



Pre-Budget Submission

**Child Safety, Inclusion, Parental Choice
& Workforce Stability in Early Learning**



January 2026

Contents

Foreword	3
Executive Summary.....	4
Child Safety: A system under pressure.....	5
Inclusion: A focus on additional needs.....	8
Mixed market: protecting parental choice	11
Greatest asset: The next phase of workforce reform	14
About us	16

Foreword

The Australian Childcare Alliance (ACA) is the national peak body for the Early Childhood Education and Care (ECEC) sector. For more than 30 years, the ACA has represented approved providers delivering education and care to children and families across Australia.

Our members operate over 3,900 early learning services, employ more than 75,000 educators and support over 360,000 families. We represent small and medium-sized owner-operators, and our advocacy is grounded in their lived operational experiences and in their role in embedding government policy into practice, managing regulatory obligations, and delivering high-quality outcomes in diverse communities.

Throughout 2025 the ECEC sector has experienced an unprecedented level of reform, scrutiny and policy change. Multiple inquiries, reviews, and legislative amendments driven by legitimate concerns about child safety, inclusion, affordability, and workforce sustainability have fundamentally reshaped the operating environment for early learning services across Australia.

While these reforms share a common objective of improving outcomes for children and families, their cumulative impact has placed significant pressure on services, educators and approved providers. The pace, breadth and interaction of these reforms underscore the need for careful sequencing, adequate resourcing and policy coherence to ensure the system remains safe and sustainable.

The 2026-27 Budget must provide certainty and coherence across these reforms, with continued focus on equity, supporting children and families who need the most support. To that end, this Pre-Budget Submission is aimed at the Australian Government's Department of Education and Department of Health, Disability and Ageing portfolios, in response to the Thriving Kids initiative and to re-orient efforts to support children in accessing and meaningfully engaging in early learning environments.

Without coordinated investment and sequenced policy, there is a real risk that system pressures will undermine the very outcomes that the government seeks to achieve.

This submission outlines ACA's priorities to support child safety, inclusive practices, and to protect parental choice and enhance long-term workforce stability.



Paul Mondo
President
Australian Childcare Alliance

Executive Summary

Over the past year, the early learning sector has experienced an unprecedented convergence of reform, all with the common objective of safer, better outcomes for children and families. The investigative nature and subsequent negative discourse of the past 12 months has indeed placed significant pressure on services, educators and approved providers. This pressure is particularly felt by small and medium owner-operators who deliver the majority of ECEC across Australia.

With scores of new policy commencing in 2026-27, much of the sector will need significant support to observe and enact these changes. We continue to advocate for a sequenced approach to policy implementation to ensure that the system can adequately respond to child safety amendments and workforce arrangements.

This submission represents the voices of over 3,900 ACA services, focusing on four interdependent priorities.

Child safety: We support continually strengthening a nationally consistent regulatory practice with clearer guidance for providers, and systems with a genuine partnership to safeguard children. Recent events have exposed weaknesses in regulatory resourcing, consistency and coordination, as well as unresolved tensions between child safety obligations and employment law. Addressing these issues requires system-level reform, not additional compliance measures.

Inclusion and additional needs: This is the critical cornerstone for achieving universal ECEC. Demand for inclusion support has grown substantially, yet funding models and programs have not kept pace. The Productivity Commission has clearly articulated the preventative, social and economic benefits of early intervention in ECEC. Implementing these recommendations is essential to ensuring equitable access and meaningful participation for all children.

Parental choice and a mixed-market system: Australia's diverse ECEC market, comprising not-for-profit, private and owner-operated services supports accessibility, responsiveness and competition, and must be protected. Policy settings that fail to recognise service diversity risk reducing choice, undermining community-based provision and accelerating the exit of small providers, particularly in regional and thin markets.

Workforce stability: The sector cannot exist without a workforce - it is the single greatest determinant of quality, safety and access. The Fair Work Commission's 2025 gender-based undervaluation decision marked a critical turning point in recognising the professional value of early childhood educators and teachers. However, without sustainable funding beyond the Worker Retention Payment in 2026, the sector faces renewed instability. Workforce reform must now move into its next phase - one that aligns fair and sustainable wages with attraction, retention and wellbeing initiatives, while also addressing the need for the technical design of funding mechanisms that reflect real service costs and diversity.

We propose practical, targeted funding opportunities and policy reforms that build on recent government action, align with independent inquiry findings, and support the long-term viability of the ECEC system. ACA urges the Australian Government to use the 2026-27 Budget to provide certainty, coherence and leadership, ensuring that child safety, inclusion, parental choice and workforce stability are embedded as core pillars of Australia's early learning reform.

Child Safety:

A System Under Pressure

Ensuring children's health, wellbeing and safety in all Early Childhood Education and Care (ECEC) settings is fundamental to quality and public trust in the system. There is no place in ECEC for service providers or individuals who do not place child safety at the centre of their practice.

At the same time, recent incidents and allegations have exposed not only individual failures but systemic weaknesses that undermine confidence in the sector as a whole. When systems fail due to inconsistent oversight, delayed regulatory action, or fragmented accountability, the consequences are devastating for children and families and damaging to the integrity of ECEC more broadly.

At the national level, Australia's child safety architecture is anchored in the National Quality Framework (NQF), comprising the National Law, National Regulations, and the National Quality Standard (NQS). It is supported by the Australian Children's Education and Care Quality Authority (ACECQA) and is a framework that has been in place for more than a decade.

The recent events have demonstrated that the regulatory system has not kept pace with the scale, complexity and growth of the sector. Evidence provided to the Productivity Commission, alongside the lived experience of ACA members, indicates that regulators are under-resourced and that compliance, assessment and enforcement practices are applied inconsistently across jurisdictions. In some cases, this has resulted in delayed or ineffective regulatory responses, eroding confidence in the system's capacity to act decisively when children are at risk.

ECEC regulation is delivered through eight separate state and territory regulatory authorities, each responsible for provider approval, service licensing, compliance monitoring and the Assessment and Rating process against the NQS. While the responsibilities are nationally agreed, their interpretation and application vary in practice.

ACA members consistently report contradictory compliance outcomes and Assessment and Rating decisions, often dependent on the interpretation and competency of the individual Authorised Officer(s) rather than a consistent national standard or official regulatory publication.

The Productivity Commission (PC) has acknowledged that these inconsistencies reduce services' ability to operate with confidence, undermine trust in regulators and weaken the effectiveness of the NQF as a national quality assurance mechanism. A system that is perceived as irregular and unpredictable does not strengthen child safety outcomes. For the most part, it is a hindrance to child safety.

ACA welcomes the recognition by Commonwealth, State and Territory Ministers that regulatory systems require resourcing and renewal. Recent amendments and investments to strengthen regulatory capacity, including more frequent Assessment and Rating visits and targeted regulatory intervention for services rated 'Working Towards', are positive steps.

The objective should be a regulatory system that is firm but fair: swift and decisive in responding to serious or wilful non-compliance, while also supporting continuous quality improvement for services acting in good faith.

Child safety reform must also address workforce-related risks as well as industrial weaknesses that undermine the protection of children or transfer risks elsewhere. Small and medium owner-operators, who deliver the majority of services nationwide, operate with direct oversight

of staff and daily practice, but often without dedicated Human Resources (HR) or legal capacity, thus increasing regulatory, reporting and compliance obligations.

Consequently, where paramount consideration is expected, and to avoid any confusion, the Australian Children's Education & Care Quality Authority (ACECQA) and the other regulatory authorities should publish their preferred sets of model policies and procedures of minimal threshold for services to adopt with service level contextualization of their obligations of the National Regulations 168(2) in relation to child safety.

The establishment of a National Educator Register is therefore critical to strengthening child-safe employment practices across the sector. This National Educator Register must not operate in a silo, while criminal/predatory-risks that could potentially endanger children in our sector are recorded elsewhere. ACA has long advocated for a comprehensive, interactive register that enables employers to verify qualifications, Working With Children Check status, and any relevant substantiated findings or disciplinary actions.

Current proposals that limit information flows to a one-way reporting mechanism from providers to government do not empower employers to make informed recruitment decisions and do little to prevent unsuitable individuals from moving undetected between services.

Approved providers are required to operate within increasing complex and overlapping legal frameworks, including child protection, workplace health and safety, privacy and regulatory compliance obligations. With clear, nationally consistent training expectations and system-level support, approved providers are better positioned to make informed, defensible decisions that prioritise child safety while meeting their broader legal responsibilities.

Mandatory child safety training should be completed prior to, and as a condition of, commencing work in ECEC and maintained throughout an educator's employment. This approach recognises that initial training alone is insufficient to address evolving safeguarding risks and regulatory expectations

Child safety requirements demand immediate protective action where a risk is identified, while the Fair Work Act and employment law require procedural fairness, privacy protections and careful management of allegations. In the absence of clear, nationally consistent guidance, providers face an untenable choice: act swiftly and risk unfair dismissal or adverse action claims, or follow employment processes and risk leaving a child exposed to potential harm.

This tension is not theoretical - it is a daily operational reality for services. Without coordinated guidance from regulators and workplace relations bodies, well-intentioned providers are left to navigate complex and conflicting obligations alone.

For child safety reform to be effective, it must move beyond fragmented compliance measures and deliver a coherent, nationally consistent system - one that treats providers as partners in safeguarding children, clarifies regulatory roles, supports fair employment practices, and embeds prevention, transparency and accountability at every level.

Funding Opportunities

- Establish a nationally consistent approach to compliance and the Assessment and Ratings process, to ensure a proactive approach to quality improvement, where providers are treated as genuine partners in creating safer systems for children.
- Create a joint taskforce, comprising the Fair Work Ombudsman, regulators and sector representatives, to develop fair work guidance on managing allegations and balancing child safety obligations and a uniform framework for publishing breaches. The taskforce should also map, identify, and streamline the roles of overlapping regulators to reduce duplication, clarify responsibilities, and simplify compliance requirements for providers.
- Implement the delivery of the comprehensive, interactive National Educator Register to support employment practices that build a child-safe culture and environment.



Inclusion:

A Focus On Additional Needs

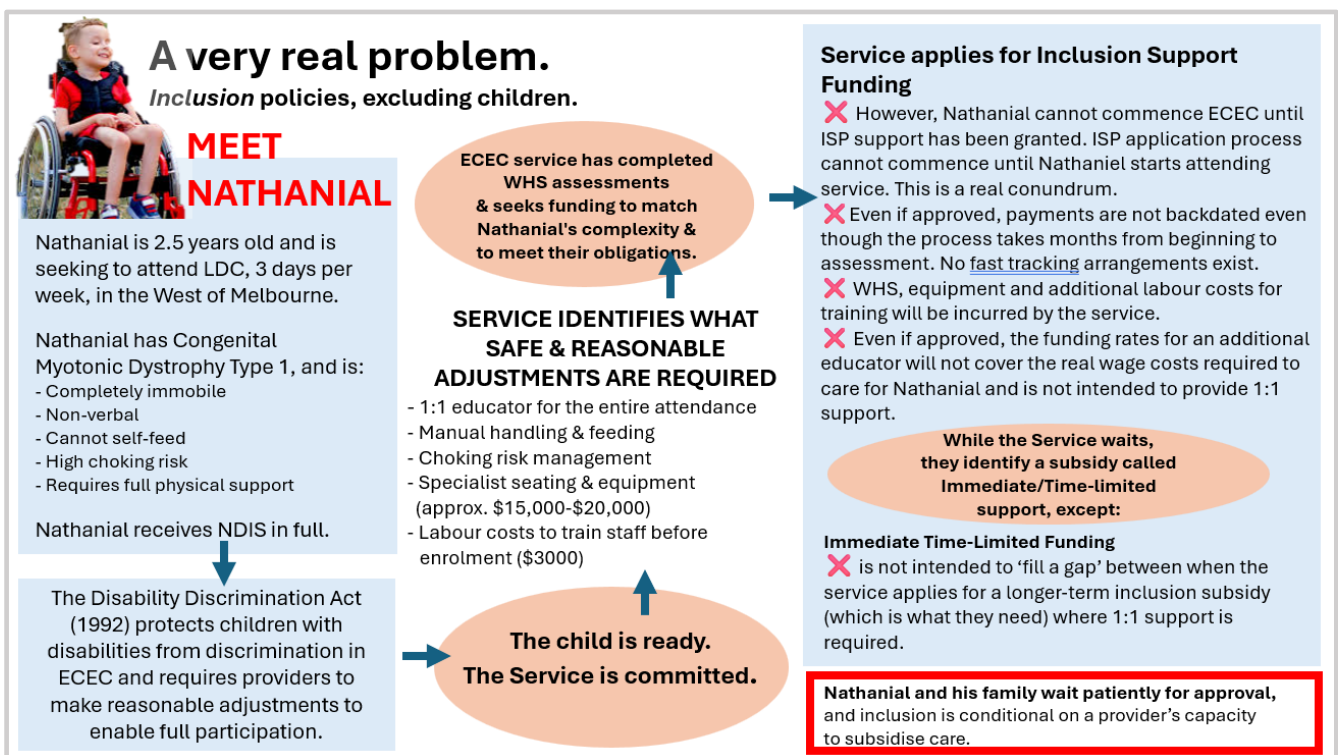
There has been a consistent political focus on creating Universal Accessible Childcare; however, no system would be universal if it were not equitable.

Australia's early learning services are expected to be safe, accessible places where families can receive guidance and support, serving as critically essential environments for those facing disadvantages. ECEC services often act as a community hub, offering a safe space for individuals affected by domestic violence, financial vulnerability and psychological distress. They are environments that support families in connecting to health and parenting information, or to housing or disability services.

These protective factors are inherent in quality ECEC, with many services integrating wrap-around supports, as evidenced in NQF ratings.

The Inclusion Support Program (ISP), which was established to support children with additional needs, has arguably not changed since its release in 2016. The program, the assessment process for funding and the funding distribution have remained inadequate, while the demand for inclusion support has increased significantly, now sitting at over 23,000 children across the country.

The ISP's failings are being experienced in real time, by real children, families, educators and providers. The case study below is a real-life example of a 3-year-old child in Melbourne who is seeking to attend an ECEC service in West Melbourne.



The Australian Government plays a critical role in ensuring that all children can successfully attend ECEC services, regardless of their location, background, or needs. Strengthening inclusive support starts with increasing and improving funding for programs like the ISP, which helps services support children with developmental delays and other additional needs.

Equity groups such as children from low-income families, First Nations families or children with migrant backgrounds are the greatest beneficiaries of inclusive programs within ECEC². Nonetheless, the system fails in its accessibility and does not provide the child or the educator/teacher with the best practice support they deserve.

ACA members from Western Australia have voiced situations where children in their service present with complex or high-risk behaviours, yet families are not willing to pursue diagnostic assessments or support pathways. This creates significant challenges in delivering quality care that meets the child's needs, with the added complexity of unengaged parents being the primary point of contact in securing funding and critical additional support for their child.

The Productivity Commission's Interim Report into the inquiry for Delivering Quality Care More Efficiently recognised the preventative benefits of the Early Years Education Program in Australia. The Productivity Commission demonstrated that preventative educational programs can deliver more value than their total cost (positive net benefits), reduce the need for more costly acute and intensive services and supports, while achieving the same results (more cost-effective), and, in the best cases, produce better outcomes while lowering costs (cost-saving)¹.

With the development of Thriving Kids and consideration of Foundational Supports, governments can lead a coordinated national approach to workforce capability by investing in professional development, micro-credentials, and improved pay for inclusion professionals. Inclusion must also extend to children from culturally and linguistically diverse backgrounds, First Nations children, and those in rural or remote areas who often face additional barriers to ECEC access. A national framework for inclusive ECEC, informed by data and co-designed with families and sector experts, would provide clear direction and accountability.

Funding Opportunities

- Deliver the full Inclusion Recommendations made by the Productivity Commission's Inquiry into ECEC in 2024, prioritising:
 - Child development outcomes by backdating the Inclusion Support Program additional educator payments to when the application is lodged, not when it is approved, and increase the minimum number of additional educator hours from 5 to 8 a day.

¹ Productivity Commission. Interim report – Delivering quality care more efficiently. August 2025.

² SSI. Media Release. The Productivity Commission's final report: A welcome step towards levelling the playing field for all children. 19 Sep. 2024.

- Supporting services to attract and retain qualified educators/teachers by increasing the funding rate for an additional educator to Level 3 Educator under the new classification structure of the new children services award (casual rate \$36.90p/h plus 12% super) adjusting the rate and super to reflect changes in both the award and superannuation guarantee.
 - Simplifying the applications process for inclusion support.
 - Needs-based funding through a model similar to Loadings for Disadvantages applied in the school setting, prioritising communities and sub-population groups with high need as evidenced by the Index for Relative Socio-economic Advantage and Disadvantage and Australian Early Development Census data.
- Thriving Kids initiative could resource item (d) of the Productivity Commission's, Inquiry into ECEC in 2024, by:
- Strengthening the sector's understanding of obligations under the Disability Discrimination Act and forthcoming Disability Standards for Education reforms.
 - Embedding cultural safety and responsiveness, including support for bilingual educators and culturally relevant practice.
 - Removing structural barriers to inclusion, such as inadequate funding allocated to individuals (including the services to adequately meet their needs), insufficient workforce capacity and unfunded professional development.



Mixed Market:

Protecting Parental Choice

The ECEC sector is a mixed-market model comprising private for-profit providers, not-for-profits, local governments, and schools. Each plays a role in ensuring diversity, accessibility, and choice for families.

The public discourse often oversimplifies the broad diversity that exists within the sector. This includes the private, for-profit provision. Historically, the majority of private for-profit ECEC services were established and operated by individuals and families long before the emergence of equity groups and corporate consolidation. A large proportion of these providers are for-profit and for-purpose, and exist solely to deliver quality ECEC, not just as a business but as a profession.

There is a frequent misunderstanding of what “profit” means in the ECEC sector, and the general reputation of for-profit providers has become dangerously homogenised, failing to reflect the financial realities of smaller privately owned centres.

As the Productivity Commission observed, competitive pressure motivates providers to enhance their offerings to families³. Services that do not provide safe, high-quality education quickly lose enrolments, threatening their viability. In this way, the market establishes a natural accountability mechanism that makes quality a critical factor in financial sustainability.

In the current climate, there is a wave of smaller ECEC owner-operators leaving the market. Experts say the departure reflects the growing unease among operators, who are unsettled by bad press and daily challenges in finance and administration. These daily challenges are real and experienced firsthand by our members.

The negative discourse and tough operating conditions, including oversupply in many areas, are creating a less diverse market for services and misconceptions about profit incentives.

Sector-based benchmarking and provider experience suggest that many services view occupancy at 70-80% as a minimum threshold for financial viability. The high fixed costs, particularly property and rent, mean that without a reasonable utilisation rate, services quickly become unviable. This reduces the discretionary capacity that drives quality, such as staff development, enhanced resources and infrastructure.

The most critical determinant of long-term success in ECEC is the consistent delivery of high-quality ECEC. Quality attracts families, sustains occupancy and creates meaningful value and contribution to the community.

Access to quality and affordable ECEC is essential for children’s development, workforce participation, and economic growth. Since 2022, Australia has cultivated new policy perspectives, delivered robust inquiries and implemented equitable fiscal measures to make ECEC affordable.

While not a recommendation, ACA highlights the importance of policy differentiation of owner-operated businesses and the local community benefits. These services contribute to economic participation, workforce stability and access, particularly in regional and thin markets, and act as stabilising anchors within the ECEC system.

This role is reflected in affordability outcomes for families. Since January 2024, cost-saving measures have cut ECEC expenses for over one million families by an average of 11% and up to 13.8% for family daycare services. These extraordinary savings are expected to continue, with further affordability measures scheduled in January 2026 through the 3 Day Guarantee reforms.

These are essential affordability measures. As the robust inquiries illustrated, both the universal 90% subsidy and the \$10-a-day supply-side model would disproportionately support families in the top 25% of the income distribution and come at a much higher, never-ending cost to taxpayers. These policies are also likely to influence Australia's mixed-market system, as well as parental choice.

Additional affordability measures must ensure that families earning \$80,000 or less receive a 100% subsidy up to the hourly rate cap, so cost is not a barrier to participation. Without this support, the most vulnerable children risk missing out on the proven lifelong benefits of early education, exacerbating inequality and economic disadvantage.

Many areas in Australia remain underserved or entirely unserved, leaving families with no viable ECEC options. A collaborative approach between government, sector and community will ensure the Building Early Education Fund appropriately identifies these gaps to implement long-term, needs-based funding solutions.

The sector needs data-driven infrastructure planning to prevent ECEC clusters and to protect existing high-quality ECEC providers. The purpose is not to inhibit new centres from opening, but to prevent the obstruction of existing services and meeting ECEC demand elsewhere.

Whilst the planning of new services is the responsibility of local governments through each state and territory, the Commonwealth Government can address fee increases through the Child Care Subsidy (CCS) approval process. While respecting the National Competition Policy, the Commonwealth can establish new criteria such that receiving the CCS is only granted to new services where there is a demonstrated, genuine undersupply.

And while not an explicit budget ask, the Commonwealth should consider using the CCS approval and ongoing eligibility process as a strategic planning lever to better manage and address oversupply and undersupply that aligns with the Building Early Education Fund intent. Such a policy would have minimal budget impact, but would reallocate and drive investment to meet demand.

Without measures prioritising children who need ECEC the most, children throughout Australia will continue to miss out, entrenching disparities in the educational and economic opportunities they deserve.

Funding Opportunities

- Ensure equitable access to Early Education. in accordance with the Productivity Commission recommendations on affordability, families with annual incomes at or below \$80,000 should be eligible for a subsidy rate of 100% of the fee, up to the hourly rate cap.
- Ensure a collaborative approach through the Building Early Education Fund to identify underserved and unserved markets by working in consultation with the sector.
- Deliver policies with consistent, long-term, continuous needs-based funding that truly supports unserved and underserved (regional, remote and rural locations) communities. Embed top-up funding streams, including business viability payments that appropriately reflect the needs of the community and workforce incentive payments with wrap-around support tailored to communities' contexts and needs.
- As mentioned previously, embed needs-based funding through a model similar to Loadings for Disadvantages applied in the school setting, prioritising communities and sub-population groups with high need as evidenced by the Index for Relative Socio-economic Advantage and Disadvantage and Australian Early Development Census data.



Greatest Asset: The Next Phase of Workforce Reform

The ECEC sector continues to face acute workforce pressures driven by persistent shortages of qualified educators and teachers. High turnover rates, sustained job vacancies and difficulties attracting and retaining staff, particularly in regional, rural and remote communities, place ongoing strain on services and directly affect children and families.

The Fair Work Commission's 2025 gender-based undervaluation decision marked a crucial turning point for the sector, officially recognising that early childhood educators and teachers have faced systemic undervaluation of their work. This decision lays an important foundation for advancing pay equity and professional recognition across the ECEC sector and signifies a major step towards stabilising the workforce.

While the decision addresses the value of the work, it does not, on its own, resolve the structural workforce challenges facing the sector. Staff retention remains a significant concern, with educators consistently identifying workload pressures, burnout and limited access to wellbeing supports as key reasons for leaving the profession. These pressures are particularly pronounced in geographically isolated areas, where access to professional and mental health support is limited, and workforce pipelines are fragile.

The current Worker Retention Payment (WRP) has played an essential role in supporting workforce stability during a period of transition. However, this measure is time-limited and is scheduled to conclude in 2026. Without a clear commitment to a sustainable funding program that carries the Fair Work Commission's wage outcomes beyond the life of the retention payment, the sector risks returning to instability.

Future workforce funding settings must be recalibrated to align with the full implementation of the Fair Work Commission's gender-based undervaluation decision over the next two years, and include the real cost of delivering ECEC.

This incorporates ensuring the Child Care Cost Index accurately reflects labour cost growth and that wage-related funding increases over the decision's two-year implementation period. To avoid a funding shortfall at the conclusion of the WRP initiative in 2026, the Australian Government must commit to a defined period of post-2026 funding continuity. This approach will provide services with the certainty required to retain experienced educators, support enterprise bargaining outcomes with sufficient time to evaluate and redefine program processes and guidelines. Within this future model, wage support must also apply to teachers and educators employed under different industrial instruments.

The evaluation and refinement of the WRP must enhance the technical design of workforce grants and funding mechanisms to better reflect service diversity and the financial realities that are individually contextualised. Funding review processes should be streamlined and more efficient than current WRP arrangements, with more explicit recognition of on-costs and improved transparency in decision-making and consideration of the Department of Education's resourcing to meet program timelines and support requirements.

Within the technical element of the WRP grant guidelines, alternative fee cap applications must be more nuanced, allowing for individual service context and the need to maintain adequate operating surpluses to manage unexpected capital, compliance and safety-related costs. Significantly, assessments of service viability should move beyond sole reliance on profit and loss statements to include balance sheet information, ensuring the policy settings do not inadvertently penalise services that have historically maintained lower fees. Together,

these changes would improve equity, stability and effectiveness in workforce funding delivery across the sector.

Workforce reform must therefore move into its next phase, one that couples fair and sustainable wages with targeted workforce attraction, retention, wellbeing initiatives and public demonstration of professional value. Investment in educator wellbeing is not ancillary to workforce reform; it is central to it. Programs such as the ACA/TELUS Health Employee Assistance Program (EAP) provide practical, immediate professional support to educators managing the cumulative impacts of workforce shortages, child safety obligations, and the increasing complexity of children's needs.

Addressing workforce issues now is critical to securing a high-quality, safe and sustainable ECEC system, one that supports children's development, enables parental workforce participation and contributes to Australia's long-term economic productivity.

Funding Opportunities

- Provide certainty beyond the existing Worker Retention Payment, by committing to a sustainable funding model that delivers higher wages in line with the Fair Work Commission's gender-based undervaluation decision at the conclusion of the payment in 2026.
- Review and redesign the funding guidelines over the next two years, to enable nuanced decision making by the Department of Education and to provide transparency of funding calculations.
- Extend the allocation of Paid Practicum Subsidy program to support a greater number of Early Childhood Teachers and educators to complete practical components necessary in ECEC qualifications.
- Deliver a significant national recruitment campaign to attract new educators and ECEC teachers to meet current and future demand and support an ACA National ECEC Labour Agreement.
- Support work retention efforts and support the well-being of educators and Early Childhood Teachers by investing \$500,000 to promote the ACA/TELUS Health Employee Assistance Program, ensuring greater reach to the rural, remote and isolated workforce.

About Us

The Australian Childcare Alliance (ACA) is the national peak body for the Australian Early Childhood Education and Care (ECEC) sector. Our mission is to ensure every child in Australia has access to high-quality, affordable, and sustainable early learning services.

The ACA has been delivering its mission in various forms for more than 30 years. Our leadership and membership have extensive experience in early learning, training and delivering ECEC. We represent over 3,900 early learning services, employing over 75,000 educators and teachers and caring for more than 360,000 families throughout Australia.

Our long history as a leading organisation is bolstered by our firsthand experience in running ECEC services, implementing government policies, and engaging on a meaningful level with members and families nationwide. ACA plays a crucial role in transforming industry insights into policy contributions and actively assists the sector in executing policies.





Let's give our children the best start in life.

