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FOR IMMEDIATE RELEASE**Early Childhood Providers Struggling as Australia's Retention Grant Initiative Fails to Meet Promises of Support**

The Australian Government's highly anticipated Early Childhood Education and Care (ECEC) Worker Retention Payment initiative, announced on 8 August 2024, is failing to adequately support early childhood services and their workforce, according to numerous reports from members of DJMIR Advisory Services.

The Retention Payment was introduced by the Department of Education with the intention of offering a 15% above-award wage increase for eligible ECEC workers over a two-year period. The initiative promised a phased wage increase, with a 10% increase in the first year and an additional 5% in the second year, along with a minimum 20% funding boost to cover eligible on-costs for providers.

However, despite these promises, members of DJMIR Advisory Services have raised significant concerns about the lack of communication from the Department of Education and the fact that many providers, particularly those with Individual Flexibility Arrangements (IFAs), have yet to receive approval for the retention grant. This delay and lack of transparency is creating mounting uncertainty for Early Childhood Services, their employees, and the families who rely on their services.

The government's guidelines stipulated that in order to access the Retention Grant, providers must meet three key conditions:

1. The service must be an eligible Early Childhood facility.
2. The service must not increase its parent fees by more than 4.4% from 8 August 2024 for the first year.
3. The service must have a legally enforceable workplace instrument other than the award, such as an Individual Flexibility Arrangements (IFAs), Enterprise Agreement (EA) or be part of a Multi-Employer Agreement (MEA), to channel the funding to employees.

While many services have increased wages to comply with the new requirements, they have yet to receive the necessary Retention Grant to alleviate the financial strain placed on their operations. The Retention Grant was designed to ease this financial burden, helping early childhood centres cover the costs of wage increases without passing the expense onto Australian families through higher

fees. Without this crucial funding, services are left with an unsustainable gap, putting significant strain on both providers and families.

The consequences of this failure are dire. While employees are receiving wage increases, it is the services themselves that are absorbing the financial cost. This has placed additional pressure on Early Childhood services, many of which are already operating on tight margins. For families, this means an increased likelihood of higher fees to parents or reduced service options as centres struggle to remain financially viable.

But ultimately, it is the children who will be impacted the most. As financial instability grows within the sector, the quality and consistency of care and education could be compromised, affecting the very foundation of Australia's future workforce and society.

Most troubling is the impact on taxpayers. What was designed to be a support system for the sector is instead becoming a financial burden on the Australian public, especially during a period of economic uncertainty. The Retention Grant, in its current state, is failing to fulfil its intended purpose and is placing unnecessary financial constraints on ordinary Australians.

"The primary concern is that the initiative provided is a grant, not ongoing funding, and will end on 30 November 2026. After this date, parents will bear the burden of higher fees to support staff salaries, which in some cases could rise by as much as \$30 per day. Additionally, the upcoming decision from the Fair Work Commission's valuation case is expected to bring a significant and well-deserved increase in wages for children's services employees. However, this increase will not be offset by the retention grant after November 2026," said David Morphett, CEO of DJMIR Advisory Services. "I am seeking immediate action and expect my questions to be answered in a reasonable timeframe so I can provide clarity to our members."

As Early Childhood services continue to struggle, it is imperative that the government provide urgent clarity and a path forward. Why is it that services fulfilling all conditions for the Retention Grant are still being left in the dark?

The time for action is now. Early Childhood services and their workforce are calling on the government to address the delays, ensure the promised wage increases are delivered, and provide the support the sector was promised.

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