

Policy Brief

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FINANCING THE CHILDMINDING SERVICE FOR QUALITY



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Introduction

In this brief the financial implications of the Childminding Service in Seychelles are outlined in order to highlight the associated challenges and identify support mechanism that would encourage childminders to invest in the service to sustain high quality ECCE provisions. Indicators for this brief are the income and expenditure of the childminder and costs for parents. These will be described in the section entitled 'Selected Indicators'. The information used to build these indicators in this study was gathered in a questionnaire from 147 childminders and 847 parents. This brief forms part of the national study on Childminding.

The results presented cover Seychelles as a whole and are further disaggregated by region. Information at district or individual childminder's level is integrated in the text where appropriate.

Background

The high cost of ECCE for the 0-3 is a concern worldwide and in many countries governments have developed a variety of schemes, grants and subsidies to assist in the provision of ECCE (Family & Parenting Institute, 2013). Although in Seychelles there is free education from pre-school, early childhood care and education for the 0-3 are provided by private individuals in Day Care Centres or in childminding establishments. Whilst Day Care Centres (registered) can benefit from some assistance such as tax concession on educational resources and materials (not consumables) and are eligible to obtain grants

from ECCE Trust Fund, childminders who are not registered with any authority do not benefit from any such assistance and since childminding is mostly an informal business, the financial aspect has remained unknown. It is therefore necessary to assess the financial affairs of childminders and the costs of childminding. Data which relate to gross income, major running cost, and expenses relating to tax and other contributions such as pension fund are described for childminders. Similarly, information on income, payment of fees and cost of childminding are examined for parents.

Selected Indicators

Indicators for this brief are considered in three groups: income of childminders, expenses of childminders, and parental cost.

Childminders estimated their gross income per month for the year 2012 and 2013. It is assumed that income for childminders is generated mainly from the fees they charge for the service. However, they also had to indicate how much they receive from other sources and whether they were being assisted by Social Protection Agency.

Expenses consisted of the operating cost of the service for utilities, food, rent, insurance, loan repayment, buying of provisions (such as diapers, milk, juice etc.), and purchase of consumables and educational materials. Salary for assistants and other contributions such as tax and pension although not quantified were also taken into consideration.

Table 1: Income and Expenses of Childminders

Region	Gross Income 2013	Gross Income 2012	Childminders with Other Source of Income	Total Income 2013	Operating Cost 2013	Profit & Loss	Childminders paying other Staff Salary	Childminders making SPF Contribution
	Mean (SCR)	Mean (SCR)	%	Mean (SCR)	Mean (SCR)	Mean (SCR)	%	%
Central 1	5640.00	6000.00	0.7	6318.92	6628.17	-309.25	53.8	11.5
Central 2	5115.38	5076.92	57.7	6668.46	5480.8	1187.65	30.8	34.6
East/South	4714.28	4714.29	48.6	6341.42	6147.6	193.82	26.6	14.3
Islands	5791.88	5680.00	38.5	6786.88	7221.42	-434.54	26.9	30.8
North	5133.33	5266.67	66.7	6860.88	6488.37	372.51	40.0	26.7
West	5000.00	5210.53	57.9	6815.78	5728.37	1087.31	36.6	5.3
National	5211.26	5294.94	57.9	6586.94	6285.19	301.75	35.4	20.4

Table 2: Childminding Cost and Parent Income

Region	Combined Parent Earnings	Single Parent Earnings	Childminding Fees	Percentage of Single Parent Earnings
	Mean (SCR)	Mean (SCR)	Mean (SCR)	%
Central 1	12,416.66	5,545.45	651.28	11.74
Central 2	11,870.96	4,909.09	686.54	13.98
East/South	11,192.30	5,888.88	610.48	10.36
Islands	12,184.61	5,102.56	647.52	12.69
North	12,352.94	6,083.33	642.86	10.56
West	10,812.50	4,869.56	534.21	10.97
National	11,812.50	5,286.54	630.05	11.91

Key Findings

The data on revenue and expenses of childminders were analysed using seven indicators and the results are presented as average mean for income and costs, and percentages of childminders, for supplementary information, in Table 1.

Revenue

The average monthly income of childminders for 2012 and 2013 was SCR 5,200. From further analysis it was found that over 46 percent of childminders was earning less than SCR 4,000 and that was consistent for both years. The slight elevated income in 2013 was due mainly to an increase in the number of childminders earning more than SCR 10,000 (from 2.8% in 2012 to 5.5% in 2013) and they form part of a small group of childminders earning more than SCR 9,000, anyway. However, the general findings would lead one to conclude that childminder earnings were fairly low and that some childminders (about half) had an income below the minimum wage limit.

It is understandable as can be seen in the fourth column of Table 1 that more than half of the childminders (57% at national level) said that they have other means of income. However, in the North region over 66 percent of childminders admitted to generating other income, whereas in Islands region the figure was only around 38 percent. On the other hand, in Central 1 region only 2 (07.7%) childminders had other sources of income. There seems to be some variation amongst regions and this would suggest that perhaps the location of the childminder may be a factor in engaging in other income earning activities. Also it was found that only seven childminders were being assisted by Social Protection Agency.

The general impression associated with these findings is that many childminders do not have a decent income. Whilst a very small minority sought assistance from the state, a substantial majority sought opportunities within their locality to engage in small scale business or part-time service activities to boost their income.

Expenses

In examining the expenses of childminders, it was considered that this would include operating cost mostly. However, salaries (if the childminder employed other members of staff) and other contributions were also noted although not included in the calculation.

Column 6 of Table 1 contains the average monthly cost and it can be seen that the average operating cost is estimated at SCR 6,200 for Seychelles as a whole. Variations between regions were minimal which would seem to indicate that those figures were reflecting actual national costs. However the cost was somewhat higher on islands and lower, compared to the average mean, in Central 1 region.

In addition to the operating cost childminders also incurred other costs such as payment of salaries and contributions for tax and pensions. It was found that about two-thirds of childminders had an assistant: In isolated cases they were the spouses of the childminder and there was no salary attached (this was the case for 6 childminders), in other circumstances the assistants were family members – this applied to 24 percent of childminders and there was a salary, in most cases the assistants were employees earning as low as SCR 1,200 and as high as SCR 5,000. It can be viewed from the column before last of Table 1 that about one-third of childminders pay a salary to their assistants. The data in the last column represent percentages of childminders who make contributions to Seychelles Pension Fund; it is clear that only a small number of childminders (20%) made such contributions. The main point which can be drawn from these findings is that there are many hidden financial costs in the business of childminding and in many cases due to insufficient earnings and perhaps insufficient management capacity the childminder chose to ignore them.

In the third column before last (Table 1) an attempt is made to calculate profit and loss for childminders. Although the operating cost also includes other costs not fully associated with childminding, it is the practice to treat all operating cost as business expenses (Neville S., 2012). Thus when the 'Operating Cost 2013' (column 6) is subtracted from the 'Total Income 2013' (column 5), it is estimated that, on average, in Seychelles, childminders were just breaking even. A marginal profit is evident in Central 2 and West region

with a cost to average income ratio of approximately 4:5. As for Islands and Central 1 regions the average childminder was operating at a loss.

A troubling situation regarding those results was that the average childminder was not drawing a salary and many of them were running at a loss. Moreover, if staff cost for an assistant was included, the financial situation becomes even worse. The policy message prompted by these findings could be that in running a childminding establishment at such lost cost quality is likely to be compromised and that quality cannot be dissociated from financial capacity.

Cost for Parents

The results in Table 2 provide information on the parental earnings and the childminding fees they had to pay. It can be seen in the second column that the average combined salaries of two parents (married or cohabiting) was around SCR12, 000 and that this was fairly consistent amongst region. On the other hand, column 3 contains the figures for the earnings of single parents: In Seychelles as a whole the average single parent was earning just above SCR 5,000 with some variation amongst region, for example, the figures for parents in the West region is somewhat lower than the average mean. In the 4th column the average childminding fees are displayed and there was little variation from the average national mean of just over SCR 600.

A striking feature of Table 2 is associated with the results referring to the earnings of the single parent. They are on the whole less than half of the combined earnings of two-parent households. It can be deduced that whilst on average two parents can afford to pay the fees, for the single parent the childminding fees alone will consume a substantial portion of the monthly earnings. If we were to add all the other costs associated with childminding such as transport, snacks and other provisions which the parent has to supply, it is not surprising that about a quarter of childminders reported that they have difficulties with parents paying the fees.

The situation may become clearer if we study the figures in the last column of Table 2. These represent

childminding costs as a percentage of the single parent net income. At the national level, the cost for childminding for the average single parent was about 12 percent of the net income. For parents in Central 2 and Islands regions this was as high as around 13 percent - as high as the average cost for **child care** in OECD countries (Penn H. and Lloyd E.).

Two observations can be made from the above analysis. First, although two-parent families may be able to afford the fees, the single parent in Seychelles is likely to have difficulties in paying childminding fees. Secondly, childminding fees were so low that childminders were finding it hard financially to operate the service.

Summary of Findings

There are three issues associated with the financing of childminding:

- Childminders were not making a profit out of the business and in many cases they were experiencing a financial loss.
- Many childminders engage in other supplementary income generated activities to increase their earnings.
- Childminding fees may be affordable for couple families but quite a financial concern for the single parent.

Recommendations

1. Develop strategies to provide support to childminders in the form of grants, subsidies, and low interest loans.
2. Review the Social Protection Agency (SPA) assessment system to include weighting for ECCE.
3. Introduce a cash transfer system for parents using the childminding service.
4. Train childminders to prepare a business plan.

Conclusion

In this brief the financial circumstances of the childminding service have been explored from the point of view of the service provider and the parent. Indicators relating to income, expenses and childminding costs have been utilised. The general financial picture seems rather bleak. Childminders were operating within the breakeven margin and many of them were making a financial loss. Furthermore, it can be argued that they may lack the skills to manage their finances. It was also found that the childminding cost was very low on average and may be reasonable for working parents when both salaries are combined. However, lone parents using the childminding service were financially disadvantaged and they would need assistance.

The cost and affordability of childminding services have considerable financial implications and they need to be understood and clarified in order to assist the childminder providing the service and parents

benefiting from that service. The childminders are offering a service at perhaps an affordable price. However, not only are they not making a profit but also they have to invest their own supplementary resources to operate. In such financial situations the quality of ECCE is easily overlooked. It would not be possible to enhance the quality of the Childminding Programme without appropriate support and adequate financial resources.

References

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- Family and Parenting Institute (2013). *Childcare Costs Survey 2013*. Daycare Trust and Family and Parenting Institute.

Abbreviations and Acronyms

ECCE	Early Childhood Care and Education
SPF	Seychelles Pension Fund
SPA	Social Protection Agency
OECD	Organisation for Economic Co-operation and Development

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