Input-Output Tables (Product Details)* and IBISWorld's *Child Care Services in Australia*.[109] The IBISWorld data was used to disaggregate total revenues in the sector into output, value-added, and intermediate usage. The ABS data was used to split the final demand pattern between final users (mainly households and government). The disaggregation was performed on a self-balancing method such that the *Other* component of *Residential Care and Social Assistance Services* acted as a residual. This ensured that, overall, the Australian I-O table remained in balance and equal in aggregate terms to the original table.

The next step was to disaggregate the ECEC sector into its for-profit and not-for-profit components. In this exercise, we are concerned primarily with whether a profit 'wedge' is introduced into the allocation of a provider's total revenues to various uses. Therefore, we combined government services and those offered by not-for-profit and schools, into a unified not-for-profit amalgam based on the current 54%/46% split between for-profit ECEC providers and the aggregated combination of public and not-for-profit providers.

The IBISWorld report also included some case studies of not-for-profit and for-profit providers that provided sufficient data to estimate the profit shares for each sector to guide this disaggregation. Intermediate costs shares were assumed to be equal between the for-profit and not-for-profit segments,[110] with payments to wages the balancing factor (implying the not-for-profit sector is more labour intensive than the for-profit sector).

The composition of final demand for the not-for-profit and for-profit sectors was assumed to be the same. ECEC is primarily 'sold' to households and government (government 'buys' the final output of

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[108] In this methodology section we have constructed an amalgamated not-for-profit and government sector that includes government, not-for-profit and school-based ECEC provision.

[109] Richardson, A. *Child Care Services in Australia*, IBISWorld (2025); ABS, *Government Financial Statistics 2024-25*, (ABS 2026) and ABS, *Australian System of National Accounts 2024-25*, (ABS 2026) and ABS *Australian National Accounts: Input-Output Tables*, (ABS 2026).

[110] It does not seem reasonable to assume that a for-profit provider could purchase fewer of the inputs required to operate a government-approved ECEC centre, such as buildings, utilities, and supplies.

the industry, ECEC services, through the subsidies it pays to parents for it), likely at a similar ratio for each sector. With this new disaggregated I-O Table estimated, we calculated output, employment and GDP multipliers.

Table A1 provides a summary of the output, employment and valued added multipliers. Direct multipliers represent effects experienced within the ECEC sector. Simple multipliers include upstream spending and production experienced in the ECEC sector's supply chain: that is, the various industries which provide supplies, equipment, and services to ECEC sectors. The total multiplier includes downstream spending effects resulting from subsequent consumer spending by the people employed in the ECEC sector and its supply chain.

Table A1: ECEC multipliers, per $1 million of output

	Output, $m		Employment, FTE		Value Added, $m	
	NFP	**FP**	**NFP**	**FP**	**NFP**	**FP**
Direct	1	1	6.02	4.91	0.61	0.61
Simple	1.62	1.62	7.81	6.69	0.89	0.89
Total	**3.07**	**2.86**	**11.82**	**10.13**	**1.68**	**1.57**

Source: Estimates from analysis of ABS National Accounts: Input-Output Tables, as described in text.

The simple output multipliers are somewhat lower than those in other sectors of the economy: in part because ECEC production is very labour intensive, and also because some of the ECEC sector's intermediate inputs (especially play equipment, toys, etc.) are imported. The simple output multipliers are equal for not-for-profit and for-profit segments as a result of the assumption of equal intermediate cost shares used in the disaggregation. However, the simple output multipliers are higher than those recorded in other education and care services such as Primary and Secondary Schooling, Tertiary Education, and Health Care.

Because of the stronger employment-generating impacts of not-for-profit ECEC services (including not-for-profit, public and school providers), the total output multipliers are higher than in for-profit provision. They are also higher than many other service industries (including Primary and Secondary Schooling, Tertiary Education, Health Care, Creative and Performing Arts, and Sports and Gambling). This reflects the highly labour-intensive nature of ECEC production. Across the spectrum of industries considered in the Australian I-O system, the total employment multipliers for not-for-profit ECEC services fall within the top quarter of all industries. A million dollars spent on not-for-profit ECEC generates more direct employment than most other industries. And ECEC workers, given their low incomes, are more likely to fully and immediately spend their resulting wages, generating still-stronger employment benefits through consumer industries.

It should be noted that the direct and indirect spin-off employment benefits arising from not-for-profit and public ECEC provision described in these simulations do not include the other key source of economic benefit generated by accessible quality early education and care services: namely, the greater employment and output possibilities arising from women's increased labour force participation and greater opportunity for full-time employment.

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