



THE PLIGHT OF THE ECD WORKFORCE

An urgent call for relief in
the wake of covid-19

APRIL 2020



THIS REPORT WAS DEVELOPED BY THE FOLLOWING ORGANISATIONS

- BRIDGE
- Ilifa Labantwana
- National ECD Alliance (NECDA) [103 member organisations]
- Nelson Mandela Foundation
- Smartstart [4 000 member operators]
- South African Congress for Early Childhood Development (SACECD) [21 000 ECD Centres]

This report is also endorsed by other organisations, which can be viewed here:

https://docs.google.com/document/d/e/2PACX-1vQ57ZUPplRi_tPyUFXFSOL8qDgh7smqTGdOihxQuFGq5CP0bWO9-eHP1We2zYmYtZPiYTAOMSlpPaf0/pub



In a time of crises, how can the majority of the ECD workforce be no one's responsibility

EXECUTIVE SUMMARY

In the wake of COVID-19, countries have had to take strict and rapid measures to prevent the spread and acceleration of infections. The South African government has taken decisive action in this regard, which has been applauded both domestically and internationally. In recognition of the impact that these various measures will have on South Africans, a bouquet of relief schemes have been introduced to support small businesses and citizens to cushion the loss of income that has accompanied the lockdown measures. However, in order to access this support, individuals and businesses need to be 'part of the system' and be registered with the Companies Intellectual Properties Commission (CIPC), Unemployment Insurance Fund (UIF) or South African Revenue Services (SARS).

In response to the pandemic, ECD operators were instructed by the Department of Social Development (DSD) to close on the 18th of March in order to prevent the spread and acceleration of infections. Owing to the lockdown, the majority of operators have not been able to collect fees from caregivers which they rely on to pay salaries and other fixed costs. ECD operators heavily rely on parent fees and thus their income is sensitive to the broader economic impacts that affect household income.

Because the majority of ECD operators catering to the poorest children in South Africa operate in a quasi-informal manner, we recognised the possible severe and detrimental impact that the pandemic might have on ECD providers. We thus conducted a rapid survey to understand these impacts, and received responses from 3 952 ECD operators between the 10th - 13th of April. The scale of responses in this short time frame reflects the urgency of the situation:

- 99% of operators reported that caregivers have stopped paying fees owing to the lockdown
- 83% of operators have not been able to pay the full salaries of staff over the lockdown period
- 96% of them reported that their income was not enough to pay their operating costs
- 68% were worried that they would not be able to reopen
- 35% of the ECD workforce in the survey was UIF registered
- 13% of operators were CIPC registered
- 45% SARS registered

In line with government's concern for lives and livelihoods, we believe that support needs to be offered to ECD operators owing to the circumstances they find themselves in due to COVID-19. While the Department of Social Development (DSD) financially supports a subset of ECD operators that are registered - and are working on continuing this support over the lockdown - we know that it is very challenging for operators to register with them. ECD programmes are largely provided by NPOs and subsistence entrepreneurs or micro-social enterprises - most of whom are black women. They provide a service that is needs-based in communities with limited cash flows which places them way below the minimum wage. The unfortunate association of childcare with low status and low paid work further marginalises these women.

Our analysis suggests that 20 000 - 30 000 ECD operators run the risk of closure and 118 000-175 000 people employed in the ECD sector could stand to lose their job in the absence of relief. We propose two possible interventions that the state can take to support the ECD sector during this time:

1. Support to the ECD workforce to offset their loss in income

- 118 000 (those working at unsubsidised operators) – 175 000 ECD workers will receive income supplementation
- Valued at R1 000 per ECD worker targeted at 175 000 ECD workers for a 6 month period amounts to R175 million per month and R1.05 billion over the 6 month period. This is reduced to R708 million if ECD workers from subsidised ECD operators are excluded.

2. Support to ECD operators due to loss of income from reduced fee payment

- Valued at R6000 per ECD operator targeted at 20 000 (unsubsidised) - 30 000 ECD operators for a 6 month period amounts to R180 million per month and R1.08 billion over 6 month period. This is reduced to R708 million if subsidised ECD programmes are excluded.
- 20 000- 30 000 ECD providers will continue operating
- 118 000 - 175 00 ECD worker jobs will be sustained
- 1 million - 1.5 million children will have an ECD programme to attend
- 1 million - 1.5 million caregivers, primarily poor women will have childcare available to them to look for income opportunities.

Survey results

- 99% of operators reported that caregivers have stopped paying fees owing to the lockdown
- 83% of operators have not been able to pay the full salaries of staff over the lockdown period
- 96% of them reported that their income was not enough to pay their operating costs
- 68% were worried that they would not be able to reopen after the lockdown
- 35% of the ECD workforce was UIF registered
- 13% of operators CIPC registered
- 45% SARS registered

SECTION 1: OVERVIEW OF STATE'S RESPONSE TO COVID-19 AND ITS APPLICABILITY TO THE ECD SECTOR

In line with the South African government's concern for lives and livelihoods, we believe that support needs to be offered to ECD operators and workers owing to the circumstances they find themselves in due to COVID-19. While various relief schemes have been introduced to get industries and their workers through this challenging period of little to no economic activity, no support has been offered to the large majority of ECD operators. In the wake of the pandemic, all ECD operators were instructed by the Department of Social Development (DSD) to close on the 18th of March in order to prevent the spread and acceleration of infections. Consequently, these ECD operators are in urgent need of income relief. This is because they rely on user fees to operate and caregivers are either unable to pay fees or are refusing to do so. In turn, principals are unable to pay their staff and cover their rental and other costs. The abrupt cessation of income has thus caused severe financial distress to ECD operators and the people they employ. ECD operators themselves and the people they employ are breadwinners in their households, the majority of whom are black women.

The nature of the ECD sector in South Africa is one of a public-private partnership, with the ECD workforce forming the backbone of this sector. They work to create access for young children who need ECD services in order to fulfil foundational development milestones which not only serves to prepare them for successful schooling but also helps them reach their full potential. The ECD workforce thus play a critical role particularly because the majority of young children who require ECD services are from the country's poorest communities. Not only does this workforce face dire financial difficulty as a result of not operating - with a significant number of them being unable to get March and April school fees from caregivers - but even once they resume activities they will continue facing difficulty as they desperately try to recover from this period. If they are not assisted at this point of need, there is a huge threat to their survival now and beyond this pandemic.

Both individuals and businesses that are registered with CIPC, UIF or SARS have support options available to them that have been designed to help them mitigate against the impact of COVID-19. These include income replacement, business rescue, operational funding, payment holidays etc. However, all of these offerings require a level of formalisation and registration with some state organ.

For those who fall outside of the formal sector and who trade informally, the UIF is unable to provide assistance to them when they are retrenched or face reduced incomes. UIF is not currently being extended to the informal sector during the COVID-19 lockdown to those who have not previously registered with the UIF. Informal sector employees will usually be unable to declare their income or pay taxes, which serves to put them outside of the bounds of any official system that could 'claim' them as labour. Therefore, any of the UIF responses do not address the needs of this informal sector, of which a large portion of the ECD workforce fall within.

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We conducted a rapid survey of ECD operators between the 10th and 13th of April to understand the impact of the lockdown on their operations, and we analysed responses from 3 952 ECD operators who employ 24 877 workers and care for 214 277 children. We estimate that this sample represents approximately 10% of the total number of ECD operators in SA and thus while not statistically nationally representative, it nevertheless paints a picture of the context which the sector broadly agrees with. The scale of the response in such a short space of time reflects the urgency of the situation:

- Only 35% of the ECD workforce accounted for in the survey was UIF registered
- 13% of operators CIPC registered
- 45% of operators SARS registered

This demonstrates the extent of informality of ECD operators, and shows that current COVID-19 relief packages will offer scant support for the sector. Initiatives linked to UIF benefits, tax relief, and new lines of credit or enterprise grants all limit the response to formal enterprises and formal workers to the exclusion of the informal economy and its workforce.

Apart from COVID-19 specific relief interventions, registered ECD operators can access a government subsidy administered by the Department of Social Development (DSD). The DSD should be commended for making the decision to continue to pay the early learning per child per day subsidy during the lockdown for the estimated 700 000 children who benefit from this. However, the data shows that unregistered ECD operators far outnumber those who are registered and receive a subsidy. And it is these unregistered operators, who number in the tens of thousands and provide services to over 1.5 million children, who are the most vulnerable.

In order for an ECD operator to register and be eligible for DSD's subsidy, the operator needs to meet government's norms and standards. Unfortunately, it is very challenging for ECD operators to become registered and are therefore not able to access funding owing to the context in which they operate and the available budget for ECD subsidies within government. While government may view unregistered ECD operators as non-compliant, it is common cause that they play a crucial role in caring for SA's children and allowing caregivers to either work or seek work, and are thus as important as any other part of the economy that government is aiming to protect from the damages brought on by COVID-19.

It is estimated that unregistered ECD operators outnumber those who are registered and receive a subsidy, and therefore these operators cannot simply be dismissed by government as being non-complaint. In short, the question we need to ask ourselves is how government can design a registration system of which the majority are unable to form part and then when a crisis occurs, exclude this majority.

ECD operators who are subsidised by the DSD are also affected by the pandemic. The value of the subsidy does not cover the full cost of operating and they are reliant on caregiver income to sustain their ECD programme. This segment of ECD operators will also need support to sustain their ECD programme.

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Furthermore, when the lockdown is lifted, support will be required to cushion the period between ECD operators re-opening and the recovery of caregivers' ability to pay fees. The type of support required will likely need to be in grant form as most ECD operators are not in any position to take on debt through a loan as most formal businesses do. This is especially the case for the majority of unregistered operators who are not part of the financial system and barely receive sufficient income to cover their costs.

As suggested by 79 leading economists and other academics in an open letter to the President, government should protect workers by extending "unemployment benefits to casual and informal-economy workers, including the provision of temporary unemployment pay-outs for lost income during periods of lockdown". [1]

While those already receiving social grants will continue to do so – with proposals to increase the CSG, which should be supported – those in the informal economy face a massive shock to their incomes in a context in which many of the poorest households rely on this income. Without serious mitigation efforts, many will fall even further into poverty and some will not be able to recover.

[1] PUBLISHED IN ON GROUNDUP ON 30 MARCH 2020.
[HTTPS://WWW.GROUNDUP.ORG.ZA/ARTICLE/70-ECONOMISTS-SAY-GOVERNMENT-CAN-DO-MORE-MITIGATE-ECONOMIC-HARM-COVID-19/](https://www.groundup.org.za/article/70-economists-say-government-can-do-more-mitigate-economic-harm-covid-19/)

SECTION 2: WHY ECD OPERATORS SHOULD BE ACCOMMODATED IN RELIEF INTERVENTIONS

2.1 The ECD workforce

ECD programmes are largely provided by NPOs and subsistence entrepreneurs or micro-social enterprises – most of whom are black women. The provision of services has largely been driven by demand, with services emerging in response to community needs. Those that serve the poorest communities are often small and informal, operating out of private homes or rented venues and consisting of only a few staff members earning subsistence stipends, typically without formal employment contracts or benefits. Of the 3 952 ECD operators we surveyed, they each employ an average of 6 people, which includes practitioners, assistants, administrators, cooks and gardeners. ECD programmes remain a critical community-driven service that allow caregivers to work, and employ thousands of people (mostly women) in their communities. ECD operators are therefore an important component of our social fabric and networks of care and reciprocity on which both the formal and informal economy are built. There is no other community-supported initiative as important and that exists at the same scale as the ECD sector.

The ECD workforce is largely female and Black African, which holds across all job titles including principals, practitioners and other staff. Due to insecure funding flows, the ECD workforce faces insecure wages and employment conditions. The majority of ECD workers earn below the minimum wage for the sector. Staff are often not registered for UIF, and do not enjoy other employment benefits such as medical aid or pension contributions. These features, coupled with their low levels of formal education, mean the ECD workforce is extremely vulnerable.

The ECD workforce is consistently undervalued by society, especially as it relates to the youngest children. Of the 3 952 ECD operators we surveyed, they cater for an average of 54 children each. Caring for young children is often seen as the commodification of what women do unpaid, or as part of the welfare system, rather than a component of and precursor to the education system. Certainly in South Africa, the childcare sector is associated with low status and low pay and relies heavily on a group who could be considered one of the most marginalised in our economy.

ECD workforce:

ECD practitioners as well as cooks and gardeners employed at ECD operators

Survey results

- 6 workers per ECD operator
- 54 children per ECD operator

The ECD workforce is largely female and Black African

2.2 ECD operators' sustainability

ECD operators are supported by a massive network of social capital across communities and rely heavily on caregiver fees. Income from fees, especially in the poorest communities, can be inconsistent, owing to fluctuations in caregivers' ability to pay, and in seasonal changes in demand and attendance. Therefore, the income of ECD operators is very sensitive to broader economic impacts that affect household income.

Currently just over 2.7 million [2] children access an ECD programme of which less than 700 000 [3] currently benefit from government ECD subsidies, which provide minimal support at R15 per child per day, paid to the ECD operator. Often, the subsidy is paid to operators on the basis of attendance, and is therefore also subject to unpredictable fluctuations outside of operators' control. The use of the subsidy is prescribed, with only 30% of the per child amount being allocated to salaries. The subsidy alone therefore does not enable operators to pay staff minimum wage. Assuming a programme of 54 children who qualify for the subsidy and attend for the full 21 days of the month, and compliance with the required staff:child ratio, the subsidy would provide R850 per staff member to cover six salaries. This is well below the minimum wage for all sectors and less than the minimum wage specified for learnerships. Therefore, even those ECD operators who receive a government subsidy are reliant on fees.

The National DSD has indicated that it intends for subsidy payments to continue flowing to funded registered ECD operators in spite of closures. This does not include registered operators who are not subsidised, nor those that are unregistered. It remains to be seen how provincial departments are able to deliver on this promise. It is unclear how those ECD operators whose funding agreements with DSD expire at the end of March (to coincide with the government financial year end) will be renewed and if not, they may find themselves without any subsidies. We are aware that Gauteng has a clear and practical plan on how to ensure the continuity of subsidy payment through, for example, allowing submission of electronic declarations to enable release of subsidy payments. We encourage other provinces to follow suit. ECD programmes are funded based on children attending an ECD programme. DSD will need to deviate from its payment process and fund the operating costs of ECD programmes in the absence of child attendance as per the guidance of National DSD.

Considering the urgent need to create access to quality ECD services for the poorest children who do not have access, registration issues within ECD cannot simply be viewed in punitive terms, especially if funding is dependant on registration. It is critical for DSD to fast track initiatives at its disposal to increase the number of registered ECD operators so they are able to access financial support. For example, and at a minimum, all applications within the system should be fast tracked.

Only 28% of the 3 952 programmes surveyed received a DSD subsidy. Those that do not receive DSD support (72% from the survey) are reliant on caregivers' fees for survival. Only 6% of surveyed operators indicated that they receive any financial or in-kind support from external funders. A third (34%) of operators surveyed charged less than R250 per child per month, 38% charged between R250 and R500, 15% charged between R500-R1 000 and 12% charged more than R1 000.

[2] From General Household Survey 2018. Access for children in quintiles 1 – 3 is 2.1 million

[3] Source: DPME Plan of Action Report, citing DSD CD: ECD and Partial Care: Provincial Quarterly Reports (April – September 2018). Available: https://www.poa.gov.za/socialprotection/Pages/Progress-Reports.aspx?Paged=TRUE&p_ID=45162&p_Sub_x002d_outcome_x0020_No=&View=%7bC29FE193%2d1A50%2d4B21%2d9CA7%2d9738B3CC1F73%7d&FolderCTID=0x012001&PageFirstRow=26

The majority of operators will not be collecting fees over this time, as caregivers are unwilling to pay for services which they are not using, especially when they are having to feed and care for their children themselves or pay for alternative childcare. Of the operators surveyed, 99% indicated that some caregivers had stopped paying fees because of the lockdown. 83% reported that they were unable to pay full salaries and 96% reported an inability to pay fixed costs during the period of closure, including rental costs and rates.

SECTION 3: IMPACT ON ECD OPERATORS' SUSTAINABILITY, CAREGIVERS AND CHILDREN

3.1 Impact on ECD operators' sustainability after the lockdown

It is widely predicted that the virus will trigger a global recession, due to collapsing demand and the supply shocks this crisis will cause. A contraction in South Africa's GDP brought on by COVID-19 will have devastating impacts on jobs and livelihoods. In particular, it is estimated that workers in the informal sector will experience a 75% reduction in income. The analysis of the ECD sector and the ECD workforce places them within the informal economy and effects on the informal economy will be felt by ECD operators and the workforce they employ.

The economic impact of national efforts to curb the spread of COVID-19 will be catastrophic for the 3 million informal workers and their households. Research has shown that income from informal work flows largely to poor households. Those households will therefore experience a significant income shock in the context of the COVID-19 crisis. Informal employment is estimated to constitute 20% of total employment in South Africa (Stats, 2019).

Put differently, the likely impact on the livelihoods of informal workers in the weeks ahead could be compared with the loss of a quarter of all formal jobs in the economy. Clearly, a large percentage of South African households, supported by 3 million informal workers, require urgent and substantial support to keep themselves above the poverty line and to avoid a significant economic catastrophe. These are jobs the economy can ill afford to lose.

The longer-term impacts of the lockdown on ECD operators' sustainability are a major concern. Many caregivers who sent their children to ECD programmes before the lockdown will be income constrained after the lockdown is lifted, and others may have lost their income sources altogether. This means that caregivers may not immediately be able to send their children back to ECD programmes, or be able to pay fees. As a result, ECD operators' income will likely be reduced for some months after the lockdown is lifted. 93% of operators surveyed are unsure if fee payment will resume after lockdown. This will impact their ability to pay both fixed and variable costs (e.g. for meals and learning materials for children), and without support, may see operators closing. 68% reported that they are unsure if they can sustain their operations or may have to close their ECD programmes. In terms of numbers, this 68% amounts to 15 000 ECD workers.

To demonstrate the potential impact of a reduction in attendance on operators' ability to cover their operating costs, we ran several scenarios (included in the appendices) using the averages from the survey mentioned above. It is important to bear in mind that these scenarios use average figures and therefore do not reflect the true reality of many poorer providers. For instance, in our survey we had respondents who charged as little as R20.

Survey results

- 93% of operators are unsure if fee payment will resume after lockdown
- 72% of operators reliant on fee income alone
- 68% of operators are worried they might not reopen

For the purpose of this analysis we begin by assuming, as others have, that the after-effects of the lockdown will see a 75% reduction in income in the informal sector. For ECD operators, this means they can expect a 75% reduction in fee income.

Using the average of 50 children attending a programme and number of staff employed (6), we estimate the potential impact of a 75% reduction in fee income on operators' ability to cover their operating costs. Average fixed and variable unit costs were derived from research in ECD centres providing quality services, conducted in 2016 by Ilifa Labantwana and have been adjusted for inflation.

Scenario for an unsubsidised ECD programme

An ECD operator provides for 50 children, each paying R450 per month (above the median fee of R350 identified through the survey), and employs 6 staff members at an average of R2 000 per month (based on the average salaries in the 2014 DSD Audit of ECD centres, inflated to 2020 prices).

A 50% reduction in attendance will result in loss of over R6 000 per month. We believe that this is a conservative estimate of the expected reduction in attendance given that the anticipated income shock is 75%. Furthermore, if attendance returns to pre-lockdown levels, but fee-paying is constrained, the size of the loss incurred by the centre would be even more significant at R10 500 per month.

Scenario for a subsidised ECD programme

Survey responses indicated that the average fee charged by ECD operators that receive the ECD subsidy is R250, which is lower than in those who do not receive a subsidy. We assume that centres receiving a subsidy are able to pay an average salary of R3 000 per month.

Facing the same 50% reduction in attendance, but still receiving a subsidy for all 50 children, this centre would not incur a loss. This indicates that, if payment of ECD subsidies continues during and after the lockdown, it will provide some protection to programmes from the anticipated economic downturn. However, without the subsidy payment, the same programmes will likely incur an even greater loss than those that do not receive a subsidy normally (R15 000-R18 600), as their parent fees are generally slightly lower. This shows the importance of the continuation of subsidy payments as a protection against the risk of programme closure.

Two scenarios:

- Scenario for an unsubsidised ECD programme
- Scenario for a subsidised ECD programme

Drawing on the analysis of the survey data and broader information on effects of COVID-19 on the economy, it was possible to estimate the reach of the effects of the pandemic on both the ECD workforce and ECD operators. Analysis of the 2018 General Household Survey indicates that there are over 2.1 million children in poorer households (based on income quintiles 1-3) that are currently attending an ECD programme. Using the average of 50 children per operator, and assuming (based on the survey responses) that 68% of these operators will face the possibility of closure due to the pandemic, we expect that approximately 30 000 ECD operators will require relief to avert the risk of closure. Based on an average of 6 workers per operator, 175 000 workers' jobs would therefore be at risk.

The expected number of ECD operators and jobs at risk reduces if subsidy payments continue to flow to programmes that are currently funded by the DSD. This is demonstrated by the scenarios above, which show that the DSD subsidy provides some relief to ECD operators, even if fee payments decline. To estimate these reduced numbers, we subtract 700 000 subsidised children from those 2.1 million in quintiles 1-3 that are attending an ECD programme to get just under 1.5 million children who are not subsidised. Using the same averages of 50 children and 6 staff per operator, this translates into approximately 20 000 operators and 118 000 ECD workers that will be at risk.

3.2 Impact on caregivers and children after the lockdown

Where ECD operators are not able to survive the economic stresses of the lockdown, caregivers who previously made use of those services will be without a place to send their children when they return to work or seek work. This effect will be most felt by women, who are most commonly burdened with the responsibilities of childcare. If 30 000 ECD programmes stop operating, it would mean that nearly 1.5 million children would not have a place of care and early education to go back to after lockdown. This means that around the same number of caregivers (mostly women) will need to find other providers to care for their children to enable their participation in income earning or job seeking activities. On average from our survey, a single ECD programme allows 54 caregivers to participate in the labour market. Even if it was just 20% of the total number of ECD operators that struggled to continue their operations, that means 300 000 caregivers will struggle to find work. The negative effect on women's ability to participate in the economy is staggering.

Importantly, if children are unable to return to ECD programmes after the lockdown (whether because of an inability to pay fees, or because the ECD operator was unable to survive), children miss out on early learning and stimulation and nutritious meals. This, during the very short window of opportunity that is so critical for determining not only their readiness for school, but also their ability to thrive later in life. This is time that is very difficult and costly to "make up" at a later stage. The unavailability of ECD programmes also has major implications for children from a child protection perspective, as it means that many children will not have a safe space to be cared for during the day while their caregivers are working or seeking work.

ECD practitioners expressed concern for children during the lockdown in their responses to the Nelson Mandela Foundation's March 2020 survey:

- "Many caregivers find it hard to keep the little ones occupied. Some of them have little or no space to let the kids run around or they have little or no resources at home" (ECD Practitioner, Eersterust)
- "All services has stopped because of this pandemic and our young ECD children are staying indoors with their parents who have no experience of developing children holistically which will lead us to poor child development" (ECD Practitioner, Tshwane)
- "We don't have online facilities that we can provide parents with lessons at home... I am concerned with the children nutrition and safety at home. Children will be place infront of the TV screen for the next 21 days with no development and outdoor play big concern" (ECD practitioner, Silverton)

SECTION 4: OUR PROPOSAL TO SUPPORT THE ECD SECTOR AS A KEY SEGMENT OF THE INFORMAL ECONOMY

Based on our analysis and that of others, the informal economy and informal workers are largely excluded from any COVID-19 relief interventions. The informal sector currently employs 3 million workers. The ECD workforce falls within the informal economy and is a key lever that allows for women to participate in both the formal and informal economy. If the ECD sector collapses, 20 000 (unsubsidised) - 30 000 ECD operators and the 118 000 - 175 000 mostly women they employ lose their jobs immediately, placing the caregivers of 1 million - 1.5 million children in their care in a very precarious situation in that they no longer have anywhere to leave their children so they can go out and participate in income earning activities.

It is therefore critical that a response be crafted that provides relief to the ECD sector. Two options are proposed:

1. Support to the ECD workforce to offset their loss in income
2. Support to ECD operators due to loss of income from reduced fee payment

Option 1: Support to the ECD workforce to offset their loss in income

Purpose: To supplement the loss of income for all those whose salary/stipend has stopped due to COVID-19. This could flow as income support to the ECD workers that will in turn support the household. This would serve as a temporary relief from loss of salary. This should not require any UIF registration as this would exclude the majority of workers. The income replacement is recommended at R1 000 per month per worker. This is the average monthly income of those employed in the informal economy.

Target: 118 000 ECD workers - 175 000 ECD workers

Cost: Valued at R1 000 per ECD worker targeted at 175 000 ECD workers for a 6 month period. This amounts to R175 million per month and R1.05 billion over the 6 month period. This is reduced to R708 million if ECD workers from subsidised ECD programmes are excluded.

Likely impact: 118 000 - 175 000 ECD workers will receive some income relief from job losses resulting from COVID-19. This income relief will supplement household income and subsistence living.

Option 2: Support to ECD operators due to loss of income from reduced fee payment

Purpose: To supplement the loss of income for ECD operators who are unable to sustain their operations due to the cessation of fee payments by caregivers. This could flow as operational income supplementation to the operator of the ECD programme for the purpose of ensuring the sustainability of the ECD programme in the absence of fee income. This should not require any UIF/CIPC/SARS registration in order to be eligible as this would exclude the majority of operators. The relief package is recommended at R6 000 per month per ECD operator. This is the cost of sustaining fixed costs such as salaries, rent, rates and taxes for an average sized ECD operator that accommodates 50 children and 6 staff members, in a scenario where only 50% of children return to the programme after lockdown. This should be in the form of grants and not loans.

Two options are proposed:

1. Support to the ECD workforce to offset their loss in income
2. Support to ECD operators due to loss of income from reduced fee payment

Target: 30 000 ECD operators or 20 000 if excluding those that receive government subsidy

Duration of support: Based on other COVID-19 relief proposals put forward, the support is proposed for a period of 6 months. This could begin with an initial 3-month period, and be tapered thereafter.

Cost: Valued at R6 000 per ECD operator targeted at 30 000 ECD operators for a 6-month period. This amounts to R180 million per month and R1.08 billion over 6 month period. This is reduced to R708 million if subsidised ECD programmes are excluded.

Likely Impact: 20 000 - 30 000 ECD operators will continue operating

- 118 000 - 175 00 ECD worker jobs will be sustained
- 1 million - 1.5 million children will have an ECD programme to attend
- 1 million - 1.5 million caregivers, primarily poor women will have childcare available to them to enable them to participate in the labour market.

4.1 Comparison of the costs and benefits of Option 1 and Option 2

At a relatively marginal cost differential, supporting the sustainability of the ECD operators (Option 1) has larger economic and societal benefits than only providing support to the ECD worker (Option 2) in the form of a salary/stipend supplementation. Ensuring that ECD operators continue to operate has benefits not only for the staff and their households, but also for the children who access those programmes and their caregivers who are able to participate in the labour market.

4.2 Proposed eligibility to benefit from relief

• Eligibility criteria should be kept simple

ECD operator must be in existence for a 12 month period

ECD operator and ECD worker must demonstrate loss of income/ loss of job

• Possible eligibility criteria and sources of evidence

ECD operator for at least a 12 month period

Evidence as ECD operator – this can take the form of:

- NPO registration
- VA constitution
- Partnership agreement with ECD affiliation NGO
- Affidavit, attaching a letter from ECD forum/network/alliance/community member including confirmation of duration of existence

ID copy of ECD operator and all ECD workers

• Demonstrable loss in income

- Bank statements for a 3 month period to assess reduced income levels
- Affidavit in lieu of bank statement with attached internal income and expenditure statements
- Programme attendance over past 3 months

Can we afford to not help our ECD workforce and operators?

4.3 The ECD sector's ability to identify, select and vet ECD operators to receive support

It is understandable that government has a concern over the identification, vetting and selection of ECD operators, especially those operating without any linkages to a government system. However, government has to also acknowledge that its often the most vulnerable that do not feature in their systems. In the ECD sector specifically, many more ECD operators would be able to fall within the government system if the compliance requirements were better suited to their operating environments.

Regardless of whether ECD operators are within a government system or not, the ECD sector has numerous networks that house different groupings within the sector for the purposes of affiliation, collaboration and networking. Through these networks, the identification, vetting and selection of eligible ECD operators to receive relief can be achieved.

Legitimate structures exist (such as National ECD Alliance, BRIDGE, SA ECD Congress, SmartStart, The Unlimited Child, Ntataise, to name a few) that have touchpoints with thousands of ECD operators and their employees. These structures have the ability to further vet their affiliate organisations to support the process. The affiliates are vested in the sustainability of the ECD sector and are trusted stakeholders to fulfil this role.

Given the community-based nature of ECD operators, existing community structures that oversee these ECD operators should play a role in the vetting of applications. Networks such as ECD Forums that are community-based and include thousands of ECD operators have working relationships with the ECD operators within their communities. These are useful community-based platforms to use for identification of ECD operators for relief.

The ECD donor community has experience with vetting and selection of ECD operators for funding purposes. Experience can be drawn from the processes that they use to fund and manage small grants. They can be approached as a strategic partner to take on this function using their existing vetting processes.

Micro finance institutions, such as the Women's Development Bank and mainstream banks can also be co-opted to fulfil a vetting functions

Government can check UIF, SARS, and CIPC databases to ensure that applicants do not feature in these government systems. ECD operators and workers can be excluded on this basis as they are eligible for other forms of state relief.

Identifying, selecting and vetting of ECD operators is possible

4.4 Other strategies available to the state (used in conjunction with options outlined)

- Ensure ECD operators that received DSD subsidies in the 2019/20 financial year automatically receive funding during this period to reduce their risk of closure
- Fund all registered ECD operators that are currently not funded through the DSD subsidy, that service poor communities
- Support and fast track the registration of unregistered ECD operators to enable them to also access DSD subsidies
- Institute a disaster response to the mass closure of NPO's (recognising ECD programmes as a category) and provide "relief" funding regardless of registration status. The purpose and intent is different to the per child per day subsidy.



Appendix: Modelling the impact on ECD programmes' sustainability

For the purpose of this analysis we begin by assuming, as others have, that the after-effects of the lockdown will see a 75% reduction in income in the informal sector. For ECD operators, this means they can expect a 75% reduction in fee income.

Using the averages from the survey for number of children attending a programme (50) and number of staff employed (6), we estimate the potential impact of a 75% reduction in fee payments on programmes' ability to cover their operating costs. Average fixed and variable unit costs were derived from research in 20 ECD centres providing quality services, conducted in 2016 by Ilifa Labantwana and have been adjusted for inflation.

Scenario 1: A 75% reduction in fee income

For an ECD centre providing for 50 children, each paying R450 per month (above the median fee of R350), and employing 6 staff members at an average of R2 000^[1] per month (below minimum wage of R3 500), a 75% reduction in attendance after lockdown will result in loss of R9 200 per month.

In another version of this scenario, if all 50 children return to the programme, but only 25% are able to pay fees, the monthly loss would be R15 800. This is because variable costs will be incurred for all 50 children who are attending but only 13 of them able to pay fees.

		Before lockdown	Reduced attendance	Reduced fees
Number of children		50	13	50
Cost items	Units	Monthly Cost	Monthly Cost	Monthly Cost
Staff	6	R 12 000,00	R 12 000,00	R 12 000,00
Salaries		R 12 000,00	R 12 000,00	R 12 000,00
Rent, maintenance and municipal services		R 870,79	R 870,79	R 870,79
Fixed costs		R 870,79	R 870,79	R 870,79
Educational consumables		R 308,99	R 77,25	R 308,99
Hygiene-related costs		R 308,99	R 77,25	R 308,99
Food		R 7 416	R 1 853,94	R 7 415,76
Food preparation (gas or paraffin) costs		R 833,23	R 208,31	R 833,23
Variable costs		R 8 866,97	R 2 216,74	R 8 866,97
Total Cost		R 21 737,76	R 15 087,53	R 21 737,76
Fees	R450	R 22 500,00	R 5 850,00	R 5 850,00
Balance		762,24	- 9 237,53	- 15 887,76

[4] BASED ON THE AVERAGE SALARY ACROSS ALL CATEGORIES OF WORKER IN THE 2014 DSD AUDIT OF ECD CENTRES

Scenario 2: A 50% reduction in fee income

If the same centre experienced a 50% reduction in attendance, the loss would be R6 000 per month. A 50% reduction in fee payment with stable attendance would result in a loss of R10 500 per month.

		Before lockdown	Reduced attendance	Reduced fees
Number of children		50	25	50
Cost items	Units	Monthly Cost	Monthly Cost	Monthly Cost
Staff	6	R 12 000,00	R 12 000,00	R 12 000,00
Salaries		R 12 000,00	R 12 000,00	R 12 000,00
Rent, maintenance and municipal services		R 870,79	R 870,79	R 870,79
Fixed costs		R 870,79	R 870,79	R 870,79
Educational consumables		R 308,99	R 154,50	R 308,99
Hygiene-related costs		R 308,99	R 154,50	R 308,99
Food		R 7 416	R 3 707,88	R 7 415,76
Food preparation (gas or paraffin) costs		R 833,23	R 416,62	R 833,23
Variable costs		R 8 866,97	R 4 433,49	R 8 866,97
Total Cost		R 21 737,76	R 17 304,28	R 21 737,76
Fees	R450	R 22 500,00	R 11 250,00	R 11 250,00
Balance		762,24	- 6 054,28	- 10 487,76

Scenario 3: A centre receiving a subsidy

Survey responses indicated that the average fee charged by centres that receive the ECD subsidy is R250. We assume that centres receiving a subsidy are able to pay a higher average salary at R3 000 per month.

The analysis shows that this centre, if it received the subsidy for all 50 children after lockdown despite a 75% reduction in attendance, it would not incur a loss. If it experienced 75% reduction in fee income, but subsidies remained stable, it would incur a loss of R2 100. This indicates that, if payment of ECD subsidies continues during and after the lockdown, it will provide some protection to programmes from the anticipated economic downturn.

			Reduced attendance	Reduced fees
Number of children		50	13	50
Cost items	Units	Monthly Cost	Monthly Cost	Monthly Cost
Staff	6	R 18 000,00	R 12 000,00	R 12 000,00
Salaries		R 18 000,00	R 12 000,00	R 12 000,00
Rent, maintenance and municipal services		R 870,79	R 870,79	R 870,79
Fixed costs		R 870,79	R 870,79	R 870,79
Educational consumables		R 308,99	R185,39	R308,99
Hygiene-related costs		R 308,99	R185,39	R308,99
Food		R 7 416	R4 449,46	R7 415,76
Food preparation (gas or paraffin) costs		R 833,23	R499,94	R833,23
Variable costs		R 8 866,97	R 5 320,18	R 8 866,97
Total Cost		R 27 737,76	R 18 190,97	R 21 737,76
Subsidy	330	R 16 500,00	R 16 500,00	R 16 500,00
Fees	R250	R 12 500,00	R 3 125,00	R 3 125,00
Balance		1 262,24	1 434,03	- 2 112,76

However, if subsidies are linked to attendance after lockdown, or without the subsidy payment, the same programmes will likely incur an even greater loss than those that do not receive a subsidy normally, as their parent fees are generally slightly lower. This loss would be in the range of R10 000 to R19 000 in this scenario.

			Reduced attendance
Number of children		50	13
Cost items	Units	Monthly Cost	Monthly Cost
Staff	6	R 18 000,00	R 12 000,00
Salaries		R 18 000,00	R 12 000,00
Rent, maintenance and municipal services		R 870,79	R 870,79
Fixed costs		R 870,79	R 870,79
Educational consumables		R 308,99	R185,39
Hygiene-related costs		R 308,99	R185,39
Food		R 7 416	R4 449,46
Food preparation (gas or paraffin) costs		R 833,23	R499,94
Variable costs		R 8 866,97	R 5 320,18
Total Cost		R 27 737,76	R 18 190,97
Subsidy	330	R 16 500,00	R 4 290,00
Fees	R250	R 12 500,00	R 3 125,00
Balance		1 262,24	- 10 775,97

			Reduced attendance	Reduced fees
Number of children		50	13	50
Cost items	Units	Monthly Cost	Monthly Cost	Monthly Cost
Staff	6	R 18 000,00	R 12 000,00	R 12 000,00
Salaries		R 18 000,00	R 12 000,00	R 12 000,00
Rent, maintenance and municipal services		R 870,79	R 870,79	R 870,79
Fixed costs		R 870,79	R 870,79	R 870,79
Educational consumables		R 308,99	R185,39	R308,99
Hygiene-related costs		R 308,99	R185,39	R308,99
Food		R 7 416	R4 449,46	R7 415,76
Food preparation (gas or paraffin) costs		R 833,23	R499,94	R833,23
Variable costs		R 8 866,97	R 5 320,18	R 8 866,97
Total Cost		R 27 737,76	R 18 190,97	R 21 737,76
Subsidy	330	R 16 500,00	R 0,00	R 0,00
Fees	R250	R 12 500,00	R 3 125,00	R 3 125,00
Balance		1 262,24	- 15 065,97	- 18 612,76