

Sector Sustainability

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



Table of contents

Summary	3
1. Sector sustainability – What are the necessary conditions?	4
2. Challenges experienced by providers	5
Case study 1: Service <i>at risk</i> of closing	12
Case study 2: Future scenario	13
4. The impact of closures	13
5. Policy implications	15



Summary

The early childhood education and care (ECEC) sector in Australia is operating under extreme pressure and navigating profound uncertainty. As a result, the rate of ECEC service closures is increasing. Data from 13 ELACCA members show that **152 long day care services have closed** since 2024, with the rate of closures skyrocketing in 2026. A survey of these members indicates that the situation will worsen significantly in the next 12 months, with a further **276 services** (both long day care and preschool/kindergarten) identified as **at risk of closing**.

Why does this matter?

- Closures of ECEC services are disruptive to children, families, educators and communities.
- 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.
- The unpredictability of closures adds to existing pressures on the workforce and may drive educators away from ECEC.
- The rising rate of closures is sending a signal to families: that the entire early learning sector is unpredictable and unreliable.

For children, families and educators, the dislocation caused by a permanent service closure can be deep and painful – making this a critical issue for governments and providers alike. While a future National ECEC Commission could show leadership in this area, solutions need to be identified sooner rather than later. Governments need to understand the current wave of service closures, because it is growing and the impacts will be quick to materialise. While this wave might ‘wash out’ some of the oversupply in the early learning system, it is entirely uncontrolled and largely unmonitored – meaning its outcomes are unpredictable, and we cannot assume that these outcomes will serve children, families and providers well.

Service closures can have a substantial cultural impact... the closure of a long-standing service can be experienced as a loss not only by the affected team but by the broader workforce. Educators and employees often have strong emotional connections to services, families and local communities, and may feel a sense of grief, disappointment or concern about the organisation's future direction.

(Centre Director with firsthand experience of a closure)

1. Sector sustainability – What are the necessary conditions?

Sector sustainability is distinct from the concept of financial viability. While “viability” refers to an approved provider’s capacity to run an ECEC service and generate sufficient income to cover expenses, it emphasises short-term feasibility – i.e. sufficient revenue to cover immediate costs. “Sustainability”, on the other hand, is a much broader concept that encompasses both individual providers and the sector as a whole.

For individual providers, “sustainability” refers to the long-term provision of a quality service (or services), without depleting resources. The aim of provider sustainability is to ensure that operations can continue over the long term, while investing in the resources needed to maintain quality service provision and the health, safety and wellbeing of children, their families and staff.

Sector sustainability is dependent on provider sustainability, but equally contingent on external forces (such as government funding) and relationships with key stakeholders, such as families and the educator workforce. Sector sustainability is thus characterised by reliability and predictability, which enables families, educators and providers to make informed, lasting decisions. It is also underpinned by stability and strength, giving families, educators and providers confidence to participate in the system.

The sustainability of larger providers is particularly important, as these providers can offer governments assurance on quality and provision covering large numbers of children. Large providers also have a capacity to cross-subsidise services that may be struggling financially and enact “turnaround” strategies that preserve high-quality provision. The failure of a large provider can be a significant shock to the ECEC system, which is why the Australian Government requires large providers to report on their financial status on a regular basis.

In the ECEC sector, factors that contribute to sector sustainability include:

- access to a qualified workforce
- appropriate remuneration for the workforce
- government funding that is guaranteed over time and that covers operating costs
- steady enrolment of children (dependent on participation rates, a stable birth rate and families having trust in the sector)
- a stable and predictable regulatory system that builds collaboration with providers and the workforce
- access to appropriate and affordable properties for ECEC services.

2. Challenges experienced by providers

Since the start of 2026, approved providers of ECEC services have grappled with substantial and sustained increases in operating costs, coupled with tight constraints on income. Some cost increases are driven directly by governments, while others are a result of the surge in inflation in key input items. Key cost increases are summarised below.

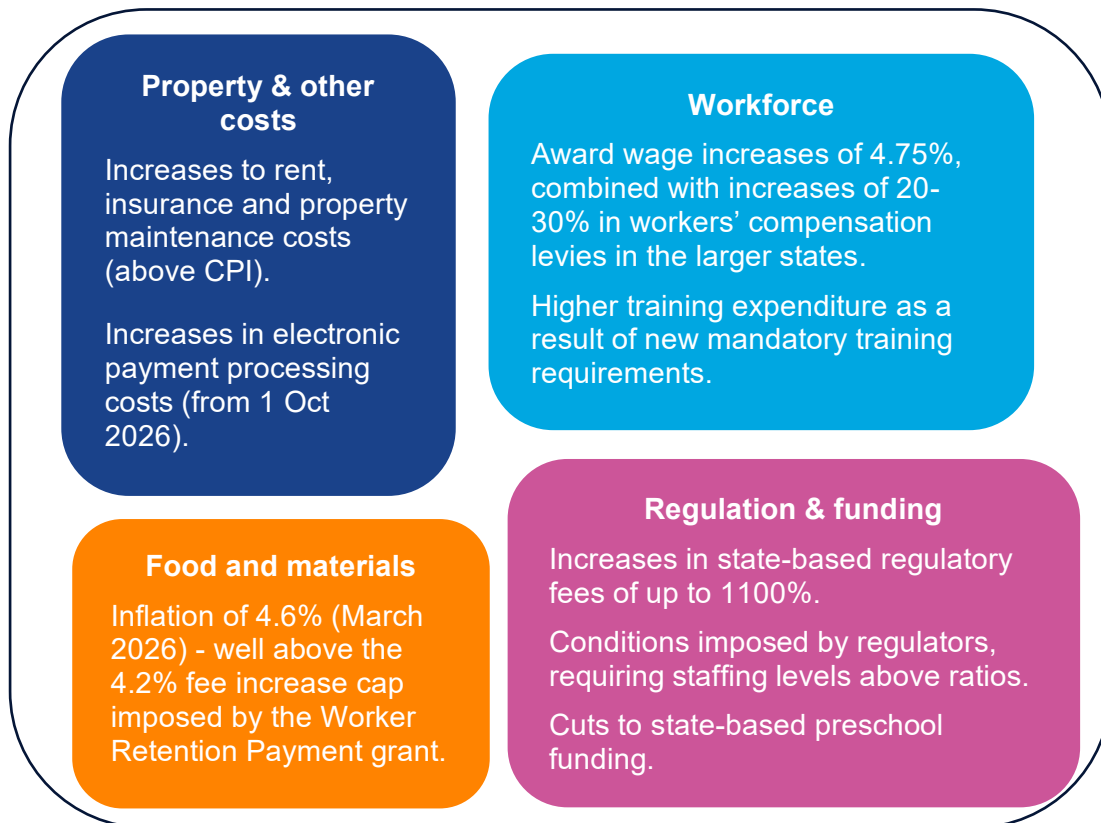


Figure 1: Increases in ECEC service operating costs, 2026

Some of these cost drivers interact in ways that compound their effects. **Falling occupancy also impacts average operating costs**, as most costs faced by providers are either fixed (e.g. property costs) or semi-fixed (e.g. staffing to meet ratio requirements). This means that cost increases for key input items have a disproportionately large effect on the per-child cost of delivering an ECEC service. For example, if around 70% of operating costs are fixed, a fall in occupancy from 80% to 75% of approved places, when accompanied by 4% inflation, means an increase in average ECEC delivery costs (costs per child) of over 8%.

Decline in occupancy

Over the last few years, long day care services have been experiencing an unprecedented decline in occupancy (aside from the Covid-19 era, from which the sector had only just started to recover) (see Figure 2). The decline in long day care occupancy is much more distinct than changes in occupancy for private sessional preschools and kindergartens.

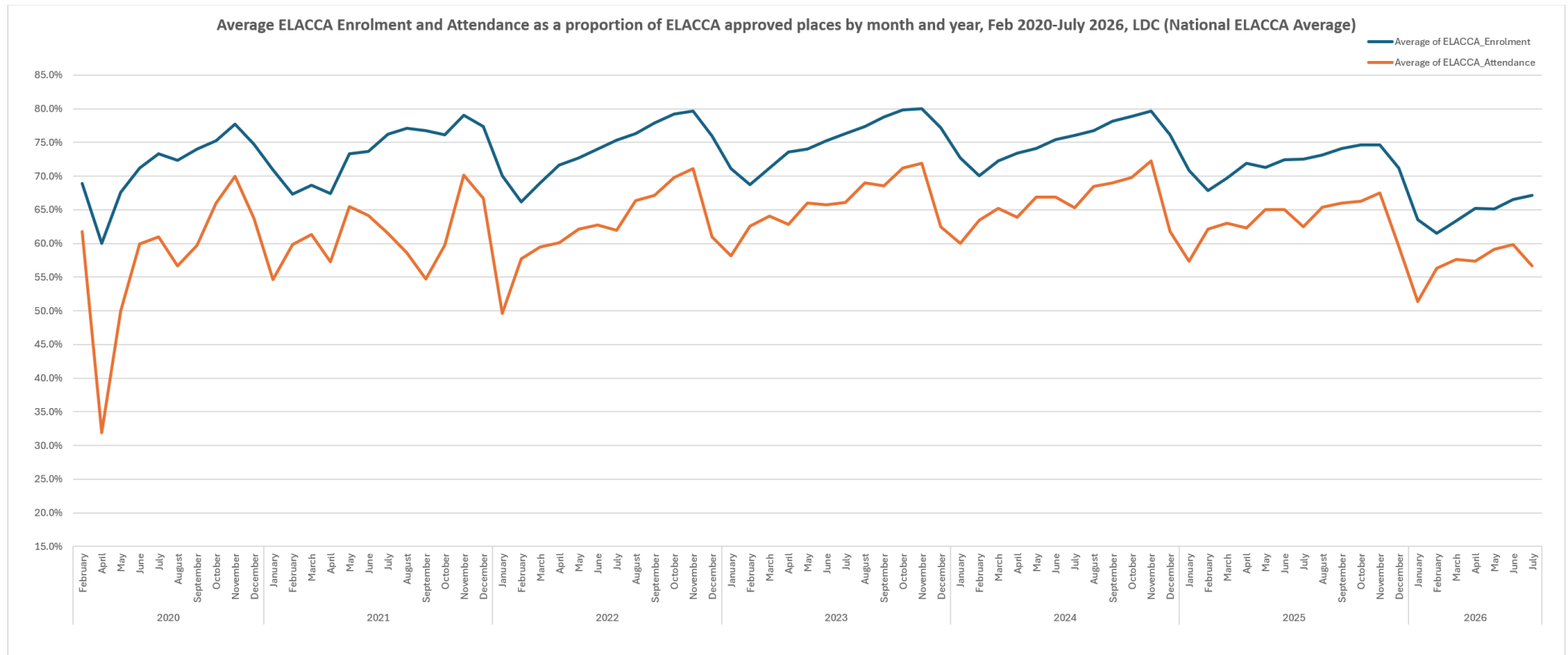


Figure 2: Average enrolment and attendance at long day care services, as a proportion of approved places, ELACCA members, Feb 2020-Jul 2026

Child Care Subsidy (CCS) data confirm that, across Australia, 23,300 fewer children attended centre-based long day care for the June quarter in 2026 than did in the same period of 2025, a drop of 2.8% (Department of Education (Australia), 2026; 2025). One of the drivers of falling occupancy is the declining birth rate in Australia. Although ABS data show a modest increase of 1.9% in births from 2023 (286,998) to 2024 (292,318), the total number of babies born has declined since 2014 (299,697) and is coupled with a long-term fall in the fertility rate since 2008 ([ABS](#), 2025). The total fertility rate in 2008 was 2.023 births per woman ([ABS](#), 2024), but in 2024 was 1.481 births per woman ([ABS](#), 2025). This is projected to fall to 1.34 children per woman by 2065–66 ([Australian Government](#), 2026).

Other contributing factors to the decrease in occupancy include:

- changing work patterns, such as the rise in parents working from home, or both parents working part-time and reducing demand for care
- increased access to paid parental leave
- use of grandparents and other family members as carers
- declining affordability, driven by the Child Care Subsidy (CCS) settings and broader cost-of-living pressures
- sector-wide reputational damage caused by offences against children, perpetrated by staff in a small number of ECEC services.

Oversupply

Oversupply of ECEC services is a significant problem in Australia. However, the current ad hoc “market correction” process is unlikely to deliver satisfactory results for governments, or for children and families. This is for two main reasons:

- There is no central government oversight of service closures or the resulting changes in local supply. This means there is limited system-level visibility of whether quality services are being lost to the detriment of communities, whether closures are creating genuine gaps in provision, or whether new services are subsequently opening in areas that remain oversupplied.
- Oversupply will have a “long tail”: although low occupancy is financially crippling, lease commitments mean that some locations will remain oversupplied until providers can exit their leases. In addition, new services that entered the development pipeline up to three years ago are still under construction and are yet to enter the market.

Even if the supply of ECEC services reached a point of equilibrium in the next 12 months, the system could shift rapidly into undersupply if external forces were to change consumer behaviour. For example, if further progress towards universal early learning involves a significant cut to fees,

families currently not using the early learning system may seek to opt in – causing an upswing in demand. (This “system shock” would mirror the experience in Canada after the introduction of \$10-a-day early learning and care in 2021.)

In addition, some governments in Australia are designing or implementing policies to expand government-owned ECEC provision (both preschools/kindergartens and LDC services), to supplement or compete with the services offered by non-government providers. While some of these services have been built in under-served areas, many ELACCA members report that new government-owned services are directly competing with existing services. The future shape of government provision remains unclear in some states and also at the federal level.

Although future policy settings are difficult to discern, ECEC providers must make decisions every day about their ongoing operations. The remainder of this paper presents data from ELACCA members, reviewing the closure decisions they have made over the last few years, and providing projections of the continued trajectory of service closures into 2027.

3. Data insights from ELACCA members

ELACCA collected data from 13 of its 16 members, including not-for-profit and for-profit providers of early learning and care services. This report is a snapshot taken in August 2026, looking back at service closures since 2024, and looking ahead for the next 12 months. The picture is one of escalating service closures, which are occurring with no strategic oversight by governments.

Key findings:

1. Thirteen ELACCA members permanently closed **152 long day care services** between 2024 and mid-2026. Only one sessional preschool/kindergarten service ceased operating in this period. These closures represent 4% of all services operated by these members. The rate of service closures has increased dramatically in 2026.
2. For the services that closed, 13% were rated Exceeding the National Quality Standard (NQS), 66% were rated Meeting the NQS and 20% were rated Working Towards the NQS (with one service not yet rated). These figures demonstrate that recent closures are not confined to services with low-quality ratings, but include services that deliver high-quality early education to children.
3. ELACCA members reported that a further **276 services** (221 long day care and 55 preschool/kindergarten services) are **at risk** of closing within the next 12 months (to July 2027).

Methodology

ELACCA received data from 13 members about services they closed permanently in the period 2024-2026. These members also provided data about the number of services they operated that were *at risk* of closure in the next 12 months (up to July 2027). The members included for-profit providers (54%) and not-for-profit providers (46%).

For the purpose of this paper, a service defined as “at risk of closure” is one identified by the provider as having a material risk of closure, cessation of operations, surrender of service approval or significant reduction in operations within the next 12 months (to July 2027).¹ Risk may arise from financial viability, a decline in occupancy, workforce issues (such as the inability to attract or retain staff), lease/property issues, strategic organisational decisions, or other sustainability concerns.

Service closures

In our dataset, 13 providers had permanently closed a total of **152 long day care (LDC) services** in 2024-2026. Only one sessional preschool/kindergarten service ceased operating in this period. The rate of long day care service closures has increased steeply from 2025 (full year) to 2026 (Jan-August). Three-quarters (76%) of the services closed in this period were operated by for-profit providers, with the remaining one-quarter operated by not-for-profit providers.

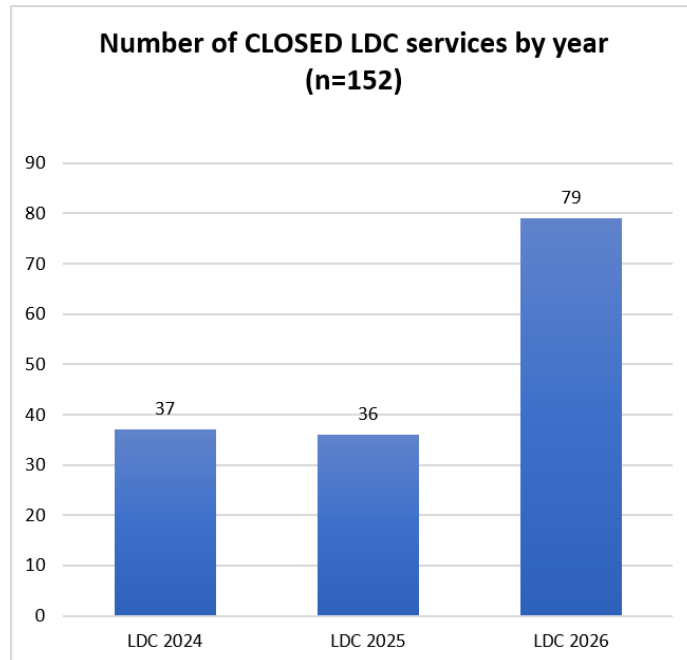


Figure 3: LDC services permanently closed by 13 ELACCA members, Jan 2024-Aug 2026

¹ Each of the ELACCA members that contributed to this report used their own internal definition of “at risk of closure”. It was not feasible to create a single definition for this term across the ELACCA membership; however we may seek to examine differences between definitions for future iterations of this paper.

Closures and quality ratings

Quality data available for 151 of the 152² closed LDC services shows that, at their most recent assessment by state and territory regulators:

- 13% were rated Exceeding the National Quality Standard (NQS)
- 66% were rated Meeting the NQS
- 20% were rated Working Towards the NQS.

These figures demonstrate that recent closures of ECEC services are not confined to those with low-quality ratings but include services that deliver high-quality early education to children.

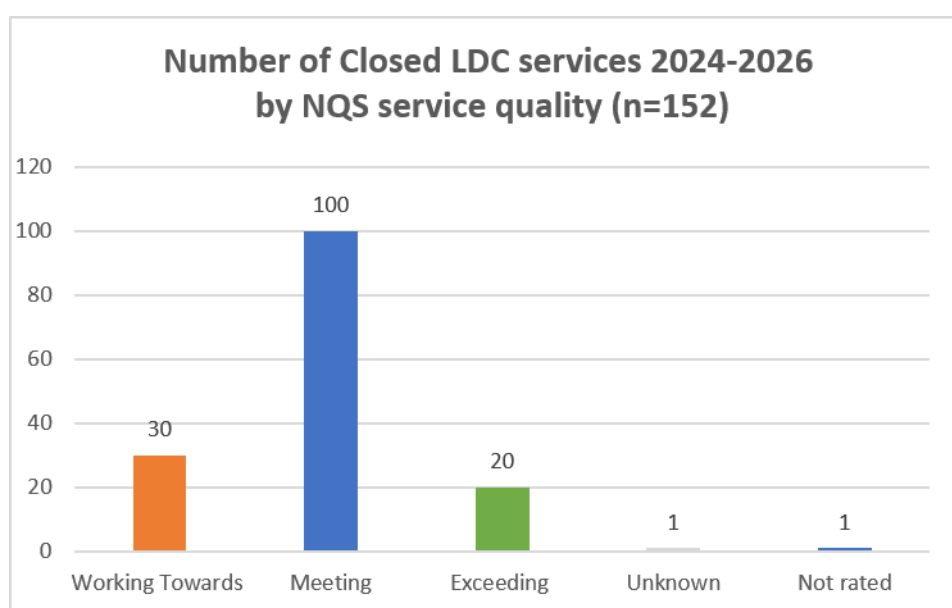


Figure 4: Quality ratings for LDC services permanently closed by 13 ELACCA members, Jan 2024-Aug 2026

Services at risk of closure

The 13 members who provided data identified a total of **276 services** (221 LDC and 55 preschool/kindergarten services) at risk of closing within the next 12 months (to July 2027).

Most of these services (74%) are currently locked into private leases, and almost all of them (99%) are currently dependent on cross-subsidy arrangements within the provider's business. Both leasing arrangements and cross-subsidisation are critical factors in determining whether and when to permanently close a service.

² One service was not rated at the time of data collection.

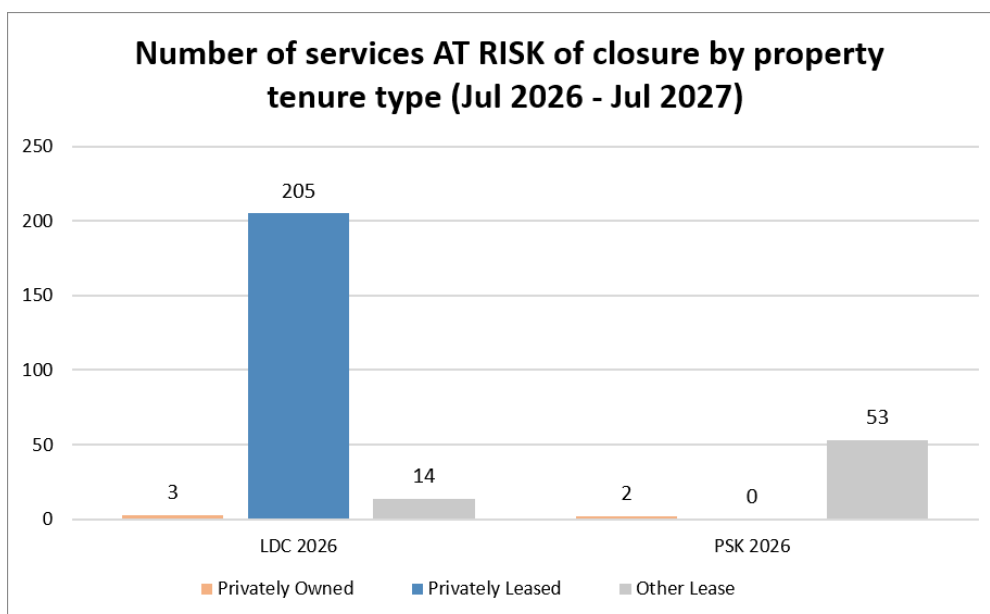


Figure 5: ELACCA member services at risk of closure (July 2026–July 2027), by property tenure type

The role of property in relation to service closures

Lease obligations play a central role in the decision of whether to keep loss-making services open. Put simply, lease commitments are masking the extent of the financial pressures in the ECEC sector by delaying service closures. When an ECEC service operates from leased premises, the provider remains legally obligated to pay rent until the lease expires or is terminated. This means an unprofitable centre may continue operating because breaking the lease early could cost more than keeping the service open at a loss.

On purely commercial grounds – if I didn't have a lease in place, then I would be closing 21 centres. Of these, 2 are [rated] Exceeding and the rest are Meeting [the National Quality Standard].

(ELACCA CEO member)

Importantly, even where a provider exits a site, the landlord may lease the premises to another provider. Purpose-built ECEC services are not easily transformed for alternate use, so landlords are incentivised to find tenants who will operate another ECEC service. Centre closures do not, therefore, automatically address the oversupply of ECEC places in some locations.

Cross-subsidisation as a holding strategy

In addition to services that must operate due to leasing commitments, there are services that providers choose to retain, despite financial losses, using cross-subsidisation. This may be because the provider hopes to “turn the centre around”, or because they feel committed to operating in that community.

Profitable centres can generate enough surplus to support services that are operating at a loss. This can temporarily stabilise services, but it may also mask the true extent of financial distress within larger provider networks.

For long day care services receiving the Australian Government's Worker Retention Payment, the associated fee cap is now constraining cross-subsidisation. This is because the fee cap applies uniformly to each service, which limits the ability of providers to offer differential fee increases across struggling and surplus-generating services. As a result, providers may be bringing forward closure decisions.

Impact of the policy and regulatory environment

The current pace and nature of changes to ECEC funding and regulation are adding pressure to the operating environment. In particular, the intersection of policy and regulatory changes across levels of government is exacerbating the level of uncertainty for providers and risks significant unintended consequences. For example, the decision by the NSW Government to cut preschool program payments from LDC services from 1 January 2027 will create sudden revenue shortfalls. However, federal funding conditions for LDC services limit the options for replacing this revenue – leaving providers to weigh up the cost of continuing to operate (see Case study 1).

Without coordination between governments, and without consistency in policy settings, the next few years appear even more uncertain for ECEC service provision (see our hypothetical Case Study 2).

Case study 1: Service *at risk* of closing

Service A is operated by a large not-for-profit provider and located in NSW. The NSW Government announced in August 2026 that it will discontinue Start Strong program payments to long day care services from 1 January 2027. This will result in an estimated reduction of \$637,000 per annum for this approved provider and places a number of their services at risk of closure.

One such service is a long day care centre situated in inner-Sydney and rated Exceeding the National Quality Standard. This long-established service has a strong reputation for quality and for the inclusion of children with disability and additional needs.

While the service is in a SEIFA decile 10 area, approximately 8% of enrolled children are from "equity cohorts", including children assessed as developmentally vulnerable. The service is committed to ensuring all children have access to high-quality early learning experiences, regardless of their circumstances.

The service is also recognised as a leader in child safety and has been instrumental in championing child-safe practices through the approved provider's organisation. It is currently working to achieve an Excellent rating. The service has approved places for 80 children and employs 24 staff.

Case study 2: Future scenario

Service B is a long day care service in regional Victoria, with 90 approved places. In August 2027, the service undergoes assessment and rating by the state's Regulatory Authority. The assessor gives the service a rating of Working Towards the National Quality Standard (NQS) for Quality Area 2. This is based on the assessor's interpretation of 'adequate supervision' in an infants' room, which has an L-shaped layout and glass walls providing lines of sight. The service disagrees with this interpretation of the regulations but is not successful in appealing the decision through a review.

Like most long day care services, *Service B* receives the Worker Retention Payment from the Australian Government, to lift wages for its educators. However, with a new rating of Working Towards the NQS (Quality Area 2), the service is at risk of having the wage subsidy cancelled. *Service B* weighs up two options:

- Roster an additional educator in the infants' room (above ratio requirements), at a cost of \$100,000 per annum; and pay for a quality reassessment by the regulator, at a cost of \$11,523. However, the service cannot afford this expenditure.
- Accept the loss of the Worker Retention Payment and cover the gap by raising fees for families by \$15 per day. However, this would put enrolments at risk, and the service cannot afford to lose enrolments.

4. The impact of closures

Before we consider the policy implications of early learning service closures, it is important to understand the community-level impacts. Early learning and care services are not delivered or received "in aggregate" – at a national or state/territory level. They are local, personal and deeply embedded in the lives of individuals and communities.

When an ECEC service closes, it can have far-reaching and long-term effects on children, families and staff. For children, the loss of a familiar early learning environment can be disruptive and emotionally challenging. Young children thrive on consistency, predictable routines and secure relationships (Bater and Jordan, 2017; Ferretti and Bub, 2014; Ren et al, 2006; Selman and Bart, 2023), and these routines can help prepare them for school. When a service closes, children must adapt to a new environment, new educators, new friendships and new learning routines.

For some children, an early childhood education and care service is much more than a place of learning. It provides a safe, stable and trusted environment where educators develop deep knowledge of the child's circumstances, behaviours, wellbeing and family context. These trusted relationships play an important role in identifying concerns, monitoring vulnerability and supporting the safety and wellbeing of children who may be experiencing adversity, family stress, neglect, domestic and family violence, or other risk factors. The closure of a service can disrupt these protective relationships and remove a key source of consistency and support in a child's life.

(Centre Director with firsthand experience of a closure)

The impact of a service closure varies from child to child. Some transition readily, while others experience anxiety, uncertainty or changes in behaviour as they adjust. This can be particularly significant for children who have attended a service for several years or for children with additional support needs, who rely heavily on established relationships and familiar surroundings. The impact on children can be greater when families are experiencing anxiety or frustration about the closure.

Service closures can also place considerable practical, financial and emotional stress on families. Finding an alternative service is not always straightforward. For families, the challenge of finding alternative care arrangements extends beyond simply securing an available place. In some locations, there will be limited ECEC options (or available places) near a family's home or workplace.

Many families choose an early childhood service because they trust the educators, leadership team and quality of care provided. In a period where the early childhood sector is experiencing heightened public scrutiny, and community confidence is impacted by media reporting and broader sector challenges, families can find it particularly difficult to identify a new service they trust. Parents are often required to make this significant decision within a limited timeframe, while navigating the emotional impact of leaving a service where they and their child/ren have established strong relationships and trust with staff.

For educators and staff, the closure of a service can have profound consequences - both professionally and personally. A service closure is a high-risk period for workforce retention, when educators (including experienced educators) may exit the ECEC sector altogether. Many educators also develop strong relationships with children, families and colleagues and a closure can create feelings of grief, loss and uncertainty, particularly where staff have dedicated a large part of their career to the service.

Although redeployment opportunities are often provided, navigating new work locations, travel arrangements and workplace relationships can be challenging. Experiencing a service closure often comes with a high emotional toll for the workforce.

The impact of a service closure extends far beyond the immediate service and can be felt across the entire organisation. For employees, the closure of one service can create broader concerns about organisational stability, future service viability and job security, even where no other closures are planned. This uncertainty can affect workforce confidence, engagement and morale, particularly in a sector already experiencing significant workforce pressures.

(Centre Director with firsthand experience of a closure)

The individual and community-level impacts of service closures are not “owned” by any entity within the ECEC system, so it is deceptively easy to overlook them, or to mark them as private matters for families or educators to manage. This leaves children, families, educators and communities at risk of poor outcomes. Within the ECEC system, only governments have the capacity to anticipate, and respond to, this risk. This is exactly the kind of task that might be assigned to a future National ECEC Commission.

5. 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.

Governments must also avoid assuming that this “market correction” process will deliver them what they want. It may not. High-quality early learning services are closing, and some of the educators who create this quality are leaving the sector altogether, exhausted by the uncertainty. With each centre closure, and each media report on a “sector in crisis”, more families are losing confidence in the entire early learning system. Meanwhile, landlords have no interest in reigning in supply – which means that every time an early learning service in leased premise closes, there is a landlord working hard to find a new provider for that site. This is not a remedy for oversupply.

The increasing rate of service closures, and the growing levels of business uncertainty and public mistrust, will continue until governments show leadership. This is exactly the kind of role that might be led by a future National ECEC Commission. However, these issues demand immediate attention, and we cannot wait for a Commission to be established.

We need governments across Australia to act now, in a coordinated way, using means already at their disposal.

Actions for governments

1. Present a clear vision for Australia’s early learning and care sector, including what the vision means for all parts of the sector and for communities across the country.
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 better way, consulting across governments and with sector stakeholders, to avoid unintended consequences.
4. Actively monitor and forecast oversupply and undersupply of early learning services.
5. Encourage skilled early childhood educators to stay in the sector when services close.

6. Provide support to families facing the closure of their service, including advice on supporting their children and practical help with finding a new service (using information held by governments).

References

1. Australian Bureau of Statistics. (2025). [Births, Australia](#).
2. Australian Bureau of Statistics. (2024). "[Birth rate continues to decline](#)" (Media Release).
3. Bater, L. R., & Jordan, S. S. (2017). "Child routines and self-regulation serially mediate parenting practices and externalizing problems in preschool children". *Child and Youth Care Forum*, 46(2), 243–259. <https://doi.org/10.1007/s10566-016-9377-7>
4. Department of Education (Cth). (2026). *Child Care Subsidy data report – June quarter 2026*. <https://www.education.gov.au/early-childhood/about/data-and-reports/quarterly-reports/child-care-subsidy-data-report-june-quarter-2026>
5. Department of Education (Cth). (2025). *Child Care Subsidy data report – June quarter 2025*. <https://www.education.gov.au/early-childhood/about/data-and-reports/quarterly-reports/child-care-subsidy-data-report-june-quarter-2025>
6. Ferretti, L. K., & Bub, K. L. (2014). "The influence of family routines on the resilience of low-income preschoolers". *Journal of Applied Developmental Psychology*, 35(3), 168–180.
7. Ren, L., Boise, C. and Cheung, R. Y. M. (2022). "Consistent routines matter: child routines mediated the association between interparental functioning and school readiness". *Early Childhood Research Quarterly*, 61, 145-157. <https://centaur.reading.ac.uk/107923/>
8. Selman, S. B., & Dilworth-Bart, J. E. (2024). "Routines and child development: A systematic review". *Journal of Family Theory & Review*, 16(2), 272–328. <https://doi.org/10.1111/jftr.12549>



Early Learning
& Care Council
of Australia

elacca.org.au