Earlybird Educare

earlybirdeducare.co.za

The Care Economy Knowledge Hub

care-economy-knowledge-hub.org
Profiling Businesses in the Care Economy

The care economy consists of paid and unpaid labor and services that support caregiving in all its forms. In Africa, Asia and Latin America, women spend between three to five times as many hours on unpaid care and domestic work as men. This represents 80 percent of a household’s total hours devoted to unpaid care work.

Care economy businesses can help recognize, redistribute, reduce and reward – also known as the 4 Rs - unpaid and paid care and domestic work in the following ways:

- **Recognize**: Initiatives that increase visibility and recognition of paid and unpaid care and domestic activity as “productive” work that creates real value and contributes to economies and societies.

- **Redistribute**: Services and initiatives that redistribute care work from individuals to public and private sector entities, and redistribute care and domestic work within the household.

- **Reduce**: Products and initiatives that reduce the time spent on and burden of unpaid care and domestic work.

- **Reward**: Products, services and initiatives that ensure that care and domestic workers are paid fairly and have professional growth potential. This provides them with financial reward and security.

The Care Economy Knowledge Hub aims to address the knowledge gap around care businesses by showcasing various business models and creating a resource base for relevant stakeholders. It also aims to raise awareness and increase knowledge of the state of impact-driven care economy business models and attract a broad range of funders to invest in care economy solutions by showcasing opportunities. These business profiles are intended to showcase said potential investment opportunities. They have been created from information and data provided by the business itself.

This project is supported by Canada’s International Development Research Center, in partnership with the Soros Economic Development Fund at the Open Society Foundations. Building on their track record and commitment to transforming the care economy and mobilizing finance for gender equality, they have jointly launched this action research program to help transform the care economy through impact business and investment.
Earlybird Educare is a social enterprise that seeks to address the shortage of high-quality early childhood development (ECD) services in South Africa. Earlybird operates ECD centers for children between the age of 1 and 5 years. The enterprise provides children from different socioeconomic backgrounds with the tools needed to thrive at school and beyond. Earlybird has helped reduce the number of women who have to choose between caring for children and formal employment, a barrier that particularly prevents women from labor participation in South Africa. The enterprise has 95 full-time employees and a total of 764 children enrolled in its 8 centers. At the end of the financial year 2021-2022, the enterprise’s revenue was US $ 609,000.

Company Contact:
Megan Blair, CEO
meg@earlybirdeducare.co.za
LinkedIn Profile

* According to 2X “women entrepreneurship” and “women leadership” criteria; 2X Challenge Criteria
1. About The Enterprise

1.1 Problem

About 1.1 million South African children between 3 and 5 years have no access to preschool education and care services.\(^1\) Over 2 million children live in households where either one or both of the parents are working and the household entirely depends on state social grants or support from extended family members.\(^2\) A major challenge is that 44% of South Africa’s population is made up of low-income households. Such households are unable to afford external childcare and even though the government provides subsidies to these households, caregiving is often outsourced to NGOs working in the domain of child welfare or those engaged in the domain of early childhood development and education. The subsidy distribution is also a challenge, as the subsidy has not been sufficient to cater to rising costs.\(^3\)

It is also observed that women are responsible for nearly 91% of the childcare work in South Africa.\(^4\) Women with children in South Africa spend nearly 3.8 hours each day on childcare, while on average, men only spend 1.25 hours.\(^5\) Men and boys are responsible for nearly 61% of paid work, while women are responsible for nearly 72% of household work, most of which is unpaid. Based on estimates from UN Women, the economic value of the time spent by South African women on household work is nearly equal to 22% of the country’s GDP.\(^6\)

The patriarchal norms and the lack of suitable childcare services are some of the most critical challenges that impede women from participating meaningfully in the workforce.\(^7\) Low-income women who strive to remain in the workforce are forced to leave their children with relatives or resort to cheaper informal childcare facilities. It has been documented that participation in workplaces is greatly improved for households who can afford to pay for childcare centers and can access early childhood development programmes. Therefore, the lack of a good childcare system leads to significant economic losses for women and society overall.\(^8\) In a situational analysis of South Africa, researchers found that the net costs of providing universal child care can be cut by half as a result of financial returns from women’s increased employment and

---


Earlybird Educare (Earlybird) is a social enterprise addressing the shortage of, and unequal access to, high-quality Early Childhood Development (ECD) centers in South Africa for children aged 1 to 5 years old. Its services aim to reduce the burden of unpaid childcare that largely falls on women of the household. Its approach incorporates key aspects such as high-quality preschool, well-trained teachers, evidence-based curricula, coaching by expert mentors, and family engagement. The enterprise employs a cross-subsidization model to enhance childcare access in low-income communities; revenue generated by the enterprise’s for-profit entity is used to support its non-profit operations.

The enterprise operates two ECD center models (Earlybird Educare@Work and Blue Door ECCE) that enable it to serve children from different socio-economic backgrounds. Earlybird Educare@Work partners with large companies and commercial and residential property developers to help them improve employee and tenant retention. These entities provide the space and infrastructure needed to set up and run centers for the children of their employees or earnings. Evidence from other similar contexts shows that incomes for women can increase by as much as 50 percent if childcare is available.

The provision of the Early Childhood Development services is currently left to roughly 30,000 privately owned centers which can only serve 1.6 million of the 5.2 million children (less than 30%) in the country aged five or younger. Low availability of childcare also significantly impacts child nutrition; UNICEF classifies South Africa as one of the 24 high-burden countries that account for nearly 80% of the world’s stunted children between 12 and 60 months of age. In low-income communities, poor quality childcare provided in informal settings by unqualified providers, friends or family members increases the child’s chances of becoming underweight or stunted. High-quality childcare is hence a missed opportunity, not only for enhancing the quality of life and education for children but also improving women’s well-being. At a societal level, it also has significant ramifications for enhancing economic well-being at a national and global level.

1.2 Solution

Earlybird Educare (Earlybird) is a social enterprise addressing the shortage of, and unequal access to, high-quality Early Childhood Development (ECD) centers in South Africa for children aged 1 to 5 years old. Its services aim to reduce the burden of unpaid childcare that largely falls on women of the household. Its approach incorporates key aspects such as high-quality preschool, well-trained teachers, evidence-based curricula, coaching by expert mentors, and family engagement. The enterprise employs a cross-subsidization model to enhance childcare access in low-income communities; revenue generated by the enterprise’s for-profit entity is used to support its non-profit operations.

The enterprise operates two ECD center models (Earlybird Educare@Work and Blue Door ECCE) that enable it to serve children from different socio-economic backgrounds. Earlybird Educare@Work partners with large companies and commercial and residential property developers to help them improve employee and tenant retention. These entities provide the space and infrastructure needed to set up and run centers for the children of their employees or

---


tenants. Through this, it operates Earlybird Flock centers and Earlybird Nest centers. Earlybird Flock centers are open to employees’ children from multiple companies or children of all tenants in a housing complex. Earlybird Nest centers are onsite centers that are set up for a single company and are exclusively available to that company’s employees’ children. The enterprise is currently working with a number of large employers in South Africa such as Old Mutual, Multichoice, BMW, Discovery Health, FNB, Nedbank and Edcon to provide workplace-based childcare centers for employees. Profit from the Earlybird Educare@Work centers is redirected towards Earlybird’s non-profit arm, Earlybird Non-Profit Company (NPC).

Earlybird NPC uses the Blue Door Early Childhood Children Education (ECCE) to enhance access to childcare in low-income communities. The enterprise partners with social housing developers to set up and provide affordable, high-quality centers for families residing in social housing developments for Blue Door Social centers. The enterprise also supports government-subsidized “educare” centers established on municipal land. Earlybird continues to work with the franchisees through routine monitoring, refresher training, and supports them in adapting to newer material developed by the company. For each center, the enterprise comes up with a fee structure based on the center’s rent, wages and the type of households in the vicinity.15

1.3 Customer Segment

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Product / Service Provided</th>
<th>Paid / Unpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income Households</td>
<td>Provides community / social center-based “educare” services.</td>
<td>Paid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low-income households use the childcare government subsidy to pay for the services. The enterprise is able to provide this service as it re-invests some profits from its for-profit operations to provide this service.</td>
</tr>
<tr>
<td>Middle income households</td>
<td>Provides center-based “educare” services.</td>
<td>Paid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle-income households receive some subsidies through social housing developers.</td>
</tr>
</tbody>
</table>

https://innovationedge.org.za/earlybird-brings-their-ecce-model-to-market/
Earlybird has 95 full-time employees, and 97% are women. The full-time employees include the CEO, CFO and the management team, which comprises the Head of Human Resources; the Customer Engagement Accountant; the Head of Operations; Head of Fundraising; 2 recruitment, training and education personnel construction, leasing and maintenance personnel. There are 4 people on the Board of Management and 3 out of the 4 are women. The enterprise also has 4 Technical Advisors, out of which 3 are women. The Technical Advisors assist the enterprise with curriculum development, sales and business development strategies, and family and community engagement with the local community.

### 1.4 Team And Governance Structure

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Product / Service Provided</th>
<th>Paid / Unpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporates</td>
<td>Provides center-based “educare” services.</td>
<td>Paid Parents who are employees pay a reduced amount of fees as a result of a subsidy from their company. The companies subsidize the cost by providing rent-free space and covering the cost of construction for the center.</td>
</tr>
<tr>
<td>Residential Developers</td>
<td>Provides center-based “educare” services.</td>
<td>Paid Parents who are residents pay a reduced fee for these services. The enterprise can provide these services at a reduced rate by partnering with residential developers to build the centers. The residential developers contribute to the fixed-cost setup of the centers through sub-market leases. The construction cost for the center is depreciated over a 30-year period. The residential developers benefit as it results in reduced tenant turnover.</td>
</tr>
</tbody>
</table>
1.5 Enterprise Policies

<table>
<thead>
<tr>
<th>Policy</th>
<th>Yes / No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall HR Policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Equal pay for equivalent work policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-discrimination / Equal employment opportunity / Diversity and inclusion policy (gender, LGBTQ, PWD, etc.)</td>
<td>Yes</td>
</tr>
<tr>
<td>Anti bullying and sexual harassment policy / Respectful workplaces</td>
<td>Yes</td>
</tr>
<tr>
<td>Whistleblower policy / Employee grievance mechanism</td>
<td>Yes</td>
</tr>
<tr>
<td>Maternity / Paternity leave policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Safeguarding policies for vulnerable groups (children, elderly, PWDs)</td>
<td>Yes</td>
</tr>
<tr>
<td>Safeguarding policies for the environment or to reduce detrimental impact on the environment (covers reducing carbon footprint, reduced water consumption etc.)</td>
<td>No</td>
</tr>
</tbody>
</table>

2. Impact

2.1 Mission Statement

Earlybird is a social enterprise that addresses the shortage of access to high-quality Early Childhood Development (ECD) services in South Africa.

2.2 Intended Impact

Earlybird Educare reduces the burden of unpaid care work by helping households of all income groups with caregiving for children between the ages of 1 and 5. Through the provision of affordable and high-quality ECD, parents are assured of their children’s development progress as they venture into income-generating activities.
2.3 Monitoring And Measurement

The enterprise monitors the reach of its services and learning and development outcomes for children. Key reach indicators are tracked annually:

- Number of children enrolled across all Earlybird centers (Nest, Flock, Blue Door)
- Number of established and active Earlybird centers
- Number of teachers trained
- Number of teacher training sessions conducted

The enterprise also monitors and measures children’s learning and development outcomes. It uses a nationally accredited tool called Early Learning Outcomes Measure (ELOM) annually to measure the effectiveness of its programme. The tool monitors an individual child’s progress using two rounds of data collection. The enterprise uses a Trackosaurus, a tablet that helps teachers track the developmental progress of each individual child in the class. Children unknowingly self-assess by playing tablet-based games that require little to no adult supervision.

2.4 Results To Date

Earlybird has achieved the following results:

- Number of children enrolled across all Earlybird centers: 500
- Number of children enrolled in Earlybird Nest and Flock centers: 350
- Number of children enrolled in Blue Door centers: 150
- Number established and active Earlybird centers: 8
- Number of teachers trained: Information not available
- Number of teacher training sessions conducted: Information not available

Earlybird Educare’s work is aligned with the following Sustainable Development Goals (SDGs):

3. Good Health and Well Being
4. Quality Education
5. Gender Equality
8. Decent Work and Economic Growth
3. Financials

3.1 Financial Status

Earlybird Educare as a whole is not yet profitable. The following table provides an overview of the enterprise’s for-profit entity only. This does not include grant revenue.

<table>
<thead>
<tr>
<th>Particular (Amounts in USD)</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>190,000</td>
<td>28,000</td>
<td>195,000</td>
<td>609,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>121,000</td>
<td>204,000</td>
<td>403,000</td>
<td>742,000</td>
</tr>
<tr>
<td>EBITDA OR Profit/ Loss</td>
<td>69,000</td>
<td>-176,000</td>
<td>-208,000</td>
<td>-133,000</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>36.3%</td>
<td>-628.6%</td>
<td>106.7%</td>
<td>-21.8%</td>
</tr>
</tbody>
</table>

3.1.1 Revenue Streams

The enterprise receives revenue from the provision of childcare services. Some of the revenue from the enterprise’s for-profit entity are used to undertake activities for the non-profit entity.
3.1.2 Expenses

The following pie-chart provides details of the key areas of expenditure in the year 2021:

3.2 External Funding Sources (Past and Current)

The enterprise has received external funding:

• In 2019, it received a low-interest convertible loan to equity of US$ 277,777. This was used to establish ECD centers and to buy equipment.

3.3 Challenges Faced In Accessing Capital

Earlybird Educare faces the following challenges in accessing capital:

• **Lack of patient capital**: The enterprise is struggling with getting patient investors that are willing to invest and wait 5–10 years to see the returns. Furthermore, the enterprise is unable to service the high returns expectation of investors.

• **Higher cost of capital**: The enterprise has been deterred from engaging mainstream financiers due to the higher cost of capital they offer.
4. Path To Scalability

4.1 Potential Avenues For Growth

Earlybird has identified the following avenues for growth:

• **Geographical Expansion:** The enterprise plans to expand its operations within South Africa. It aims to establish and operationalize 52 centers across both models in the next 6 years. Through these centers, the enterprise would enroll over 5,600 children.

• **Provide accredited ECD teacher training:** The enterprise aims to expand its revenue by providing training to teachers at a fee. It aims to train over 930 teachers in the next 6 years.

4.2 Risks And Challenges

The enterprise is facing the following risks and challenges:

• **Operations (center site acquisition):** The acquisition lead time for a site for the center is currently highly variable (between 3 and 36 months). This reduces the predictability of its site pipeline and increases the time required to establish new centers.

• **Competition:** The enterprise is facing some competition from other ECD providers that set up centers in residential areas (which are not low-income communities), although this has not been too challenging to date.

• **Regulatory:** The shift of ECD programmes from the department of social development to the department of basic education has resulted in changes in compliance requirements and difficulties in getting clearance from the government to commence operations. The government also requires a heavy and lengthy documentation process.

• **Norm:** Due to high levels of unemployment in South Africa and low minimum wages, it’s almost become a norm for households not to be able to afford to pay for care services outside their homes. Also, the South African government provides free education starting from when children are 5-6 years old, hence people have become unwilling to pay for early child development centers.

4.3 COVID-19 Impact On The Enterprise

During the peak of COVID-19, Earlybird Educare was forced to close its centers as per government directives. Also, the enterprise had just opened some new centers and was not able to achieve the targeted enrollment rates. The enterprise took a number of steps to ensure continuous service delivery and recovery from the pandemic. Earlybird developed a house care guide for households which included professional ways of taking care of their children to ensure high-quality child development during the lockdown. As a retention mechanism, the
enterprise reduced the fee for parents once the lockdown ended. Lastly, the enterprise lobbied for the government to allow them to open early as frontline workers needed childcare services. The “educare” centers established a high-end protocol to prevent infections and the spread of COVID-19.

4.4 Support Received To Date

Earlybird Educare has received the following support:

- The enterprise has received mentorship and business development support in marketing, accounting systems, technical support, and sales strategies from Innovation Edge (an impact first investor).
- Earlybird has received networking opportunities and office space from the Bertha Center at the University of Capetown.

4.5 Inputs Required For Growth

Financial

- The enterprise is seeking to raise US$ 1.5 million in equity and US$ 2 million in grants. The funds will be used to expand their centers in South Africa.

Non-financial

- **Communication and marketing**: The enterprise requires support to enhance its marketing and communication strategy.
- **Establishment of partnerships with property developers**: The enterprise is seeking support to speed up partnership development with property developers and facilitate deal brokerage with property developers to establish and operationalize ECD centers more quickly. This will reduce the site acquisition time for the new centers.
- **Construction and leasing**: There is a need for in-house construction expertise to facilitate the speedy development and operationalization of new “educare” centers in South Africa.