Goodstart Early Learning:
2026 Pre-Budget Submission to the Australian Treasury

January 2026

PRE-BUDGET SUBMISSION TO THE AUSTRALIAN TREASURY – BUDGET 2026

About Goodstart

We are for children, not profit

Goodstart Early Learning (Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest provider of early childhood education and care, with 670+ centres located across every state and territory, supporting more than 64,000 children from 53,000 families. Our organisation also includes 36 Big Fat Smile services across NSW supporting over 3,000 families.

As a not-for-profit social enterprise, our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life. It is our view that all children should be supported to participate in quality early learning and care, regardless of where they live in Australia, their family circumstances, their inclusion support needs, or their early learning setting. We believe the best way to do this is to ensure all children have access to high quality, inclusive early learning and care, no matter their location or life circumstances.

Summary

The Australian Government has committed to building a universal ECEC system for Australia's children that delivers high quality, safe and inclusive early education accessible to all children. This is a massive reform commitment that Goodstart wholeheartedly embraces. The Government has sensibly committed to working towards this goal in a staged approach. Goodstart has greatly appreciated the extensive engagement that Government has undertaken with the sector at every step of this process thus far. Working with the sector ensures early identification of potential risks and pitfalls and ensures that each stage of reform is delivered in the most effective and least disruptive manner.

In late 2024, the Productivity Commission Inquiry into Early Childhood Education Final Report set out a 10-year reform pathway to universal early learning in Australia. We broadly support the recommendations of the Commission, which provide a credible staged pathway to establishing a universal ECEC system based on the pillars of quality, inclusion, accessibility and affordability. Importantly, the PC's vision ensured that the children who are currently missing out – the children who stand to benefit the most from high quality early learning – are supported to access places before greater affordability reforms could lock them out.

The Australian Government has already taken steps to implement some of these reforms. We have excitedly welcomed the first four major announcements by the Government on its pathway to a universal ECEC system:

- 2023: The Cheaper Childcare Reforms to improve affordability, delivery of the ACCC report into the cost of delivering ECEC, and conducting a review of the chronically underfunded Inclusion Support Program.
- 2024: The Worker Retention Payment subsidy to stabilise and build the ECEC workforce, and delivery of the PC Inquiry report into ECEC.
- 2025: Establishing a $1 billion Building Early Education Fund to address supply and access in underserved markets, a $179 million package and reforms to the National Law to enhance child safety in ECEC, and Setting up an Early Education Service Delivery Price Project to collect data on the cost of delivering quality ECEC that improves children's outcomes to inform future reforms.
- 2026: Replacing the activity test with a Three Day Guarantee for access to ECEC for all children.

Goodstart congratulates the Government on the success of significant reforms to date, and values the willingness of Government to consult with the sector on its ambitious reform agenda. We are happy to provide additional information on the matters contained in this submission if requested. There are further important reforms identified by the PC that Goodstart believes should be prioritised, particularly to address inclusion and affordability.

This submission identifies reforms for the 2026-2027 Budget that we believe are the next logical steps in progressing towards a universal ECEC system and delivering on the Prime Minister's ambition. These reforms can commence from July this year and are focused on supporting the workforce and ensuring the children who most stand to benefit can attend early learning. They will help embed and build on the progress to date and represent necessary building blocks for the next more ambitious stages of reform.

The second part of the submission identifies priorities for further progress towards a truly universal ECEC system, including a new ECEC Commission to provide stewardship, oversight and improve governance and collaboration with the sector. We recommend that work commences immediately with Government collaborating and undertaking thorough and considered consultation with the sector on the material structural reforms need to deliver a universal system. The Commission would also support collaboration with the sector and the States to progress the work necessary to undertake these reforms.

Australia's ECEC system supports child development and maternal workforce development

It is also worth noting that, despite the challenges the sector has faced since COVID, ECEC continues to play its crucial role in delivering on the government's key objectives of supporting child development and maternal workforce participation.

On **child development**, new research from the Queensland Brain Institute shows that children who attend ECEC are significantly less likely to commence school developmentally vulnerable on the key cognitive domains of Language and Communication and General Knowledge and Cognitive Skills.[1] These key cognitive domains are strong indicators of children's later literacy and numeracy outcomes as measured in Year 3 and Year 5 NAPLAN results.[2] But services need to be high quality to consistently deliver positive child development outcomes.[3]

On **maternal workforce participation**, the workforce participation rate of mothers with children aged 0-4 surged to a record high of 73.4% in June 2025, up 8% in five years.[4] Despite record inflation and capping of Child Care Subsidy payments to over 40% of families due to the hourly rate cap, net child care costs have risen just 4.5% in four years while inflation on all goods and services rose by over 20%.[5] The sector has expanded to provide sufficient space to support more parents entering the workforce, although around 9% of children live in communities with insufficient ECEC places which needs to be addressed.

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[1] Rankin P., Staton S., Thorpe, K (2025) " Link between participation in Early Childhood Education and Care and Australian Early Development Census domain indicators using The First Five Years Project data" Queensland Brain Institute, University of Queensland https://espace.library.uq.edu.au/view/UQ:86fbe84

[2] Williams, L., Collier, A., Johnston, K., & Thomas, M. (2023). *Which skills are important for future literacy and numeracy learning? How the Australian Early Development Census data reveal the building blocks for future reading, writing and numeracy performance.* Australian Education Research Organisation. https://www.edresearch.edu.au/resources/literacy-numeracy-skills-future-learning

[3] Rankin, P., Staton, S., Jones, A., Potia, A. H., Houen, S., Healey, B., & Thorpe, K. (2024). *Linking quality and child development in early childhood education and care: Technical report*. Australian Education Research Organisation. https://www.edresearch.edu.au/research/technical-papers/linking-quality-and-child-development-early-childhood-education-and-care

[4] ABS Labour Force Status of Families Sep 2025 cat no 6224.0.55.001

[5] ABS Consumer Price Index Sep Qtr 2025

Recommendations for immediate priorities towards universal ECEC for the 2026 Budget:

Recommendation 1: ***Continue to support the ECEC workforce by supporting wages and professional development.*** Specifically by:

- **Extending the Worker Retention Payment** for the early childhood workforce and fully funding the outcome of the award gender valuation case through to 2029, with a fee cap on participating providers that is developed through an open and transparent process to reflect actual cost increases, and that allows for providers wishing to invest more in quality, safety, inclusion and access; and
- **Continuing and expanding the ECEC Professional Development grant program** for 2 years to support child safety and quality improvement training for all CBDC staff, and /or allowing up to 2 child-free training days per year funded by the CCS.

Recommendation 2: ***Ensure children with additional needs are fully supported to participate in ECEC***. Specifically by:

- **Increasing the Inclusion Support Program additional educator subsidy rate from July 2026** to cover wage costs, removing weekly caps on hours for additional educators, and allowing claims to be backdated, as recommended by the PC.
- **Engaging with the sector on developing new inclusion funding stream as recommended by the Productivity Commission** to introduce a service level, needs-based funding instrument to deliver on inclusion objectives including addressing non-cost barriers, particularly in communities experiencing vulnerability and disadvantage and for at risk cohorts of children and families, and supporting the rollout of integrated services in highly disadvantaged communities.

Recommendation 3: ***Relieve cost of living pressures by improving affordability for those who need it most***

- **Improving affordability from in 2026** by increasing the hourly rate cap for centre based day care and index it to align with the allowed increase in fees under the wages subsidy program, setting the CCS default withholding rate at 0%, and providing a 100% subsidy rate for low income families as recommended by the PC.

Recommendations for progressing the stages towards a universal ECEC system:

Recommendation 4: ***Establish a National ECEC Commission.*** The Commission would lead the early education reform process with a strong remit to address quality, safety, inclusion, workforce and supply issues, consistent with the national vision for ECEC endorsed by National Cabinet.

Recommendation 5: ***Implement the affordability recommendations of the Productivity Commission in full.*** This will make access to early learning more affordable by increasing the CCS rate for all families to the PC recommended taper from 2027-28.

Recommendation 6: ***Engage with the sector in a coordinated way on key initiatives and reforms towards a universal ECEC system.*** This includes a holistic and coordinated approach that considers reform streams collectively, including the Service Delivery Price project, the roll out of the Building Early Education Fund, the development of new funding and policy instruments to support expansion of high quality providers, the ACECQA Review on whole of service ratios and the post 2028 preschool reform agenda.

If you would like any further information about the contents of this submission, please contact:

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ACRONYMS & ABBREVIATIONS

ACCC	Australian Competition and Consumer Commission
ACECQA	Australian Children's Education and Care Quality Authority
CBDC	Centre based day care (long day care)
CCS	Child Care Subsidy
ECEC	Early childhood education and care
ECT	Early childhood teacher
HRC	Hourly Rate Cap
IA	Inclusion Agency
ISP	Inclusion Support Program
PC	Productivity Commission
WRP	Worker Retention Payment

CURRENT STATE OF THE EARLY EDUCATION SECTOR

ECEC sector facing significant challenges

The continuing decline in Australia's birth rate is impacting the demand for ECEC. The number of live births dropped from an average of 309,000 (2015-2019) to 289,000 in the last two years (2023-24). This has resulted in a significant fall in the number of children aged 0-4 years eligible for CCS (and noting that most migrant children are not eligible for CCS). This impact is most evident in the enrolment numbers of children aged 0-2 in CCS eligible services. While the number of children aged 3-5 increased by 26,000 (or 5%) in the two years to September 2025, the number of children aged 0-2 dropped by 31,000 (or 8.5%). Total children eligible for CCS in CBDC services in September 2025 fell 1% compared with September 2024.

Notwithstanding the decline in the number of children eligible for CCS, governments continue to approve new services – the number of CBDC services rose by 281 (or 3%) in the year to September 2025. More centres serving fewer children means lower occupancy for both new and existing providers. We estimate that average centre occupancy across the sector was 4% lower in September than the year before, and down 5.6% over two years (see Table 1).

This in turn impacts significantly on costs faced by providers, as fixed costs (such as rent and most labour costs) need to be recovered across a smaller number of attendances. Lower occupancy also makes it harder to optimise staff rostering to meet required NQS ratios while also providing crucial non-contact time for educators, also adding to average costs. With fee increases capped by the conditions of the WRP grants, providers facing lower occupancy then need to look to reduce costs elsewhere, reducing the funds available to invest in improving quality, safety and capital assets. There are well recorded instances of providers reducing their investments in quality, workforce and safety as occupancy declines, as the collapse of Genius Childcare showed.

Table 1: Estimated Average Sector Occupancy – Sep Qtr

	2021	2022	2023	2024	2025
Children	816,070	825,850	839,140	845,980	836,260
Lic. places	597,828	622,398	652,476	684,658	716,100
Av hours	31.4	32.4	33.5	34.1	34.4
Occupancy rate	81.6%	81.9%	82.1%	80.3%	76.5%
No children extra @ 3 days	182,901	187,884	195,041	225,290	280,251

(Assumes a 10.5 hour day on average. Dept of Education quarterly data, places from ACECQA's NQS Snapshot)

The disconnect between the financial incentives in developing and owning childcare centres and the challenges of operating a CBDC service is increasing.[6] While the PC report identified that around 9% of children live in underserviced communities, 10-20% now live in communities where CBDC is oversupplied. This highlights the need for a National ECEC Commission with a remit that includes monitoring and managing access and supply, both undersupply and oversupply.

Workforce challenges are easing but still evident

The Government's Worker Retention Payment program has been a significant policy success and Goodstart has been delighted to partner with the Government in delivering it. In the 18 months since the May 2024 Budget when the Government committed to the wage subsidy, monthly vacancies for early childhood workers fell by 19%, including 28% for teachers. More teachers mean a significant reduction in CBDC services requiring a waiver from the staffing requirement of the NQF (down from 16% to 11% nationally), which is an

[6] See submission by Centre for International Corporate Tax Accountability and Research to the Senate Education References Committee Inquiry into ECEC quality and safety, October 2025

early 'quality dividend' on the Government's investment in workforce. A stable workforce is an absolute precondition for quality and safety, and this a great outcome for children and their parents.

Two new developments in December highlighted this success. The September Quarter CCS data shows that the average hourly fee increase for CBDC services in the year to September was 4.7%, very close to the 4.4% fee cap – and down from 6.8% in the previous year. This is a great outcome for families.

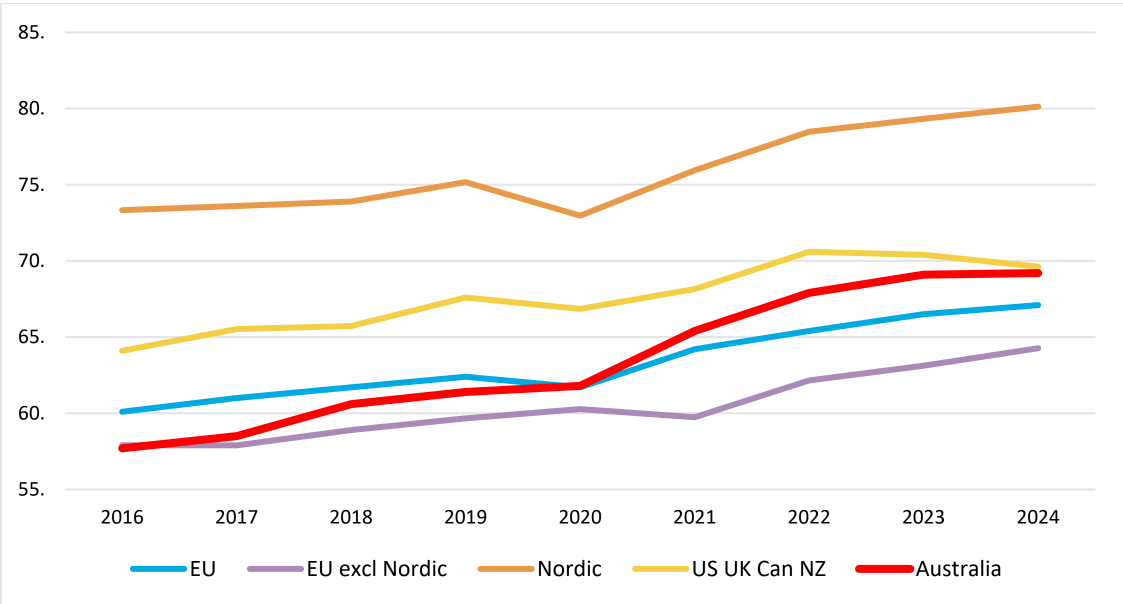
The other big news was the final determination of the gender valuation review of the Children's Services Ward by the Fair Work Commission outlining the implementation timetable through to July 1 2028 for wage increases of up to 28% for educators. This then provides a clear timetable for Government to work with providers and unions on the next iteration of the Worker Retention Payment program and the enterprise agreements that underpin it (see later section).

Renewal of the Worker Retention Payment is crucial for stabilising these gains and ensuring that early education and care remain affordable for families.

ECEC supports record levels of maternal workforce participation but affordability remains an issue

The employment rates of Australian mothers have been rising steadily since the 1970s, but with notably high growth since 2018. In the six years to June 2024, the employment rate of mothers with a child aged 0-5 years rose by 7.8% to 69.2%. This rapid improvement sees Australia's maternal employment rate now higher than the European Union average, ahead of the United States, New Zealand, Germany and Spain and on par with France. However, our maternal employment rate is still a few percent behind the United Kingdom and Canada (which improved by 4% and 4.5% in the same period) and well behind Nordic countries such as Sweden, Norway, and Denmark, which have employment rates above 80%.

Figure 1: Maternal Employment rates - youngest child 0-5 years (%)



Source: Labour force statistics for Australia, Canada, the UK, New Zealand, the United States and the European Union.

Maternal workforce participation has been supported by an increase in the participation rate of children in ECEC (formal childcare or preschool) which has risen by 5.5% in the five years to 2024, from 44.9% to 50.4% of children. However, Australia's impressive improvement in ECEC participation has been largely among children from middle and upper income families, whose participation rate in CCS-funded services rose from 46.3% in 2019 to 52.8% in 2024. By contrast, participation of children from low income families rose from 40.9% in 2019 to 44.8% in 2021 before dropping back to 40.9% in 2023, then rising to 43.3% in 2024.

This reflects the price sensitivity of low income families to net childcare prices with rapid increases after the CCS affordability reforms of 2018 and 2023. There is now a 10% difference in ECEC participation rates between high and low income families, despite strong evidence that children from low income families benefit most from access to ECEC.

The ACCC June 2023 found that about half of households in the lowest income decile spend between 5% and 21% of their disposable income on childcare, compared to 2% to 9% of disposable income spent by households in the highest income decile.7 The PC report, recognising the higher price elasticity of low income families to shifts in net childcare prices, recommended that ECEC be made free for low income families, with an income taper for higher income families.

While the introduction of the Three Day Guarantee on January 1 2026 removes a key access barrier to children from low income families accessing early education, cost barriers facing low income families remain substantial (see later).

Child safety reasserted as the paramount consideration of early education and care

Australian and State Governments reasserted emphatically in 2025 that child safety remains the paramount consideration for ECEC provision across Australia. Changes to the National Law, combined with state and federal investments in child safety, will go a significant way to reassuring the community of the safety of ECEC services across Australia.

Goodstart has welcomed the commitments by Australian and State Governments to strengthen the regulation of child safety. We have invested heavily in our workforce to build child-safe environments in all our centres but acknowledge that there is always room for improvement.

Implementing the changes to the National Law and rolling out 2 days of mandatory training for all our staff will be a significant operational challenge for Goodstart and other CBDC providers in 2026. It will also come at a significant cost to our budget, which will need to be met, with Government offering only limited funding for the initiatives. With providers facing a 4.2% fee constraint imposed and challenging market conditions, it will be difficult to fund these important safety initiatives without reducing funding for other initiatives to improve the quality, inclusion and accessibility of early education.

[7] ACCC Childcare Inquiry, June 2023 report, p. 106. https://www.accc.gov.au/inquiries-and-consultations/finalised-inquiries/childcare-inquiry-2023/june-2023-interim-report

Recommendations for immediate priorities towards universal ECEC for the 2026 Budget

Continue to support the early childhood workforce by supporting wages and professional development

<u>Recommendation 1</u>: **Continue to support the ECEC workforce by:**

Extending the Worker Retention Payment for the early childhood workforce and fully fund the outcome of the award gender valuation case through to 2029, with a fee cap on participating providers that is developed through an open and transparent process to reflect actual cost increases, and that allows for providers wishing to invest more in quality, safety, inclusion and access; and

Continuing and expanding the ECEC Professional Development grant program for 2 years from July 2026 to support child safety and quality improvement training for all providers and all CBDC staff, and /or allowing up to 2 child-free training days per year funded by the CCS.

Extend the early childhood Worker Retention Payment wages subsidy

Goodstart has enthusiastically welcomed the Government's $3.6 billion initiative to fund a 15% wage increase for ECEC workers and was proud to be the first employer in the sector to finalise an Employment Agreement and deliver this funding into our educators' bank accounts. The effect was almost immediate – vacancies across Goodstart in December 2024 were down 28% compared to the previous year, while applications for new roles were up 25%. Workforce engagement is up and attrition rates are down. Our workforce finally feels their work is valued.

The current wage subsidy scheme was funded for an initial two years to 30 November 2026 pending the outcome of the gender valuation review by the Fair Work Commission. That review has now been finalised, finding that educators' work was significantly undervalued, and recommending increases of 9-28% in a new award structure to be implement in five stages between March 2026 and June 2029 (see Table 2).

Table 2: Phase in of increase in educator's wages under the Children's Services Award

Date	1/3/2026	30/6/2026	30/6/2027	30/6/2028	30/6/2029
Increase	5%	5%	5%	5%	Remainder 2-13% depending on level

Goodstart would strongly urge the Government to extend the Worker Retention Payment program for at least two, possibly three years, while recognising that a long term and permanent funding solution will be needed. The extension of the WRP must cover the full cost of the rollout of award increases under the new Children's Services Award, and must ensure that quality providers, who have already been paying their staff above award rates are not penalised or that their staff are disadvantaged. It must also cover increases in oncosts associated with the Fair Work Decision.

We recognise that the Government may want to continue to make the subsidy conditional on participating providers agreeing to a fee cap. However, the fee cap should be set by a transparent process that ensures that the cap reflects the actual cost increases faced by providers. There may also be a need for a buffer and/or exemptions that accommodate providers facing higher cost increases, or who are investing more to achieve quality, inclusion or access for children. Ultimately, close consultation with the sector will be needed to ensure the next phase of this program is a success as the WRP removes providers ability to manage risk or unforeseen costs through changes to fees charged to families.

We trust that the Albanese Government wants to build on the success of the Worker Retention Payment, recognising that if the Worker Retention Payment was not renewed, ECEC providers would need to fund a 10% increase in educators wages from fees on 1 Dec 2026, rising to 15% on 30/6/2027. Not extending the payment could also have serious unintended consequences such as reduced wages for teachers. This would require a fee increase of around 6% in November rising to 9% in June in addition to the annual increase in July to cover ongoing costs. Because the hourly rate cap on CCS payments will rise by only 3.8%, most parents would have to fund close to the full cost of this increase in increased out of pocket costs. In the example of a middle income family (income $135k) with an 80% CCS rate paying a fee of around $150, their out of pocket would rise by 39.3% (see Table 3).

Table 3: Impact on Out of Pocket Costs of not renewing the Worker Retention Payment (fee $150 for 10 hour day[8])

	30/11/2026	1/12/2026	30/6/2027	Increase
Daily fee	$150	$159	$163.50	9.0%
CCS @ 80%	$120	$121.45	$121.45	1.3%
Out of pocket	**$30**	**$37.55**	**$42.05**	**40.2%**

Goodstart strongly advocates that the Worker Retention Payment system be extended for at least two years, possibly three. This would take the grant program past the 2028 election to expire on the likely commencement day for whatever new funding reform comes out of the 2028 election commitments.

From June 2028, the award increases rise above 15% for educators, and the WRP rate will need to be increased accordingly. The additional amount should be established in close consultation with the sector, mindful that the impact of the final stages of the Fair Work decision may vary between providers, and it is essential that providers such as Goodstart who have delivered above award wages should not be disadvantaged through the extension to ensure the best outcome for educators.

The **Fee Cap** needs to be set to reflect the actual cost increases faced by providers. The longer the Worker Retention Payment is in place, the more difficultly providers may have complying with a blunt fee cap. As a first step, the fee cap should be set annually according to an agreed process and formula that reflects actual cost increases faced by providers. Noting the challenging and changing market conditions – the approach of setting a fee cap two years in advance which was used for the first WRP is not viable. Goodstart would encourage the Government to move to an open and transparent annual process for determining fee caps for the ECEC sector, as it has already done for aged care and public hospitals. Optimally, this should involve an independent process with submissions from the sector on actual costs incurred and expected to be incurred. We would also welcome the opportunity to work with the ABS to check and improve the accuracy of its indexes related to ECEC.

We support an approach where a 'buffer' is built into the fee cap and note that this needs to take into account all additional costs being incurred by providers. For example, providers in 2026 and later years will face considerable additional costs complying with the heightened level of child safety regulation, including funding mandatory training. We estimate this could be up to 0.6% of fees in 2026. If the ACECQA review of whole of service ratios and supervision ordered by the Education Ministers results in proposals to change to ratios or rostering, this will have substantial cost implications for providers which will need to be the subject of a regulation impact statement process and adequately funded.

Market conditions are also important in translating costs to fees - the drop in occupancy noted earlier in the paper also impacts on cost recovery as there are fewer attendances across which fixed costs can be recovered. The buffer needs to reflect this or risk providers becoming financially unsustainable.

A more evidence-based approach to fee caps, combined with a clear process for exemption, would better tailor the Worker Retention Payment program to run over a longer duration. It would ensure that the benefit of the payments flows through to the educators, while shielding parents from excessive fee increases and allowing providers to continue to invest in initiatives to improve quality, safety, inclusion and access.

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[8] Hourly rate cap in FY26-27 of $15.19 being $14.63 indexed by 3.8%

Finally, it should be noted that while the program cost of extending the WRP may be up to $3bn p.a., the Commonwealth will receive back 26% of the subsidy as increased income tax payments. The fee constraint on providers also provides a direct saving on CCS payments. Goodstart would also recommend that the WRP grants be indexed to increases in award rates and related wage costs (e.g. superannuation, other award changes) rather than fees, with a one off indexation in July when award wages increase. This may also provide a small saving to Government while improving cashflow to providers.

Support professional development to embed safe, quality practice

The $72 million 2 year ECEC Professional Development Subsidy supported educators to engage in professional development while supporting their provider to maintain educator to child ratios. The program should be extended for two additional years from 2026 to support providers to ensure all staff have completed child safety training mandated under the changes to the National Law. In the second year, training could also be provided prioritising ongoing quality improvement.

In the next two-year period, funding should prioritise CBDC services and the high costs that providers will face (up to 0.6% of fee revenue) to fund mandatory training. States and Territories might be encouraged to provide funding for additional PD for on-school OSHC staff and sessional preschools to meet new regulatory requirements.

The capability of the ECEC workforce is the most critical prerequisite for delivering a universal ECEC system that is safe and high quality. The Productivity Commission recommended (rec. 3.11) that Governments provide financial support for the ECEC workforce to undertake professional development activities.

An alternative approach would be to allow ECEC services to close for up to two days per year for staff professional development funded through the Child Care Subsidy. Stand-alone preschools and schools are fully funded to close for up to 4 days a year for child-free planning and training days. Whole of team learning is a highly effective way of embedding quality and safety improvement but is not currently supported by the funding instruments for CBDC services.

The Government's recent decision to allow services to close after 5pm for team training provides some recognition of this but is impractical as typically less than a third of the workforce is rostered to work beyond 5pm and other staff would need to be brought back in, including staff who may have been rostered to open the centre from 6am. Full day closures, with plenty of notice to parents, would be the most efficient and effective way to deliver training to the whole team and embed a whole of team child safe culture.

Longer term, funding for professional development for the workforce should be a core funding requirement under the new, universal funding system.

Supporting inclusion for all children

<u>Recommendation 2</u>: *Ensure children with additional needs and those who stand to benefit the most are fully supported to participate in ECEC.* Specifically by:

- **Increasing the Inclusion Support Program additional educator subsidy rate from July 2026** to cover wage costs, removing weekly caps on hours for additional educators, and allowing claims to be backdated, as recommended by the PC.
- **Engaging with the sector on developing new inclusion funding stream as recommended by the Productivity Commission** to introduce a service level, needs-based funding instrument to deliver on inclusion objectives including addressing non-cost barriers, particularly in communities experiencing vulnerability and disadvantage and for at risk cohorts of children and families, and supporting the rollout of integrated services in highly disadvantaged communities.
- **Improving affordability** by increasing the hourly rate cap for centre based day care and index it to align with the allowed increase in fees under the wages subsidy program, setting the CCS default withholding rate at 0%, and moving to a 100% subsidy rate for low income families as recommended by the PC.

To build a truly universal early learning system, it must be inclusive for all children

In order for all children to benefit from the changes to the activity test which introduce a universal entitlement to early learning, urgent investment is needed to ensure barriers to access and participation are addressed, including for children with additional support needs. In its final report, the PC recognised the cost disincentives to enrolling children with additional support needs and recommended 'the Australian Government should immediately improve access to the Inclusion Support Program by increasing funding and streamlining administrative requirements' (PC Final Report, pg. 3).

A critical part of the CCS Safety Net is the Inclusion Support Program (ISP), which provides funding to meet the needs of children with additional support needs. Within the $133m ISP program, $85m is allocated to fund the wages cost for an additional (above ratio) educator in an early learning room, so that children with a disability, developmental delay, trauma-related behaviours or other inclusion support needs are able to participate in early learning. This is intended to address the financial disincentives for enrolling children with higher support needs and supports both the child's early learning needs and parental workforce participation. However, immediate action is required to address the loss in the value of the ISP educator wage subsidy over time, as the funded hourly rate has not been indexed since 2016 and the ISP-funded hours are insufficient to support early learning for a child whose parent works three or more days a week. The fixed $85m budget allocation has proved to be insufficient to meet demand to support 21,000 children with additional needs and it has been necessary to top it up in most recent fiscal years.

These problems with the current Inclusion Support Program (ISP) need to be urgently fixed to provide a sound foundation on which a broader inclusion program and funding instruments can be developed as recommended by the Productivity Commission. These reforms are discussed in a later section but immediate action must and can be taken in this budget to ensure the ISP educator subsidy covers costs.

The additional educator subsidy has been losing value over time

The current Inclusion Support program commenced in 2016 as a wage subsidy, but funding rates have not increased or been indexed since then, an unfortunate case of the failure of a supply side funded program not keeping up with the cost of provision. The program provides funding to cover the wages cost for an additional (above ratio) educator so that children with a disability, developmental delay, trauma-related behaviours or other inclusion support need are able to participate in early learning. The program delivers educational benefits for children with additional needs, while also allowing their parents to work. Since 2016, while the wage subsidy has not been indexed, award wages for early childhood educators have increased 3.5% per annum (on average). While the subsidy covered 80% of the cost of employing a Diploma qualified inclusion worker in 2017, by 2025 it covered just 59% of the cost, with providers needing to cross-subsidise the rest.

Table 4: Funding rate and caps for Inclusion Support Workers (p/hr)

Year	ISP funding rate	Wage*	% wages not funded	ISP weekly hours cap	Average hours in CBDC	% hours not funded
2017	$23.00	$28.65	19.7%	25	28.9	15.6%
2019	$23.00	$30.56	24.7%	25	30.0	20.0%
2021	$23.00	$31.99	28.1%	25	31.4	24.6%
2023	$23.00	$35.68	35.5%	25	33.5	34.0%
2025	$23.00	$38.63	40.5%	25	34.4	37.6%

(*Diploma qualified educator award rate includes super and 10% oncosts.)

The subsidy continues to lose value as wages increase and no longer covers even the lowest possible qualification level (Cert III, Pay Point 1) creating a financial disincentive to enrol children with inclusion support needs, as they won't be able to adequately support them. As we pay above-Award rates at Goodstart, the difference in the subsidy rate and our educator's rate is significant (at least $16/hour).

In 2019-2020, Goodstart allocated $2.6 million to cover the ISP funding shortfall for inclusion support workers. By 2024-25, this cost had blown out to $12.3 million, compared to the $13.1 million in ISP funding received from the Government. In 2026, around 1% of Goodstart's fee revenue will need to be allocated to cross-subsidise more than 900 inclusion support workers across our network. Around 3% of children at Goodstart have additional needs and receive ISP funding, compared to 1% for the sector as a whole. Many providers decline to take children requiring additional support for financial reasons, while Goodstart believes all children have a right to access early learning. The implementation of the ECEC Worker Retention Payment and its associated fee cap will make it harder for providers to continue to cross-subsidise inclusion support workers. This may result in families finding it even harder to find a provider willing to take a child that requires ever increasing levels of provider subsidy to support. (see Table 4).

The PC's final report recommended the hourly subsidy rate be increased to at least a Certificate III ECEC educator rate (recommendation 2.2). However, this would mean children requiring the most highly skilled educators (i.e. at least Diploma qualified) could only be supported, at best, by those who have the lowest level qualifications. When employing an additional educator to support a child's inclusion needs, experience is paramount and other skills and capabilities are often necessary based on a child's individual needs (such as medical management or peg feeding). Like many not-for-profit providers, we direct social purpose investment to meet these gaps and ensure children have access to the skilled professionals they need. However, this is not the experience for all children and families.

Instead, we recommend the hourly subsidy rate is increased from its current level ($23.00/hour) to at least $39 p/hour, which represents a Diploma-qualified educator including oncosts (i.e. superannuation, leave, worker's compensation, etc). If a lower hourly subsidy rate is implemented, there will continue to be cost barriers to including all children or funding will not be adequate to provide children with experienced inclusion support they need to fully participate in early learning. This would cost around $60 million a year, although a further permanent allocation of at least $40 million a year is also needed to meet current demand to support 21,000 children with additional needs per annum. This would reduce the need for a higher fee cap on the worker retention program for providers currently funding the shortfall from parental fees.

Consistent with the Productivity Commission recommendations, the hourly subsidy rate should also be indexed annually in line with increases in the award rate.

Children needing inclusion support are not always funded for all their hours of attendance

The ISP weekly cap on funded hours (25 hours per week for an individual child) does not align with CCS eligibility of up to 50 hours per week. The Productivity Commission report found this cap to be unduly restrictive (finding 2.8), noting it is inconsistent with Department of Education data, which shows children were enrolled – on average – for 34.4 hours per week in the September 2025 quarter. Even in a shared care arrangement (supporting two or more children) – which is not available for all children – funding is only provided for up to 40 hours per week. This limits the workforce participation of parents of children with a disability or other inclusion support need, who we know have lower workforce participation than other parents[9]. It is also inconsistent with the principle of the Three Day Guarantee on access where the Government now funds three days (36 hours) of access to ECEC for all children.

To ensure the ISP continues to achieve its policy objective of supporting children with inclusion support needs to participate in early learning, the caps on funded hours of support be removed (i.e. 25 and 40 hours per week limits). These immediate urgent measures will ensure that the current program better meets its objectives while the longer term reform agenda for inclusion support and Foundational Support is developed.

Delays in processing applications add to provider costs

Services often bear the full cost of employing an additional educator to support a child while the application for funding is being processed. Currently, there is no back pay of applications. While Government data suggests that around 20% of applications take longer than two weeks, the high workload faced by inclusion agencies can result in significant delays stretching into many weeks in some cases.10 The PC noted that: “The disincentives to services to enrol some children is clear.” Onerous requirements for reapprovals also add to costs and delays, such as when a child moves rooms within a service, when service ownership changes, etc. Goodstart proposes that funding should be backdated to the date of application to remove a further impediment to support for children with additional needs.

Moving to a new inclusion funding stream

There is more to do to adopt a broader approach to inclusion as recognised in the PC final report and the Department’s review of the program, as well as the broader issue of how best the Inclusion Support program can operate to support children in ECEC settings alongside other investments, like NDIS Thriving Kids / Foundational Support programs and NDIS services. Goodstart broadly supports the recommendations that the PC has made for reform of the Inclusion Support Program, and would encourage Government consult with the sector on implementation of these reforms. Inclusion is a crucial element of building a universal ECEC system that meets the needs of all children, and getting the policy and program settings right is crucial.

For example, the PC inquiry acknowledged that the administrative processes required for a family to access ECEC can act as a significant barrier to navigate for families experiencing disadvantage. It recommended that a system navigator role should be trialled alongside the immediate changes to ISP funding discussed above (recommendation 7.2). The PC Final Report positively referenced existing programs, such as the Increasing Access and Participation Program delivered by Goodstart in partnership with State Governments in Victoria, South Australia and Queensland to support children known to child protection to access early learning, and Uniting NSW/ACT’s Links to Early Learning program (pp. 427-429). Goodstart encourages the Federal Government to use the learnings from these programs to fund more system navigator programs across Australia as part of its service- and community-level inclusion investments.

A new inclusion program should also support the development of integrated service models. While the Building Early Education Fund specifically prioritises the building of integrated services and the Government’s PLACE initiative encourages place-based solution, there is a need to ensure that the operational funding of these services is also secured. Developing funding and program models could be an early priority for the National ECEC Commission.

While consultation on future reform occurs, increasing and improving the ISP funding to fix already identified problems should be an immediate priority for the next Federal Budget.

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[9] Spencer, N (2014), ‘Family Matters: Impacts of caring for a child with chronic health problems on parental work status and security’.

[10] PC Final Report p. 86-7

Relieve cost of living pressures in 2026

Recommendation 3: ***Relieve cost of living pressures by improving affordability in 2026 for those who need it most:***

- **Improve affordability from 2026** by increasing the hourly rate cap for centre based day care and index it to align with the allowed increase in fees under the wages subsidy program, setting the CCS default withholding rate at 0%, and providing a 100% subsidy rate for low income families as recommended by the PC.

Increase the Hourly Rate Cap for CCS

The hourly rate cap is a key feature of the CCS designed by the previous Government ostensibly to improve affordability by using market forces to constrain fee growth but is now effectively increasing out of pocket costs for up to half of all families. This is because the cost of providing childcare has increased faster than the CPI used to index the hourly rate cap. This is becoming an increasing affordability problem for families as the out of pocket costs faced by families with fees above the hourly rate cap increase much faster than the actual childcare fees. For example:

- *A low income family (CCS 90%) with a current fee of $147 just 2% above the CBDC sector average will exceed the hourly rate cap ($146.30 for a 10 hour session).*
- *While their fee increase in 2026 is capped at 4.2%, their out of pocket costs would rise by 7.6% because the hourly rate cap increases by only 3.8% (in line with CPI), covering only part of the fee increase.*

In the last five years, the proportion of CBDC services with an average fee above the hourly rate cap has trebled from 12.4% to 37.2% and will likely exceed 40% this year. Even with the fee cap in place under the Worker Retention Payment, out of pocket costs will rise faster than capped fees for 40%+ of families. When it was set in 2018, the hourly rate cap was 20% above the average hourly fee. Indexing the cap to CPI rather than the increase in childcare costs has seen the hourly rate cap decline to be just 1.5% above the average hourly fee by Sep 2026, see Table 5.

Table 5: Hourly rate cap vs average hourly fees – centre based day care

Quarter	Hourly Rate Cap	Average Hourly Fee	% Centres above the Rate Cap	Margin between rap cap and average fee
Sep 2018	$11.77	$9.80	11% (Dec)	20.1%
Sep 2020	$12.20	$10.50	12.4%	16.2%
Sep 2022	$12.74	$11.75	20.7%	8.4%
Sep 2024	$14.29	$13.70	29.7%	4.3%
Sep 2025	$14.63	$14.35	37.2%	2.0%
Sep 2026 est	$15.18	$14.96	40%+	1.5%

In July 2025, the hourly rate cap was indexed by CPI by 2.4%, while fees constrained by the fee cap condition of the Worker Retention Grant on fees rose by 4.4%. For family paying a fee above the hourly fee cap, a 4.4% fee increase becomes a 10.7% increase in out of pocket costs after CCS with a family income of $180,000 a year, and 14.6% for a family on an income of $120,000 a year.11 For a family with a $120,000 income, their CCS rate of 82.5% would cover just 43% of the fee increase.

The Independent Review of the CCS by AIFS recommended a review of the hourly rate cap in 2021. The ACCC (2023) and the PC (2024) both recommended a review of the methodology. As an immediate measure, the cap should be reset in 2026 so at least 85% of CBDC fees nationally fall below the cap.

[11] These examples assume family income rises by CPI.

Set the CCS withholding rate at 0%

The PC recommended that the family withholding rate be set at 0%, with families given the option of updating the rate whenever they update their details (recommendation 6.4). Goodstart strongly supports this recommendation as a key systemic but simple change to improve affordability. The PC analysis found that the policy rationale for the withholding rate is weak as few families generate debt, and that these tend to be middle and upper income families. Indeed, 80% of families with reconciled incomes did not incur a debt and, of those that did, just 11% had incomes below $100,000 (PC p. 376-377). The current 5% withholding rate particularly penalises low income families who receive higher CCS rates by reducing their weekly subsidy amount and therefore increasing their out-of-pocket costs (PC p. 361). A key reason why debts are incurred is because families have not ‘reported’ their taxable income, which might be better addressed by more effectively encouraging families to do so.

Setting the withholding rate at 0% is particularly important if the CCS rate is to be set at 100% as recommended by the PC, otherwise ECEC will not be ‘free’. Low income families are less likely to generate debts because their CCS rates are less likely to change (particularly if they are under the low income threshold). At the same time Government should implement the 100% subsidy rate for low income families in 2026 if possible.

Increase the Child Care Subsidy rate for low income families to 100%

As discussed earlier, low-income families pay a higher proportion of their income in childcare fees than high income families and participate in ECEC in substantially lower numbers. The Three Day Guarantee removes a significant legal barrier to access to ECEC for low-income families, but cost barriers remain. The PC recognised this and recommended that the CCS be increased from 90% to 100% for low-income families. It also recommended a new taper for families above the low-income threshold. Goodstart recommends full implementation of the PC affordability proposal (see our recommendation 6). But as an important downpayment on this reform, we would recommend that the 100% CCS for low-income families be brought forward to 2026, with the more expensive adjustment to the taper for middle and upper income families to follow in a later reform stage.

Recommendations for further steps towards building a universal ECEC system

The priorities for the 2026 Budget are identified above broadly follow the staged approach on the pathway to a universal ECEC system identified by the PC report in 2024. Building on the Government's commitment to the Three Day Guarantee in 2026, the progressive rollout of the Building Early Education Fund (BEEF), and the delivery of the Service Delivery Price project, this would represent significant progress towards a universal ECEC system along with urgent patches on the current CCS system impacting on inclusion and affordability.

The Government's ambition of moving towards a universal ECEC model is a monumental undertaking, involving reform of a sector that supports over 1 million children each year with over 15,000 providers employing over 200,000 teachers and educators. The Government's ambition is strongly supported across the sector. Goodstart, alongside other high quality providers and peaks, stand ready to work with Government to ensure its reform is a success.

Many well-intentioned reforms fell off the rails because of poor program design and implementation. The NDIS is a prime example. Successful implementation will need effective engagement with the sector. Providers like Goodstart are deeply committed and stand ready to support Government design and deliver reform focused on the things that make a difference to child outcomes. In a mixed market like ECEC, providers also carry significant implementation responsibility on behalf of Government and have a vested interest in carefully designing and staging reform to get us from where we are today, to where we want to be.

Such an engagement and coordinated approach should be supported by a robust and transparent process, that truly leverages sector and provider knowledge and expertise and brings together the various threads of reform. Goodstart encourages Government to commence work now on developing and mapping the next stages of the pathway to a universal ECEC model with the sector, including:

- Improving governance by establishing a National ECEC Commission to drive the reform process with a strong remit covering quality, safety, inclusion, workforce and supply.
- Improving affordability, particularly for low income earners by improving the CCS taper rates as soon as possible.
- Engaging with the sector to develop the next stages of the reform process including funding reform, supply and access, inclusion and preschool reform.

Establish an National ECEC Commission

Recommendation 5: ***Establish a National ECEC Commission.*** The Commission would lead the early education reform process with a strong remit to address quality, safety, inclusion, workforce and supply issues, consistent with the national vision for ECEC endorsed by National Cabinet.

Goodstart and many in the sector have long called for the establishment of a National ECEC Commission to lead the early reform process. The Commission would hold both regulators and providers to account and provide independent advice to Governments on the implementation of the stages towards the vision of universal ECEC endorsed by National Cabinet.

The community has a significant personal and financial stake in the early learning system. When it is not working effectively, the stakes are high - our children are less safe, our workforce is compromised, and government investment is expended to support profit rather than shared community objectives. The fragmented and ineffective nature of policy, planning and regulation is widely known, and notably canvassed in the 2024 PC Report, which recommended the establishment of a Commission as a key reform to drive the longer-term reform agenda. Inattention to proper, structural workforce planning culminated in the workforce crisis of 2023-24, which saw hundreds of rooms closed due to lack of staff.

A failure to address the structural drivers of safety and quality led to the safety crisis of 2025, with underfunded regulators and little or no service planning. Unplanned approvals of new services have outstripped demand and led to oversupply in many areas while 139,000 children live in communities with unmet need. Patchy quality of learning provision leaves too many children attending centres where evidence suggests that the learning is not good enough to improve child outcomes. Children who are more likely to come from those groups are those that need early education the most. Early learning is the only limb of the education system which is governed by no structured service planning.

Looking forward, a staged approach to a universal ECEC system will require all levels of Government working together. This should be endorsed as a national vision at National Cabinet, with a new national partnership agreement that sets out roles, responsibilities, timelines and funding to achieve that. Central to that should be a powerful new Commission working closely with all levels of Governments and the sector to deliver it. The new Commission should step away from the co-operative Federalism model that has hindered ACECQA and have a more direct, independent remit to drive the reform process.

The Commission should absorb ACECQA and its current budget of $35 million p.a. and may also absorb some functions of the Department. It could be established on an interim basis to commence work on key priorities while the national reforms are developed and embedded in a national partnership agreement.

The roles that a National Commission could play should include:

- **Track progress**: monitor/report publicly on progress of governments towards commitments under a national ECEC agreement
- **Hold state regulators to account**: for performance against national outcomes on quality, safety, affordability and equity/inclusion – through better public data-gathering, reporting, comparison and commentary (including showcasing best practice and best improvement)
- **Hold providers to account:** report to Governments on how well the sector is delivering on the national outcomes for the ECEC system on quality, safety, inclusion, access and affordability and recommend improvements. Compliance functions should remain with current regulators
- **Influence supply**: steward provision (supply and workforce) of ECEC (in the first instance)
  - On *under-supply,* identify priority high need and disadvantaged locations nationally; a timeline for provision in those places; and vehicles for delivering including direct commissioning options.
  - On *over-supply* (which has a negative impact on safety/quality), work to develop better planning processes in local areas, bringing Commonwealth data resources to bear and working with state and local government.
- **Set workforce standards & support workforce planning**: set workforce quality and qualification standards and work to improve national qualifications.
- **Hold key national regulatory roles** i.e. national working with children check system, national educators register and reportable conduct schemes.
- **Powers** under the Family Assistance Law (and potentially the National Law).

Supporting affordability of universal access to ECEC

Recommendation 6: Implement the recommendations of the Productivity Commission to make access to early learning more affordable by increasing the Child Care Subsidy (CCS) to 100% for low income families and by increasing the CCS rate for all other families from 2027-28

Improving affordability of ECEC has been identified by the PC as a key reform priority in building a universal ECEC system. It identified cost as a particular barrier to access for low-income families:

> “Notwithstanding higher CCS rates, families on the lowest incomes spend more on ECEC than middle income families as a share of their income (figure 7). While out-of-pocket expenses as a share of

> income are reasonably similar for many cohorts, that does not mean that they affect families equally. Financial resources are more constrained for lower-income families which makes them more sensitive to price. This is likely contributing to lower participation rates in ECEC, particularly for children and families experiencing disadvantage.” (p. 28)

The PC also found that a universal ECEC system would have substantial benefits for Australia:

> “The implementation of these reforms will have a measurable effect on children’s outcomes, as reflected in the Australian Early Development Census, and more children will start school developmentally on track. Outcomes for families are also likely to improve, including through their ability to work hours that suit them. Better inclusion policies and greater availability of services will give more families the ability to make choices about how much time they spend working, training, volunteering or studying.” (p. 7).

Goodstart’s analysis of the PC’s recommendations around affordability demonstrates all families will benefit from these changes and, consistent with the PC’s statement, half of Goodstart families would be eligible for CCS rates of 90% or more and nearly 80% would be eligible for CCS rates of over 75%. Further, implementing these affordability measures would result in over 40% of Goodstart children having out-of-pocket costs of less than $20/day.[12]

Goodstart supports the recommendations to the PC report to reform the CCS rates, specifically to establish a 100% CCS for low income earners, increase the CCS rates for other families by around 10% and align Higher CCCS rates to the CCS taper (recommendation 6.1). We would also strongly encourage Government to lift the low income threshold to at least $100,000 per annum from 1 July 2027 for simplicity and to more closely align it with the Family Tax Benefit Part B threshold, noting current CPI projections indicate the CCS low income threshold will likely reach $91,350 in 2027-38.

Table 6: CCS low income thresholds across out-years

Financial Year	Lower income threshold	CPI
2023-24	$80,000	N/A
2024-25	$83,280	4.1%
2025-26	$85,279	2.4%
2026-27	$88,520	3.8%
2027-28	$91,350	3.2%*

(* RBA CPI Dec Qtr. forecasts)

It is worth noting that the reforms to the CCS income tapers in 2022 and 2023 have supported a significant increase in children accessing ECEC and in women’s workforce participation. This is despite a significant squeeze on family incomes due to higher costs of living and workforce shortages impacting availability of ECEC. As these pressures ease, improving affordability is likely to have a significant impact on child participation in ECEC and workforce participation. For example, since Victoria introduced free kindy for 3 year olds, participation by 3 year olds in ECEC has risen from 50% to 80%.

Table 7: ECEC participation, workforce participation and net childcare costs

Year	% of children aged 1-5 in CCS services (Sep QTR)	% maternal workforce participation, youngest child aged 0-5 (June QTR)	% Reduction in net childcare costs since (Sep Qtr)
2021	56.1%	67.2%	0
2022	57.1%	67.7%	-5.4%
2023	58.3%	69.7%	-15.3%
2024	58.3%	70.6%	-6.2%
2025	57.7%	73.4%	+4.5%

(Source: Childcare Quarterly Statistics, ABS 3101.0 Population by Age, ABS 6224.0 Labour Force Status of Families; ABS CPI)

[12] This considers CCS contributions only. More children are likely to have out-of-pocket costs of less than $20/day as a result of state preschool subsidies, third party contributions or programs, etc.

Engage with the sector in a coordinated way on key initiatives towards a universal ECEC system

Recommendation 6: *Engage with the sector in a coordinated way on key initiatives and reforms towards a universal ECEC system.* This includes a holistic and coordinated approach that considers reform streams collectively, including the Service Delivery Price project, the roll out of the Building Early Education Fund, the development of new funding and policy instruments to support expansion of high quality providers, the ACECQA Review on whole of service ratios and the post 2028 preschool reform agenda.

Service Delivery Price Project can inform future reforms

Goodstart welcomes the commissioning of the Service Delivery Price Project as a sensible first step to informing future ECEC funding reforms. Our strong message is that this project needs to be developed and implemented in close partnership with the ECEC sector, if it is to be successful. In aged care, there was a five year, highly consultative research effort to undertake the cost base, which ultimately resulted in a new funding determination in 2023. Whatever direction future funding might take will require a far better understanding of cost drivers and variability across the sector.

Funding reform needs to be driven by the Government's broader objectives for the ECEC system. A universal ECEC system should be built to improve outcomes for children and to support parents' workforce participation, built on the pillars of quality, inclusion, accessibility and affordability for all. It also must encompass preschool provision and delivery. The Service Delivery Price project needs to reflect the system Government wants and collect data not just on 'average costs' but on the variability of costs, and on the costs of delivering quality and inclusion as well as ensuring access reaches 'underserved' areas, including regional and rural areas.

The project could also learn from the strengths and limitations of the ACCC cost data collection process – on the importance of considering variability and not just averages, and the vital importance of careful consideration of data definitions and collection across the sector. It is worth noting that, in aged care, two pilot projects were run on data collection to determine with the sector what was the best data to collect prior to requiring it of providers.

Goodstart looks forward to engaging with Government on the completion of this important reform initiative and would encourage the Government to engage with the sector in the subsequent development of funding policy reform options.

Engage with the sector on preschool reform options

Goodstart welcomes the decision of the Government to extend the National Preschool Reform Agreement for a further two years. We note that the national partnership agreements promoting universal access to preschool have been a significant policy success, with the proportion of four year olds enrolled in a preschool program rising from 84.2% in 2018 to 86.0% in 2021 to 89.6% in 2024 (ROGS 2025 table 3A.10). The proportion of three year olds engaged in preschool is somewhat lower at 75% - 83.1% in Victoria which is the only State fully funding preschool programs for three year olds to date.

Goodstart is Australia's second largest preschool provider (after the Western Australian Government) with over 23,000 children attending our preschool programs each year. We note that Education Ministers agreed in October to continue to work together on future reforms beyond the end of the extended Agreement, consistent with building a quality, universal early education and care system. Ministers also acknowledged future reforms will respond to changes in the nature of preschool delivery in the past decade, including changes to the regulatory environment, the increased provision of preschool to three-year-olds and four-year olds in some jurisdictions and the significant growth in centre based long day care, and increases in Child Care Subsidy payments.[13]

[13] Education Ministers Meeting Communique 20/10/2025

We would urge the Commonwealth and State Governments to include the sector – both long day care and community sessional kindergarten providers – in consultations about the reform process. Preschool has a crucial role to play in a universal ECEC system and preschool reform beyond 2028 needs to be part of that conversation, with providers at the table.

Australia requires a national policy reset that reframes preschool and ECEC and shifts the policy logic from fragmented settings to national standards and from parental affordability to children's rights. Evidence shows that a universal, free, full-time two-year preschool entitlement represents one of the most powerful long-term investments Australia can make in children's rights, social equity, productivity and community wellbeing. With the current Preschool Reform Agreement extension concluding in 2027, Australia has a defined two-year window to negotiate once-in-a-generation structural reform that delivers a nationally coherent preschool system.

Effective rollout of the Building Early Education Fund and developing further policies to encourage the expansion of high quality early education provision

Goodstart has welcomed the announcement of the $1 billion Building Early Education Fund to support the rollout of services in underserved areas. The PC identified that around 9% of children live in markets that are underserved, typically in smaller centres in outer regional and remote areas. Smaller centres in rural communities are likely to face ongoing viability issues.

Goodstart would like to see the Building Fund rolled out as quickly and efficiently as possible to deliver access to early learning to as many children as possible as soon as possible. We have opened over 50 new services across Australia over the last decade and have extensive expertise and insights that we are happy to share with Government. We would encourage the Government to consider partnering directly with high quality large providers like Goodstart to achieve these outcomes in a timely way. The result would be services on the ground in the communities identified as most likely to benefit in the shortest possible time. Direct commissioning is likely to deliver better value for money and faster delivery than relying on a competitive grants program, which have been shown to be slow and cumbersome in ECEC.

We stand ready to partner directly with Government to roll out services in underserviced communities and could bring considerable co-funding to the table to drive the funding further and have experience in building the workforce necessary to get a new service fully operational quickly and effectively.

A key constraint to new services is securing land that is suitable and affordable. We would encourage Commonwealth and State Governments to develop a register of land that is available for new services. Certainty about land could reduce development timelines by six to twelve months.

Research shows that ECEC needs to be of high quality to shift child outcomes. Policy settings supporting sector growth make no differentiation about the quality of the provision of new services. This needs to change. Goodstart has made numerous submissions to Government proposing new policy and funding instruments to support the growth of high quality provision and end the growth of low quality provision. As discussed earlier, a more deliberative approach to growth of the sector needs to be a high priority for a new National ECEC Commission.

Goodstart looks forward to working with Government on rolling out these important initiatives.