

Sector Sustainability

Why instability in the early learning sector matters –
and what governments should do about it

Summary report



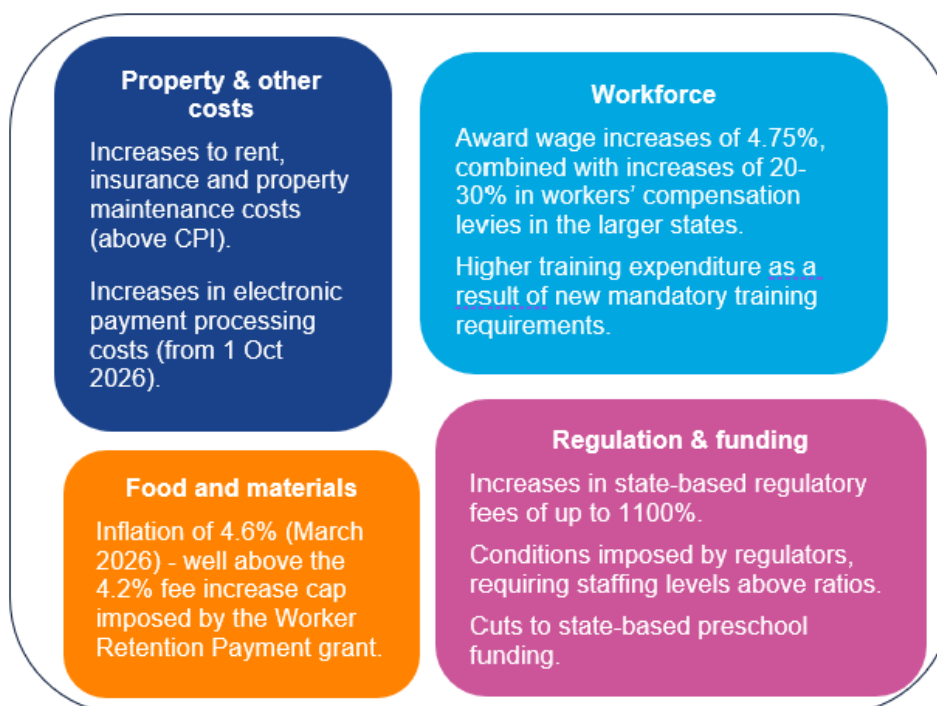
Australia's Early Childhood Education and Care (ECEC) sector is experiencing significant instability driven by rising operating costs, falling occupancy, oversupply in many markets, workforce pressures, and policy uncertainty. The result is a rapidly accelerating rate of service closures that is affecting both high-quality and lower-performing services alike.

Data from 13 members of ELACCA shows that **152 Long Day Care (LDC) services permanently closed between 2024 and mid-2026**, with closure rates increasing sharply during 2026. Looking ahead, providers have identified a **further 276 services at risk of closure** by July 2027.

Why this matters

- Children lose trusted relationships, familiar routines and stable learning environments.
- The process is not preserving quality: high-quality services are closing, alongside low-quality services.
- Market forces will not automatically reduce supply by the right amount.
- Families face disruption, uncertainty and difficulty securing alternative care arrangements.
- Educators may leave the profession altogether, worsening existing workforce shortages.

Rising operating costs



Declines in occupancy

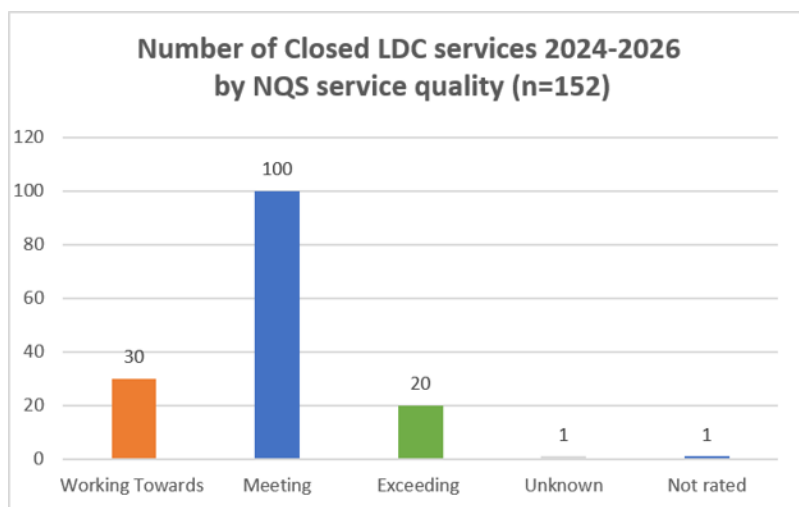
Long day care services continue to experience falling occupancy levels due to long-term declines in Australia's birth rate, increased parental leave participation, flexible working arrangements reducing demand, affordability pressures and reduced public confidence following high-profile sector incidents.

Oversupply

While oversupply exists in many markets, closures are occurring without strategic oversight. Services that close may be replaced by new operators, while centres under lease may continue operating despite ongoing losses. The result is a slow and unpredictable market correction process.

ELACCA data insights

In our dataset, 13 providers had permanently closed a total of **152 long day care (LDC) services** in 2024-August 2026. Three-quarters (76%) of the services closed in this period were operated by for-profit providers, with the remainder operated by not-for-profit providers. Quality data available for the closed LDC services shows that the majority of these are rated as Meeting or Exceeding the NQS:



Policy implications

Data from ELACCA members demonstrate a rapidly escalating rate of early learning service closures in 2026, and the potential for this rate to rise exponentially in the next 12 months. While some of the closures are caused by oversupply, built up over years, this is not the only cause – and governments must understand the full range of factors, and accept responsibility for their own contributions to operational uncertainty and sector instability. We need governments across Australia to act now, in a coordinated way.

Actions for governments

1. Present a clear vision for Australia's early learning and care sector.
2. Acknowledge their role as stewards of the sector, with responsibility for the pace, impact and outcomes of reforms.
3. Plan regulatory and funding reforms in a way that includes effective consultation across governments and with sector stakeholders.
4. Actively monitor and forecast oversupply and undersupply.
5. Encourage skilled early childhood educators to stay in the sector when services close.



Early Learning
& Care Council
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