

# Spending and Budget Trends in the Early Childhood Care and Education Sector

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## INTRODUCTION

As retirements from an ageing teacher workforce increase, an expansion of Early Childhood Care and Education (ECCE) and an influx of new teachers can rejuvenate the South African school sector. To make this a reality will, however, require that our post-school education and training (PSET) institutions continue to produce well-trained teachers and ECCE practitioners, and that early learning programmes (ELPs) and provinces can employ staff.

However, ELPs are struggling financially due to a declining real government subsidy, and provinces have not absorbed the growing number of qualified teachers in recent years. Moreover, PSETs are seeing cuts in operational spending as funding has shifted to the National Student Financial Aid Scheme (NSFAS).

Ongoing fiscal consolidation threatens to worsen these challenges. The so-called “post-COVID austerity”, has already seen a 7.6% reduction in core government spending and the 2024 budget envisages a further 3.5% cut, resulting in a total cut of more than R3 000 per South African.<sup>1</sup>

These education fiscal briefs aim to provide insights into the current funding landscape and key drivers and pressures facing PSET, Basic Education (BE) and ECCE. In developing a common understanding of the strategic challenges, the notes seek to support the development of approaches that will ensure continued education transformation in a time of fiscal pressure. The work is part of the three-year (2022–2024) **Teacher Demographic Dividend** research project which investigates ongoing teacher demographic changes and supports the development of policy responses.

## ACCESS GAPS AND TARGETS

Using data from the 2022 General Household Survey, about 1.1 million children (31%) aged 3–5 years do not have access to any early learning programme (ELP). Of the 69% of children (2.4 million) in this age group that do attend an ELP, 45% participated at an early childhood development (ECD) centre, creche, or playgroup; and 23% were enrolled in primary school i.e., mostly Grade R.<sup>2</sup> However, if one also considers children aged 0–2, then only 43% (about 3 million) of children aged 0–5 years have access to an ELP from a population of 6.9 million children.<sup>3</sup> The discrepancies in access are large with the inequality gap affecting the poorest the most. For example, the attendance gap for children aged 3–4 years between children in Quintile 1 households (income quintile) compared to children in Quintile 5 households is 26 percentage points.

**Table 1** Access to early learning programmes, 2022

	ENROLLED		NOT ENROLLED		TOTAL
	Number (Million)	Percentage	Number (Million)	Percentage	Number (Million)
0–2 years	0.6	18%	2.8	82%	3.4
3–5 years	2.4	69%	1.1	31%	3.5
0–5 years	3.0	43%	3.9	57%	6.9

Source: Hall et al. (2024), using Stats SA General Household Survey 2022. Note: This reflects access to early childhood care and education services and does not reflect being in the care of a childminder/day mother/ gogo.

South Africa's 2030 Strategy for Early Childhood Development Programmes recognises that ELP attendance is not compulsory, and parents/caregivers may choose not to access these programmes. Based on this, the Strategy sets the targets at 30% of children aged 0–2 years, and 70%, 85% and 95% for 3-, 4- and 5-year-olds respectively. This brings the gap in supply to 1.2 million children aged 0–5 years, implying that the number of new ELP places would need to increase by about 170 000 per year between 2024 and 2030 to meet this target.<sup>4</sup> This proposed expansion of the system has implications for financing, infrastructure and workforce requirements.

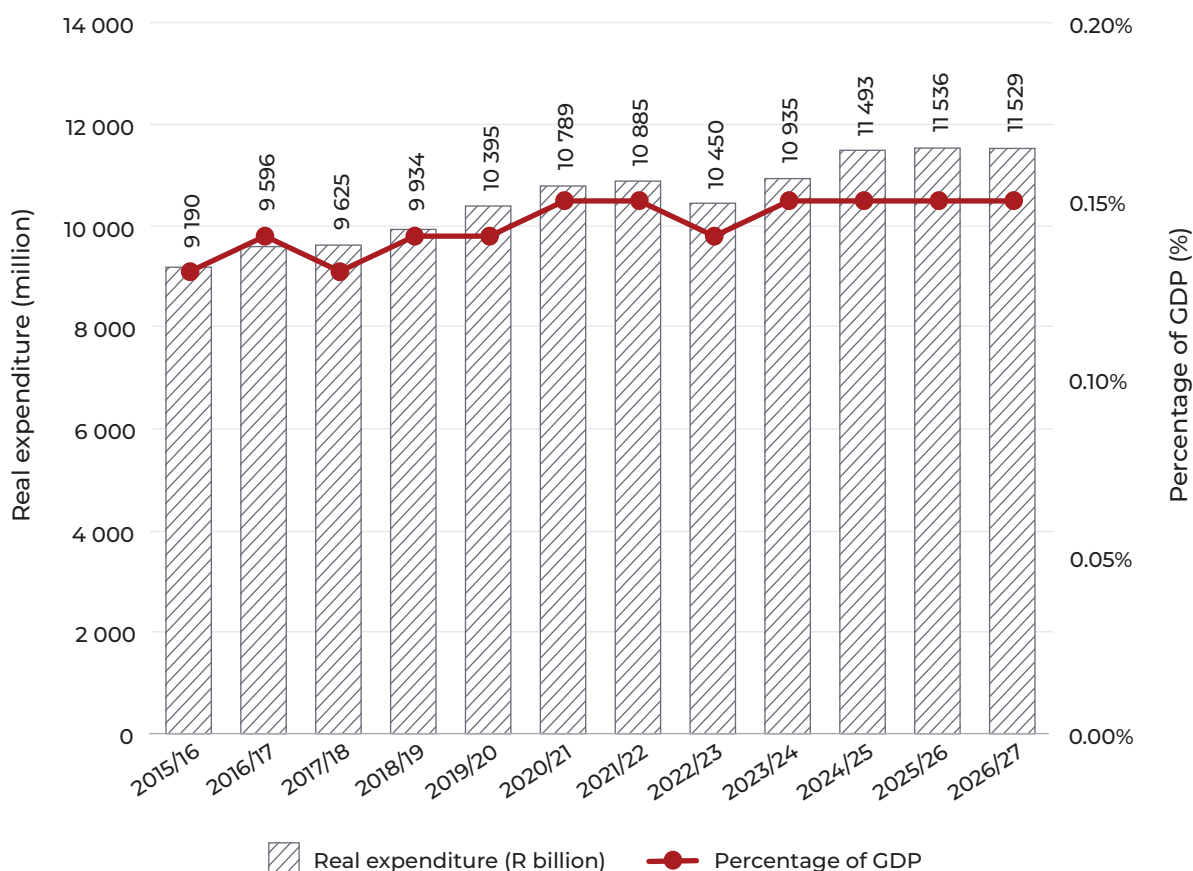
## FUNDING SOURCES

Funding for early learning services largely comes from two key sources i.e., public funding from the government and private funding through household fee contributions. The bulk of funding for early learning comes from parent fees. About 69% of ELPs report that their primary source of income is fees, followed by government subsidies (27%) and the remaining funds come from donations, fundraising and other income.<sup>5</sup>

Public funding for early learning services comes from two major sources i.e., the Provincial Equitable Share where provinces have substantial autonomy in allocating funds from their equitable share of national revenue across different departments; and conditional grants, particularly, the early childhood development (ECD) Conditional Grant (introduced in 2017/18), supporting early learning services through earmarked funding which have conditions attached to it.

## GOVERNMENT SPENDING, COMPOSITION AND ADEQUACY

In 2023/24, the government spent an estimated R10.9 billion on early learning (Grade R and pre-Grade R)<sup>6</sup>. This is 0.5% of total government expenditure and 0.15% of GDP. Between 2015/2016 and 2023/24, real spending on ECCE (including Grade R) increased by 20% (or 2.1% per year on average). It is projected to increase by another 5% over the MTEF. However, enrolments in both Grade R and pre-Grade R increased, stretching the available funding further. Per learner expenditure is difficult to calculate because of the absence of administrative data on pre-Grade R enrolments.



**Figure 1** Real ECCE expenditure and percentage of GDP, 2015/16–2026/27

Source: National Treasury, Estimates of Provincial Revenue and Expenditure (2024). Own calculations. Notes: (i) 2024/25 used as the base year to calculate real expenditure.

HOW SUBSIDISED PROGRAMMES MUST SPEND THE SUBSIDY



**40%**

ON NUTRITION



**40%**

ON PRACTITIONER SALARIES



**20%**

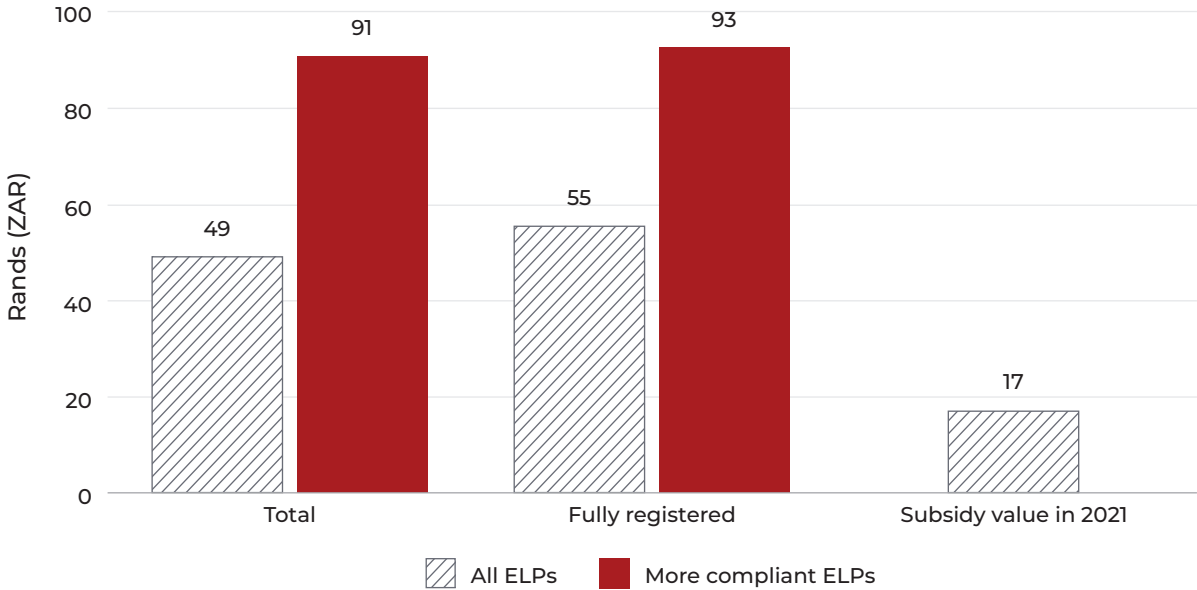
ON EQUIPMENT

**The government spends more on older children in Grade R than younger children in pre-school.** In 2021/22, it was estimated that close to 60% is spent on children in Grade R compared to 40% on children in pre-school (the majority of which is spent on the ECD subsidy)<sup>7</sup>. This is the case even though pre-school accounts for about twice the number of children in Grade R. The difference in expenditure is driven by the low value of the ECD subsidy, estimated to be R4 488 per learner in 2021/22 compared to R 7 307 per learner on Grade R in public primary schools. This expenditure difference is driven by the high costs of Grade R teachers compared to ECD practitioners, where the average annual cost of an ECD practitioner is estimated to be R31 000 compared to R165 000 for a Grade R teacher in public primary schools.<sup>8</sup>

**The subsidy amount has been eroded by inflation and is inadequate to cover the costs of quality provisioning which are passed on to parents/caregivers in the form of fees.** The daily ECD subsidy value is R17 per child for fully or conditionally registered ELPs where parents/caregivers meet the requirements of an income-means test, and according to prescriptions, 40% is to be spent on nutrition, 40% on practitioner salaries and 20% on equipment.<sup>9</sup> The subsidy value has remained unchanged for 6 years in a row. The real value of the subsidy has been eroded by inflation each year to only R13 in 2024.<sup>10</sup> The periodic increase in the subsidy value (last increased in 2019 from R15 to R17) does not make up for the inflation-related erosion in the subsidy which occurs each year that the subsidy value is not increased. Further, only 40% of the 42 420 ELPs identified in the 2021 ECD Census are fully or conditionally registered and only 32.5% receive the ECD subsidy.<sup>11</sup>

In addition, the subsidy is insufficient to cover the costs of provisioning in ELPs that are compliant with norms and standards. A satisfactory level of compliance is defined by identifying the average proportion of norms and standards for partial care facilities and early childhood development programmes as per the Children's Act (Act 38 of 2005) that fully registered ELPs must comply with. On average, fully registered ELPs are more likely to comply with just over four-fifths (17 of 20) of identified norms and standards as they relate to structural quality.<sup>12</sup> The estimated direct or operational cost of provisioning in all ELPs regardless of compliance is around R49 per child per day and R55 for fully registered ELPs. For more compliant ELPs, these cost estimates are increased to approximately R91 and R93 per child per day respectively (Figure 2).<sup>13</sup>

Thus, the costs of provisioning for both subsidised and unsubsidised ELPs are largely carried by families in the form of user fees. Approximately 94% of ELPs charge fees. Fees charged by subsidised programmes on average (R208 per child per month) are less than the average fees charged by unsubsidised ELPs (R649 per child per month). However, about 62% of ELPs allow some children to attend the programme without paying fees.<sup>14</sup> In 2021/22, it was estimated that R14 billion was spent by households on ELP fees compared to R9.5 billion by the government on early learning. Further, of the R14 billion spent by households, approximately R3.7 billion was spent by the poorest 60% of households.<sup>15</sup> These fee payments are a barrier for poor households, resulting in the most vulnerable children not being able to access services that meet an acceptable level of quality.



**Figure 2** Median per-child per-day 'operational' costs of all ELPs and more compliant ELPs by registration status (Total and fully registered). Subsidy value in 2021 prices also shown.

Source: Kika-Mistry and Wills (2024), using Thrive by Five Index and Baseline Assessment 2021, own calculations. Notes: (i) Wealthier ELPs charging more than R700 per child per month excluded; (ii) sample sizes of compliant conditionally registered and unregistered ELPs are very small, and results are not shown; (iii) Costs are capped at the 99th percentile; (iv) More compliant ELPs defined as those meeting just over four-fifths or norms and standards related to structural quality.

## SUMMARY

In South Africa, there is a need to simultaneously increase access to early childhood care and education opportunities while addressing low levels of quality in existing ELPs; but, over the last decade, continuous austerity measures have significantly reduced spending on public services, particularly, education, healthcare and social services.<sup>16</sup> While ECCE spending has grown somewhat over the last decade, this has been from a low base and growth fell short of what is required. The ECCE sector needs to expand by 170 000 places per year in ELPs to cover a 1.2 million gap by 2030. In addition, there is a need to increase the value of the subsidy to improve the quality of services provided and reduce inequality by ensuring that children from poor and vulnerable backgrounds can access these services.

While the Department of Basic Education (DBE), supported by an innovative voluntary sector, is making good progress on building the foundations for expansion, increased fiscal effort will be required. This is also imperative to boost the quality of the whole education system and the country's development potential with early learning services being recognised as necessary for building a solid foundation for future academic access, fostering cognitive and social development and yielding significant societal and economic benefits.

## ENDNOTES

- 1 Sachs, M., 'Budget 2024 – Education Sector Spending Trends' (Resep – Fiscal Workshop 1 – Fiscal Trends and Fiscal Capacity – Drivers and Implications for Spending, Stellenbosch, 10 April 2024), 2.
- 2 Hall K, Almeleh C, Giese S, Mphaphuli E, Slemming W, Mathys R, Droomer L, Proudlock P, Kotze J, and Sadan M. South African Early Childhood Review 2024. Cape Town: Children's Institute University of Cape Town and Ilifa Labantwana
- 3 Hall K, Almeleh C, Giese S, Mphaphuli E, Slemming W, Mathys R, Droomer L, Proudlock P, Kotze J, and Sadan M. South African Early Childhood Review 2024. Cape Town: Children's Institute University of Cape Town and Ilifa Labantwana
- 4 Department of Basic Education of the Republic of South Africa. 2023. South Africa's 2030 Strategy for Early Childhood Development Programmes. Pretoria.
- 5 Department of Basic Education. 2022. *ECD Census 2021: Report*. Pretoria: Department of Basic Education.
- 6 This note takes an early childhood care and education lens and does not focus on other services which are essential for child development, for example, health and social protection.
- 7 There is some uncertainty around the exact split between Grade R and pre-Grade R spending over time subsequent to the function shift and transfer of funds from the Department of Social Development and Department of Basic Education (DBE). This is currently being investigated by the DBE.
- 8 Dulvy EN, Devercelli AE, Van der Berg S, Gustafsson M, Pettersson GG, Kika-Mistry J, Beaton-Day F. South Africa Public Expenditure and Institutional Review for Early Childhood Development (ECD PEIR) Washington DC: World Bank Group. 2023.
- 9 The value of the subsidy increased from R15 per child per day to R17 per child per day in 2019.
- 10 Brooks LE, Kotzé J, Almeleh C, Senona E. Assessing the policy options for the public provisioning of early childhood development programmes. South African Journal on Human Rights. 2022;38(3–4):240–260 (analysis updated by Ilifa Labantwana).
- 11 Department of Basic Education. *ECD Census 2021 Report*. Pretoria: DBE. 2022.
- 12 Based on analysis of the 2021 ECD Census and 2021 Thrive by Five Index and Baseline Assessment.
- 13 Kika-Mistry J, Wills G. Cost, Compliance and User Fees in the Early Childhood Care and Education Sector in South Africa. Ilifa Labantwana & RESEP ECD Working Paper Series No. 007/2024. Cape Town: Ilifa Labantwana & RESEP. 2024.
- 14 Department of Basic Education. *ECD Census 2021 Report*. Pretoria: DBE. 2022.
- 15 Dulvy EN, Devercelli AE, Van der Berg S, Gustafsson M, Pettersson GG, Kika-Mistry J, Beaton-Day F. South Africa Public Expenditure and Institutional Review for Early Childhood Development (ECD PEIR) Washington DC: World Bank Group. 2023.
- 16 Sachs M, Amra R, Madonko T, Willcox O. *Austerity without Consolidation: Fiscal policy and spending in Budget 2023*. SCIS Working Paper No. 60. Johannesburg: Southern Centre for Inequality Studies, University of the Witwatersrand, 2023.



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