



27 November 2024

Rushed Government promises leave before and after school hour care providers footing the bill

The Outside School Hours Council of Australia (OSHCA) and the National Outside School Hours Services Alliance (NOSHSA) industry bodies, representing 80 per cent of the before and after school hours care sector, have raised serious concerns regarding the Federal Government's *Early Childhood Education and Care* (ECEC) retention payment (Retention Payment).

The Retention Payment was proposed to raise the wages of the ECEC workforce to increase workforce retention and the attractiveness of careers in the critical early education sector. However, the rushed and iterative design of the program has come at the expense of providers, most adversely OSHC providers.

Providers are already required to co-contribute to the cost of the scheme by capping price increases through the term of the grant program. Despite this there is considerable doubt that the quantum of the grant funding will be sufficient to cover the full cost associated with the wage increase, including in loading, on-costs and allowances. In addition, having already incurred considerable cost to evaluate and apply for the grants, the cost of ongoing administration and compliance is expected to be considerable and some of the requirements are impractical.

The Government first announced support in the May Budget for wage increases in the ECEC sector, with the Worker Retention grant announced in early August 2024. The program is due to commence on 2 December 2024, yet the Government is still releasing the details of the grant package and its implementation requirements in real time, making it impossible for providers to budget and finalise their applications with confidence. This is compromising the ability of educators to access the wage increase from commencement of the program. The Government is asking providers to sign up to a scheme where they still don't know how much funding they will receive or when, and critically, what the financial impact will be on services.

The rushed and potentially ill-conceived details of the retention package have raised serious concerns about the negative impact it could have on the viability of the critical sector.

Commenting on the lack of consultation and rushed implementation, Michael Abela, Secretary of OSHCA said:

"At no point since August, prior to now, were providers advised that this will be co-contribution scheme. In fact, providers have been advised up until very recently that the scheme would be fully funded. Two weeks out from the scheme's effective start date we have been advised that the expectation is that this is a co-contribution scheme, having already incurred the impost of price capping."

"We welcome a program that retains and attracts talent to our critical sector, but not at the cost of the ongoing viability of the system as a whole. This about-face from the Government will mean out of pocket costs of millions of dollars to critical service providers – which will impact the viability of services across Australia."

Workforce shortages have been a constraint on the care sector in general and OSHCA is fully supportive of recognising the importance and value of ECEC educators, and appropriate remuneration through a viable mechanism is one way of doing this.

OSHCA has advocated tirelessly to educate decision makers on the vital service that outside school hours care provides to children and their families across Australia and the need for equal wage support across the care sector to ensure access to high quality before and after school care and support for the retention of our educators.

“Providers still do not know how much they will be receiving. They are being asked to sign up to an agreement without having any clear impact on the future viability of their services if they were to participate. OSHCA has for months been asking for the calculations on how funding will be allocated. This process has already cost OSHCA members hundreds of thousands of dollars in administrative and staff time and, one week out, we still do not know the full details of the scheme,” said Abela.

Kylie Brannelly the President of NOSHSA concurred with OSHCA’s statement of issues:

“Like OSHCA members, NOSHSA representatives are frustrated and stressed by the impact the proposed retention grant is having on the sector. Coupled with the fee cap that will be imposed, without the funding formula representatives are estimating that the sector could be in the red by millions of dollars. NOSHSA have already made significant financial investments to support the sector which will likely be unrecoverable.

Both associations look forward to continuing to work closely with government to address ongoing key concerns regarding the conditions accompanying the package which do not seem to recognise the very different economics and operating models of OSHC providers relative to other parts of the sector like long day care.

Accessible care across all care types is critical in allowing parents, and particularly women, to participate in the workforce, increase their working hours or to fulfil their work obligations, in turn supporting our nation’s productivity and growth agenda and improving the wellbeing of young Australians.

OSHCA and NOSHSA members represent approximately 80 per cent of services that are operated on school sites throughout Australia, employing more than 10,000 people. Our sector provides affordable care for the children of over 350,000 Australian families who rely on our services to be able to work & support family needs.

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