Financing the Care Economy In the Global South: Investment Opportunities and Pathways

Executive Summary

The main aim of the knowledge paper is for investors and policy-makers to understand the opportunity and pathways in driving investment into care economy. This paper also uncovers barriers and provides recommendations on channeling more capital into the care economy, critical to unlocking women's economic empowerment and to developing thriving and sustainable economies.

Investors can create social and economic impact through investing in care economy

1. **Care work, such as childcare, eldercare and domestic work, are vital to society and economy. However, it is often unpaid, informal and invisible, and the burden falls disproportionately on women and girls.** Women do as much as 80-90% of unpaid care work in some regions, and on average spend 4.5 hours a day on domestic chores and care activities. The care burden will increase for an ageing global population, and in the context of climate crisis. Investment in the care economy needs to be doubled, according to ILO, to prevent unsustainable care burdens on women and a global care crisis.

2. **There is demand for more paid care provisions, and in fact, paid care work is growing as a market.** 606 million women globally said they could not work because of unpaid domestic and care responsibilities and that most women would prefer to be at paid jobs. Globally, paid care work was 8.7% of global GDP in 2015, which reached to 9% of the global GDP in 2018, and this is predicted to rise to 14.9% in 2030. With more governments enacting favorable policies and providing better infrastructure for care, the care economy is poised to grow.

3. While the enterprises working in the care economy are relatively nascent, they are also rapidly developing. **Around 42% of businesses were already profitable** and the remaining 55.5% have plans to achieve break-even in the next 3-5 years. This shows that investing in the care economy is also promising not only in terms of impact but also financial returns.

4. Investing in the care economy will not only create jobs and increase household incomes directly but will also increase women's representation in the overall workforce. Women's economic empowerment will lead to broader economic growth. Economies of Southeast Asia could boost collective GDP by $370 billion, equivalent to Singapore's GDP in 2019, if gender inequality is eliminated. Providing access to childcare for all mothers could deliver an additional $1.9-4.4 trillion of GDP at purchasing power parity each year. Contributing to the care economy can contribute to multiple Sustainable Development Goals, especially: SDG 1 (No Poverty); SDG 3 (Good Health and Well-being); SDG 4 (Quality Education); SDG 5 (Gender Equality); SDG 8 (Decent Work and Economic Growth); and SDG 10 (Reduced Inequalities).

Investors can invest in the care economy through three pathways

1. Investing in care economy enterprises: these are enterprises directly providing products and services directly related to care activities such as childcare, elderly care, domestic chores, nursing hospice, and palliative care ("core markets''); as well as those facilitating care activities such as transportation, education, healthcare and insurance ("non-core markets"). Specific themes that should be prioritised for care economy for the Global South include early childhood education and care, time- and energy-saving technologies and equipment, and upskilling care workers.

2. Investing in carer-friendly enterprises: All enterprises employ people who have caring responsibilities, and evidence from IFC shows that there are business benefits for employers to provide childcare for their employees. Investors can choose to invest in enterprises that have carer-friendly policies and practices, such as shared parental leave and paid care leave, flexible working and working from home.

3. Integrating a care lens into existing investments: For investors not making new investments, they can integrate the care lens within existing investments, by asking investee questions based on the 5Rs framework (recognizing value of unpaid and poorly paid care work, reducing unpaid hours spent on care work, redistributing responsibility, ensure unpaid and paid workers are represented, and responding to the rights and needs of unpaid and paid care workers). Investing in the care economy is intricately linked with thematic investment approaches, including labor lens investing, gender lens investing and climate investing.

Catalysing more investment in the care economy requires more collaboration

Investing in the care economy as an investment approach is relatively new, and the care economy spans across various sectors so it is vast and fragmented, leading to difficulty to identify and evaluate potential opportunities. Collaboration is key to catalysing more investment in the care economy, particularly:

1. Collaboration across spectrum of capital: Given the scale of the challenges facing the care economy, the full spectrum of capital – from grants to social investment to impact investing to ESG investing – needs to be mobilized. Capital providers across the spectrum working together can help address the market gaps in this relatively nascent field, and crowd in more private capital.

2. Collaboration in sharing of data and impact: Care economy is emerging as an umbrella term to bring disparate actors across sectors together, and sharing of data can help more investors navigate this field. Evidence about impact of care economy enterprises can also strengthen lobbying efforts to governments to provide more favorable policies related to care.

3. Collaboration between private and public sectors: The government's role is critical in the care economy, as policies heavily shape the market dynamics. More dialogues and partnerships between the private sector (enterprises and investors) and the public sector can scale the activities of effective care economy enterprises, as well as to shape a more favorable and responsive policy environment to address the care crisis.

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