



Early childhood education and care –
Independent Market Monitoring Review
2025

Methodology Paper

May 2025

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Friday, 11 July 2025

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

Early childhood education and care – Independent Market Monitoring
Review 2025
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Contents

1	IPART's second Independent Market Monitoring Review of early childhood education and care	4
1.1	Scope of the 2025 Independent Market Monitoring Review	5
1.2	We invite feedback on our proposed methodology for the review	8
2	Proposed methodology	11
2.1	How we propose to identify and review childcare supply shortages	13
2.2	How we propose to identify and review affordability and/or accessibility barriers	21
2.3	How we propose to review the state of the childcare sector	28
2.4	How we propose to estimate and report on the amount required to achieve the objective of the CEOF Act	35
A	Glossary	39

1 IPART's second Independent Market Monitoring Review of early childhood education and care

The value of investing to ensure that all children get the best start in life is increasingly evident to governments around the world. Quality early childhood education and care (ECEC) can assist with healthy early childhood development and have long-term benefits for children, their families, and the community.¹ It can also support the workforce participation of parents and caregivers.

IPART, as the commissioned person under the *Childcare and Economic Opportunity Fund Act 2022* (CEOF Act) is required to investigate and report on the childcare sector market every 2 years.^a The NSW childcare sector market includes education and care for children from birth to 12 years old across all service types.^b

In 2023, IPART undertook its first Independent Market Monitoring Review (IMMR) as the commissioned person under the CEOF Act. We completed the review and provided our [Final Report](#), presenting baseline information about the childcare sector market, to the NSW Minister for Education and Early Learning (the Minister) in December 2023.^c Our review found that:

- workforce shortages are impacting the supply of ECEC services
- demand for ECEC services is projected to grow
- there is a correlation between an undersupply of ECEC places and socio-economic disadvantage
- families on low incomes face the highest affordability barriers to ECEC services
- the intersectionality of factors can result in accessibility barriers to ECEC services
- a qualified workforce is key to the supply of ECEC services
- staff experience is related to high quality ECEC.²

IPART has now commenced its second IMMR (the 2025 IMMR), which we must complete and provide our Final Report to the Minister by the end of December 2025. This paper sets out and seeks feedback on our proposed approach to the review.

The principal objective of the CEOF Act is to increase participation in the State's workforce, particularly for women by making quality childcare more affordable and accessible. To achieve this objective, the CEOF Act aims to:

- reduce barriers to parents and carers participating in work
- improve affordability and accessibility of childcare
- support the ECEC workforce and sector.

^a On 2 March 2023 the then NSW Minister for Education and Early Learning commissioned IPART as the commissioned person under section 5(1) and 5(2) of the CEOF Act.

^b For the purposes of this paper, we generally use the term early childhood education and care (ECEC) rather than, childcare, childcare sector and childcare sector market to align with sector-preferred language.

^c This review was undertaken concurrently with a section 12A (of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act)) [review of affordability, accessibility and consumer choice in the NSW ECEC sector](#). The 2023 IMMR Final Report was tabled in NSW Parliament in November 2024 and is published on IPART's website.

The CEOF Act established the NSW Childcare and Economic Opportunity Fund (the Fund) and Board (the Board) to drive up to \$5 billion of investment into the ECEC sector over 10 years following the NSW Government's commitment to deliver more accessible and affordable quality ECEC services.³

The 2025 IMMR is intended to investigate and report on the ECEC sector, including by comparing against the baseline findings of our 2023 IMMR, to inform and provide guidance for the Board on the Fund's investment decisions. The Board's vision is that:

- NSW has an inclusive, accessible, affordable and quality early childhood education and care (ECEC) sector, supported by a sustainable system, that meets the needs of children and families across NSW.
- This increases economic opportunity and workforce participation, particularly for women.⁴

The NSW CEOF Strategic Investment Plan outlines 3 key investment priorities:

1. Increase supply of ECEC in under-served areas.^d
2. Increase access to culturally responsive early learning services.
3. Reduce barriers to access for children and families.^e

This paper sets out the proposed scope and methodology for the 2025 IMMR. We propose an approach based on the methodology we used in the 2023 IMMR with some further refinements.

1.1 Scope of the 2025 Independent Market Monitoring Review

Under the CEOF Act, IPART (as the commissioned person), must undertake a review into the childcare sector market. The key tasks IPART must undertake for the 2025 IMMR include to:

- Task 1: Identify and review areas where it considers:
 - a. there are childcare supply shortages, or
 - b. there are higher barriers to parents or carers participating in work because of the affordability or accessibility, or both, of childcare.
- Task 2: Review the state of the childcare sector, including:
 - c. workforce
 - d. pay and conditions
 - e. quality standards.
- Task 3: Estimate and report on the amount required to achieve the objective of the CEOF Act and otherwise fund the Board for at least the next 2 financial years after the date on which the report is given to the Minister.^e

^d An 'under-served area' is an ABS Australian Statistical Geography Standard (ASGS) Statistical Area Level 2 (SA2) identified in our 2023 IMMR Final Report as having a demand-supply ratio above one (under-supplied) and deciles between one and 7 according to the Australian Bureau of Statistics (ABS) Index of Relative Socio-economic and Advantage and Disadvantage (IRSAD) and Socio-economic Indexes for Areas (SEIFA) 2021.

^e Section 5 and 6 of the CEOF Act.

In doing so, the *Childcare and Economic Opportunity Fund Regulation 2023* (CEOF Regulation) requires that we consider and report on matters that IPART (as the commissioned person) considers relevant which may include the need for specialised or specific services for one or more of the following:

- rural and remote communities
- culturally and linguistically diverse persons and communities
- persons with disabilities
- Aboriginal and Torres Strait Islander persons
- persons living in areas having a low quintile number in the most recent Socio-Economic Indexes for Areas (SEIFA) published by the ABS.^f

The NSW childcare sector market includes education and care for children from birth to 12 years old across all service types. As such, the IMMR will cover community and mobile preschool, family day care, long day care, NSW Department of Education (DoE) preschool, outside of school hours care (OOSH).^g

While we undertook Task 1 and Task 2 for the 2023 IMMR, Task 3 was not required for the 2023 IMMR as the CEOF Act provides that an estimated amount is not required for a financial year for which an amount is appropriated under section 18.^h

As outlined in Box 1.1, there have been several other ECEC reviews undertaken recently, in NSW and across Australia. A NSW inquiry into the ECEC sector and a NSW review into the NSW ECEC Regulatory Authority have also recently been announced, as well as an Australian Government National Child Safety review. We will consider these reviews as part of the broader ECEC landscape as we undertake the 2025 IMMR.

^f Section 4 of the CEOF Regulation. The CEOF Regulation also requires that we consider and report on matters the Minister directs the commissioned person to consider and report on. For the 2025 IMMR we have not received Ministerial direction to consider and report on specific matters.

^g Childcare for the purposes of the CEOF Act means the type of care provided by an education and care service within the meaning of the *Children (Education and Care Services) National Law* (NSW). Generally, that Act defines 'education and care service' to mean any service providing or intended to provide education and care on a regular basis to children under 13 years old. However, this definition also excludes certain services such as occasional care.

^h As section 18 sets out the amounts that were appropriated for the financial years ending 30 June 2024, 30 June 2025 and 30 June 2026 (i.e. the years included in the 2023 IMMR), Task 3 was not required or undertaken for the 2023 IMMR.

Box 1.1 Previous and concurrent ECEC reviews

Reviews previously undertaken by IPART:

- [2023 section 12A review](#) investigated and made recommendations to improve affordability, accessibility and consumer choice in the NSW ECEC sector, with our Final Report published in December 2023. It also estimated benchmark prices that reflect the cost of providing ECEC services.
- [2023 ECEC IMMR](#) was our first IMMR of the childcare sector market as the commissioned person under the CEOF Act. Our Final Report was provided to the Minister in December 2023 and published in December 2024. Estimation of the costs to meet the objectives of the CEOF Act was not required for this review.

Other recent and current reviews of the ECEC sector

- [2022-23 South Australia – Royal Commission into Early Childhood and Care](#) examined the extent to which South Australian families are supported in the first 1,000 days of a child's life, how to deliver a universal quality preschool program for 3 and 4 year olds and OOSH access for preschool and primary age students.
- [2023 Australian Competition and Consumer Commission \(ACCC\) – Childcare Inquiry](#) considered the costs incurred and the prices charged by providers since 1 July 2018. It examined how costs and prices differ by providers, location, the level of competition in the market, the characteristics of childcare and service quality.
- [2023-24 Australian Government Productivity Commission – Inquiry into Early Childhood Education and Care](#) investigated and made recommendations to support affordable, accessible, equitable and quality ECEC that reduces barriers to workforce participation and supports children's learning and development.
- [2025 Inquiry into the ECEC Sector in NSW](#) was initiated in March 2025, and will inquire into and report on safety standards, regulatory effectiveness, workforce conditions, and quality of care in the State's ECEC sector. The Inquiry Committee is expected to report by March 2026.
- [2025 Independent Review into the NSW ECEC Regulatory Authority](#) will consider the NSW ECEC Regulatory Authority's activities in accordance with the National Law and Regulations and the National Quality Framework (NQF). The independent review report will be submitted to the NSW Government for its consideration by 31 May, with a view to the report published by 30 June 2025.
- [2025 Australian Government National Child Safety Review](#) will undertake a Regulatory Impact Analysis process (RIA) for proposed policy options aimed at improved child safety arrangements in education and care services across Australia. The proposed policy options for RIA address recommendations from the [2023 Review of Child Safety Arrangements under the National Quality Framework](#).

1.2 We invite feedback on our proposed methodology for the review

This paper sets out our proposed approach for IPART's 2025 IMMR of the childcare sector market and preparing our Final Report to the Minister.

It outlines our proposed methodology and discusses the proposed key performance indicators, indicators to be calculated and dimensions for assessing:

- supply shortages (section 2.1)
- affordability and accessibility
- barriers (section 2.2)
- the state of the sector including workforce, pay and conditions and quality standards (section 2.3).

It also sets out our proposed approach for estimating the amount required to achieve the objective of the CEOF Act and otherwise fund the Board for at least the next 2 financial years (section 2.4).

We invite feedback on our proposed methodology and indicators, to ensure that the IMMR can meet its objectives. We welcome feedback from stakeholders across the ECEC sector, including families, providers and workers (and their representatives), through our feedback survey and/or submissions. We are seeking feedback on our methodology and the questions listed below, as well as any other relevant matters until Friday 11 July 2025.

You don't have to respond to all the questions, you can just respond to those that are important to you. For example, families may be more interested in service affordability and accessibility (section 2.2), whereas providers and workers may be more interested in service supply (section 2.1) and provider costs in delivering services (sections 2.3 and 2.4).

We also plan to hold public online webinars to explain and seek feedback on our proposed methodology on:

- Tuesday 10 June 2025 (from 10:00am to 11:00am)
- Thursday 12 June 2025 (from 2:00pm to 3:00pm).

We invite all stakeholders to [register](#) to participate in these workshops.

1.2.1 We will consider feedback to inform our methodology and Final Report

We will consider all feedback received in response to our Methodology Paper to inform the next stages of our review, refine our methodology and prepare our Final Report, which we will submit to the Minister in December 2025. The 12-month timeline for our review is presented in Figure 1.1.

Figure 1.1 Indicative timeline for the 2025 IMMR



Ongoing meaningful engagement with the community and sector is important for all stages of our review, including with:

- sector peak bodies and representatives
- Aboriginal and Torres Strait Islander peoples and representatives
- parents, families and communities (including Aboriginal and Torres Strait Islander communities)
- NSW ECEC providers and workforce
- Government departments/agencies such as NSW Government agencies, NSW local government and the Commonwealth Government (Cth) DoE.

We intend to engage with stakeholders via:

- targeted webinars and workshops (in particular, on our proposed methodology and provider cost data)
- surveys
- submissions and other feedback
- meetings and yarning circles
- provider site visits.

Have your say

Your input is critical to our review process.

You can get involved by making a submission, completing our feedback survey or attending an online webinar/workshop.

[Submit feedback »](#)

[Register for a workshop »](#)

[Complete the feedback survey »](#)

Seek Comment

1.	Are the dimensions in Table 2.1 appropriate and at the right level of detail? If not, what improvements could be made?	13
2.	Are there any additional data sources or data gaps that we should consider? If so, what are they and how can any data access barriers be overcome?	13
3.	How should a supply shortage of ECEC services be defined? Are there other measures that we should consider? For example, considering government targets for ECEC enrolment.	16
4.	What is your feedback on the proposed KPIs and indicators for ECEC supply in Table 2.2?	16
5.	What is your feedback on the proposed KPIs and indicators for ECEC affordability barriers in Table 2.3?	22
6.	What is your feedback on the proposed KPIs and indicators for ECEC accessibility barriers in Table 2.4?	25
7.	What is your feedback on the proposed KPIs and indicators for ECEC workforce, pay and conditions in Table 2.5?	28
8.	What is your feedback on the proposed KPIs and indicators for ECEC quality standards in Table 2.7?	32
9.	Are the cost categories that we propose to estimate costs for appropriate? If not, why not and what alternative cost categories do you suggest?	37

2 Proposed methodology

The sections below set out our proposed methodology for reviewing the childcare sector market and preparing our 2025 IMMR Final Report, including:

1. How we propose to identify and review childcare supply shortages (section 2.1).
2. How we propose to identify and review affordability and/or accessibility barriers (section 2.2).
3. How we propose to review the state of the childcare sector, including workforce, pay and conditions, and quality standards (section 2.3).
4. How we propose to estimate and report on the amount required to achieve the objective of the CEOF Act (section 2.4).

In general, we propose to apply a similar methodology to that which was used for the 2023 IMMR, with refinements and modifications. In particular, we propose additional measures to help validate our estimates of undersupply, to more explicitly assess the quality of supply (using the National Quality Standard (NQS)) and to estimate the cost of uplifting quality in services that are not meeting the NQS.

Estimating and reporting on the amount required to achieve the objective of the CEOF Act, is a new task for the 2025 IMMR. We present our proposed methodology for this in section 2.4 and are particularly keen to hear feedback on our proposed approach for this task.

Similar to the 2023 IMMR, the following sections outline the proposed:

- **key performance indicators (KPIs)** (or high-level 'success measures') which relate to the NSW CEOF Strategic Investment Plan key investment priorities
- specific **indicators** for each KPI that we intend to measure and how we propose to calculate and report on them
- the **dimensions** (e.g. location, service type, provider type, age of children attending and the priority groups to be considered) that we intend to assess the indicators across.
- the **data sources** we propose to use.

We also indicate where we propose changes and/or additions compared to the 2023 IMMR methodology.

Table 2.1 shows the details of key dimensions that, where possible, we propose to consider the indicators across and the proposed data sources for these dimensions.

Table 2.1 Dimensions to review aspects of ECEC

Dimension	Detail	Data source
Location	<ul style="list-style-type: none"> • ABS Remoteness Category • ABS ASGS Statistical Areas Level 2 and 3 (SA2, SA3) • Travel distance (km) • ABS SEIFA IRSAD and IRSD 	<ul style="list-style-type: none"> • ABS ASGS 2021 • Cth Department of Education (DoE) Child Care Subsidy (CCS) 2018-2024 • NSW DoE and Community Preschool Censuses (Preschool Censuses) 2018-2024 • National Workforce Census 2021, 2024
Age of children (years)	<ul style="list-style-type: none"> • 0-2 • 3-5 (3-<4,4-5) • 6-12 (6-9, 10-12) • 13+ 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • Preschool censuses 2018-2024 • Department of Planning, Housing and Infrastructure (DPHI) estimated residential population projections
Service type	<ul style="list-style-type: none"> • Long day care (LDC) • Family day care (FDC) • Preschool: <ul style="list-style-type: none"> – community – mobile – NSW DoE • OOSH 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • National Quality Agenda IT System (NQAITS) 2024 • Preschool Censuses 2018-2024 • National Workforce Census 2021, 2024
Provider type	<ul style="list-style-type: none"> • Profit • Non-profit • NSW Government 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • NQAITS 2024 • Preschool Censuses 2018-2024 • National Workforce Census 2021, 2024
Priority groups^a	<ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander • Culturally and linguistically diverse (CALD) • Disability status (and/or ongoing health/medical conditions) • Socio-economic disadvantaged cohorts • Children who are known to child protection systems • Remote or very remote area • Refugees and humanitarian entrants 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • Preschool Censuses 2018-2024 • ABS SEIFA IRSAD and IRSD 2021 • ABS Census of Population and Housing 2021 • National Workforce Census 2021, 2024

^a These groups are not consistently identifiable in the data sources mentioned. Therefore, it may not be possible to provide information at the proposed level of detail in all cases.

For the 2023 IMMR, we presented results by location by SA2. An SA2 represents a community that interacts socially and economically. NSW is split into 644 SA2s, which on an average have population of 10,000 people, and range between 3,500 to 25,000 people. We propose to continue to present results by SA2 for the 2025 IMMR.⁶

Presenting results at this level provides meaningful insights into the supply and demand and potential investment priorities for ECEC services (hereafter also referred to as 'services') on a local community basis.

In each of the following sections we present a table of KPIs, indicators and data sources used for the 2023 IMMR and what we propose for the 2025 IMMR. We will analyse data and report on the proposed indicators as at 2024-25 (where possible).ⁱ

We are seeking feedback on all proposed KPIs, indicators, dimensions and data sources in this paper and have also included some specific questions throughout the paper for response.

Although set out separately in this paper, the different aspects of the ECEC sector to be covered in the 2025 IMMR are interrelated and therefore will be considered together in making our findings.

As for the 2023 IMMR, the extent to which we will be able to make meaningful findings will be limited by what data is collected and what we have access to. In undertaking the 2025 IMMR we intend to highlight any major data gaps and potential improvements for data collection in the future. We are also interested in feedback on data gaps, how to best overcome data access barriers and potential data collection improvements.

Seek Comment



1. Are the dimensions in Table 2.1 appropriate and at the right level of detail? If not, what improvements could be made?



2. Are there any additional data sources or data gaps that we should consider? If so, what are they and how can any data access barriers be overcome?

2.1 How we propose to identify and review childcare supply shortages

The CEOF Act requires that we identify and review childcare supply shortages. Modelling of localised undersupply estimates (by SA2) was a key feature of the 2023 IMMR methodology.^j

The 2023 IMMR showed that there were material differences in ECEC supply^k between local areas (SA2s), regional and metropolitan areas (remoteness levels), and across socio-economic levels (SEIFA deciles). This means that children's access to ECEC depends on where they live. Additionally, the distribution of ECEC supply also varied depending on the service type and provider type of services. As services of different type serve different aged children (e.g. preschools serve 3 to 5 year olds), the distribution of ECEC places across NSW is not the same for children of different ages.

ⁱ For children and customers, we will round numbers to the nearest 10, and for figures less than 5 we will display "<10". For services and providers, for figures less than 5 we will display "<5".

^j Modelling for the IMMR 2023 considered SA2 areas to be undersupplied when they had a demand-supply ratio above one.

^k For the purposes of our modelling, ECEC supply means the number of FTE licensed places, except for FDC which is the number of FTE places estimated from CCS enrolments. ECEC demand means FTE benchmarked demand (under a high-demand scenario applied to DPHI population projections) accounting for travel (section 2.1.2 provides further detail on this).

While there are important trends in ECEC supply, not every area has the same level of demand for ECEC. By combining supply measurements and demand estimates, policy and program planning can target areas that are most undersupplied. Demand estimates from the 2023 IMMR informed the Board of the extent of accessibility barriers, supporting development of the inaugural Strategic Investment Plan and informed identification of areas for program targeting for first phase programs out of the Fund. For the 2025 IMMR we aim to update and validate undersupply estimates with additional measures and new data, as well as to track progress since the 2023 IMMR.

2.1.1 Examine data on dimensions of supply

We intend to repeat the analysis of ECEC supply that was carried out in the 2023 IMMR using updated data. We can thereby understand how supply for children of different ages is evolving across NSW. The 2023 IMMR reported on both the number of licensed places and services by service type, provider type, and geography. Geographical variables considered included SA2 location, remoteness, and SEIFA IRSAD.

The 2023 IMMR also reported on the distribution of licensed places per 0 to 5 year old child across SA2s in NSW. This analysis is useful for a basic understanding of ECEC undersupply, but it does not account for travel between SA2s, or for varying full-time equivalent enrolment rates across children of different ages.

2.1.2 Model demand for early childhood education and care

To account for part-time ECEC use and travel to ECEC services, the 2023 IMMR utilised a **benchmarked demand model** to estimate the undersupply of ECEC places for SA2s across NSW. The benchmarks created for this method assumed that SA3s with the highest enrolment rates (FTE enrolments per resident child) represent the greatest level of demand that can be expected anywhere across the state. Enrolments were measured using data from the Child Care Subsidy (CCS) and Preschool Censuses, and population estimates were sourced from DPHI estimated residential population projections.

Once established, these demand benchmarks were then applied to the populations of children in each SA2 in NSW. This process considered existing travel patterns of ECEC users to allow for travel between SA2s. After applying these benchmarks, the resulting demand level was compared to the supply in each area. Supply was measured as the number of licensed places reported by the regulator (NQAITS data), except for FDC supply – which was estimated from CCS enrolments. The relative extent of undersupply in each area was measured as a ratio of demand estimates over measured supply. Modelled demand and supply could also be used to estimate the number of additional places needed to provide ECEC to every potential user.

We plan to use the benchmarked demand method to calculate the number of additional places required in NSW for the 2025 IMMR. Since the 2023 IMMR, we have obtained more recent data that we will use to update this model, which we also propose to enhance with some methodological changes including:

- using additional undersupply measures to help validate the undersupply estimates calculated by the model
- accounting for service quality in our undersupply modelling.

2.1.3 Validate undersupply estimates

All measures of undersupply will have limitations. To address this, we propose to validate our estimates by considering and combining information from multiple sources.

For the 2023 IMMR the benchmarked demand method, enrolments are limited by the supply of ECEC places. This means that demand benchmarks cannot exceed the supply in the most supplied areas of NSW. The impact of this limitation depends on whether there are areas of NSW with appropriate levels of ECEC supply. If the most supplied areas of NSW do not have adequate levels of supply, then the demand benchmarks would underestimate demand. We invite feedback from stakeholders on this limitation.

We also propose to consider additional measures of ECEC undersupply that do not depend on ECEC enrolment data. These proposed additional measures include:

- **Benchmarked licensed places:** This approach uses statistical methods to estimate the expected supply of ECEC places for each SA2 based on the supply observed in demographically similar SA2s. This method assumes that demographics like family income, workforce participation and population density determine ECEC demand and therefore supply.
- **Travel distances of ECEC users:** This approach calculates the typical distance between ECEC users' home location and their ECEC service. This method assumes that users need to travel further when their local area is undersupplied.
- **Charged fees relative to costs of service:** This approach determines locations where fees charged by services are relatively high. This approach relies on the relationship between price and supply, where higher competition between services is expected to lower prices.
- **Benchmark unmet demand based on stated preferences:** Instead of benchmarking demand based on data from current enrolment patterns, this approach uses survey or other data about parent/carers preferences for ECEC use.

Each additional undersupply measure has limitations.¹ However, by considering a range of measures, we can reduce the impact of the limitations. We propose to combine undersupply measures into an index of ECEC undersupply. We can then compare this index to the undersupply estimates obtained from the demand benchmark method. Closer alignment between our benchmarked demand undersupply estimate and the combined index would indicate greater confidence in our undersupply estimate using the demand benchmark method.

We invite feedback on these proposed additional measures, and any others that stakeholders think we should consider. For example, where government targets for ECEC enrolment exist, we could consider these as estimates of unmet demand.

2.1.4 Account for quality of ECEC services in undersupply modelling

Our 2023 IMMR undersupply modelling did not explicitly consider the quality of ECEC services. As the CEOF Act aims to improve access to quality ECEC, we propose that for the 2025 IMMR, we estimate the number of services that do not meet the NQS to understand the number of existing services that require quality improvements to meet the NQS. As outlined in section 2.4.1, we intend to estimate the cost of uplifting the quality of these services. We also plan to review and report on quality standards of services as outlined in section 2.3.2.

2.1.5 Calculate indicators for supply of services

We intend to retain and update the KPIs and indicators reported in the 2023 IMMR for the 2025 IMMR. This will allow us to measure the change in the supply of services and places over time, particularly in areas identified as underserved or experiencing a shortage of ECEC services. Table 2.2 outlines these indicators and our proposed changes for the 2025 IMMR, including new indicators.

Seek Comment

3. How should a supply shortage of ECEC services be defined? Are there other measures that we should consider? For example, considering government targets for ECEC enrolment.
4. What is your feedback on the proposed KPIs and indicators for ECEC supply in Table 2.2?

¹ For example. The benchmarked licensed places method may underestimate required supply for areas with demographics that are typically associated with undersupply, such as low household income. Higher travel distances may not reflect undersupply where ECEC users prefer to take children to ECEC near their workplace. Higher charged fees may be reflective of service quality and staffing levels rather than a lack of competition.

Table 2.2 Proposed supply indicators for 2025 IMMR

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source for 2025 IMMR
S1: Reduce the number of regions identified as undersupplied	The number of local areas (SA2) with a demand to supply ratio higher than 1 to 1.	<p>Demand was modelled from FTE enrolment data and local population. Supply was based on licensed places. Modelling methods are described in section 2.1.2.</p> <p>Demand and supply was calculated separately for 0-5 and 6-12 year olds, for both high and median demand benchmarks.</p>	<p>Total SA2s under-supplied:</p> <ul style="list-style-type: none"> For 0-5 year olds: 69-245 SA2s For 6-12 year olds: 108-311 SA2s (at lower and upper estimates of demand respectively). 	<p>We propose to retain this KPI and indicator and further disaggregate results by:</p> <ul style="list-style-type: none"> 0-2 and 3-5 year olds before and after school care (for OOSH). Service quality – we intend to count the number of undersupplied regions for: <ul style="list-style-type: none"> all services all services excluding those with NQF ratings: “working towards”, and “significant improvement required”. 	<ul style="list-style-type: none"> Enrolments (with home and service locations) – Preschool Censuses 2024 and CCS 2024 Licensed places - NQAITS 2024 (FDC supply derived from CCS 2024) Population – NSW DPHI estimated residential population projections 2024
As above	N/A	N/A	N/A	<p>To indicate the overall level of confidence in our demand supply estimates, we also propose to measure the overall alignment between demand benchmarking method estimates and an index combining undersupply estimates from:</p> <ul style="list-style-type: none"> benchmarked supply median travel distance median fee to service cost ratio. (section 2.1.3). <p>We could also calculate alignment for regional and remote vs metropolitan areas, and for high vs low SEIFA areas to determine if the model performs consistently across different geographic groupings.</p>	<ul style="list-style-type: none"> Demographic data – ABS Census of Population and Housing 2021, ABS labour force collections, ABS SEIFA IRSAD and IRSD 2021 Travel distances - Preschool Censuses 2024 and CCS 2024 Licensed places - NQAITS 2024 (FDC supply derived from CCS 2024)

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source for 2025 IMMR
S2: Increase the number of places per child of relevant age by service type and location	Number of places per child by location	The 2023 IMMR mapped places per child across each SA2 in NSW for 0-5 year olds.	IMMR 2023 reported total places per service type. This is because places from different services cannot be allocated to portions of the population, i.e. places per child for different service types cannot be directly calculated.	<p>We propose to retain this KPI, but reword it to:</p> <ul style="list-style-type: none"> increase the supply of quality ECEC available in NSW. <p>We also propose to retain this indicator, but reword it to:</p> <ul style="list-style-type: none"> Number of places in services that meet or exceed the NQS per estimated residential child by age group (0-5, 6-12), and location (Remoteness level and SEIFA). <p>Our proposed change to this KPI includes the quality dimension, it also better distinguishes between the outcome of improved supply, and how that outcome can be measured.</p> <p>Our change to this indicator focusses on measuring quality supply relative to the population. The original indicator included places in different service types, which meant it could not measure places per population. We propose to measure the supply from different service types in other indicators.</p>	<ul style="list-style-type: none"> Licensed places and quality ratings - NQAITS 2024 (FDC supply derived from CCS 2024) Population – NSW DPHI population projections 2024
N/A	N/A	N/A	N/A	<p>We propose an additional indicator for the KPI of increasing the supply of quality ECEC available in NSW:</p> <ul style="list-style-type: none"> New indicator: Number of places in services that are not meeting the NQS, as a proportion of the entire supply of places, by location (Remoteness level and SEIFA), and over time. 	<ul style="list-style-type: none"> Licensed places and quality ratings - NQAITS 2024 (FDC supply derived from CCS 2024)
N/A	N/A	N/A	N/A	<p>We propose an additional indicator for the KPI of increasing the supply of quality ECEC available in NSW:</p>	<ul style="list-style-type: none"> National Workforce Census (NWC) 2021, 2024

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source for 2025 IMMR
				<ul style="list-style-type: none"> New indicator: Ratio of offered places to licensed places in services meeting or exceeding the NQS by location (Remoteness level and SEIFA), and service and provider type. <p>This measure captures the extent to which licensed places are actually available to children.</p>	
S3: Increase in number of services by service type and location	Number of services by service type and provider type and location.	Count services and break down by service and provider type, remoteness level.	<p>Total services in NSW: 5,979</p> <p>By service type:</p> <ul style="list-style-type: none"> LDC: 3,460 FDC: 124 OOSH: 1,559 Preschool: 759 Other: 77 	<p>We propose to retain this KPI and indicator and apply the indicator to the KPI of increasing the supply of quality ECEC available in NSW (S2) and removing S3. We plan to provide this indicator by Remoteness level and SEIFA.</p> <p>We intend to adjust this indicator to only include services meeting or exceeding the NQS.</p>	<ul style="list-style-type: none"> Services - NQAITS 2024 (FDC educator locations derived from CCS 2024)
S4: Increase in number of places in NSW in areas of relative disadvantage	Number of places by service type and provider type.	<p>The 2023 IMMR counted the number of licensed places across several geographical variables including:</p> <ul style="list-style-type: none"> remoteness SEIFA. 	<p>Total places in NSW: 373,700</p> <p>By service type:</p> <ul style="list-style-type: none"> LDC: 199,900 FDC: 20,100 OOSH: 12,900 Preschool: 27, 000 	<p>We propose to retain this KPI and indicator and apply the indicator to the KPI of increasing the supply of quality ECEC available in NSW (S2) and removing S4.</p> <p>We intend to adjust this indicator to only include places in services meeting or exceeding the NQS</p>	<ul style="list-style-type: none"> Licensed places - NQAITS 2024 (FDC supply derived from CCS 2024)
S5: Increase in the number of trainees, and qualified educators in areas identified as undersupplied	The number of trainees and qualified educators and teachers in SA2 areas identified as undersupplied.	Increase in the number of trainees, graduates of Certificate (Cert) III and above working in SA2s identified as undersupplied – measured every 6 months.	We identified areas of undersupply to inform the Board's decisions on where to target programs and financial assistance from the Fund.	We propose to retain this KPI and indicator but move this indicator to section 2.3.2	

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source for 2025 IMMR
S6: A reduction in the length of time it takes to fill staffing vacancies	The length of time it takes to fill vacancies.	The number of staff vacancies for ECEC roles in NSW, reported by the Jobs and Skills Australia Internet Vacancy Index. Reporting by providers on the time taken to fill vacancies.	Total NSW vacancies Oct 2023 <ul style="list-style-type: none"> • Childcare centre managers: 134 • Early Childhood Teachers: 1,104 • Child Carers: 1,686 	We propose to retain this KPI and indicator but move this indicator to section 2.3.2	

2.2 How we propose to identify and review affordability and/or accessibility barriers

The commissioned person under the CEOF Act is required to review the areas where affordability and/or accessibility presents a barrier for families accessing ECEC, and in turn creates a barrier to parents and carers participating in the workforce.

We propose considering which communities face the highest barriers to access, including affordability, and how these barriers vary by location, service, or provider type. This will allow solutions and future programs to be better targeted to address accessibility and affordability barriers, and to improve workforce participation.

2.2.1 Examine data on dimensions of affordability barriers

Affordability is driven by a variety of factors, including the out-of-pocket cost to families of using ECEC services, household characteristics such as income and family composition, and the trade-off with workforce participation.

In our 2023 IMMR report, we found that ECEC subsidies can substantially decrease the out-of-pocket costs families pay on average for services. However, many families still pay high costs as a proportion of their income on ECEC services, especially low-income families and families with multiple children. Out-of-pocket costs vary considerably across areas, with the highest found in inner city areas in Sydney, while they do not vary much between provider types.

As for the 2023 IMMR, we propose using out-of-pocket costs as an indicator for affordability, as it captures both the cost of ECEC for parents and the subsidies they receive to improve access to these services. We propose to use CCS data to assess how these out-of-pocket costs vary across providers, areas, and families.

We propose looking at how out-of-pocket costs relate to family and household income, especially for priority groups such as low-income families. Measures of affordability we propose to consider include:

- The proportion of ECEC out-of-pocket costs over different measures of income, such as median income in different areas, average income for a family earning minimum wage, or working part-time.
- The number of families for which ECEC is unaffordable (for example, families that pay more than the Mitchell Institute benchmark of 7% of income spent on ECEC services⁷).
- The proportion of income that lower-income households spend on ECEC services (similar to the housing affordability benchmark, which considers that housing should cost no more than 30% of gross income for the lowest 40% of earners).

We also propose to consider how affordability changes for families depending on their use of ECEC services over time and after recent policy changes (e.g. the 2024 CCS changes⁸), and how it relates to other cost of living measures that might impact families' capacity to pay for services.

2.2.2 Assess the impact of affordability on workforce participation

As for our 2023 IMMR, we will investigate the impact of affordability on workforce participation, including by considering the workforce disincentive rate, which quantifies the financial barrier to workforce participation imposed by affordability and/or accessibility barriers to ECEC services.

The workforce disincentive rate represents how much of the additional disposable income from working an extra hour is lost to childcare costs, higher taxes, and reduced government benefits. This means that families, when making decisions on whether to use ECEC services and/or how much ECEC services to use, make trade-offs between the out-of-pocket costs of ECEC, the estimated loss of income^a should a parent decide to stay home from work to look after their child/children, and how their ECEC subsidies as well as tax liability change if income changes. For some families with a high need of ECEC services, it is often financially preferable for one of the parents to opt out of the workforce and stay home to provide care for their children rather than using ECEC; this means there's an affordability barrier to ECEC that acts as a disincentive to workforce participation.

Building on the NSW Treasury's analysis of women's economic participation,⁹ for the 2025 IMMR we propose to estimate workforce disincentive rates for households in different locations, using local income data, tax, transfer payments, and CCS rates.

2.2.3 Calculate indicators for affordability barriers

We intend to retain and update the KPIs and indicators reported in the 2023 IMMR for the 2025 IMMR. This will allow us to assess changes in the affordability of early childhood education and care, and its impact on workforce participation. Table 2.3 outlines these indicators and our proposed changes for the 2025 IMMR.

Seek Comment



5. What is your feedback on the proposed KPIs and indicators for ECEC affordability barriers in Table 2.3?

^a Loss of income includes the foregone salary for the parent who stays home to look after their children, but it can also include a broader category of foregone earnings over the longer term, such as delayed career progression, loss of work experience or educational and training opportunities.

Table 2.3 Proposed affordability indicators for 2025 IMMR

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
A1: Reduced net childcare costs for households	Out-of-pocket (OOP) costs	<p>(Fee charged – CCS)/hours enrolled</p> <p>(Fees charged – Preschool fee relief)/hours enrolled.</p> <p>This provides a direct measure of the costs of ECEC faced by families. We will look at how this varies for different family characteristics such as income and number of children.</p>	<p>Average OOP fees/child/hour for NSW:</p> <ul style="list-style-type: none"> LDC 0-2 year olds \$5.20; 3-5 year olds \$4.95 FDC: 0-2 year olds \$4.88; 3-5 year olds \$4.60 OOSH: \$3.64 NSW DoE preschool: \$0 Community preschool: \$0-16/day 	<p>We propose to retain this KPI and indicator.</p> <p>The 2024 CCS data will have a more granular breakdown of family income to allow more accurate analysis.</p>	<ul style="list-style-type: none"> Cth DoE CCS 2018-2024 Preschool Censuses 2018-2024
A2: Increase parental workforce participation	Hours worked per year by parents (for men and women separately)	<p>Number of parents working or looking for work/number of parents (for women and men separately), and hours worked by parents per year/number of parents (for women and men separately).</p> <p>One of the CEOF Act's main objectives is to increase parental labour force participation, particularly of women.</p>	<p>For families with children aged 0-14:</p> <ul style="list-style-type: none"> Both parents are employed in 72% of couple families. 67% of single mothers are employed. 70% of single fathers are employed 	<p>We propose to retain this KPI and indicator.</p>	<ul style="list-style-type: none"> ABS Census of Population and Housing 2021

2.2.4 Examine data on dimensions of accessibility barriers

All families should have access to quality ECEC that meets their needs and aligns with their values. The CEOF Act requires us (as the commissioned person) to assess areas where limited childcare accessibility creates greater challenges for parents and carers in the workforce. This includes evaluating how accessibility barriers affect different priority groups and how these challenges vary based on location, service type, or provider.

Accessibility in ECEC is influenced by a range of interrelated factors, including structural and socio-economic elements. For example, geographic location can greatly affect whether a child has access to ECEC or not; particularly as rural and remote areas of NSW often have fewer services and longer travel distances. Limited public transport in rural and remote areas can restrict access, especially for families without private vehicles. Operating hours and flexibility of providers also influence whether or not a family is able to benefit from the care and/or education they provide. Services with rigid operating hours may not meet the needs of shift workers or casual employees. This means that families with parents/carers who work outside of the typical 9am-5pm office hours face accessibility barriers based on a lack of early, late, or weekend care.

Cultural and linguistic inclusion is also a critical component of considering accessibility in ECEC. Services that do not reflect or respect diverse cultures can be unwelcoming for families that are:

- Aboriginal or Torres Strait Islander
- culturally and linguistically diverse.

Increasing access to culturally responsive early learning services is a key investment priority of the Board, as outlined in its 2023-24 Annual Report. Culturally responsive and appropriate care ensures services are accessible for all children. A lack of cultural responsiveness in ECEC acts as a barrier to Aboriginal and Torres Strait Islander families, and families who are culturally and linguistically diverse. For example, if ECEC services are not culturally appropriate, this can result in missed learning opportunities for First Nations children. Culturally relevant pedagogy can deepen children's learning by connecting new knowledge to their lived experiences. Without this, the curriculum may feel irrelevant or inaccessible to the child. Culturally safe and responsive ECEC environments promote a strong sense of identity and pride in culture, trust and partnership with families, and improved developmental, social, and educational outcomes. Additionally English proficiency may also impact enrolment experience or other elements of communication between themselves and the provider, acting as a barrier to obtaining transparency between the provider and family.

The inclusion of children with additional needs is also a key area of ensuring all children can benefit from and access quality ECEC. A lack of specialised support through appropriate training, resources, and infrastructure to support children with disabilities or additional needs can exclude families who require extra support. Staff expertise and organisational commitment to providing accessible education and care is necessary to ensure all children are able to access ECEC. Our 2023 IMMR identified areas of disadvantage in NSW and where there may be accessibility barriers for priority groups. Priority groups included Aboriginal and Torres Strait Islander children, children with disability/additional needs, and children from culturally and linguistically diverse backgrounds. Identifying these areas of disadvantage, allows the Board to consider and use this information to make decisions on where to target accessibility programs and financial assistance.

In the 2023 IMMR, we found that 73% of Aboriginal and Torres Strait Islander children attended 600 hours of preschool program in the year before formal school, compared to 75% of all children.¹⁰ We also found that 98% of 3 to 5 year olds were enrolled in ECEC in outer regional areas of NSW and in remote and very remote areas, only 80% of 3 to 5 year olds were enrolled.¹¹

2.2.5 Calculate indicators for accessibility barriers

We intend to retain and update the KPIs and indicators reported in the 2023 IMMR for the 2025 IMMR. This will allow us to measure the change in the number of children from priority groups attending services, particularly in areas identified as needing support. The indicators will also allow us to analyse the number of children attending ECEC in the 2 years before starting formal school. Table 2.4 outlines these indicators and our proposed changes for the 2025 IMMR.

As for our 2023 IMMR, we propose to use enrolment data for our indicators on accessibility, as this data is able to capture the attendance in services by children in identified areas of disadvantage, proportion of children from priority groups attending ECEC, children attending ECEC in the year before starting formal school, and the number of children enrolled in services in regional and remote NSW. We will analyse CCS data to assess how enrolment numbers vary across areas of NSW that have higher populations of families as part of a priority group.

Considering the priorities set out in the CEOF Annual Report, where possible, we will also investigate the disaggregation of Aboriginal and Torres Strait Islander children. In the 2024 Annual Report, the Board identified Priority 2, as 'increase access to culturally responsive early learning services'. This priority emphasises the importance of all Aboriginal and Torres Strait Islander children in NSW being able to access high quality and culturally appropriate ECEC, supporting early development and education for First Nations children.

Seek Comment



6. What is your feedback on the proposed KPIs and indicators for ECEC accessibility barriers in Table 2.4?

Table 2.4 Proposed accessibility indicators for 2025 IMMR

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
AC1: Improved access through increasing number of children attending services in areas identified as needing support.	Attendance in services by children in identified areas.	Increase in number of children attending services in identified areas to indicate improved access.	We identified areas of disadvantage and where there may be accessibility barriers for priority groups. This information can assist in deciding where to target programs and financial assistance from the Fund.	<p>We propose to retain this KPI and indicator.</p> <p>In the 2023 IMMR, our findings were based on enrolment numbers as attendance data was not available for most services.</p> <p>For the 2025 IMMR, we will investigate the possibility of also using ABS preschools attendance data.</p>	<ul style="list-style-type: none"> Cth DoE CCS 2018-2024 Demographic data – ABS Census of Population and Housing 2021, ABS SEIFA IRSAD and IRSD 2021.
AC2: Increased participation in services by children from households identified as priorities.	Proportion of children from priority groups who attend ECEC for 15 hours or more per week (600 hours a year).	Number of children attending 15+ hours of ECEC per week from households identified as priorities/population; and/or number of children attending 15+ hours of ECEC per week from households identified as priorities/community population of children in priority groups.	In 2022, 73% of Aboriginal and Torres Strait Islander children were attending 600 hours of preschool program in the year before formal school.	<p>We propose to retain this KPI and indicator.</p> <p>In the 2023 IMMR, we analysed data for Aboriginal and Torres Strait children only. This will also be the case for the 2025 IMMR as this indicator is not currently measurable for children from other priority groups, as the community population is not available (especially for children with additional needs).</p>	<ul style="list-style-type: none"> Cth DoE CCS 2018-2024 Demographic data – ABS Census of Population and Housing 2021, ABS SEIFA IRSAD and IRSD 2021. NDIS participant data 2023
N/A	N/A	N/A	N/A	<p>We propose an additional indicator for the KPI of increased participation in services by children from households identified as priorities:</p> <ul style="list-style-type: none"> New indicator: The number of ACCO-led ECEC services. <p>We intend to use this indicator to represent access to culturally responsive early learning services. In 2024, there were 45 ACCO-led services providing ECEC across NSW.</p>	<ul style="list-style-type: none"> NSW DoE Aboriginal and Torres Strait Islander Services data ACECQA NQAITS

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
N/A	N/A	N/A	N/A	<p>We propose an additional indicator for the KPI of increased participation in services by children from households identified as priorities:</p> <ul style="list-style-type: none"> • New indicator: The number of licensed places in ACCO-led ECEC services. <p>Increased licensed places in ACCO-led ECEC services would signify increased access to culturally responsive early learning. In 2024, there were 1730 licensed places among the 45 ACCO-led ECEC services across NSW.</p>	<ul style="list-style-type: none"> • NSW DoE Aboriginal and Torres Strait Islander Services data • ACECQA • NQAITS
AC3: Children attend ECEC for 15 hours per week for the 2 years before starting formal school, or 600 hours per year.	Proportion of all children attending ECEC for 15 hours or more per week for the 2 years before starting formal school, or 600 hours per year.	Numerator: Number of children who receive 15+ hours of ECEC in the 2 years before commencing formal schooling, or 600 hours per year. Denominator: Community population of children aged 3-5 years old.	In 2022, 75% of all children were attending 600 hours of preschool program in the year before formal school.	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • Demographic data – ABS Census of Population and Housing 2021, ABS SEIFA IRSAD and IRSD 2021.
AC4: Participation in services by children in regional and remote NSW.	Attendance in services by children in regional and remote NSW.	Number of children attending from regional and remote NSW/population and/or number of children attending from regional and remote NSW/total enrolments in NSW.	<p>Enrolment in ECEC as proportion of population in:</p> <p>Outer Regional Areas:</p> <ul style="list-style-type: none"> • 18% of 0-2 year olds • 98% of 3-5 year olds <p>Remote and Very Remote Areas:</p> <ul style="list-style-type: none"> • 10% of 0-2 year olds • 80% of 3-5 year olds 	<p>We propose to retain this KPI and indicator.</p> <p>We note, caution is needed in interpreting this data as children may be enrolled in more than one service, which overstates the proportion of the population enrolled, particularly in areas with small populations.</p>	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • Demographic data – ABS Census of Population and Housing 2021, ABS SEIFA IRSAD and IRSD 2021.

2.3 How we propose to review the state of the childcare sector

The CEOF Act requires us to review the state of the childcare sector including the workforce, pay and conditions, and quality standards in the childcare sector. The sections below discuss how we propose to do this, and the indicators we propose for the 2025 IMMR to assess progress in the sector across these areas.

2.3.1 Examine data on dimensions of workforce, pay and conditions

The availability of a qualified workforce is key to the supply of services and the number of places available for children. In turn, this supply is influenced by the pay and conditions offered, and access to qualifications. Understanding of the workforce profile in NSW helps identify where programs can be targeted to increase the number of qualified educators. Similarly, a greater understanding of the pay and conditions of educators in the sector can be used to strengthen workforce strategies to retain and attract educators.

The ECEC National Workforce Census (NWC) is undertaken by the Commonwealth Department of Education and conducted every 3 years and provides comprehensive information on the ECEC workforce. We propose to use new data from the 2024 NWC to review the workforce, pay and conditions profile using the indicators in Table 2.5, and how they relate to the dimensions described in Table 2.6. Our approach to modelling workforce in relation to overall ECEC supply is set out in section 2.1.4.

2.3.2 Calculate indicators for workforce, pay and conditions

We intend to retain and update the KPIs and indicators reported in the 2023 IMMR for the 2025 IMMR. This will allow us to measure the change in workforce, pay and conditions over time. Table 2.5 outlines these indicators and our proposed changes for the 2025 IMMR.

Seek Comment



7. What is your feedback on the proposed KPIs and indicators for ECEC workforce, pay and conditions in Table 2.5?

Table 2.5 Proposed workforce, pay and conditions indicators for 2025 IMMR

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
W1: Increase in the number of students or workers becoming qualified educators	Completion rate of students studying to be educators and entering ECEC sector	Number of people completing studies to become qualified educators.	For Australia wide: <i>Vocational education</i> <ul style="list-style-type: none"> Enrolments (2021): <ul style="list-style-type: none"> Cert III 64,075 Diploma in ECEC 49,770 Completions (2021): <ul style="list-style-type: none"> Cert III 15,320 Diploma in ECEC 13,525 Completion rates (2019): <ul style="list-style-type: none"> Cert III in ECEC 52.3% Diploma of ECEC 61.5% Degree Early Childhood <ul style="list-style-type: none"> 30% completion (within 4 years of 2017 commencement) 2,051 completed in (2020) 4,288 commenced in (2020) 29% employed in ECEC settings (2021). 	We propose to retain this KPI and indicator. In the 2023 IMMR data was only available for the whole of Australia, not NSW separately. We will look to obtain NSW specific data for the 2025 IMMR.	<ul style="list-style-type: none"> Cth DoE CCS 2018-2024 NWC 2021, 2024
W2: Increase in the number of qualified educators working in the ECEC sector	Number of Certificate III qualified staff working in the ECEC sector	Number of staff with Cert III or higher working in the ECEC sector.	In 2021, the early childhood sector in NSW employed over 79,000 people (83% have Cert III or higher)	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NWC 2021, 2024
As above	Number of educators per child	Number of educators/number of children	Number of educators/number of children in population was not available in 2023.	We propose to retain this KPI and indicator. We will explore using alternative data sources to measure number of educators per child.	<ul style="list-style-type: none"> NWC 2021, 2024

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
W3: Higher rates of staff retention	Rates of staff turnover	Rates of staff turnover	In 2021, the average length of experience in the early childhood sector per worker in NSW was 7.2 years.	We propose to retain this KPI and indicator. Rates of staff turnover are not directly captured in the NWC. IPART will explore alternative mechanisms to assess this indicator	<ul style="list-style-type: none"> Cth DoE CCS 2018-2024 NWC 2021, 2024
As above	Number of staff employed under permanent arrangements.	Number of staff employed under permanent arrangements	In 2021, 74% of ECEC workers were permanent employees	We propose to retain this indicator	<ul style="list-style-type: none"> NWC 2021, 2024
As above	Reduction in staffing waivers.	Number of staffing waivers used compared to previous period.	In 2023, there were 893 staffing waivers in force across 694 services	We propose to retain this indicator	<ul style="list-style-type: none"> NQAITS
As above	Reduction in staff leaving the ECEC sector due to pay or conditions or vocational dissatisfaction.	Number of staff leaving the ECEC sector due to pay or conditions or vocational dissatisfaction	This indicator was not measurable in the 2023 IMMR	We propose to retain this indicator. We will explore alternative mechanisms to assess this indicator noting lack of data. This will likely involve qualitative assessments.	<ul style="list-style-type: none"> Stakeholder engagement
W4: Increase in educators that meet needs of priority groups	Number of educators with training relevant to priority groups	Change in number of educators with training relevant to priority groups	Educators with training to support: Cultural diversity 14% Children with disabilities/additional needs 14% Aboriginal and Torres Strait Islander cultural awareness or training in reconciliation 11%.	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NWC 2021, 2024
As above	Number of educators from priority groups	Change in number of educators from priority groups	Data on the number of educators from priority groups is not captured in National Workforce Census	IPART will seek alternative mechanisms to understand the number of educators from priority groups, including qualitative assessments.	<ul style="list-style-type: none"> NWC 2021, 2024 Stakeholder engagement.

Table 2.6 Proposed workforce, pay and conditions dimensions for 2025 IMMR

Dimension	Detail	Data sources
Workforce characteristics	<ul style="list-style-type: none"> • Age • Gender • Qualifications • Training relevant to priority groups • Length of tenure • Years of experience in ECEC • Continuing study • Professional development 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • NWC 2021, 2024 • ABS DataLab
Employment type	<ul style="list-style-type: none"> • Permanent full-time • Permanent part-time • Fixed term • Casual full-time • Casual part-time • Hours worked 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • NWC 2021, 2024 • ABS DataLab
Wage	<ul style="list-style-type: none"> • By \$ range 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • NWC 2021, 2024ABS DataLab
Pay, in relation to award	<ul style="list-style-type: none"> • Average wage as % of award 	<ul style="list-style-type: none"> • Cth DoE CCS 2018-2024 • NWC 2021, 2024ABS DataLab
Contract type	<ul style="list-style-type: none"> • Permanent full-time • Permanent part-time • Fixed term • Casual full-time • Casual part-time 	<ul style="list-style-type: none"> • NWC 2021, 2024

2.3.3 Examine data on dimensions of quality standards

Quality is an essential element of ECEC services given the direct impact on a child's long-term development, learning outcomes and overall well-being. Parents are also more likely to access ECEC services and return to work if they perceive them to be safe and beneficial to their child's development. Government policy recognises this, for example by regulating quality standards through the National Quality Framework (NQF). The NQF provides a national approach to regulation, assessment and quality improvement for services across Australia. The NQF includes the National Quality Standard (NQS), which is a national benchmark for ECEC services in Australia and includes 7 'quality areas' that are important to outcomes for children:

1. Educational program and practice
2. Children's health and safety
3. Physical environment
4. Staffing arrangements
5. Relationships with children
6. Collaborative partnerships with families and communities
7. Governance and leadership.¹²

Under the CEOF Act, we are required to review the quality standards in the childcare sector in NSW. However, this does not involve reviewing the ratings of individual services or the rating and assessment system itself. We recognise that there are already 2 NSW investigations and a national review of quality in the ECEC sector currently underway (Box 1.1).

We intend to use the distribution of quality ratings as an indicator of the availability of quality ECEC services across NSW. We propose to review the distribution of quality services across provider and service types and geographic areas. We also intend to examine whether there are correlations between the quality of a service and its location, delivery model or the community it is serving. This will inform the NSW Government in designing strategies and programs to improve service quality ratings, particularly for priority cohorts.

Many of the workforce, pay and conditions indicators detailed in section 2.3.1 would also have implications for quality. These include experience, qualifications and employment type. We will examine these indicators in the context of quality.

We will also examine the use of workforce staffing waivers in relation to quality. Consistent use of staffing waivers may be reflective of deeper service quality issues, e.g. a consistent inability to meet minimum staffing and qualification requirements. We will also consider alternative methods of measuring quality and predicting outcomes for children (e.g. Australian Education Research Organisation (AERO) findings on how specific aspects of quality in ECEC relate to learning and developmental outcomes for children in Australia).¹³

We propose to use new data from the 2024 NWC and NQAITS to review service quality standards using the indicators in Table 2.7. In addition to the dimensions described in Table 2.1, we will examine the indicators in relation to the dimensions in Table 2.8 concerning the distribution of ECEC quality. We will compare and assess our 2023 IMMR findings with our 2025 IMMR findings.

2.3.4 Calculate indicators for quality standards

We intend to retain and update the KPIs and indicators reported in the 2023 IMMR for the 2025 IMMR. This will allow us to measure the change in the quality standards over time. Table 2.7 outlines these indicators and our proposed changes for the 2025 IMMR.

Seek Comment



8. What is your feedback on the proposed KPIs and indicators for ECEC quality standards in Table 2.7?

Table 2.7 Proposed quality standard indicators for 2025 IMMR

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
Q1: Higher proportion of permanent educators (full-time and part-time)	Proportion of permanent educators (full-time and part-time)	Number of permanent educators/number of educators	<ul style="list-style-type: none"> Full-time 38% Part-time 36% 	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NWC 2021, 2024
N/A	N/A	N/A	N/A	We propose an additional KPI and indicator : <ul style="list-style-type: none"> New KPI: More experienced ECEC workforce New indicator: Percentage of staff with greater than 5 years of experience 	<ul style="list-style-type: none"> NWC 2021, 2024
Q2: Increased proportion of qualified staff per child	Percentage of staff at each qualification level by service type, provider type and location	Number of staff per qualification level/total number of staff (for Cert I-IV, Diploma, degree, post-graduate degree)	<ul style="list-style-type: none"> 83% of the NSW workforce have early childhood qualifications Proportion of qualified workforce: <ul style="list-style-type: none"> Degree: 15% Diploma: 36% Cert III or IV: 32% Other Cert: 1% No Quals: 16% 	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NWC 2021, 2024
Q3: Improved quality ratings, particularly for ECEC services delivering services to priority groups	Percentage of services at each quality rating by service type, provider type and location	Number of services at a particular quality rating/total number of services	Percentage of services rated as: <ul style="list-style-type: none"> Excellent 0.3% Exceeding NQS 21% Meeting NQS 68.9% Working towards NQS 9.7% Significant improvement required 0.1% 	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NQAITS
Q4: A reduction in the proportion of services not meeting minimum standards	Proportion of services meeting minimum standards or above	Number of services at a particular quality rating/total number of services	<ul style="list-style-type: none"> Around 90% of services meet the requirements, and 20% of services are rated as exceeding NQS or above 	We propose to retain this KPI and indicator.	<ul style="list-style-type: none"> NQAITS

2023 IMMR KPI	2023 IMMR indicator	2023 IMMR description	2023 IMMR key findings	Proposed changes for 2025 IMMR	Data source
			There was variation across service type, provider type and location		
N/A	N/A	N/A	N/A	We propose an additional KPI and indicator : <ul style="list-style-type: none"> • New KPI: A more stable supply of quality ECEC • New indicator: Percentage of services experiencing a reduction in quality rating since 2023 IMMR 	<ul style="list-style-type: none"> • NQAITS
N/A	N/A	N/A	N/A	We propose an additional KPI and indicator : <ul style="list-style-type: none"> • New KPI: More frequent ratings for ECEC services • New indicator: Average length of time since last assessed 	<ul style="list-style-type: none"> • NQAITS

Table 2.8 Proposed quality standards dimensions for 2025 IMMR

Dimension	Detail	Data sources
Quality rating of service	NQF/NQS rating	NQAITS
Frequency of rating	Length of time since last assessed	NQAITS
Staffing profile	Staff retention Staff employment type (contract) Years of experience	NQAITS Cth DoE CCS 2018-2024 NWC 2021, 2024ABS DataLab
Staffing waivers	Waivers in force	NSW Regulatory Authority
Service price	Price of service	Cth DoE CCS 2018-2024

2.4 How we propose to estimate and report on the amount required to achieve the objective of the CEOF Act

Under the CEOF Act, IPART is required to estimate and report on the amount (estimated amount) required to achieve the objective of the CEOF Act and otherwise fund the Board for at least the next 2 financial years after the date on which the report is given to the Minister.

The principal objective of the CEOF Act is to increase participation in the State's workforce, particularly for women by making quality childcare more affordable and accessible. To achieve this objective, the CEOF Act aims to:

- reduce barriers to parents and carers participating in work
- improve affordability and accessibility of childcare
- support the ECEC workforce and sector.

Directly measuring the impact of the Fund's investment is challenging as there are several factors that influence workforce participation (e.g. economic, demographic, and social factors). We intend to assess the costs of meeting the CEOF Act objective through improving affordability and accessibility of ECEC rather than explicitly measuring the cost of achieving increased workforce participation. That is, we intend to measure the cost of achieving ECEC that is more affordable and accessible, using the following cost categories:

- cost to meet unmet demand for quality ECEC via additional places (i.e. where supply shortages are identified by our modelling discussed in section 2.1)
- cost of initiatives/programs and incentives funded by the Fund under the CEOF Act
- administrative costs of implementing the CEOF Act.

In doing this we will also consider the costs for FY 2026-27 and FY 2027-28. We note that the 2025 IMMR will be provided to the Minister for Education and Early Learning in December 2025 and that the CEOF Act caps the estimated amount for financial years after 30 June 2026 at \$650 million per financial year.¹⁴ This will be IPART's first time undertaking this function, as for the 2023 IMMR, funds were already appropriated for 2023-24 (\$100 million), 2024-25 (\$270 million) and 2025-26 (\$405 million) (pursuant to section 18 of the CEOF Act).

In estimating costs, we also propose to consider the broader impacts of the Board's activities in achieving the objective of the CEOF Act, including:

- impacts of fees and subsidies on affordability and use of ECEC services
- anticipated outcomes of the planned investment programs and activities.

2.4.1 Estimate the cost of meeting unmet demand for quality ECEC

To estimate the cost of meeting unmet demand for quality ECEC (including for ACCO services) via additional places, we will consider the:

- cost of lifting the quality of places at services where improvement is required to meet the NQS.
- cost of expanding and/or new services.

We propose to use our modelling, discussed in section 2.1, to estimate the number of additional places, workers, and service mix options to meet unmet demand in under-served areas.

We plan to update data inputs and further develop an ECEC cost model to estimate the cost of quality uplift, as well as the cost of expansion/establishing new services to meet unmet demand. These updates will incorporate:

- the 15% wage increase for ECEC workers announced by the government in November 2024^{xiv}
- consumer price index (CPI) updates
- updated costs for rent and other expenses
- splitting OOSH costing for morning and afternoon sessions.

This approach will allow us to estimate the number of additional places, workers, and service mix options to meet unmet demand in under-served areas, and the cost of various options to do so.

¹⁴ Schedule 1, section 3 of the CEOF Act.

2.4.2 Estimate the cost of initiatives, programs and incentives funded by the Fund

We propose to estimate the cost of initiatives/programs and incentives funded by the Fund under the CEOF Act. In estimating these costs, we will consider and investigate what has been spent so far and the cost of any planned investment. The Board has already announced several initiatives to address accessibility and affordability barriers, including the:

- Flexible initiatives trial
- Business capability development program
- Fee relief for 3 year olds in preschool programs in long day care services
- Building early learning places program
- 3 year old quality preschool program.

2.4.3 Estimate the administrative costs of meeting the objective of the CEOF Act

We also propose to estimate the administrative costs of meeting the objective of the CEOF Act including the:

- cost of research, analysis, evaluation and reviews to support achieving the objective of the CEOF Act
- costs associated with the Board (and its support staff)
- compliance costs associated with implementing the CEOF Act.

In estimating these costs, we will consider and investigate what has been spent so far and the cost of any planned investment.

Seek Comment

9. Are the cost categories that we propose to estimate costs for appropriate? If not, why not and what alternative cost categories do you suggest?

Appendices

A Glossary

Table A.1 Glossary of terms used in this paper

Term	Description/meaning
Aboriginal Community-Controlled Organisation (ACCO)	<p>An Aboriginal and Torres Strait Islander Community-Controlled Organisation delivers services, including land and resource management that builds the strength and empowerment of Aboriginal and Torres Strait Islander communities and people and is:</p> <ul style="list-style-type: none"> • incorporated under relevant legislation and not-for-profit • controlled and operated by Aboriginal and Torres Strait Islander people • connected to the community, or communities, in which they deliver the services • governed by a majority Aboriginal and Torres Strait Islander governing body.
Australian Children's Education and Care Quality Authority (ACECQA)	The independent national body established to support states and territories in delivering best-practice regulation of early childhood education and care services and ensure national consistency in administering the National Quality Framework (NQF) to improve quality outcomes for children.
Child Care Subsidy (CCS)	The Commonwealth Government program to help families with service fees. Through the CCS, eligible families enrolling their children in a service offered by an approved provider receive reductions on the fees they pay for the service.
Early Childhood Education and Care (ECEC)	Education and care services provided to children aged 0 to 12 years old in a variety of settings, including long day care, family day care, preschool (including mobile, community and Department of Education preschools) and outside of school hours care. Does not include school services or playgroups.
Family day care (FDC)	Family day care is a type of early childhood education and care usually provided in the home of an educator.
Long day care (LDC)	A service licensed under the National Quality Framework that provides early childhood education and care services for at least 40 weeks a year and is thus eligible for Child Care Subsidy funding. It can include any pattern or arrangement of care provided in this setting but is primarily focused on children up to 6 years old.
Multifunctional Aboriginal Children's Services (MACS)	<p>Multifunctional Aboriginal Children's Services (MACS) are not-for-profit community-based services established to meet the social and development needs of Aboriginal and Torres Strait Islander children.</p> <p>They provide long day care and at least one other form of care or activity, such as before and after school care, playgroups, nutrition programs and/or parenting programs based on local needs.</p>
National Quality Agenda IT System (NQAITS)	The NQAITS is the online administrative system for the implementation of the National Quality Framework (NQF).
National Quality Framework (NQF)	<p>The National Quality Framework (NQF) provides a national approach to regulation, assessment and quality improvement for early childhood education and care and outside of school hours care services across Australia.</p> <p>The NQF includes the:</p> <ul style="list-style-type: none"> • Education and Care Services National Law and regulations • National Quality Standard • assessment and quality rating process • national learning frameworks.
National Quality Standard (NQS)	<p>The National Quality Standard (NQS) sets a national benchmark for early childhood education and care and outside of school hours care services in Australia.</p> <p>The NQS includes 7 quality areas that services are assessed and rated against by the Regulatory Authority. Services are given a rating for each of the 7 quality areas and an overall rating based on these results.</p>

Term	Description/meaning
National Workforce Census (NWC)	The Early Childhood Education and Care National Workforce Census held by the Commonwealth Department of Education to collect information on staff demographics, types of work, qualifications and experience in the early childhood education and care sector.
Out-of-pocket (OOP) costs	The fees paid by households after taking account of the Child Care Subsidy (including Additional Child Care Subsidy and excluding any subsidy amount withheld) and other subsidies such as preschool fee relief.
Outside of school hours care (OOSH)	Outside of school hours care provides care before and after school hours and during school vacations for children who normally attend school.
Preschool	A service that provides early childhood education and care to children aged 3 to 5 years old for fewer than 40 weeks a year and thus is not eligible for Child Care Subsidy funding. Alternative terms used for preschool in other states and territories include kindergarten, pre-preparatory and reception.
Preschool program	An early childhood education program, delivered by a qualified teacher to children aged 3 to 5 years old, focusing on the year before school, in long day care or in preschool.
Priority groups	In this report, priority groups are defined by: <ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander status • Culturally and Linguistic Diverse background • Disability status • Socio-economic disadvantage.
Provider	An entity or individual approved by the Regulatory Authority to provide early childhood education and care services.
Provider type	The Australian Children's Education and Care Quality Authority's (ACECQA) national licensing database categorises provider types are: <ul style="list-style-type: none"> • Private for profit • Private not for profit community managed • Private not for profit other organisations • State/Territory and Local Government managed • Catholic schools • Independent schools • State/Territory government schools
Regulatory Authority	Regulatory authorities administer the National Quality Framework (NQF) in each state and territory, usually as part of that state or territory's education department or agency. In NSW, the Regulatory Authority is a division of the Department of Education.
Remoteness Areas	Remoteness Areas (RA) divide Australia into five classes of remoteness which are characterised by a measure of relative geographic access to services. These 5 classes are: <ul style="list-style-type: none"> • Major Cities of Australia • Inner Regional Australia • Outer Regional Australia • Remote Australia • Very Remote Australia.
SNAICC	SNAICC is the national non-government peak body for Aboriginal and Torres Strait Islander children and families, and the sectors that support them. Originally an acronym for Secretariat of National Aboriginal and Islander Child Care, SNAICC no longer uses the original long form of their name.
Socio-Economic Indexes for Areas (SEIFA)	Developed by the Australian Bureau of Statistics (ABS), SEIFA combines Census data such as income, education, employment, occupation, housing and family structure to summarise the socio-economic characteristics of an area. Each area receives a SEIFA score indicating how relatively advantaged or disadvantaged that area is compared with other areas. There are 4 SEIFA indexes: <ul style="list-style-type: none"> • the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) • the Index of Relative Socio-economic Disadvantage (IRSD) • the Index of Education and Occupation (IEO) • the Index of Economic Resources (IER).

Term	Description/meaning
Statistical Area 2 (SA2)	Statistical Areas Level 2 (SA2s) are medium-sized general-purpose areas built up from whole Statistical Areas Level 1 (SA1s). Their purpose is to represent a community that interacts together socially and economically. SA2s generally have a population between 3,000 and 25,000 with an average of about 10,000 people. NSW is divided into 644 SA2s.
Statistical Area 3 (SA3)	Statistical Areas Level 3 (SA3s) are geographic areas built from whole Statistical Areas Level 2 (SA2s). They are designed for the output of regional data clustering groups of SA2s that have similar regional characteristics. NSW is divided into 94 SA3s.

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