



Early Childhood Education and Care: Worker Retention Payments

Policy Brief

June 2025

About WwWA

Proudly led by YWCA Canberra, the Working with Women Alliance (WwWA) is one of five National Women's Alliances that play a key role in ensuring women's voices are central in the policy development process by providing evidence-based, intersectional gender equality advice and civil society expertise to government on areas of most impact and influence to Working for Women: A Strategy for Gender Equality.

The WwWA aims to amplify women's voices in policy-making by establishing a new civil society network, the National Women's Equality (NWE) portfolio and continuing the work of the National Women's Safety (NWS) portfolio. These networks will represent all Australian women, including those underrepresented and work collaboratively with policymakers to enhance the Government's understanding of and develop solutions for issues affecting women's economic equality and safety.

More information about WwWA is available on our [website](#).

Executive Summary

Anthony Albanese, laudably, wants universal early childhood education (ECEC) and care to be his legacy as Prime Minister. Universally affordable and accessible early childhood education is desperately needed in Australia. In 2024, almost half of women (47%) who did not have a job were unavailable to start work because they were caring for children.ⁱ This is a significant increase since 2023, when less than a third (31%) of women who did not have a job were unavailable for work because they were caring for children. In 2024, a quarter (24%) of Australian regions were classified as childcare deserts – meaning there were more than three children for every place in an early childhood education and care service.

The Albanese Government has taken significant steps toward achieving this legacy. In early 2025, the Government passed legislation partially abolishing the Child Care Subsidy Activity Test, allowing approximately 100,000 families to access more hours of subsidised care. In December 2024, the Labor Government committed to establishing a \$1 billion *Building Early Education Fund* to provide capital grants for not-for-profit ECEC providers and state and local governments to establish and expand services. These commitments were celebrated, by the ECEC sector, and by families across the country.

Coordinated and considered action is required to ensure the ECEC workforce can expand to meet the needs of a growing sector. The predominately female workers that do the invaluable work of caring for and educating children cannot be an afterthought. The Worker Retention Payment, which funds a 15% pay increase over two years, is a welcome initiative to ensure the work of educators is properly valued and remunerated. However, the roll-out of this payment has been slow.

Key Recommendations

- Ensure grant execution, triaging processes and timelines are transparent
- Implement a clear timeline by which the Department of Education must assess and/or execute the grant application
- Monitor and evaluate the effectiveness of the Worker Retention Payment to understand its reach and impact on recruitment and retention, especially in childcare deserts
- Monitor the use and uptake of workplace instruments across the sector to inform future policy design and implementation
- Ensure community engagement organisations are sufficiently informed and able to support providers through future policy and legislation changes
- Ensure community engagement organisations can support providers through any tax implications of significant back-dated payments, or back-dated payments that span more than one financial year.

Early Childhood Education and Care is a Feminised Sector

More than 268,000 people work in the early childhood education and care (ECEC) sector, and the vast majority (91%) of these workers are women.ⁱⁱ In 2023, the average weekly earnings for early childhood educators and carers was \$816, well below the national average of \$1,439, and well below the average earnings of security guards, truck drivers or mechanics, despite similar qualification requirements.ⁱⁱⁱ Two thirds of those employed in this sector work part-time.^{iv} Workers in ECEC are more likely than the average Australian worker to be on a fixed term contract, to be paid at minimum award rates and to have a second job to make ends meet.^v ECEC workers provide an essential and valuable service, and are entitled to rewarding, secure and meaningful jobs.

Workforce Shortages

Modelling indicates that there is a current shortfall of around 21,000 qualified staff to meet existing demand, with a further 18,000 qualified staff required to meet estimated unmet demand in services not yet established and another 18,000 staff required to realise and implement current ECEC and expanded preschool policies.^{vi} Without a strong, well-paid and supported ECEC workforce, many Australian families will not be able to access quality and affordable care, and many people – women in particular – will not be able to work the hours or the jobs they want to.

Worker Retention Payments

To begin addressing the historic undervaluation of workers in ECEC, in August 2024, the Australian Government announced \$3.6 billion in funding to support a historic 15% wage increase to early childhood education and care workers. This increase would equate to at least \$155 more per week in the wages of workers.

This wage increase takes the form of a two-year 'worker retention payment', to be in place while the Fair Work Commission determines whether the industry has been subject to gender-based undervaluation, and if so, by how much to raise award rates.

The payment, which is paid via a grant which eligible ECEC providers must apply for, supports a wage increase of 10% on top of the current national award rate in the first year, and 15% above the current national award rate in the second year. To be eligible for the grants, providers must be approved for the Child Care Subsidy, limit fee growth and engage workers through a compliant workplace instrument that guarantees the funding for the Worker Retention Payment goes directly to the

worker. These conditions ensure that families accessing the service are not impacted by wage increases, and that workers directly benefit from the grants.

Applications for the grant opened in early October 2024, with the wage increase taking effect in December 2024 and payments due to start in January 2025. As at June 2025, approximately two thirds of eligible providers in the sector had applied, covering approximately 85% of eligible workers. Around one third of ECEC workers had been captured by executed grants – meaning they had received or were about to receive higher rates of pay. Eligible providers that apply before 30 September 2025, will have grants back-paid to December 2024.

This process has been slow. Even though there were six months between the policy announcement and the anticipated commencement of pay increases, the Department of Education were underprepared for the roll-out of the grant. The pace of implementation, coupled with an opaque communication strategy, has caused significant anxiety within the ECEC sector about the Government's prioritisation of workforce development.

There have been several inquiries, consultations and reports in relation to the ECEC workforce over the last few years, including the Productivity Commission's report into universal early childhood education and care, consultation for the National Vision for Early Childhood Education and Care and the National Children's Education and Care Workforce Strategy. It is reasonable to believe the Department of Education would have the necessary understanding of the complexity of the sector and its unique workforce to implement a central and essential policy. The Department should have been able to predict that some parts of the sector would need assistance acquiring compliant workplace instruments, given how many workers in the sector are on the minimum award.

Implications for slow implementation

While we appreciate that the Government has guaranteed that grants will be back-paid, there is significant concern that these payments will not come through until the new financial year, thus incurring increased income tax debts for workers. This presents an administrative burden for providers, especially for smaller not-for-profit providers who may be less familiar with complex, technical aspects of tax regulation.

Further, we know that some providers, in good faith anticipation of the grants being executed, have already begun paying their workers at the higher rates. These providers face significant financial strain as they wait to receive funding, potentially impacting service provision and capacity to recruit new staff.

The opaque process and timeline in which the Worker Retention Payment applications are being assessed, triaged and executed has heightened anxiety in the sector, and increased difficulty in relation to retention and recruitment. Some services

have informed staff that they will receive a pay rise but have been unable to tell them when it will occur.

We are especially concerned about impacts of the slow-roll out on the smaller ECEC services that are more likely to operate in childcare deserts, and regional and remote areas.

ⁱ Australian Bureau of Statistics, 2024, *Barriers and incentives to labour force participation, Australia, Barriers and Incentives to Labour Force Participation, Australia, December 2024* | [Australian Bureau of Statistics](#)

ⁱⁱ Department of Education, 2024, *About the early childhood workforce*, Australian Government, <https://www.education.gov.au/early-childhood/providers/workforce/about>

ⁱⁱⁱ Jobs and Skills Australia, 2024, *The Future of the Early Childhood Education Profession: Early Childhood Education and Care Workforce Capacity Study Summary Report*, Australian Government, https://www.jobsandskills.gov.au/sites/default/files/2024-09/the_future_of_the_early_childhood_education_profession_-_summary_report.pdf

^{iv} The Australian Children's Education and Care Quality Authority (ACECQA), 2023, *National Children's Education and Care Workforce Strategy: Workforce Profile*, <https://snapshots.acecqa.gov.au/workforcedata/profile.html>

^v Jobs and Skills Australia, 2024, *The Future of the Early Childhood Education Profession: Early Childhood Education and Care Workforce Capacity Study Summary Report*

^{vi} Ibid.