

A photograph of two young children walking away from the camera on a paved path. The child on the left is wearing a blue sweater and tan pants, while the child on the right is wearing a dark sweater with a patterned collar and tan pants. They are walking on a paved path next to a grassy area with trees in the background.

# Supply of engagement and economic modelling to inform approach to supporting Early Learning for three year olds in Tasmania

## Summary Report

1 April 2025



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The results of EY's work, including the assumptions, limitations and qualifications made in preparing the report, are set out in EY's report dated 13 February 2025 (the "Report"). The attached report is a summarised version of the Report ("Summary Report"). This Summary Report has been prepared on the specific instructions of the Client and only includes selected parts of the Report, hence it may not give complete understanding of the background, context, findings and the analysis performed based on which the Report was prepared. The Summary Report should be read in its entirety including this notice. A reference to the Summary Report includes any part of the Summary Report.

## Summary

Early childhood education and care (ECEC) services play a crucial role in the growth and development of young children, particularly during the formative years of three to five, which are critical for brain development and the building of essential skills.

In Tasmania, demand for ECEC services has increased, reflecting community awareness of their benefits. However, participation rates for three year olds in Tasmania remain low, with 39.7% not enrolled in Australian Government Childcare Subsidy-approved services before kindergarten. This places participation levels for three year olds in Tasmania (60.3%) below the national average (66.7%).<sup>1</sup> This gap indicates a need for improved participation to support children's developmental outcomes and the sustainability of the ECEC sector. In contrast, Tasmania reports a high enrolment rate for four year olds, with 99% enrolled in Kindergarten programs in 2023.

To address these challenges, the Tasmanian Government has launched several initiatives aimed at expanding access to early learning for three year olds. The Working Together program, initiated in 2018, provides free early learning opportunities for eligible children in the year before kindergarten, supporting up to 220 children annually. The purpose of the Early Learning for Three Year Olds (EL3) initiative is to work towards universal access to quality early learning for three year olds in the year before kindergarten in Tasmania in close partnership with ECEC providers across Tasmania.

The Tasmanian Government allocated \$6.04 million over a four-year span in 2023-24 to support the EL3 Initiative. This funding is aimed at establishing the groundwork for a comprehensive strategy that will enable every three year old in Tasmania to access early learning.

The objectives of the EL3 initiative are to:

- ▶ Support the capacity, growth and sustainability of the ECEC sector to deliver quality, accessible and affordable early learning for three year olds
- ▶ Work in partnership with the ECEC sector, families and communities to foster creative and innovative approaches to the delivery of quality early learning that meets local need, and
- ▶ Develop a plan for the design and implementation of universal access to quality early learning for three years olds across Tasmania, in the context of National Reforms.

To support the EL3 Initiative, on 10 August 2023 the Tasmanian Minister for Education announced stakeholder engagement to be undertaken in Hobart and Launceston to better understand the supports and actions needed for further expansion of early learning for three year olds in these areas (also known as the Research and Development Project). The Department of Education, Children and Young People (the Department or DECYP) engaged Ernst and Young (EY) to undertake this work.

### Purpose and scope

The purpose of this summary is to provide an overview of the current state of early learning for three year olds in Tasmania, identify the gap between the supply and demand of ECEC services, and outline the strategies and initiatives aimed at achieving universal access.

The scope of the works for this project included:

- ▶ Multi-method stakeholder engagement with the ECEC sector in Greater Hobart and Greater Launceston to identify supply and demand issues, barriers to service expansion (e.g., workforce and infrastructure challenges) and opportunities to overcome these barriers, with consideration towards similar ECEC initiatives underway in other states and territories.
- ▶ Economic modelling to evaluate ECEC places relative to the child population, drive-time analysis examines the availability of ECEC places in relation to the population and assesses their

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<sup>1</sup> Productivity Commission. (2022). 3 - Report on Government Services 2022. <https://www.pc.gov.au/ongoing/report-on-government-services/2022/child-care-education-and-training/early-childhood-education-and-care>

accessibility within reasonable driving distances, ECEC usage and attendance, child population projections and labour market analysis to understand workforce dynamics.

- Proposal of potential future opportunities and considerations to inform decision making.

## Limitations of the report

The stakeholder engagement findings in this report may be impacted by stakeholders' capacity to engage in data and information collection (including consultations and a survey). Additionally, the economic analysis is limited in that the availability of detailed child population data and segmented ECEC service information, and instead relies on segmented datasets from the Australian Bureau of Statistics (ABS), Tasmanian Department of Treasury and Finance (DTF), Australian Children's Education & Care Quality Authority (ACECQA) and Jobs and Skills Australia (JSA) for analysis.

## Findings from stakeholder engagement across the ECEC sector and community

The stakeholder engagement focused on identifying challenges in Greater Hobart and Launceston. Throughout this process, it became evident that issues related to supply and demand, as well as barriers to service expansion, were not limited to these areas but were prevalent throughout the state. These issues were exacerbated in rural and remote areas due to geographical isolation and socioeconomic disadvantages. This context should be considered when reading this report. Specific issues pertaining to Greater Hobart, Launceston, or rural and remote areas have been explicitly noted.

The stakeholder engagement produced the following key findings.

### Workforce challenges

- Workforce challenges appear to be the biggest barrier for ECEC expansion across Tasmania. Some providers are pausing growth plans due to workforce recruitment concerns.
- Workforce challenges include high staff turnover, insufficient staffing levels, and difficulties in recruiting and retaining qualified staff. These issues compromise the continuity and consistency of care, potentially affecting children's development and learning.
- Workforce shortages put at risk the maintenance of NQS mandated educator-to-child ratios. Some providers have been seeking waivers or reducing service hours/enrolment to comply with the National Quality Framework (NQF), impacting service availability.

### Service infrastructure capacity

- Infrastructure challenges related to service expansion involve significant capital investment required to maintain regulatory compliance and the need to retrofit properties to make them suitable for service delivery. Workforce availability and rising construction costs also complicate expansion efforts.
- Limited infrastructure and higher labour costs for younger age groups may lead services to focus on three year olds, reducing care availability for infants and toddlers. This may impact on child development outcomes and workforce participation of parents.

### Service inclusion and accessibility

- ECEC services commitment to service inclusion and accessibility varied with larger services typically better resourced to respond to diverse needs.
- The rise in the number of children enrolled in ECEC with additional needs has required providers to proactively address these needs. However, this approach presents challenges in maintaining long-term sustainability and ensuring consistent quality.



- ▶ Tasmania's lower Socio-Economic Indexes for Areas (SEIFA) Index score correlates with higher rates of developmental vulnerability among children and families. ECEC services are providing wrap-around support, including nutrition, health screening, and broader community services for vulnerable children and families.
- ▶ Hourly fees for ECEC set at \$11.85, the lowest in Australia. Fees are significantly below the national cap rate of \$13.73. Despite this, cost of accessing ECEC services remains prohibitive for many families.
- ▶ In 2024, three suburbs in Greater Hobart ranked among the top 20 Australian suburbs for ECEC access, Tasmania also appeared six times on the list of the top 20 suburbs with the least childcare access; none of these were in Launceston or Greater Hobart. This may be attributed to families travelling to inner Hobart for work and utilising ECEC nearby.

### Challenges in service delivery

- ▶ Providers are calling for greater recognition of the importance of ECEC. Recent wage increases announced by the Commonwealth Government are tangible and largely welcomed by the sector, but more is needed to close the wage gap with adjacent sectors.
- ▶ Tasmania has the highest proportion of services working towards the NQF. The sector is well-regulated under the NQF, but the impact on service delivery varies.
- ▶ Providers are calling for more support to meet regulatory requirements and the ability to offer innovative early learning models.
- ▶ Service providers highlighted the need for additional government support, in particularly thin markets, for services to maintain financial sustainability and understand best practice outcomes. Some providers are unaware of some of the government supports available to them. This was especially evident in smaller services that do not have the resources to build capacity internally.
- ▶ Greater Hobart and Launceston are the only areas in Tasmania that have higher rates of advantage on the SEIFA score and have an adequate ratio of ECEC places per child to meet demand.
- ▶ Economic challenges, including ECEC service market demand, regulatory requirements, and financial considerations, hinder the expansion of ECEC services in smaller communities.
- ▶ Workforce challenges, transportation and access inequities, unique cultural and community dynamics and intersecting disadvantages are exasperated in rural and remote areas due to geographical isolation and socioeconomic disadvantages.

## Economic modelling and analysis to further inform the expansion of early learning for three year olds in Tasmania

### Current state analysis

- ▶ As of Q3 2024, Tasmania has an average of 0.35 ECEC places (1.75 days) per child aged birth to four.<sup>2</sup> This average is significantly influenced by higher ratios in Hobart. Several Statistical Area Level 3 (SA3) regions.<sup>3</sup>

<sup>2</sup> Analysis of places for children aged birth to four uses an adjusted population figure to reflect the fact that a large share of four year olds are accessing ECEC services through a school-based provider which is not captured in the ACECQA places data. As a result, stated (total) populations of children aged zero birth to four do not equate directly to the ratios of places per child presented in the report.

<sup>3</sup> SA3s are designed for use in the analysis of regional data and typically have populations between 30,000 and 130,000 people.

- ▶ Currently, Hobart Inner is the only SA3 in Tasmania that provides at or above the Mitchell Institute's definition for universal access (0.6 places or 3 days per child per week).
- ▶ To achieve universal access to early learning (defined as three days per week), an additional 7,381 childcare places would be required, representing a 79.2% increase. This includes 983 places needed in the Hobart-North West region and 757 places in Launceston. Currently, Hobart Inner is the only SA3 in Tasmania that meets the approved places per child requirement.

### Population projections

- ▶ The medium series projection for the population of children aged birth to four, and three year olds is expected to remain relatively stable, with little to no growth from 2023 to 2025. Demand for ECEC services is anticipated to remain consistent over the next decade.
- ▶ Analysis of low, medium, and high projection scenarios indicates significant variation in estimates. By 2034, the population of children aged birth to four could differ by as much as 10,800 between the high and low series. This underscores the importance of consistent tracking and review of population projections to ensure future accuracy.

### Labour market analysis

- ▶ The number of educators employed in Tasmania fell sharply from 2018 to 2020, but the workforce has been gradually recovering since then. At the same time, job vacancies in the sector have risen, suggesting a tightening labour market. Given the substantial need to increase ECEC places in Tasmania, limited access to skilled workers may be a key factor hindering expansion.
- ▶ Since 2017, the number of educators per child population (aged birth to four) in Tasmania ratio has been consistently higher than the national average. In 2023, the national average was 9.1, while Tasmania's average reached 14.8. This disparity not only reflects a relative shortage of both ECEC places and qualified educators, but also suggests that the state's system may be facing increased pressure.
- ▶ Within Tasmania, Hobart achieved the strongest number of educators per child population in Tasmania ratio relative to all other Tasmanian Statistical Area 4 (SA4) regions,<sup>4</sup> with an average ratio of 12.0. In contrast, Launceston and North East recorded the lowest ratio of all Tasmanian SA4s, with an average of 18.9 educators per child population in Tasmania. This disparity underscores a consistent trend observed throughout the economic analysis - Hobart areas generally excel in terms of ECEC places and workforce supply, while Launceston and regional Tasmanian areas face challenges in these areas.

## Conclusion

Both the Tasmanian Government and Australian Government have begun laying the groundwork for many of the key considerations outlined in this report. However, more action is required to progress universal access for three year olds in a holistic and appropriately staged manner. This includes increased and targeted funding for the most disadvantaged areas, greater capacity building of the ECEC sector, progression of current government initiatives, and increased collaboration and innovation in service delivery.

To achieve universal access for three year olds, there is an urgent need to:

1. **Accelerate supply issues:** Address workforce and infrastructure challenges to ensure that the ECEC sector can meet the growing demand for services, including attraction and retention of qualified educators and investment to support service expansion.

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<sup>4</sup> SA4s are the largest sub-state areas in the Australian Geography Standard (ASGS) and are designed to reflect labour markets.

2. **Ensure staged and sequenced action:** Actions must be carefully staged and sequenced to ensure that resources are in place to meet increased supply. This will involve careful planning and coordination to align funding, workforce, and infrastructure with the needs of the sector.
3. **Commence capacity building of the ECEC sector:** Capacity building efforts are required to ensure are required that the ECEC sector is appropriately equipped to meet increased demand. This includes providing support to meet regulatory requirements, encouraging innovation, establishing support networks, and ensuring accessible information and guidance for all providers.

By addressing these critical areas, significant strides towards universal access for three year olds, can be achieved ensuring that all Tasmanian children have the opportunity to benefit from high-quality early childhood education and care.

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