Affordability of early childhood education

The cost of early childhood education is currently 32 percent more affordable than it was prior to the introduction of 20 Hours ECE.

Indicator Description

Change in the level of early childhood education fees paid by families (as measured by the Consumers Price Index’s “Childcare section”) relative to the change in their income (as measured by the Quarterly Employment Survey’s “average hourly ordinary-time earnings”).

What we have found

The affordability of early childhood education substantially improved with the introduction of 20 Hours ECE in 2007. Levels of affordability have largely been maintained since then, with increases in fees being offset by increases in income. However, affordability decreased by five percent in 2011 following government funding changes introduced in February 2011. Despite this, the cost of ECE remains 32 percent more affordable than it was prior to the introduction of 20 Hours ECE.

Why This Is Important

Children who attend a quality early childhood education service (ECE) gain benefits that last through to their early years in school and beyond (Wylie, C., et al., 2006). To achieve any benefits the family must find the ECE services affordable. The affordability of early childhood education services is one of the factors that determine how accessible early childhood education is and hence the extent that children are likely to participate.

Lack of affordability is for some, a significant barrier to participation in ECE and the workforce. In the 2009 Childcare Survey, 24% of parents who had difficulties accessing childcare while working or wanting to work reported that ECE care was too expensive. Improving ECE affordability is therefore considered a key strategy to increase participation in ECE and the workforce.
Whether a family considers ECE to be affordable is dependent on three factors: the cost of the service to them, the family’s income, and the importance the family attaches to ECE relative to other ways their income can be spent. It is possible to measure changes over time for the first two factors and for their change relative to each other. This will not only indicate how affordability is changing generally, it will also enable an assessment of the impact of policies targeted at ECE affordability (such as the introduction of 20 Hours ECE for 3-4 year-olds) and of various factors affecting the costs faced by ECE services.

How We Are Going

Changes in the affordability of ECE can be monitored by examining how the level of ECE fees paid by families has changed relative to their income. If fees fall relative to income, the affordability of ECE can be said to have improved.

Information on ECE fees is collected as part of Statistics New Zealand’s Consumers Price Index (CPI), which is also affected by changes in the Childcare Subsidy administered by Work and Income.

Information on income is collected as part of Statistics New Zealand’s Quarterly Employment Survey, from which the average hourly ordinary-time earnings figures have been used in this analysis. These have been used to derive a third index, which shows how fees change relative to income. It is this third index that can be used to determine how the affordability of ECE has changed. All indices have been set to equal 1000 in the quarter ended March 2005.

Figure 1: Indices of average ECE fees paid by households, average earnings, and average fees relative to earnings.
There was a clear impact of the 20 Hours ECE policy (introduced 1 July 2007) on ECE fees. This provides up to 20 hours a week of ECE to children aged 3 and over free of fees. Fees paid by households fell 33.6% in the year from June 2007 to June 2008. Relative to the 5.2% rise in average ordinary-time earnings over the same period, affordability rose by 36.9%.

Since the introduction of 20 Hours ECE, from June 2008 to June 2013, fees paid by households have risen by 27.5%. Relative to the 18.5% increase in average ordinary-time earnings over the same period, this has resulted in a decrease in affordability by 7.7%. About two thirds of this decrease resulted from a key price policy change in February 2011, when the top two funding rates were replaced by a single lower rate. Fees paid by households rose by 5.3% in the March 2011 quarter, relative to the 0.3% rise in average ordinary-time earnings, resulting in a decrease in affordability of 5.0%. Despite this, ECE is 32% more affordable than at June 2007 prior to the introduction of 20 Hours ECE.

In the latest year ended June 2014, fees paid by households rose by 2.1%, and average ordinary-time earnings rose by 2.5%. As a result, affordability has increased slightly by 0.5% over the year.

Where to Find Out More

- Analysis in this indicator report has begun to explore the affordability of ECE. More information about ECE fees can be found at: Early Childhood Education on Education Counts.
- Information on ECE fees can also be found in the report on the 2011 Survey of Income, Expenditure and Fees of Early Childhood Education Providers in New Zealand on the Education Counts website.
- For a large range of other ECE statistics on early childhood education visit ECE Statistics.
- The Education Counts website also provides a range of related ECE publications.
- For a large range of other information on ECE in New Zealand, see the ECE Leadership, Management and Administration, or ECE Lead website.

References