



Pre-Budget Submission

Offering quality early learning for all children to ensure even the most disadvantaged have the best start in life.

January 2025

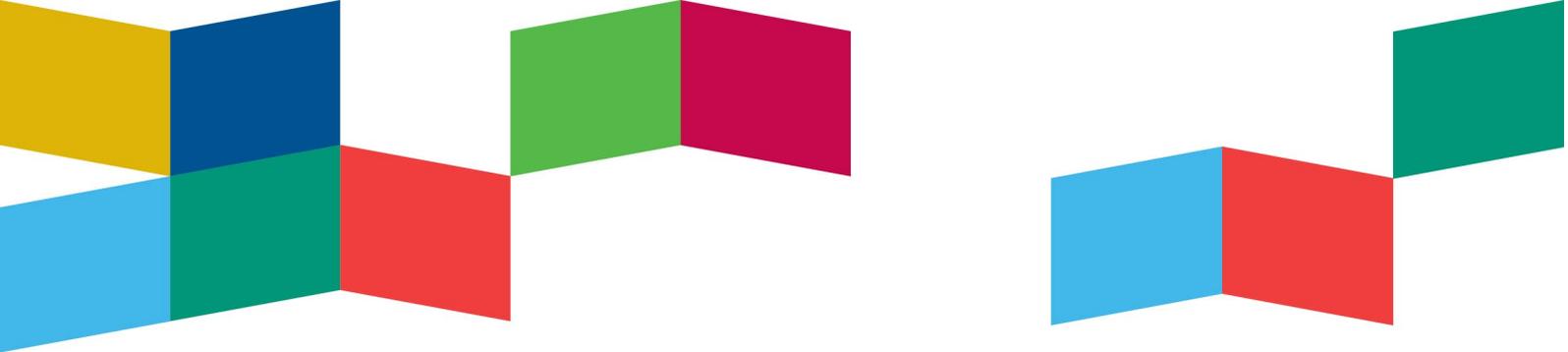


#BestStartInLife



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Foreword

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 have over 3,000 service provider members representing over 4,500 early learning services, employing over 75,000 educators and caring for more than 360,000 families throughout Australia.

Our extensive tenure as a peak body is strengthened by our lived experience operating ECEC services, embedding government policies into practice, and connecting with members and families across the country. ACA has been fundamental in translating industry knowledge to contribute to the policy landscape and actively supports the sector in operationalising policy changes.

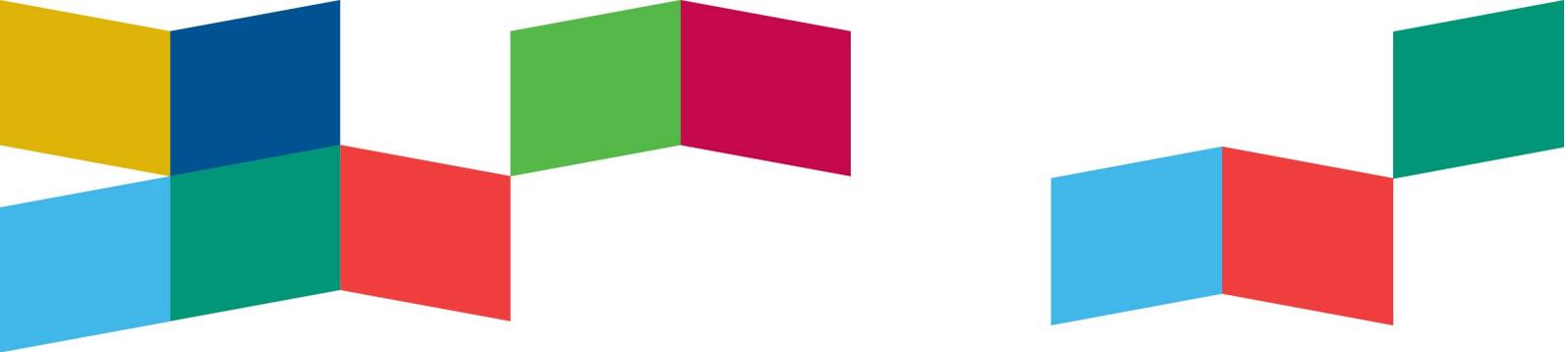
We contributed to the most recent Australian Competition and Consumer Commission (ACCC) inquiry into the market for ECEC supply, the Productivity Commission (PC)'s public inquiry into ECEC, and the current government's commitment to a sector wage rise. Our evidence was referenced some 28 times in the PC Draft Report, and we endorse the recommendations and pacing required to transform the sector.

Collectively, the PC and ACCC recommendations represent a shift towards a more regulated and equitable childcare system, with an emphasis on transparency and affordability for ECEC users. The PC's affordability recommendations are bold and transformative for the families who need it most while balancing the needs and fiscal budget relevant to the broader community.

If the government commits to the PC and ACCC recommendations, there will be much to look forward to. However, disregarding the evidence could create a different landscape, generating many unintended consequences that threaten the sector's viability. The learnings from the aged-care sector's transition to a supply-side funding model are critical, yet this model continues to fail Australia's aged population. We must focus on quality and qualified care for our youngest Australians and not repeat the mistakes within the aged care sector.

Our 2025 Pre-Budget Submission seeks to support the Australian Government's ongoing commitment to achieving Cheaper Childcare over the next 12 months through considered, practical and workable measures.

ACA's proposed solutions represent and address the needs of children and families, the workforce and the sector providing the services. The measures we recommend would enable immediate equitable access while implementing the comprehensive reform illustrated in the recommendations of the government inquiries.

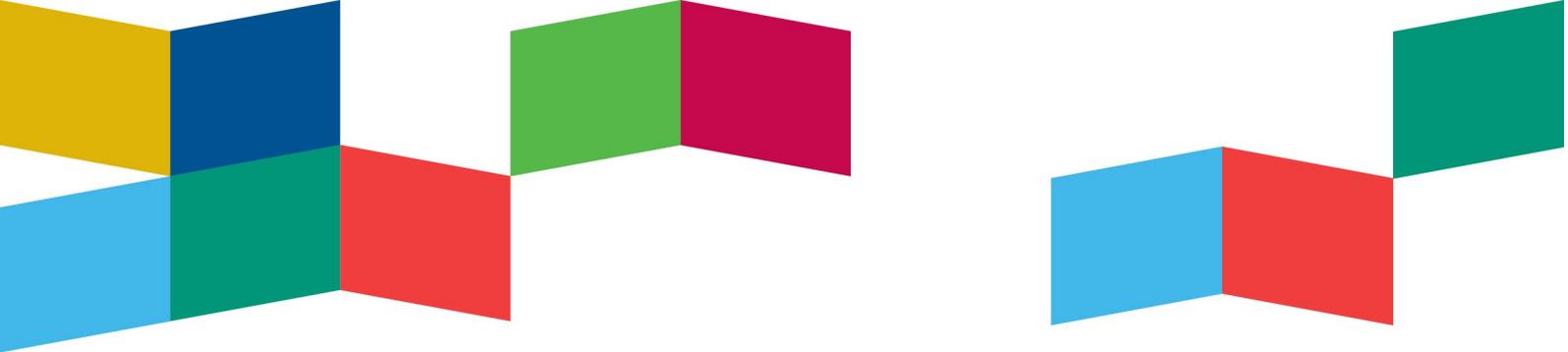


We look forward to continuing our conversations with the government and valuing the voices and lived experiences of more than 3,000 ECEC members and their families nationwide.

ACA commits this Pre-Budget Submission for your consideration. With its adoption by the Australian Government, we can all ensure that **every child in Australia** has access to high-quality, affordable and sustainable early learning services, and therefore, every child will have the **best start in life**.

Paul Mondo
President





Executive Summary

The Early Childhood Education and Care (ECEC) sector has been subject to immense scrutiny since May 2022 and continues to experience significant change and uncertainty.

The introduction of the Albanese Government's Cheaper Childcare reforms has included the Early Childhood Worker Retention Payment (ECWRP), the inquiry by the Australian Competition and Consumer Commission (ACCC) into the market for the supply of childcare services, and the Productivity Commission (PC) inquiry into a path to universal early childhood education and care and other supportive program measures.

A separate review of the Inclusion Support Program (ISP) was also conducted and finalised in November 2023, contributing to the ACCC and PC's 85 recommendations for ECEC.

We welcome the Federal Government's contribution and dedication to ECEC. Since 2022, the reviews and initiatives have cultivated new policy perspectives based on robust data and offered equitable fiscal measures that create the best outcomes for children and Australian families.

The resulting data from these initiatives, released in January 2024, illustrates that cost-saving measures already introduced by the government have cut ECEC expenses for over one million families by an average of 11% and up to 13.8% for family daycare services.

These savings are an extraordinary outcome, with further accessibility measures expected to follow as a result of the latest \$1 billion investments announced in December 2024. In a climate where spending needs to be prioritised, funding should go where it is needed most, and equity must be the key driver of any funding decisions.

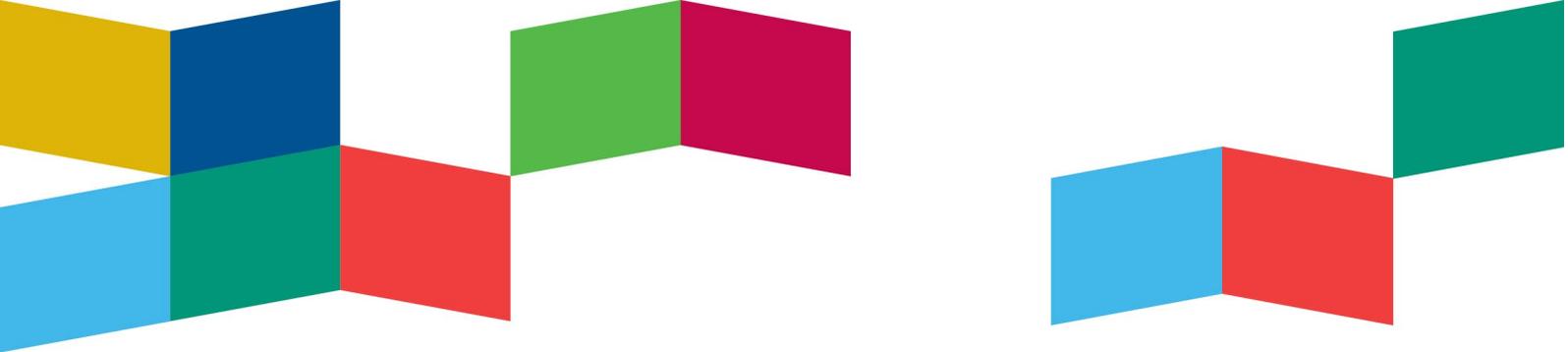
As the PC has illustrated, both the universal 90% subsidy and the \$10-a-day supply-side model would disproportionately support families in the top 25% of the income distribution and come at a much higher, never-ending cost to taxpayers.

We recognise the government's commitment to championing the expertise of the ACCC and PC inquiries, along with their commitment to high-quality ECEC. The financial investment allocated within the broader ECEC reform is significant and will achieve the affordability and accessibility measures the government and Australian families seek.

However, a growing cohort of children and families patiently awaits improvements to individualised support and care within the sector through the Inclusion Support Program (ISP). Parents of children with additional needs need a responsive and functional system, and **they need it now**. Building on and improving the ISP therefore remains an advocacy priority within this 2025 Pre-budget Submission.

At the same time the ECEC workforce remains a critical priority. We seek proactive workforce attraction and retention measures that match current and future demand.

This paper presents compelling evidence for the urgent need to strengthen our ECEC workforce and at the same time ensure that families of children with additional needs receive immediate, appropriate, targeted support.



OUR RECOMMENDATIONS

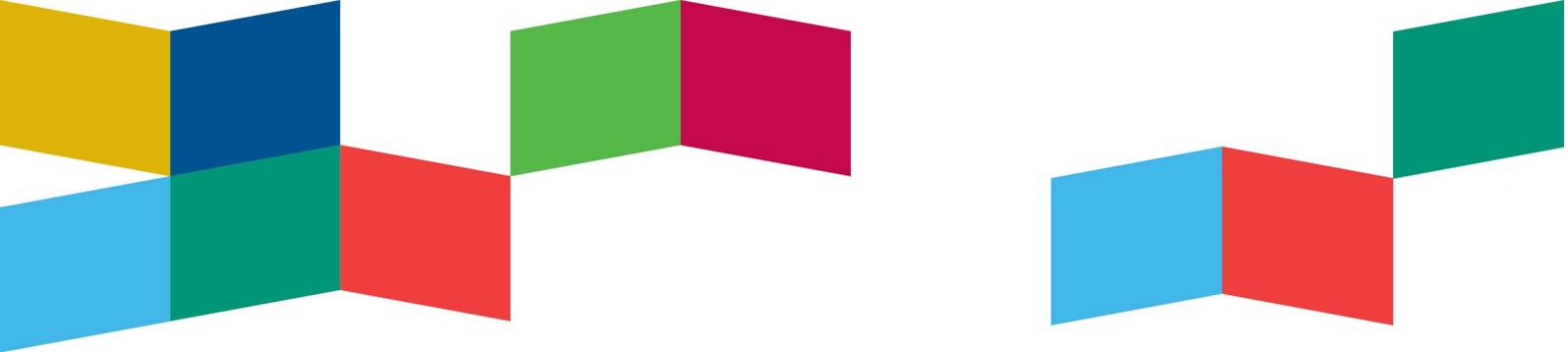
ACA calls for immediate Australian Government commitment to:

Inclusive Education

- Backdate ISP additional educator payments to the date the application is lodged, not when it is approved.
- Increase the minimum number of additional educator hours from 5 to 8 a day.
- Increase the funding rate for an additional educator to Cert III Level 3.2 casual rate plus super (\$32.73p/h plus 11.5% super, adjusting the rate and super to reflect changes in both the award annually as well as the increase to superannuation guarantee to 12% by 1 July 2025).
- Add Inclusion Support Program to the Terms of Reference for the *Early Education Service Delivery Price* review.

Workforce

- Allocate \$500 per educator to enable 10 hours of backfill to support skill and knowledge professional development.
- Deliver a \$10 million national recruitment campaign to attract new educators.
- Provide \$500,000 to promote ACA's EAP, ensuring greater reach in mental health support for educators.



High Quality ECEC: Inclusive Education

The Australian ECEC framework is based on the fundamental objective of providing high-quality ECEC that meets children’s individual needs, including those children with additional needs.

Acknowledging the cost of high-quality inclusive education, the Australian Government extended its efforts to support children and educators through the delivery of the Inclusion Support Program (ISP).

Under the ISP, across the country, Inclusion Support professionals and resources support the inclusion of all children – especially children with additional needs – including:

- Children with disability, undergoing assessment, or with serious medical conditions
- Children presenting with language and speech delays
- Children presenting with challenging or disruptive behaviour
- Children with a trauma-informed background
- Aboriginal and Torres Strait Islander children
- Children from culturally and linguistically diverse backgrounds
- Children from refugee or humanitarian backgrounds

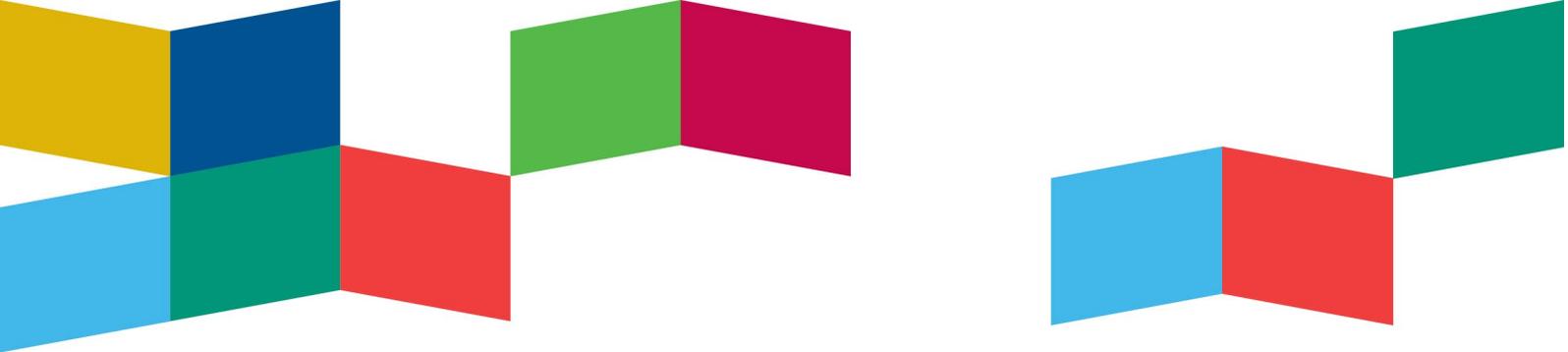
Introduced in 2016, the ISP is now in its final stages and will cease on 30 June 2025. In the 2024-25 budget, ISP was allocated \$98.4 million¹ to help increase service capacity to support the inclusion of children with additional needs through tailored support and funding. Ultimately, this allocation was in recognition that there was a greater demand on the need for additional educators and that the funding allocated to the program was inadequate.

While the sector welcomes the allocation, it is worth noting that the Program Guidelines—the instrument to deliver the program—have arguably not changed since they were released in 2016. Minor changes were introduced to the guidelines in 2020², though the program has largely remained the same. These guidelines have incrementally exacerbated accessibility and usability while underfunding children and service provision. Appendix 1 illustrates a comparison of the current system and the immediate solutions, including addressing the underfunding of an additional educator by \$425 per week.

While ISP mechanisms and funding have remained inadequate, the demand for ISP has increased significantly, now supporting over 23,000 children. Equity groups like children from low-income, Aboriginal and Torres Strait Islander (First Nations) people or migrant backgrounds would be the

¹ The Treasury. 2024-25 Budget. Budget Paper No. 2. Budget Measures Page. 88.

² Inclusion Support Program Guidelines. Australian Government. Department of Education. File reference D23/2338334 & D23/2338797.



greatest beneficiaries of inclusive programs within ECEC³. Many ECEC services in underserved communities have numerous children eligible for additional educator inclusion support, making these communities heavily impacted by the deficiency of ISP funding and relying on the reinvestment of services to cover the costs.

The ISP Review, finalised in November 2023, and the Productivity Commission (PC) inquiry, released in September 2024, together reflect a significant policy push toward affordable, inclusive and accessible early childhood education in Australia.

ACA supports implementing the complete list of inclusion-related recommendations within the PC inquiry, and we advocate for expedited change to reflect the fee restraints placed on early learning service providers. Reducing the ability of early learning services to reinvest and offset program shortfalls, such as ISP, will impact children and families with the greatest need.

Significant reform to simplify requirements for delivering holistic, individualised and needs-based services that reflect community characteristics will have a profound positive impact on children's development. Families and the sector simply cannot wait for the delivery of a full reform, let alone another six months of the current program, before meaningful change is made.

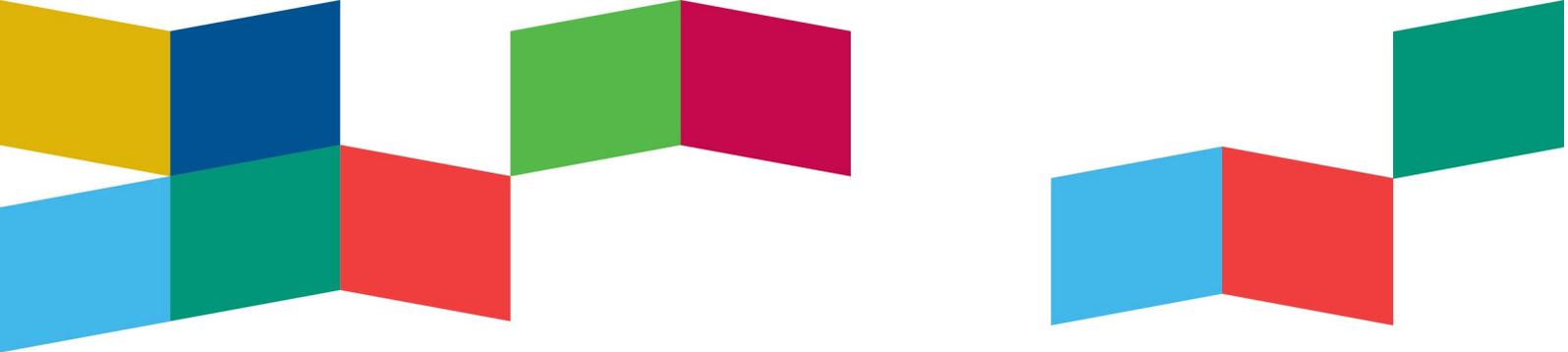
If the broader reforms recommended by the ISP review and PC are not achievable in the short term, it is critical that the current ISP settings be modified to ensure that additional educators are adequately funded and that children receive an appropriate number of daily support hours.

Our recommendations focus on an immediate, tangible change to reduce the bureaucratic, outdated, and underfunded barriers to ISP. The funding must reflect the number of hours children participate in early education and match the commercial costs high-quality education requires.

To achieve this, the ISP instrument and allocated funding need to change and reflect the administrative delay, which often takes up to six months for approval. This delay leaves children and the ECEC workforce inadequately supported and/or services funding the additional educators themselves. This issue can be resolved by guaranteeing that if an application for the additional educator is approved, payments are backdated to the date of the initial application.

We acknowledge the ongoing efforts the government has made in the sector and appreciate that it is acting with the best intentions to support those children and families who need it most. The considerable action to enhance the system is evident, including the December 2024 announcement of a \$1.47 billion investment. This investment comprises of the *Building Early Education Fund* to boost accessibility, the *3-Day Guarantee* by replacing the Activity Test and \$10.4 million to conduct the Early Education Service Delivery Price, a review aimed to better understand the costs of delivering services nationwide to underpin future reforms.

³ SSI. Media Release. The Productivity Commission's final report: A welcome step towards levelling the playing field for all children. 19 Sep. 2024.

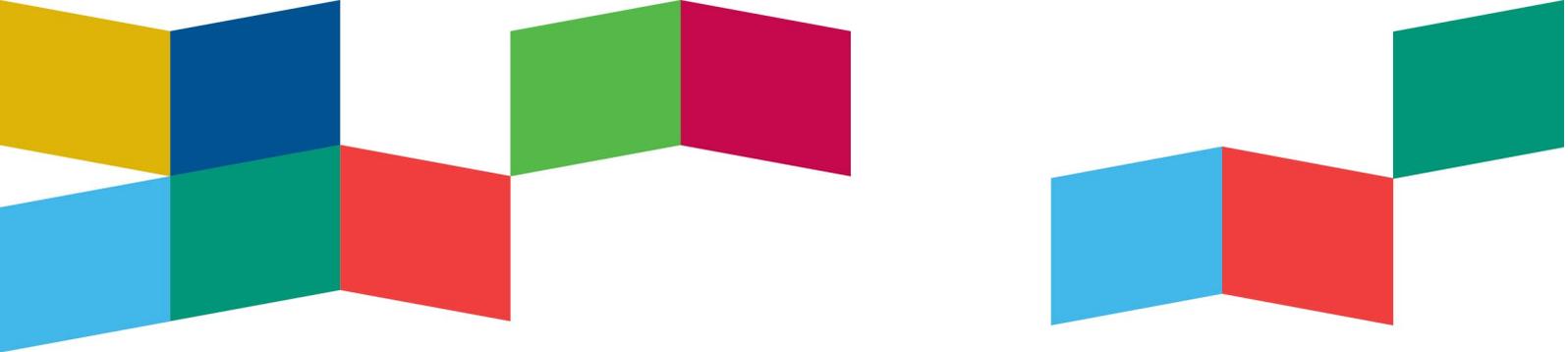


To ensure fairness and achieve the broader recommendations, we request that the government revises the Terms of Reference for the *Early Education Service Delivery Price* to explicitly include Inclusion Support as a key component. This amendment is essential to accurately represent the reasonable costs associated with quality and inclusive ECEC, acknowledging the commercial costs required to implement the critical Inclusion Support recommendations necessary for achieving the overarching reform.

OUR RECOMMENDATIONS

We call on the Australian Government to provide high-quality care to support our most vulnerable families by amending the ISP Program Guidelines:

- Backdate ISP payments to the date the application is lodged, not when it is approved.
- Increase the minimum number of additional educator hours from 5 to 8 a day.
- Increase the funding rate for an additional educator to Cert III Level 3.2 casual rate plus super (\$32.73p/h plus 11.5% super, adjusting the rate and super to reflect changes in both the award annually as well as the increase to superannuation guarantee to 12% by 1 July 2025).
- Add Inclusion Support to the Terms of Reference for the Early Education Service Delivery Price review.



Sector Sustainability: Workforce

The implementation of a quality ECEC workforce is crucial to sector sustainability, as it directly impacts accessibility, affordability and the quality of the system. The PC inquiry emphasised the importance of a sustained ECEC workforce and its critical role in supporting healthy child development and enabling parental workforce participation.

Workforce shortages in the childcare sector were first observed a decade ago in the *2015 PC Inquiry into Childcare and early childhood learning*⁴. Policy discussions around this issue have grown increasingly prominent, focusing on the low pay, high demands and challenging working conditions. Since around 2010, the sector has struggled with significant recruitment and retention issues, worsened by rising demand for ECEC services and the growing need for more trained staff to meet the higher educator-to-child ratios.

The projected demand for ECEC services over the next decade was modelled by Jobs Skills Australia (JSA) in September 2024. The modelling indicates a deficit of around 21,000 qualified ECEC professionals to fulfil current demand and to achieve more sustainable working conditions. An additional 18,000 qualified ECEC staff are needed to meet the anticipated unmet demand for services yet to be established, and a further 18,000 staff members are required to accompany Child Care Subsidy changes and amplified preschool programs.⁵

We respectfully acknowledge the Australian Government's efforts to create workforce sustainability through its ECEC Worker Retention Payment and the Fair Work Act changes. The introduction of the wage retention payment allocates \$3.6 billion to finance an opt-in Children Services Award wage rise⁶—an imperative first step in retaining talent.

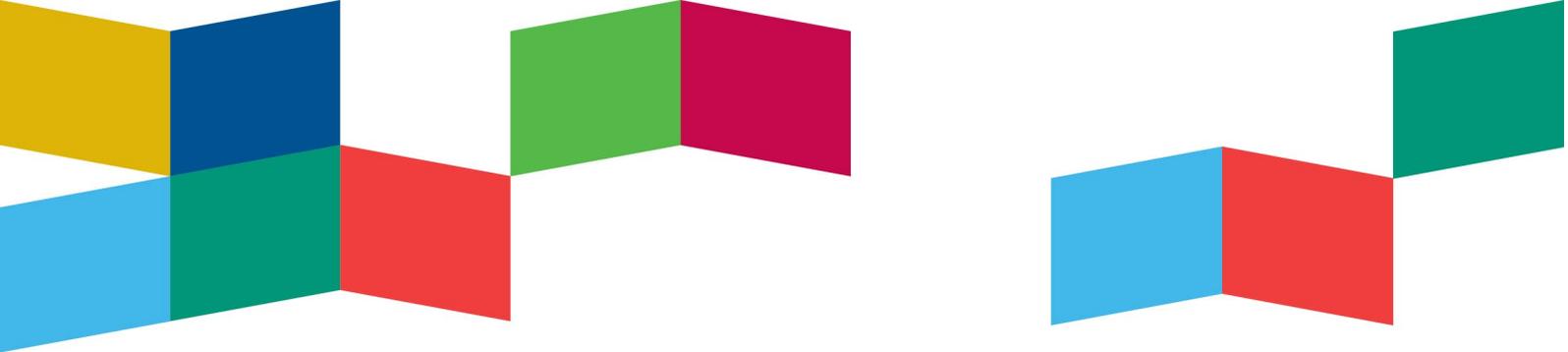
Gaining the best workforce outcomes is a priority, and we also commend the introduction of additional incentives, including cuts on HECS-HELP loan debts and the delivery of several tertiary education reforms, such as the Paid practicum subsidy.

We would like to see future, ongoing measures to support and bolster workforce sustainability and consider the JSA findings, which illustrate that early childhood educators are at a higher risk of burnout, including emotional fatigue, which contributes to poor health and low job satisfaction at a

⁴ Australian Government. Productivity Commission. Childcare and early childhood learning. Inquiry report. Release 20 February 2015.

⁵ Australian Government. Jobs and Skills Australia. The Future of Early Childhood Education Profession. Early Childhood Education and Care Workforce Capacity Study. September 2024.

⁶ Australian Government. Department of Education. Early childhood wages. Last modified on Monday, 4 November 2024 [18413|90762]



higher rate than other occupations. Burnout is a key reason workers seek an alternative career path and presents a significant risk to sector sustainability⁷.

Fostering knowledge to support best practices in daily activities is integral to providing high-quality education and a key element in reducing burnout. However professional development (PD) participation in the ECEC setting usually occurs in the evenings, outside of working hours and on weekends. This practice, of course, is not conducive to a healthy work-life balance.

Mandated educator-to-child ratios and strict staffing regulations force educators to complete PD outside work hours. Allocating \$500 per educator to contribute 10 hours of backfill would allow educators to participate in important PD. Allocations could be acquitted, and services would need to maintain a register of the PD completed, adding to the workforce data set for continued improvement.

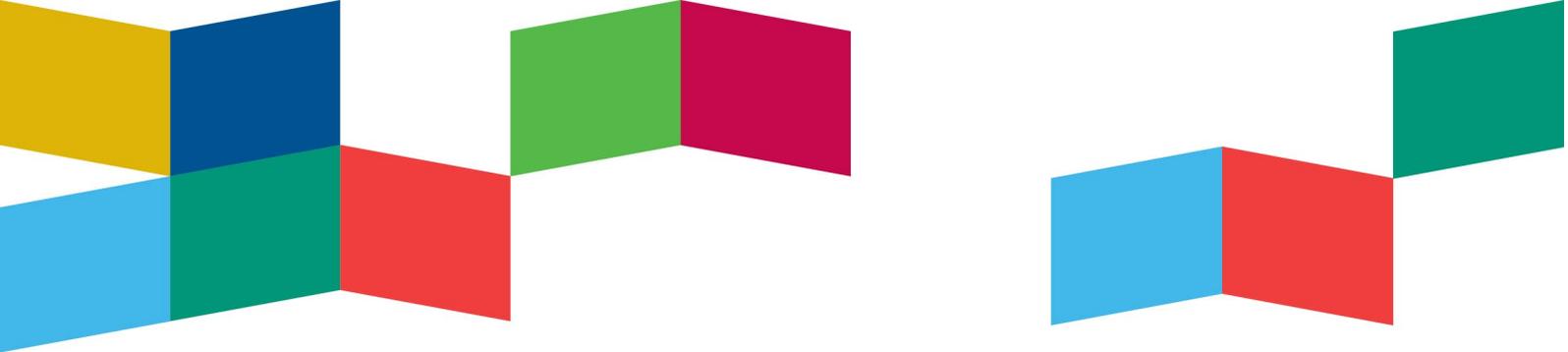
To further prevent burnout, we have invested in the sector and spearheaded the response to the National Workforce Strategy⁸, which outlines the many challenges the early learning sector continues to experience.

The ACA partnered with TELUS Health to address the mental health needs of the workforce and established a quality, subsidised Employee Assistance Program (EAP). Since July 2024, over 10,000 staff working in ECEC centres have had access to our EAP via the subscription of their employers. The program offers a low-cost solution to employers seeking to support their workforce's mental health and well-being through free counselling services, online programs, and access to various health-related tools.

However once an early learning service provider has subscribed to our low-cost EAP, we still face challenges in ensuring that all of their employees are aware of their EAP and know how to access these tailored support services. We are working on more extensive educational activities to ensure that all employers, educators, and staff across the sector know about this vital program and the support they can receive.

In the interim of delivering a full reform, immediate action can complement the existing expenditures and efforts of the ECEC Wage Retention Payment and that all subsequent sector sustainability measures should focus on attraction and retention, including a national recruitment campaign, to address the workforce deficit and prioritise the workforce's well-being and health.

⁸ Australian Government. Department of Education. 2021 National Early Childhood Education and Care Workforce Census.



OUR RECOMMENDATIONS

We call on the Australian Government to:

- Allocate \$500 per educator to enable 10 hours of backfill to support skill and knowledge professional development.
- Deliver a \$10 million national recruitment campaign to attract new educators.
- Provide ACA with grant funding of \$500,000 to promote ACA's EAP, ensuring greater reach in mental health support for educators.

Appendix

1. Solutions for immediate ISP improvement.

ISP Additional Educator Wage Rates: A Comparison

Time Period	Current ISP funding for an additional educator	Actual Cost of an additional educator (including all relevant oncosts)	Out of pocket costs to the service passed on to other families
Per hour	\$23	\$40	\$17
One week (25hrs)	\$575	\$1,000	\$425
One year (50 weeks)	\$28,750	\$50,000	\$21,250

Inclusion Support Program

solutions for immediate improvement

CURRENT SYSTEM



ISP funding is allocated to a child only when an application is approved, which often takes 6 months or more.



The delay postpones individualised developmental support. When approved, the child is only allocated 5 hours a day of support (max 25 hours a week).



Once approved, the ISP allocates \$575 weekly (\$23/hr) for an additional educator when the actual cost is \$1,000 a week (\$40/hr).

IMMEDIATE SOLUTIONS



Change the program guidelines so ISP funding is backdated to the date the application is lodged.



Increase the number of individualised support to 8 hours a day.



Increase the funding rate for an additional educator to Cert III Level 3.2 casual rate plus super. (\$32.73p/h plus 11.5% super).



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