



Submission regarding the *Wage Justice for Early Childhood Education and Care Workers (Special Account) (Extending Support and Strengthening Safety) Bill 2026*

About the Australian Childcare Alliance

As the national peak body in the Australian Early Childhood Education and Care (ECEC) sector, the Australian Childcare Alliance (ACA) represents over 2,500 members and approximately 360,000 families throughout Australia. We work on behalf of long day care service owners and operators, predominantly private, to ensure families have an opportunity to access affordable, quality early learning services throughout Australia.

The ACA advocates for ECEC (long day care) service owners and operators to ensure families have access to affordable early learning throughout Australia.

Our national and state bodies work collaboratively with all levels of government, regulatory authorities, and other stakeholders, using an evidence-based approach, to ensure that families are supported into the future with a sustainable, affordable and viable ECEC sector.

ACA believes that with the right policy and financial frameworks in place, we can ensure that every child in Australia has access to high-quality, affordable, and sustainable early learning (childcare) services and, therefore, the best start in life.

Introduction

In response to the Senate Education and Employment Legislation Committee's invitation to provide a submission to its inquiry into the provisions of the *Wage Justice for Early Childhood Education and Care Workers (Special Account) (Extending Support and Strengthening Safety) Bill 2026*, ACA welcomes the opportunity to review the draft legislation and provide our feedback.

We commend the Australian Government for its commitment to continue funding a wage rise for early childhood educators and teachers in the early learning sector through the passage of this legislation. For many years, ACA has advocated that improving wages for our workforce should not burden families, and this commitment helps ensure that services will not need to increase fees to directly cover the government-specified pay rise.

ACA supports the legislation's objectives, which aim to continue addressing current workforce shortages by enhancing workforce attraction and retention, while improving and maintaining accessibility and affordability for families.

Since the passage of the initial legislation implementing this wage support for educators and teachers, the ECEC sector has been thrust into a period of significant reform and faced an extremely challenging operating climate. The sector's need for reform has been addressed in the legislation, which links funding for the Worker Retention Payment (WRP) to a service's capacity to maintain a National Quality Standard rating of Meeting in Quality Area 2. Whilst ACA supports this measure, this submission addresses several practical considerations that are important to ensure a fair approach for providers and their workforce.

In addition, the sector has learnt a great deal about how the WRP has functioned since its introduction in December 2024. Drawing on these experiences, this submission explores a number of practical considerations relating to the implementation of payments to services.

Whilst ACA proposes greater attention and considerations to the practical implementation and functioning of the WRP, we support the passage of the *Wage Justice for Early Childhood Education and Care Workers (Special Account) (Extending Support and Strengthening Safety) Bill 2026*.

Response to the *Wage Justice For Early Childhood Education and Care Workers (Special Account) (Extending Support and Strengthening Safety) Bill 2026*

The current form of the Bill specifies the funding required for a wage rise. It ensures certainty for the period up to June 30, 2028, for services supporting the additional pay prescribed by the grant guidelines, as well as a contribution to oncosts. As it currently stands, the grant guidelines have not yet been released or updated to reflect any change in requirements beyond November 30 2026, creating the need for further information across a range of areas, as well as consideration of the current operating environment for the sector.

We have set out these issues below.

Child Safety Provisions

The recent impact of serious and concerning child safety incidents in the sector have led to significant regulatory reform, resulting in a significant increase in service compliance and administration impacts on services. ACA supports many of these changes to close long-identified gaps in the ECEC regulatory system.

The Bill sets out a new condition of WRP funding which requires services to be rated at least Meeting the National Quality Standards (NQS) in quality area 2 which directly corresponds to child safety and wellbeing. ACA supports this measure in principle as a way of improving child safety.

In conjunction with this measure, however, it is critically important that are processes are established with state-based regulators to ensure that a service can undertake a partial re-assessment in this quality area within a sufficient timeframe in order to facilitate the ongoing payment of the WRP for the workforce in those services.

As it currently stands, services would need to formally apply for full re-assessment under the National Quality Standards which creates several concerns about regulator resourcing and timeliness to undertake these and the capacity of services to be able to fund this process.

Furthermore, as of July 2026, regulators in New South Wales and Victoria have increased the costs of re-assessment for services by up to 1000%. The changes are as follows:

Re-assessment Fees			
Service Size	Qld, WA, SA, Tas, NT and ACT	NSW and Vic	
	Not for Profit and For Profit	Not for Profit	For Profit
Small Service	\$573	\$1719	\$5731
Medium Service	\$863	\$2589	\$8632
Large Service	\$1152	\$3457	\$11,523
Extra Large Service	\$1440	\$4321	\$14,404

ACA recommends that a formal process be established between the Department of Education and state-based regulators that is nationally consistent, timely and free of charge for services to be able to meet the required National Quality Standard level for Quality Area 2 and maintain the financial support to ensure that they can continue to pay their staff at the WRP levels. It would be unfair to the children and families at these services to punish them with this outcome if staff subsequently leave as a result of this arrangement.

Funding Certainty

The *Wage Justice for Early Childhood Education and Care Workers (Special Account) (Extending Support and Strengthening Safety) Bill 2026* currently provides funding until June 30, 2028, which is greatly appreciated. This date is significant in that it ensures that all staff covered by the Children's Services Award (CSA) will have wages funded that align with the Fair Work Commission (FWC)'s gender-based undervaluation decision. What remains unclear is whether there will be ongoing wage funding beyond this time, or whether services will be required to raise their fees, as award rates under the CSA will exceed the 15% funding by then.

In addition, as the WRP currently funds staff covered by the Educational Services Teachers Award (ESTA), which has not been increased as a result of the FWC's gender-based undervaluation decision, this will result in wages reducing for these teachers at this time.

This is compounded by a separate issue, because the GBU rates are incorporated into WRP allowances, rather than paid transparently, true and transparent reconciliation is practically impossible for most providers.

ACA acknowledges that the Australian Government has committed to broader funding reforms for the sector in the years ahead and it will be critical that these reforms are calibrated correctly to support workforce wages and genuinely maintain service viability.

Fee Restraint and Alternative Fee Growth Cap Applications

The sector has operated under fee constraint conditions since the announcement of the WRP. The fee constraint amount for the current year is set at 5.8%, which acknowledges the significant increase in operating costs resulting from reform over the last twelve months and the period ahead.

The objective of ensuring that the cost of applying higher wages did not burden families is supported by the ACA; however, it is clear that the fee constraint has caused some significant viability concerns for some services and that despite a mechanism for an alternative fee constraint being in place, the conditions of this process make it unworkable in some cases.

It is also critical that any subsequent fee-constraint periods are not determined by the ABS Child Care Cost index, as was the case in year two, as it has proven to be a dangerously inaccurate representation of the cost increases facing the sector.

The index fails to capture cost pressures directly attributable to government policy and regulatory settings, including wage increases pushing services over the payroll tax threshold and into a higher tax liability; increased annual fees charged by state and territory regulatory departments; increased reassessment costs, as outlined above and reductions in state government funding contributions.

ACA recommends a more transparent approach to alternative fee growth cap applications that more appropriately reflects the context of the application and the impact on service viability, including the impact of one-off capital investments required to improve service facilities or, in the case of equipment breakdown, to replace essential equipment.

Funding Amounts and Transparency

Since the inception of the WRP, providers have had no visibility on the funding formula or how it is determined. This has meant that any decision to accept funding was made from a completely uninformed position, with the hope that the amount was sufficient. This approach is unacceptable for any company director when accepting funding arrangements and conditions that impact a service's viability, made in conjunction with their fiduciary responsibilities as a company director.

Furthermore, since payments were first made under the WRP, services do not receive any invoice, statement or report which articulates the amount they receive and the basis on which it is calculated. This makes reconciliation of these amounts impossible to achieve with any genuine level of accuracy.

The WRP currently accounts for the cyclical nature of service occupancy by topping up December, January and February by 15, 10 and 5% respectively, and then deducting these same amounts from September, October and November. Whilst this is a supported aspect of the WRP, a service has no visibility into the top-up amount or what will be subsequently deducted. Unfortunately, blind trust is not an appropriate mechanism for those charged with understanding their financial obligations as company directors and maintaining the cash flow required by their organisations.

ACA recommends that the Department mandate a transparent funding and reporting mechanism for all WRP grant recipients and for it to be specified in the grant guidelines. At minimum, this should enable services to calculate individual service payments so they can undertake necessary reconciliation processes.

Funding Reviews

The WRP currently allows services to receive a funding review if funding is insufficient under the standard funding formula, which acknowledges the diversity of service types and funding arrangements across the sector. The funding review process commits the WRP to being topped up to cover 100% of the actual cost of implementing the WRP, as well as an allowance of 20% of the base funding amount to cover oncosts.

The funding review process has proven extremely complicated and time-consuming for services genuinely facing hardship in these circumstances, as well as placing a significant administrative burden on departmental time and resources, and it is necessary to find a way to streamline it for both parties.

ACA recommends that the grant guidelines specify a defined maximum timeframe within which the department must respond to a funding review application, rather than a commitment to respond in a 'timely manner'. Services submitting these applications are facing genuine financial variability, and an undefined response period leaves providers unable to plan with any certainty, meet payroll obligations or make necessary staffing and operational decision while an application remains outstanding.

Furthermore, we recommend that the 20% oncost allowance be changed to reflect 20% of the amount after any eligible funding review, given that oncosts are applied to the increased amount. This will provide a fairer response for services who face these increased costs often as a result of providing higher levels of staffing in these workplaces rather than disincentivizing these models.

Payments and Cash Flow

The current WRP is paid to services for a four-week block, with payment four weeks in arrears. Whilst there are some logical reasons, due to the way the funding is calculated, for this to occur, it can create cash flow concerns for services that are financially vulnerable. These cash flow concerns are further exacerbated by the recent introduction of Payday Super.

ACA recommends that the Department of Education introduce an upfront or advance payment mechanism to address this gap. For example, an initial payment made at the commencement of each WRP period, then reconciled and recovered against the service's actual funding entitlement once the four-week block is finalised. This would allow services to meet immediate payroll and superannuation obligations, including under Payday Super, without carrying the cash flow gap created by the current arrears-based payment cycle, while preserving the Department's ability to ensure funding accuracy through end-of-period reconciliation.

Further information

The Australian Childcare Alliance welcomes the opportunity to continue engaging with government on the issues and opportunities outlined in this report.

For further information, clarification or discussion regarding any aspect of this report, please contact ACA President Paul Mondo directly at president@childcarealliance.org.au or via telephone on 0411 587 170.

We look forward to continuing to work collaboratively with government to support a strong, sustainable and high-quality early learning sector for Australian children, families and communities.

