Reducing educator stress and turnover in the early childhood and care sector by focusing on employee financial wellbeing

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Quality learning in the early years depends on continuity of care, but educator stress and turnover threaten to disrupt healthy development.

A child's environment and experiences during their early years have a lasting impact on their health, development, learning and wellbeing. High quality childcare increases likelihood of success at school and lifelong health.

But staff turnover rates of up to 30% and educator stress present threats to the sector, disrupting relationships with children and inevitably affecting child wellbeing and learning experiences. High turnover rates also mean a loss of educator skill and experience across the sector.

Covid-19 has exacerbated an already existing crisis of staff shortages and staff burnout, placing increased pressure on providers to retain the 37% of staff who think about leaving 'all the time'.

With demand for early childhood education and care likely to grow 7% from 2016 to 2026 and the government raising the standard for what is deemed quality education, providers need to recruit qualified graduates.

A supportive workplace culture that focuses on the needs of staff and their wellbeing has emerged as the most immediate, critical factor in predicting intention of staff to stay, while the professionalisation of the workforce has been earmarked as the most sustainable long-term strategy to attract and retain staff.

The pandemic has highlighted the importance of wellbeing in the workplace, not only to improve employee experience but to drive business outcomes.

Financial stress is the leading cause of stress for all employees and particularly employees in early childhood education and care where seven in 10 educators say they 'always' or 'often' worry about their financial situation.

This report explores how wellbeing programs focused on alleviating financial stress can make a significant difference to quality early childhood education and care by:

- Reducing the level of attrition
- Attracting qualified staff
- Improving educator wellbeing

Slowing the rate of attrition[1]

A professional, skilled and engaged early childhood workforce is critical to economic and social productivity, as well as positive life trajectories for children.

But attrition has long been a major issue in the early childhood and care sector, impacting the quality of care children receive and putting pressure on providers to retain existing and recruit new staff.

The sector's turnover rates of up to 30% have meant existing staff are often overworked to meet ratio requirements. High employee turnover comes at a significant cost to businesses, with two of the most significant costs in the early childhood education and care sector including hiring and training new staff.

Turnover also represents the loss of educator skill and experience to the sector, and is a disruption to attachment relationships with children that inevitably affect child wellbeing and learning experiences.

United Voice, the union which represents early childhood education and care workers, says that about 180 educators leave the sector each week because of low wages and poor conditions.

A 2021 report by the United Workers Union found 37% of educators didn't plan to stay in the sector long term and 73% planned on leaving in the next three years.

Twenty percent of the workforce intend to leave the profession within 12 months. And almost one in two educators who plan to stay think about leaving 'all the time', according to the union's report.

Qualitative analysis of early childhood educator interviews identifies work conditions as the single most important factor explaining staff exits. Work conditions refer to pay, flexibility of work, certainty of work hours and the opportunity for career advancement.

Unfortunately, low pay impacts staff morale as well as their financial wellbeing. As well as being worried about their finances, seven in 10 educators told the union they 'always' or 'often' worry about their financial situation and more than eight in 10 say they would find it difficult to cover an unexpected expense of $400.

One educator from New South Wales has said: "The personal limitations that come from choosing a career in early childhood education and care are enormous. It's unlikely I'll ever be able to purchase my own home, buy a brand new car or go on an overseas holiday. It's difficult when we have to live pay cheque to pay cheque, with very little opportunity to build our own savings."

Solution: Financial wellbeing platforms offering flexible pay

While there have been some positive changes for qualified early childhood educators' pay in some states and across individual providers, more needs to be done to reduce the financial stress of these workers.

Employers have traditionally tried to reduce attrition with extrinsic rewards such as higher pay, bonuses or even gym memberships, but innovative companies are looking to more holistic solutions that can have a tangible impact on employee financial wellbeing.

One of these solutions is flexible pay, which is also known as 'earned wage access'.

Earnd is a financial wellbeing platform that gives employees more control over their finances by enabling them to track and access their pay as it is earned, meaning they can manage their budgets on a schedule that suits them and get immediate compensation from taking extra shifts, reducing the need to borrow for unexpected costs that come up.

Access to earned wages can significantly reduce stress for early childhood educators. Earnd users speak about the 'peace of mind' the app gives them, simply knowing their earned wages are there for them to access if they need. Our research has found that casual staff who have access to earned wages work more shifts, as they know this can help them meet expenses between pay periods.

A case study at a multinational gym found a 6.5 percentage point decrease in levels of attrition in the three years since the platform was implemented, resulting in a $953,000 saving in recruitment and hiring costs.

Earned wage access has been found to reduce staff turnover by 16% on average and has generated a 14% reduction in staff absenteeism.

Flexible pay has a tangible impact on employee retention rates, with an Ipsos MORI analysis of Earnd's parent company Wagestream finding that employee retention rates were on average **5 percentage points higher in the 12 months** after the financial wellbeing platform was implemented.

Attracting qualified young workers to the sector [1]

Over the past three decades, research in neuroscience and developmental science has shown that intellectually stimulating, emotionally supportive and socially engaging learning experiences in the early years of life significantly impact children's development and social and emotional learning.

Trained teachers and educators make a significant difference to children's academic outcomes in school and beyond. Understanding the importance of quality education, the Australian government lifted the requirements for quality in early childhood education and care in 2009.

One of the performance indicators is the number of four-year university trained and early childhood qualified teachers delivering preschool programs. But the early childhood education and care sector is already critically short of appropriately qualified staff. Job vacancies across the early learning and child care sector have jumped to record levels with 4,600 vacancies across Australia in May, up 70 per cent on pre-COVID levels.

With more parents using early childhood education and care services and so many employees leaving the sector, attracting new workers is crucial.

Yet while statistics show the demand for Australian childcare workers is likely to grow by 7% from 2016 to 2026, the sector is listed in the top 7% of all occupations deemed in short supply, meaning it is likely to struggle to meet the growing demand.

Predictions suggest Australia needs to recruit 6,800 degree-qualified early childhood teachers by 2024, plus more than 30,000 more educators with vocational training and certificates.

Yet modelling suggests that one third of all preschools may lack a qualified teacher by 2023. Around 4,000 students are enrolled in early childhood teaching degrees each year, leaving a projected shortfall of 17,800 workers by 2023.

And with early childhood teaching degrees preparing students to teach children from birth to eight years of age or birth to 12 years, it's likely only a portion of these students will choose to work in early childhood education and care, meaning the sector will need to look at new ways to attract the next generation.

"Not all [early childhood teaching] graduates would seek to work in an early childhood setting," says Educational policy expert Megan O'Connell. "If more teachers choose school teaching with its higher wages and better conditions, the shortage will be far worse."

Solution: Focus on innovative benefits

Work is being done across the country to attract and retain young workers, including introducing incentives for young people to study early childhood education and raising the minimum wage, but strategies to attract young workers must be informed by their mindsets and a focus on innovation.

The ACT government now provides scholarships and subsidies for young people who undertake the Diploma of Early Childhood Education and Care, while Victoria is offering scholarships and employment incentives to attract young people to the sector.

The Victorian government has also recently announced cash incentives of $9,000 to $50,000 for preschool workers as part of the new Victorian Early Childhood Teacher Financial Incentives scheme.

Even so, these one-off incentives and proposed pay rises may not be enough to attract young workers, given their different motivators for entering the workforce. Early childhood and care providers need to look at innovative benefits that consider the drivers of these generations.

Millennials and gen z represent an increasing percentage of the Australian workforce and different sectors have had varying degrees of success in attracting and retaining these generations.

What's clear is that investing in these generations of employees as individuals is crucial. This investment can help drive engagement, productivity and create happier, healthier employees. But failing to understand and value their mindsets can mean organisations fail to attract and retain this group.

"Compensation is important and must be fair, but it's no longer the driver," says Jim Clifton, Chairman and CEO of Gallup. "Purpose and development drive this generation."

Purpose has long been a drawcard for workers in the childcare sector. When competing for talent, it's important for early childhood education providers to also consider employee benefits that set them apart and ways to demonstrate they care about personal development and wider issues.

At Earnd, we have found that innovative and meaningful tools can make a difference to employers looking to fill roles, especially those looking to recruit younger generations.

An analysis of over 900 job ads on Indeed.com found that those that listed Earnd as a financial wellbeing benefit in their job ads filled roles 27% faster than competitors that didn't.

What's more, the uptake of our financial wellbeing program can reach as high as 79%, with the average age of someone using the app being 30 years old.

We've also seen the appeal of products that drive positive change at both a personal and community level. For example, our Grow product is a fixed interest investment option that enables people to save before being paid — reducing the temptation to spend and also the behavioural barriers that can prevent people from prioritising their future. For every account opened, a tree is planted in a region affected by bushfires, promoting social change as well as key issues that these generations are passionate about.

With interest rates notoriously low, our Grow product targets a 3% return helping to meet the needs of these generations by enabling them to build financial resilience and reach their savings goals faster.

"We realised our financial return on investment within the first quarter which is fantastic. It landed into open arms, the take up from the get-go was like nothing we'd experienced with other benefits. So we knew from launch that we were in the right place with this."

Katie Duxbury
Head of Payroll Services, Bupa

Educator stress and burnout[1] impacts continuity of care

Understaffing is at chronic levels across early childhood education and care facilities, resulting in higher levels of educator burnout and stress, and compromising the quality of care educators can provide.

While the situation isn't new, a Victorian educator told the union the sector is getting worse: "We often struggle to meet ratios due to staff shortages. The impact on children is devastating. The younger ones especially struggle when they see a new face everyday."

"Staff shortages mean that I am having to compromise on my teaching ethics and values," one educator from New South Wales told the United Workers Union. "We often have to take work home with us, which takes us away from our families, leads to burn out and even more educators leaving the sector."

Eight out of 10 educators surveyed by the union strongly agree that increased turnover and workload have resulted in higher levels of stress and that high staff turnover negatively affects staff and centre morale.

Two in three educators told the United Workers Union that their centre was understaffed and they 'often' feel pressured to avoid taking leave because of these shortages.

Research with more than 70 Australian early childhood educators found 60% feel emotional exhaustion at least once a month and 20% at least once a week. It also found that rates of physical injuries, including stress on the body and falls were higher among early childhood educators than the national average.

More than two thirds say their workloads have increased and four in five say this means they don't have time to provide quality education and care. "Staff shortages lead to stress and burnout among employees, diminished creativity and exhaustion," a director from Tasmania told the United Workers Union.

"Continuity of care, particularly in the first five years of their lives, is vital for children," one educator from New South Wales told the United Workers Union.

"These foundations build trust and allow children to have the confidence to explore and learn. They can't build these

relationships if staff are consistently leaving or if staff are overburdened with work." [1]

Stress and emotional distress have long been known to affect interaction quality between parent and child with effects on child behaviour and learning that incur human and economic costs.

"Children's emotional wellbeing is dependent on being able to predict the routines of their day. When they do not see their key educators or they are pulled away to swap rooms, children experience abandonment," an educator from South Australia told the union.

Research finds that when educators are well, they can be more responsive, thoughtful and respectful as they interact and build relationships with every child. Yet educator wellbeing is at breaking point. Educators need support for their health and wellbeing, especially given the challenges of maintaining COVID-safe environments.

"Educators have had to adapt their services to meet the changing needs of children and families, whose lives were turned upside down," says Associate Professor of Education Jen Jackson. "Others have experienced financial insecurity themselves."

Research shows that one way to boost the wellbeing of educators is to provide them with a supportive workplace culture that considers their needs. When educators are well, they are also better positioned to meet the emotional needs of children, supporting them in self-regulation and developing resilience.

"When we look at the organisational literature, research has found strong associations between workplace wellbeing and employee outcomes, including turnover rates, absenteeism and productivity," PhD candidate and early childhood educator Catherine Jones told the Belonging Early Years Journal.

Catherine Jones has conducted research into workplace wellbeing, job satisfaction and leadership in the early childhood sector. "Given the turbulent climate created by the coronavirus and the impact this has had on early learning services throughout the country, it's now more important than ever to create and maintain positive working environments for early childhood educators," she says.

Solution: An emphasis on educator wellbeing [1]

While workforce wellbeing is one of the focus areas of the proposed early childhood education and care National Workforce Strategy, it only focuses on increased support once educator wellbeing had been compromised, rather than looking at preventative measures.

Knowing that financial stress is the number one employee concern and that early childhood educators are the 13th lowest paid workers in Australia, it would be remiss for early childhood providers to implement wellbeing strategies that don't include efforts to support and improve financial wellbeing.

Financial wellbeing is interconnected with physical, emotional and mental wellbeing. Financial wellbeing is about the ability to make choices, absorb a financial shock, have financial control and feel financially secure.

"I think a helpful way to understand financial wellbeing in the context of a broader wellbeing program is by thinking about Maslow's pyramid or hierarchy of needs," says Earnd's General Manager Brad Joffe.

"If you think about the bottom of the pyramid, you have physiological needs, which comes first. You need food on the table and a roof over your head, which you get from an income," he says.

"While employee assistance programs and hardship support are really important, they address the symptoms, not the cause. The majority of these measures intervene when it's potentially too late. The best analogy for financial wellbeing would be the recent focus on preventative medicine."

Earnd is one financial wellbeing platform that focuses on preventative measures of financial wellbeing, as well as providing employees the ability to absorb shocks with access to their own earned income. Our research has found that staff overall wellbeing improves when Earnd is offered as an employee benefit, with 77% feeling less stressed.

Importantly, the platform offers personalised financial education and one-on-one money coaching, which is increasingly recognised as one of the most effective ways to make a genuine difference to someone's financial wellbeing.

Financial coaching is a preventative measure, ensuring employees understand the behavioural barriers to financial wellbeing and helping them set financial goals.

A trial by Citibank found people who initially didn't feel they managed their money well or were in control of their finances believed otherwise after coaching (47% and 38% respectively). 54% more people saved and 55% reduced their debt.

Founder and Managing Director at Champions of Wellbeing, Inclusion and Equality and leading Executive Coach Dr John McGill says that open discussions around financial wellbeing benefit everyone.

"Organisations have to 'get it'. They have to understand they have employees who are struggling financially, even if it isn't openly talked about.. If we address this, we help employees feel more mentally safe to contribute to their work with less distractions and worries."

What next?

Financial wellbeing is an integral part of someone's overall wellbeing. Focusing on providing benefits and tools that promote financial wellbeing will help early childhood and care providers to stand out in a time where staff shortages are likely to become more common and costly.

And the need has never been greater for intervention. A number of studies have shown that child care employers are financially stressed, which is costly from both a personal and business perspective. In fact, AMP estimates that financial stress costs Australian businesses approximately $2.9m a year for every 1,000 employees through increased levels of distraction and absenteeism.

But in a time when providers are equally stretched, it can feel hard to identify and implement appropriate solutions. A financial wellbeing program that aims to tackle in-work financial stress doesn't need to be time consuming or expensive.

For example, by integrating with payroll and time and attendance systems, Earnd is able to be up and running in weeks with minimal effort from payroll teams.

What's more, Earnd has a proven track record of creating positive business outcomes with the time it takes to fill open roles increased by 27% when Earnd is listed as a benefit on job ads and an average reduction in attrition of 19% by

making employees feel understood and valued. [1]

But what's most significant is the impact Earnd can have in the lives of employees. An analysis of over 1 million transactions and anonymous interviews with 2,200 by impact measurement company 60 Decibels found that after using the app:

- One in two people find planning ahead and budgeting easier
- Seven in 10 people feel more in control of their finances
- Almost nine in 10 people reduce their reliance on payday loans

You can read the results in full in our latest Impact Assessment.