Senator Matt O'Sullivan

Shadow Minister for Choice in Childcare and Early Learning
Shadow Minister for Child Protection and the Prevention of Family Violence
Deputy Manager of Opposition Business in the Senate
Senator for Western Australia

Dr Caralee McLeish PSM

Auditor-General

Australian National Audit Office

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Delivered via email: ag1@anao.gov.au

RE: Extension of the Worker Retention Payment

Dear Dr. McLeish,

I write to request an assessment of the Worker Retention Payment (WRP), including the extension announced by the Government on 17 June 2026.

Wage security plays a significant role in retaining the Early Childhood Education and Care (ECEC) workforce. However, simply extending the Worker Retention Payment is not an adequate, long-term solution. The Government has announced its intention to significantly amend the WRP from its original intent and design, as a bridge to a permanent wage outcome and a 2-year $3.6 billion commitment, to a 4-year commitment costing taxpayers double the original amount. This is despite the Fair Work Commission handing down a decision which increased wages under workplace law from 1 July 2026.

The original implementation of the WRP was plagued by concerns from providers including:

- Services being required to sign a workplace instrument committing to significant wage increases prior to knowing the value of grant funding that they will be eligible for;
- A lack of transparency around the funding methodology used to calculate payments to services, making it impossible for providers to assess its financial viability; and
- The risk that where grant funding does not cover costs, services are forced to cut discretionary expenditure key drives quality outcomes.

It is difficult to find publicly available figures on the proportion of Family Day Care and In Home Care providers that operate as independent contractors, who would be directly impacted by the workplace instrument requirement. However, the national peak body, Family Day Care Australia, has expressed concern that government policy has not accounted for the fact that "*the overwhelming majority of family day care educators operate as independent contractors*"[1].

This raises a significant question about the evidence used for the Government's policy. If the peak body only raised concerns after the announcement, it is unclear what data or consultation informed the Government's policy design.

The recent $3.6 billion extension was not included in the 2026-27 Budget handed down in May 2026, despite the sector's extensive advocacy for wage security, and was only announced after the Senate Estimates. There has been little transparency about the reason why the funding was excluded from the Budget process, and even less detail around the Government's plan to address the underlying worker retention issue.

The WRP extension only drives the uncertainty felt by providers in the ECEC sector. Providers have now become largely dependent on the grant program to maintain the workforce levels required to remain operational. Without a clear pathway to the Fair Work Commission's award wage increase, the Government has only positioned providers to face the same funding cliff again, in 2028.

I therefore ask that the ANAO assesses the implementation of the Worker Retention Payment, including extension.

Thank you in advance for your consideration of this request.

Yours sincerely,

Matt O'Sullivan

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3 JULY 2026

[1] https://www.familydaycare.com.au/fdcm/17-june-2026

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