Media Release

The children who gain most from quality early learning are the least likely to get it

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A new report finds Australia's childcare funding system is widening the gap between advantaged and disadvantaged children, and sets out how needs-based funding could close it.

Smarter Funding, Stronger System, led by The Front Project, finds that less than 2 per cent of long day care funding goes to additional need or costs, significantly lower than the 30 per cent allocated by the Commonwealth to schools.

The report finds that because long day care funding is tied to parent fees, the resources available to centres are determined by the fees their parents can afford to pay. This leaves children in less-advantaged families more likely to access to lower quality services.

In 2024, almost a quarter of Australian children arrived at school developmentally vulnerable on at least one domain in the Australian Early Development Census (AEDC). This was even higher for First Nations children and children in socioeconomically disadvantaged areas.

Some children need more help than others to thrive. ECEC has enormous potential to help children make developmental gains and have a fairer start to school. Despite this, Government doesn't have a funding stream or policy lever to improve equity.

The report provides a framework for Government on how needs-based funding could be introduced in long day care, drawing on systems that already do it including preschool needs-based funding in Victoria, Queensland and South Australia. In Victoria, Prep children from supported preschool programs were 1.4 times more likely to read at the expected level.

The Front Project CEO Dr Caroline Croser-Barlow said that this should be the next significant early childhood reform.

"Right now, long day care funding follows what parents can pay, not what children need. That means the children who stand to gain the most from quality are the least likely to get it. Needs-based funding fixes this by tying funding to need and quality, not fees."

"Introducing needs-based funding benefits the whole ECEC system, supporting workforce stability, improving quality and safety, and achieving better outcomes for children. It also gives Government more and stronger levers to better manage the system."

"Parents should be able to trust that any additional public funding is going into a better experience for their child, not into rent or profit. Needs-based funding builds that trust by design."

"This isn't a proposal to throw out the childcare subsidy. It's a proven and achievable additional investment that can be added to the existing funding system or embedded in a new funding model.

"There is no point making early learning cheaper if it is poor quality. New money that isn't tied to equity and quality won't reduce disadvantage, and it could widen it. A $1 billion investment would start to close the gap."

Smarter Funding, Stronger System is available at www.thefrontproject.org.au

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Quotes attributable to Kristy Muir, CEO, Paul Ramsay Foundation

'"Every child deserves the opportunity to thrive. Yet gaps in development can emerge before children even start school. Around 30 per cent of Commonwealth school funding is allocated according to need, but in early childhood education and care it's less than two per cent, at the very stage when needs-based funding makes the biggest difference.

Philanthropy is working alongside government to build the evidence and practical options to redesign how early childhood is funded, because that's where lasting change happens. PRF is proud to support this work."

Quotes attributable to Penny Dakin, Executive Director of Communities, Minderoo Foundation

"Every child deserves access to high-quality early learning, regardless of their postcode or family circumstances. This work demonstrates what is possible when philanthropy, government and the sector come together with a shared commitment to improving outcomes for all Australian children. By building the evidence for needs-based funding, we're helping lay the foundations for a stronger, fair early childhood education and care system that better supports children, families and educators and can help deliver lasting benefits for future generations."

Quotes attributable to Simon Factor, Executive Convenor, Investment Dialogue for Australia's Children

"Expanding access to early childhood education is essential, but access alone is not enough. We need to ensure resources reach the children and communities who need them most. We know it is not just about how much money is spent, but how it is spent which makes a major difference in the outcomes that are achieved for children.

This partnership demonstrates how government and philanthropy can work together with sector experts to build the evidence for lasting system-wide change."

About the report

Smarter Funding, Stronger System was led by The Front Project, funded by Minderoo Foundation and the Paul Ramsay Foundation, and supported by the Investment Dialogue for Australia's Children.

About The Front Project

The Front Project is a national, philanthropically funded organisation that puts children and families at the centre. We work with the early childhood sector, government and business leaders to ensure the early childhood system lives up to what children and families want from it.