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Childcare in Australia: A New Approach

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Introduction

Australia's childcare and early learning system has become overly complex, heavily regulated, and poorly aligned with its stated objectives: supporting child development and enabling parents to work. Excessive bureaucracy, high compliance costs, and a narrow emphasis on institutional care have driven up prices, reduced accessibility, and discouraged innovation. A new approach is needed — one that restores market responsiveness, reduces red tape, and empowers parents and communities to shape the care their children receive.

Economic and Policy Context

Childcare is not only a social policy issue but a core component of Australia's economic infrastructure. It influences how much parents — particularly mothers — can participate in the workforce and affects the quality of human capital formation through early childhood experiences.

For decades, governments have pursued the same model: increasing demand-side subsidies paid to parents, in the hope that affordability and labour force participation would improve. Yet childcare costs continue to outpace inflation, and accessibility remains uneven across the country. Demand-side subsidies have encouraged fee inflation rather than cost reduction, while regulatory burdens have constrained supply and discouraged entry into the sector.

The existing system is dominated by compliance regimes, bureaucratic oversight, and mandated qualifications that do little to guarantee quality outcomes for children. The current regulatory environment not only inflates costs but also limits the professional autonomy of carers and centres.

Problem with the Current Approach

The Productivity Commission's 2024 review of childcare called for even greater regulatory expansion in the name of 'quality assurance'. However, after more than a decade of the National Quality Framework (NQF) and the National Quality Standard (NQS), there is no clear evidence that these measures have improved children's wellbeing or school readiness.

Australia's current framework measures 'structural quality' — qualifications, staff ratios, and paperwork — rather than 'process quality', which captures the warmth, responsiveness, and stability of care relationships that truly matter to child development. The result is a system that prioritises compliance over compassion and paperwork over play.

Parents, who are best placed to observe the quality of care on a daily basis, are largely excluded from the system of quality monitoring. Regulators and accrediting bodies, meanwhile, have weak incentives to reduce bureaucracy, since their institutional survival depends on maintaining complex systems.

A Different Vision

A better childcare system would trust parents and local communities more than bureaucracies. It would treat parents as informed consumers capable of making decisions about what is best for their children, rather than as passive recipients of government-approved services. It would also use modern technology to gather and share information about care quality, returning agency to families.

Tier-One Recommendations

Three major reforms form the foundation of the proposed model.

1. Simplify the qualification system for educators

Current qualification requirements are unnecessarily onerous. Completing a Certificate III or Diploma in Early Childhood Education and Care takes months or years and often discourages capable, caring individuals from entering the field. There is little evidence that such qualifications correlate with better child outcomes.

The process for becoming a childcare educator should be radically simplified. A more practical and flexible approach would assess applicants based on their character, experience, and suitability for working with children, rather than on formal credentials. Short, in-person interviews and basic safety checks would replace extensive coursework.

This change would attract new entrants — particularly mature-age carers and those in regional areas — reducing shortages and expanding family-based care.

2. Decentralise quality assurance through technology

Quality monitoring should be taken out of bureaucratic offices and placed in the hands of those who observe care daily — parents. A transparent, government-hosted digital platform could allow families to rate childcare providers and share experiences, similar to online review systems used for schools, restaurants, or services.

Aggregated feedback would provide a real-time picture of quality across the country, replacing expensive inspection regimes and allowing parents to make informed choices. This approach would build accountability directly into the market rather than relying on paperwork-driven audits.

3. Encourage family daycare for infants and toddlers

Infants and very young children benefit most from small, home-like care settings where they can form stable emotional bonds with a consistent carer. Family daycare offers these advantages, yet current policy and subsidy settings heavily favour large, institutional centres. Government should actively promote and support family daycare as the preferred option for children under three when parental care is unavailable. This would not only improve developmental outcomes but also make care more accessible and flexible, especially in regional and low-income areas.

Tier-Two Recommendations

Beyond the top-priority reforms, several additional policy shifts are essential to make the system more equitable, efficient, and sustainable.

1. Re-examine funding models

The long-term shift from supply-side funding (direct support for centres and educators) to demand-side subsidies (payments to parents) has not delivered better outcomes. Prices have risen faster than incomes, and the quality of care remains uneven. A hybrid model should be considered, combining targeted supply-side support in under-served areas with demand-side assistance for families. Pilot programs could test this approach regionally before any national rollout.

2. Retarget subsidies to families most in need

Under current legislation, childcare subsidies continue to flow to high-income households, with families earning up to $530,000 still eligible for partial support. This is an inefficient use of public funds. Subsidies should taper more sharply, focusing on low- and middle-income families where affordability genuinely constrains access.

3. Integrate family daycare into public investment plans

Where new government-funded childcare centres are planned, family daycare should form a substantial component of the mix. Public capital funding could be used to support community-based and home-based providers rather than exclusively building large centres. This would ensure flexibility, especially in regional or lower-density areas where full-scale centres are uneconomic.

4. Confront entrenched interests

True reform will face resistance from those who benefit from the current regulatory system — bureaucracies, training institutions, and large commercial providers. Policymakers must recognise that genuine quality comes from human connection, not paperwork, and that the interests of children and families must come before those of regulators or corporate operators.

Costs and Expected Benefits

The proposed reforms are designed to be cost-neutral or cheaper over time. Streamlining the qualification process, dismantling overlapping regulatory structures, and decentralising quality assurance would reduce administrative costs. Lower compliance burdens would reduce providers' operating costs, helping to contain fees and improve access.

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