VALUE FOR WOMEN

THE CASE FOR CARE:

Catalysing investments into the care economy in South and Southeast Asia

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UN WOMEN

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EXECUTIVE SUMMARY

Across Asia and the Pacific, **women perform 80% of unpaid care work**, representing more than four times the unpaid care work done by men, and this difference accelerated during the Covid-19 pandemic.[1 2] Meanwhile, **the market size and investment potential of the care sector is growing**. It is estimated that by 2050, the number of people aged 60 and older in Asia and the Pacific will more than double to reach 1.3 billion,[3] and rising disposable income is fuelling market growth for both eldercare and childcare.

Reducing and redistributing unpaid care work and formalising paid care work is a key factor in improving gender inclusion in the economy and society. For instance, it is estimated that **investing in the care economy could generate approximately 300 million jobs by 2035**, of which 78% would be jobs for women and 84% would be in formal employment.

So, what is the care economy?

The care economy offers goods and services for the physical, social, mental, and emotional well-being of both care-dependent groups (e.g. children, the elderly, the ill, people with disabilities) and healthy, prime working-age adults.[4 5 6]

Written primarily for investors, this paper seeks to increase interest in, and drive capital allocation to, the growing care economy (and, particularly, childcare and eldercare) in South and Southeast Asia. Most notably, it offers a framework for investors to understand the opportunities available to them in the care economy and see the entry points for taking action.

Today, there is a range of care business models to meet the interests and risk appetites of investors. These include:

- **Direct care** enterprises (those directly providing care related services, or platforms that match customers to carers);
- **Care adjacent** enterprises (those providing time-saving products or technologies such as labour-saving technologies that contribute to care outcomes); and
- **Care enabling** enterprises (those providing products or services that support the functioning of direct care enterprises, such as training or certification for care workers);
- **Care friendly** enterprises (non-care focussed enterprises that provide benefits or services for their employees that reduce or redistribute unpaid care work, such as childcare vouchers or subscriptions to care concierge services).

Diverse sectors and subsectors can fall within this care constellation, from the obvious childcare and eldercare to the less obvious, but equally critical, time- and labour-saving technologies, Internet of Things, care concierge, disability care and more.

Yet **five main factors are hampering investor engagement in the nascent care economy.** First, there is no clear definition of the 'care economy' (with many investors misunderstanding it as healthcare). Second, there is limited data on specific market sizes and segments in Asia. Third, social norms– held by both potential customers and investors –around who can and should provide care are limiting market development. Fourth, a higher than average percentage of care enterprises are women-led,[7] and there is a well-documented shortfall of investment in women-led enterprises. Finally, investors perceive investing in the care economy as risky, due to regulation, demand and customer acquisition, care worker, and enterprise scalability concerns, though sometimes this is more perception than reality.

To catalyse investments into the care economy in South and Southeast Asia, a common language for investing in care and greater market segmentation is needed. Also needed is clarity on which types of finance are appropriate for each care business model and enterprise stage, a greater ability of investors and care enterprises/entrepreneurs to find each other, more targeted business development support, and patient capital that allows enterprises to test business models and go to market strategies.

So where can investors start today, to invest in the care economy?

The *Catalysing Care Investments Framework* (Figure 7 on p. 25) invites investors to either see where their existing impact objectives/theses align with the care economy or include care as one of the sectors in which they invest. From there, investors have four entry points they can choose from:

1. **Provide capital to care enterprises** by investing in direct care, care enabling, care adjacent, or care-friendly enterprises.
2. Integrate care considerations into **the investment process**.
3. Consider **care in the investment firm** by implementing care-friendly policies and practices.
4. **Invest in market building**, such as incubators, accelerators, research, or technical assistance.

There is no 'one-size-fits-all' approach, and so we recommend investors pick the entry points that meet their objectives. Incrementally, investors can add more elements to further increase their focus on the care economy.

Meanwhile, **incubators, accelerators, advisory service providers, networks, academia, policy makers, advocacy groups, and companies have a critical role to play in creating conducive conditions** that support enterprise growth, reduce investment risk, and increase opportunities for returns.

Ultimately, rewarding and redistributing care work through formalisation will not only improve impacts for both carers and those being cared for, but will ultimately contribute to gender equality and economic development at the societal level.

1. Background, objectives, and methodology

1.1 Background

In 2021, IDRC, in partnership with the Soros Economic Development Fund at the Open Society Foundations, launched the **Transforming the Care Economy through Impact Investing initiative**. Aiming to drive investment into social and for-profit enterprises that have the potential to transform the care economy, the initiative has engaged a broad range of partners to advance research; incubation, acceleration and investment; and outreach and engagement, across Latin America, Asia, and Africa.[8]

Over the course of 2022-23, Value for Women, in partnership with UN Women Asia Pacific, undertook research with care entrepreneurship ecosystem players (including investors, accelerators, enterprises, caregivers, and customers) in South and Southeast Asia. This research sought to advance an understanding of what is needed and provide actionable recommendations to:

a) Spur investor interest in and capital allocation to gender responsive or transformative care enterprises, with a particular focus on child and eldercare (presented in this paper);

b) Support care enterprises, particularly those leveraging digital platforms, to grow and thrive as sustainable and gender-inclusive businesses (presented in the UN Women Regional Office for Asia and the Pacific report titled *Pathways toward decent work in the digitally enabled care economy: Emerging realities in Southeast Asia*).

1.2 Rationale

Women perform a disproportionate amount of care responsibilities globally, with the extent varying by region.[9] As of 2018, across Asia and the Pacific region, women performed 80% of unpaid care work (UCW), representing more than four times the unpaid care work done by men. Furthermore, men in this region performed the lowest share of unpaid care work across all regions.[10] These differences accelerated during the Covid-19 pandemic, where 30% of women in ASEAN reported an increase in the intensity of unpaid domestic work, compared to 16% of men.[11]

Figure 1. Time spent daily in unpaid care work, paid work and total work, by sex, region and income group, latest year. Source: ILO[12]

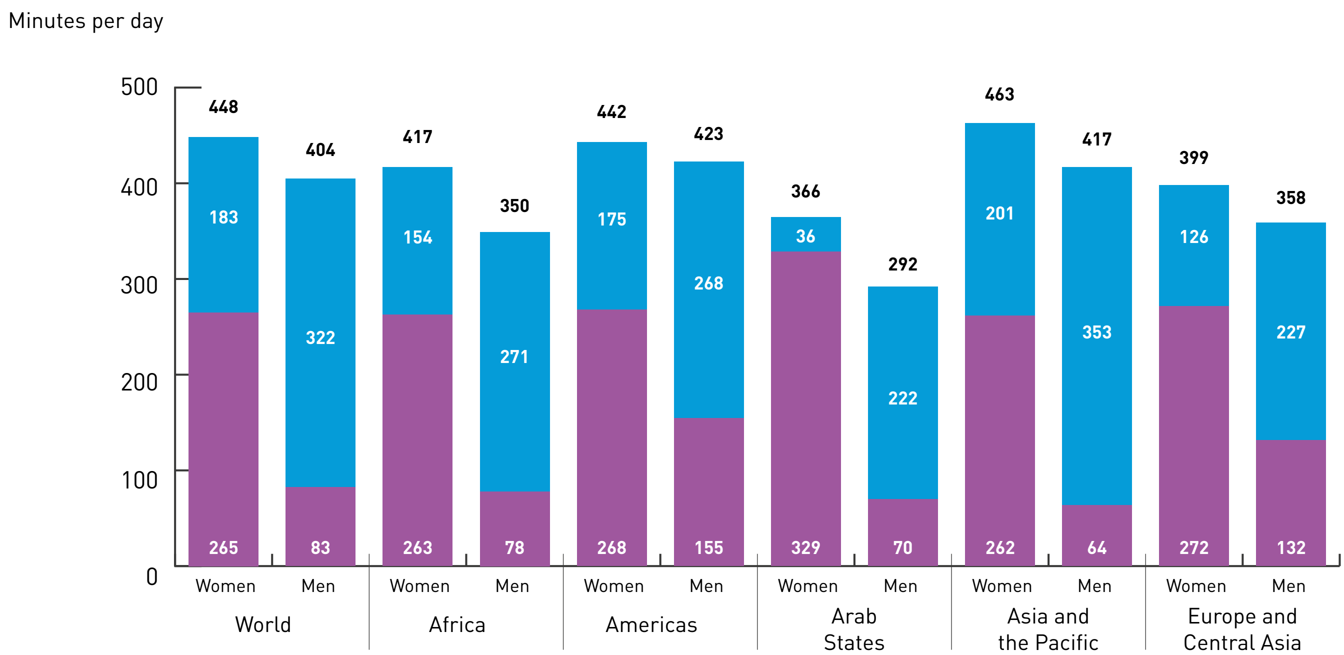


Figure 1 makes evident that, across the globe, this **unpaid care work has significant implications for women's ability to seek or engage in paid work**. In 2018, 606 million women were unable to engage in paid work as opposed to 41 million men.[13] Unpaid care work also contributes to the gender pay gap.[14][15][16]

606 million

Number of women who were either unavailable for employment or not seeking a job due to UCW in 2018

It comes as no surprise then, that available evidence[17], including from low- and middle-income countries, suggests that **economic productivity and growth would increase if the time spent in unpaid care work were reduced**, as those seeking paid employment would be more able to join and progress in the labour force.

This research is not intended to suggest that private sector resources should substitute much needed public investment, but rather to highlight **the significant role and market opportunity for investors and enterprises to address some of the imbalances in care provision**. Investing in care will contribute to the social and economic impacts that can be achieved by reducing unpaid care work (for women).

1.3 Objectives

This care investor paper seeks to increase interest in, and drive capital allocation to, the care economy in South and Southeast Asia. The specific objectives of this paper are:

Build understanding of what the care economy is and its relevance to investors

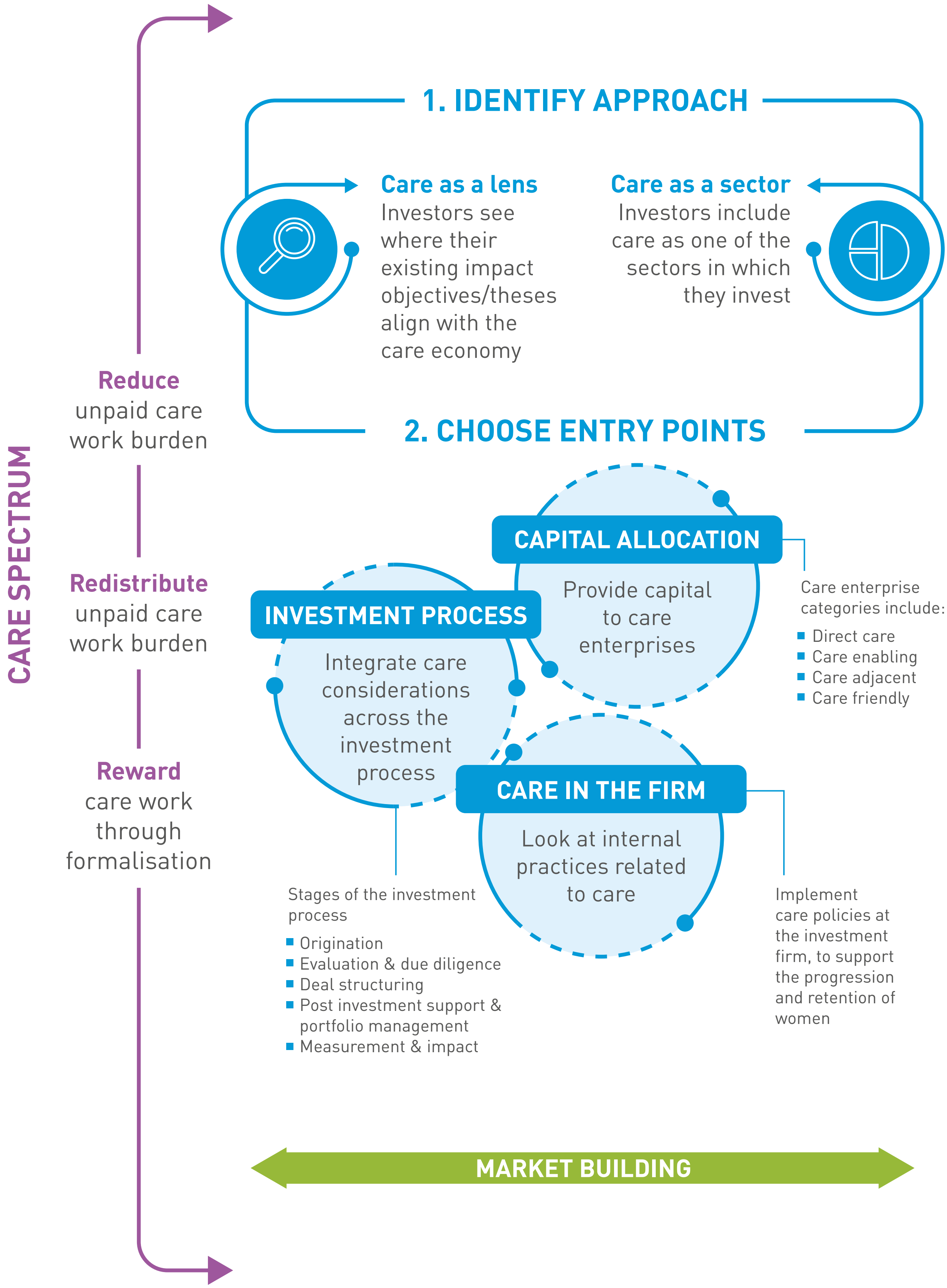
Provide an analysis of the care economy and opportunities in South and Southeast Asia

Help investors and donors understand the business and social impact case of the care economy

Introduce actionable frameworks that funders can apply to either invest in the care economy or to fund market building

The framework below is outlined in detail in section 5, and will **help investors understand the opportunities available to them in the care economy**. The framework lays out the spectrum of care enterprises, investors' motivations for engaging in the sector, and entry points to act on.

The categories and options contained within this paper are not prescriptive or mutually exclusive. The intention is to open up new ways of thinking about care rather than to cleanly categorise different types of care or care business models, as they do overlap with each other to some extent.


CARE SPECTRUM
Reduce unpaid care work burden
Redistribute unpaid care work burden
Reward care work through formalisation
1. IDENTIFY APPROACH
Care as a lens
Investors see where their existing impact objectives/theses align with the care economy
Care as a sector
Investors include care as one of the sectors in which they invest
2. CHOOSE ENTRY POINTS
CAPITAL ALLOCATION
Provide capital to care enterprises
Care enterprise categories include:
Direct care
Care enabling
Care adjacent
Care friendly
INVESTMENT PROCESS
Integrate care considerations across the investment process
Stages of the investment process
Origination
Evaluation & due diligence
Deal structuring
Post investment support & portfolio management
Measurement & impact
CARE IN THE FIRM
Look at internal practices related to care
Implement care policies at the investment firm, to support the progression and retention of women
MARKET BUILDING

1.4 Target audience

While a number of stakeholders may be interested, or are already investing, in care enterprises, **this paper is written for investors** (with this term we are referring to the full range of capital providers and asset allocators) **seeking returns on their investments in South and Southeast Asia.** We also include recommendations for other investment ecosystem actors, particularly incubators and accelerators, that can support the development and growth of the care economy, generally, and care enterprises, specifically.

We recognise that governments, through policy, legal frameworks, and public care infrastructure investments and provisioning, have a lead role to play in the care economy. This is critical in influencing the structure and viability of care enterprises and investments. At the same time, the private sector has a powerful– and growing role –in care solutions, and this paper focuses on this role and on the opportunity the care economy presents for investors.

1.5 Methodology

Value for Women's methodology comprised:

Literature review, desk research, and analysis of programmatic documents (including of the 2021 Care Accelerator run by UN Women and Seedstars);

Investor engagement, via three online "bootcamps" on the opportunity for investing in the care economy in South and Southeast Asia as well as at the UN Women Care Economy Forum in Kuala Lumpur in June 2023; and

Interviews with 40 individuals, including impact investors, development finance institutions, care entrepreneurs, and ecosystem actors.

A Note on Scope

As investors are the primary audience of this paper, the scope of this research focused on:

- Private sector enterprises providing paid-for products and services, which does not necessarily preclude products for lower income or base of the pyramid (BOP) segments.[18]
- Private sector solutions in childcare and eldercare.
- Private sector-led care solutions in the South and Southeast Asia region.

The findings and framework introduced in this report represent Value for Women's analysis of the primary and secondary data in aggregate.

2. What is the 'care economy', and why does it matter?

2.1 What is the 'care economy'?

There is no one, agreed, definition of what the care economy is. However, it is broadly understood to constitute the production of goods and services necessary for the physical, social, mental, and emotional well-being of both care-dependent groups (e.g. children, the elderly, the ill, people with disabilities) and healthy, prime working-age adults.[19] [20] [21] Expanded definitions of care economy work go beyond care work for individual well-being to include collective well-being of communities and the broader ecological environment.[22] These care activities can be paid or unpaid and formal or informal.

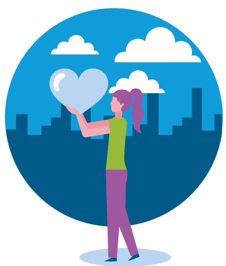
In the context of this research, we consider **care economy enterprises and solutions** as those that:

Reduce care work: Through labour/time saving technologies and initiatives;

Redistribute care work: Through reorganising unpaid care work from individuals to public and private sector entities and from women to men within households; and/or

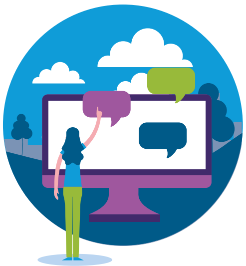
Reward care work: Through decent job creation, formalisation, and fair pay.[23]

These solutions which reduce, redistribute, and reward care work can comprise:



Direct care enterprises include products and services that provide care. This includes, but is not exclusive to, services provided in formal settings (e.g. childcare centres) as well as home-based care services and digitally-enabled caregiving services (e.g. platforms matching customers to carers). It also may include enterprises that facilitate employer-supported care services, such as through onsite daycare facilities and crèches. These are typically enterprises that are operating as a B2B model catering to larger businesses, providing a range of care services that can be availed by businesses' employees.

Care enabling enterprises include services that facilitate or support the functioning of the provision of direct care, including companies that directly serve care workers. Such services include enterprises focused on: providing training, skilling, and certification for care workers; business support services specific to the care economy; or e-commerce platforms that focus on the sale of care products (e.g. for children, the elderly, or people with disabilities). It can also include care concierge service providers that partner with employers and are made available for employees.



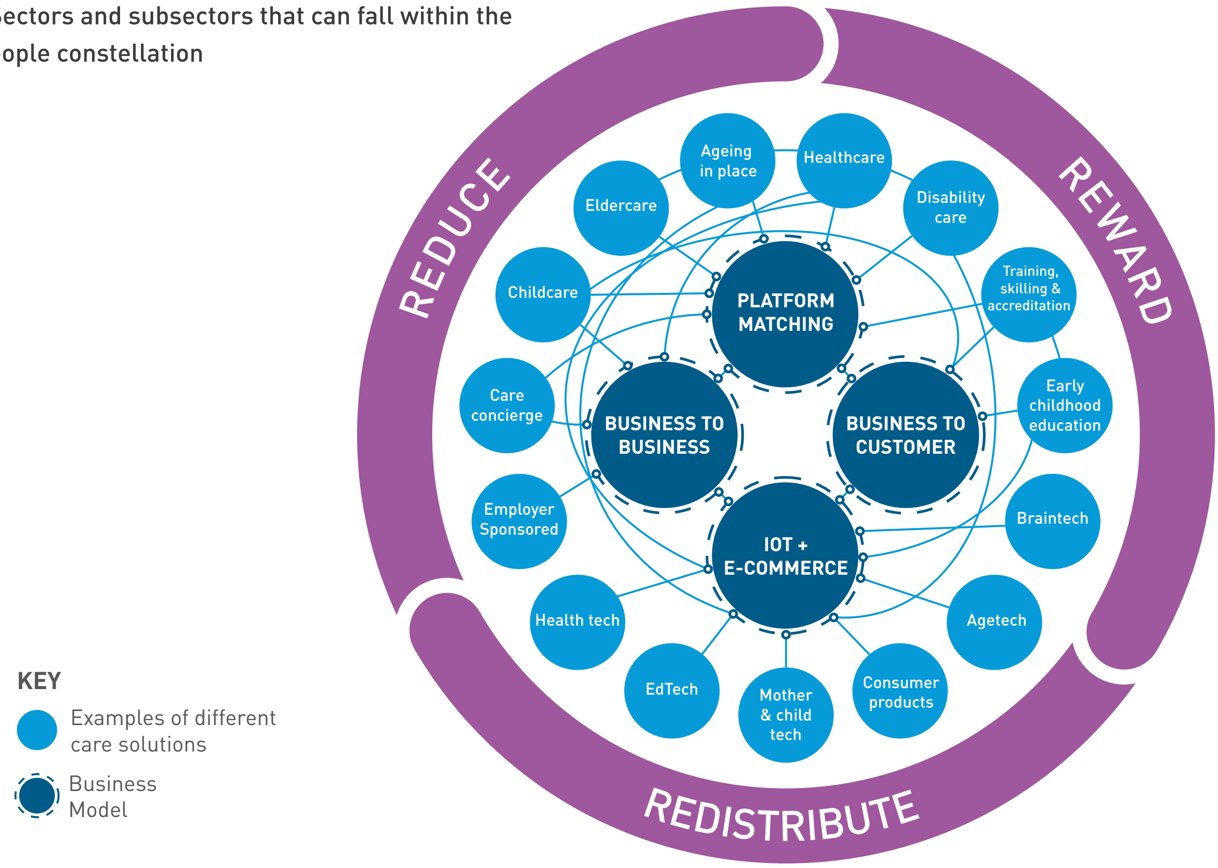
Care adjacent enterprises include products and services that contribute to reducing the time spent on unpaid care work, freeing up time for women who typically bear the disproportionate care burden. This may include home management applications, transportation services etc. (e.g. those providing time- and labour-saving products or technologies that contribute to care outcomes).

Care friendly enterprises include those whose primary function is not related to care but that offer benefits or other provisions to their employees that reduce, redistribute, or reward care work. This could include a factory that provides on-site childcare (or partners with a childcare provider) or a company that provides a subscription to a care concierge platform as part of a benefits package.

Although these categories are not absolute, they aim to provide investors with a way to think about the spectrum of care enterprises (in practice, we have seen enterprises operating as a combination of these categories).

Zooming in specifically on care for people, products and services, Figure 2 illustrates the diverse sectors and subsectors that can fall within this care constellation. Although not exhaustive, the figure shows that **while some categories of care enterprise are relatively straightforward to conceptualise (e.g. childcare, eldercare), the range of solutions within care is extremely broad** (e.g. time- and labour-saving technologies, early childhood education, training and skilling, Internet of Things and consumer products) and blends into areas investors are likely already investing in.

Figure 2. Sectors and subsectors that can fall within the care for people constellation



2.2 Why does investing in the care economy matter?

2.2.1 The market size and investment potential of the care sector is growing

In 2022, 670 million people aged 60 years and older resided in Asia and the Pacific.[24] It is estimated that by 2050, this number will more than double, reaching 1.3 billion.[25] This **ageing population is a key driver of predicted growth in the sector.** At the same time, in several Asian economies, purchasing power and spending ability amongst this cohort may grow twice as fast as amongst the rest of the population,[26] further increasing focus on eldercare solutions in these markets.

1.3 billion

Population of 60+ people in Asia-Pacific by 2050

Additionally, investors and entrepreneurs we spoke with highlighted that people migrating for jobs are receiving higher incomes, which is increasing their willingness to pay for quality care of their elder family members.

33%

Asia-Pacific share of child day care services market

Rising disposable income in the region is also fuelling market growth, for both childcare and eldercare. Families are increasingly willing to pay for childcare products and services. In fact, Asia Pacific was the largest region in the global child day care services market, accounting for 33% of the market in 2019.[27 28]

There is also increasing investment potential: of the 60 highest performing enterprises covered in the Care Economy Knowledge Hub (94% of which are at early or expansion stage), 42% are already profitable, with 54.5% planning to break even in the next 3-5 years.[29]

2.2.2 The care economy represents a massive opportunity for more, and decent, job creation, primarily for women

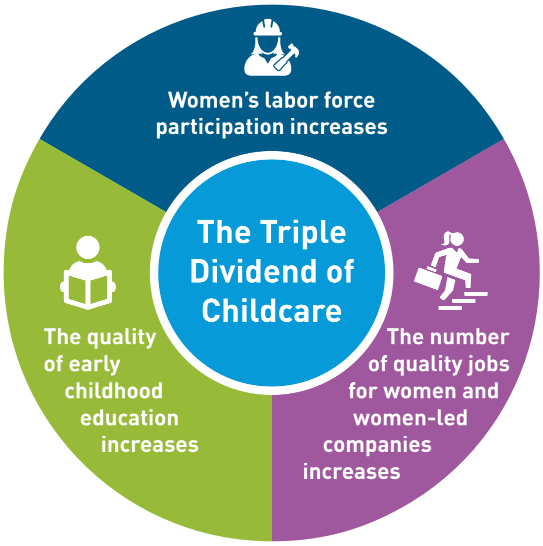
Women are overrepresented in care sector jobs such as elderly care, domestic work, and childcare.[30] Investments that both create new jobs and open up avenues for better pay and work conditions would impact women's livelihoods disproportionately. For instance, it is estimated that **investing in the care economy could generate approximately 300 million jobs by 2035. Of these, 78% would be jobs for women** and 84% would be in formal employment– this includes 96 million direct jobs in childcare, 136 million direct jobs in long-term care, and 67 million indirect jobs in non-care sectors.[31 32 33] In Asia and the Pacific region, investing in care work has the potential to create 89 million direct and indirect jobs by 2030.[34 35 36]

300 million jobs

Furthermore, Asia and the Pacific is the world's largest employer of domestic workers. Growth in formal jobs in the care economy opens up pathways for decent work conditions and reduces vulnerability for those who are currently informal workers in the sector.[37]

2.2.3 Investing in the care economy can help achieve social outcomes

Reducing and redistributing unpaid care work, and formalising paid care work are key factors in improving educational, employment and wellbeing outcomes. The provision of childcare is strongly correlated with women's labour force participation, and thus economic empowerment and gender equality.[38] Formalised care work is linked with a host of social outcomes, including gender equality, early childhood development and educational attainment, and the wellbeing of both carers and those being cared for. In Vietnam, childcare provision for children ages 0-5 resulted in a **26% increase in the probability of formal employment and a 22% decrease in the probability of poverty among women**.[39] In Cambodia, children enrolled in the state preschool programme performed better on cognitive measures than those not enrolled in any early child education programme.[40] Furthermore, unpaid care work has strong links with mental health and wellbeing – during the COVID-19 pandemic, as women took on more care work due to lockdowns and other containment measures, **66% of women studied in Asia and the Pacific felt their mental health decline**, compared with 58% of men.[41]



Source: UN Women, 2022[42]

Measuring and valuing unpaid care work: A dilemma

> ***"As an economy, we have been addicted to ... the artificially cheap labour of women and caregivers"***
>
> **- Courtney Leimkuhler, Founder, Springbank Collective[43]**

The provision of unpaid care work (done largely by women) subsidises income-generating work. Yet **the value of unpaid care work is not often recognised or captured**, including in GDP calculations. For instance, if included in GDP, women's unpaid care work would add US$3.8 trillion to GDP in Asia and the Pacific.[44]

Even then, **measuring care work through GDP** or through its impact on employment, productivity, or income **limits the *valuation* of care work to its economic value. In doing so, it fails to acknowledge the intrinsic value** (e.g. the social and wellbeing aspects) of paid and unpaid care work.[45]

The framework presented in this paper, focused on the economic returns to care work, shares this limitation; it does not capture the intrinsic value of unpaid care work. Nevertheless, we believe that **focusing attention on the economic returns to investing in paid care opportunities will help to galvanise attention (and investment) in the space, which will contribute to achieving broader goals around gender equality.** Investing in the care economy is not in and of itself going to transform the socio-economic and cultural norms associated with unpaid care work, but it is preferable to the current status quo, where care work is undervalued and largely unpaid.

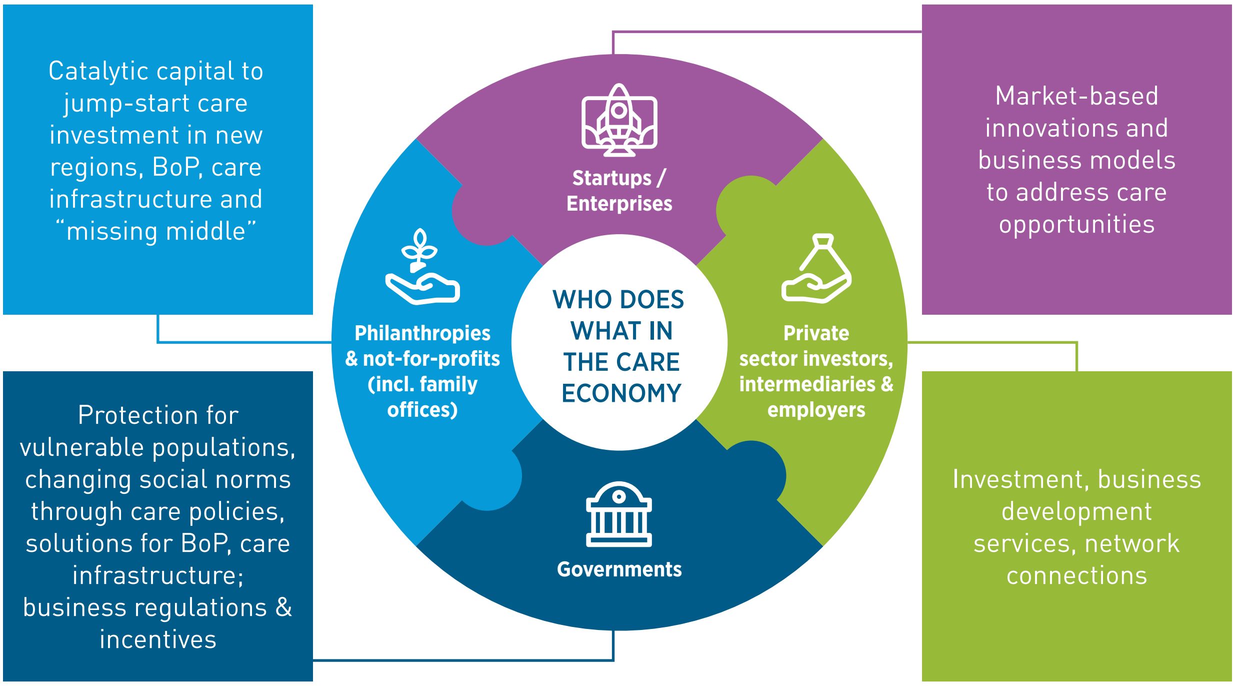
3. Key insights: The care economy ecosystem today and investor perceptions

Our research, particularly the primary research and analysis of the 2021 UN Women Care Accelerator, found a growing role for both commercially-focused and impact-focused investors to drive greater provision of care products and services. Yet we heard little clarity amongst investors and ecosystem actors around what constitutes care and the care enterprise sector, and what the investment opportunity is. We dive into this now.

3.1 The care economy ecosystem comprises a wide variety of stakeholders

The care economy ecosystem comprises stakeholders ranging from care enterprises, investors, and intermediaries to employers, governments, and not-for-profit organisations (Figure 3). These stakeholders fulfil a variety of roles, and are closely interconnected.

Figure 3. Stakeholders in the care economy ecosystem



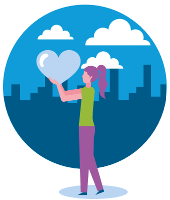
Defining investors

In this paper, the term "**investors**" refers to a full range of capital providers and asset allocators. This includes private debt allocators, development finance institutions, philanthropic foundations, institutional investors, venture capital, private equity firms, and fund managers, which may sit anywhere along the commercial - impact returns spectrum.

3.2 There is a range of care business models to meet the interests and risk appetites of investors

This section shares illustrative examples of elder and childcare enterprises in Asia and the Pacific, showing the breadth of opportunity that exists in the care economy ecosystem today to meet the different investment theses and risk-reward appetites of investors. It also shares key trends.

As with other definitions in this brief, the below categorisations are not rigid, and enterprises may fall into one or more categories at any given time as their models evolve.



3.2.1 Direct care

We found investor interest and activity in care platforms is particularly growing in the region. The platform model's viability to scale and generate returns makes it attractive to traditional investors, and its high impact potential makes it attractive for impact investors.

Despite the risks to decent work associated with online labour platforms, emerging research has shown the potential with an eightfold increase in the number of platforms offering care and domestic work globally.[46] Beyond increasing job visibility and matchmaking, these platforms can play an instrumental role in ensuring job quality and professionalisation of care workers through worker contracts and support services for payroll and taxes.[47] Furthermore, features such as employer ratings within some of these platforms also help to enhance workers' voice and agency.

Enterprises that can fall in this category, among a wide range of digitally-enabled care enterprises, include Kiidu in Thailand, LoveCare in Indonesia, and Kiddocare in Malaysia.

Kiidu **Kiidu in Thailand**	Kiidu is both an on-demand and long-term placement agency, offering households a variety of caregiving services from childcare to driving services. Outreach is largely undertaken using digital tools. Contract management, recruitment, and placements take place through social media groups and offline components.
lovecare we love, we care **Lovecare in Indonesia**	Lovecare is a medium to long-term placement agency that provides eldercare, including for those who are chronically ill, and childcare. Lovecare is significantly digitised– the digital component includes promotion, recruitment, contract management, and payment.
Kiddocare **Kiddocare in Malaysia**	Kiddocare is an on-demand platform providing childcare services. With its end-to-end operations digitised, digital components include recruitment and matching, scope of work and task management, grievance processes, and payments. The platform maintains an offline component for communicating with workers and clients.

“‘The scalability of care platforms depends on the successful onboarding of numerous partners. Given the complex nature of the challenge, it is apparent that a singular company cannot offer a comprehensive solution. At Kiddocare, our strategy involves fostering a greater collaboration with multi-stakeholders on our platform. Kiddocare plays the role of an aggregator, but at the same time, enforces standards and requirements to ensure quality of care as well as to uphold the value of our care providers. This approach not only amplifies our scalability but also enhances our capacity to cater to a broader market segment.”

- Nadira Yusoff, Founder & CEO, Kiddocare Sdn Bhd

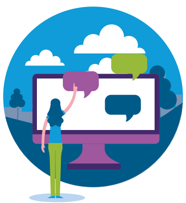
For further analysis on digitally enabled care enterprises and their employees/workers, refer to the UN Women Regional Office for Asia and the Pacific report titled *Pathways toward decent work in the digitally enabled care economy: Emerging realities in Southeast Asia*.

3.2.2 Care enabling

When it comes to enterprises focused on care workers' training and skill development, most investments in this segment are seed and early stage. These are typically funded by philanthropic donors or impact investors and tend to be enterprises that hold significant promise both in terms of potential returns for investors and having an outsized impact on the training, benefits, and value for care workers.

While traditional venture capital funding in the region in this category of enterprises has been slow, similar examples in developed markets, such as WonderSchool's recent capital raise of US$20 million from Goldman Sachs,[48] signal the potential this may hold as markets evolve.

We mentioned that enterprises may straddle one or more of these definitions, and in our research one place we saw this is that a number of *direct care* enterprises provide in-house training/skilling for care workers (care-enabling).



3.2.3 Care adjacent

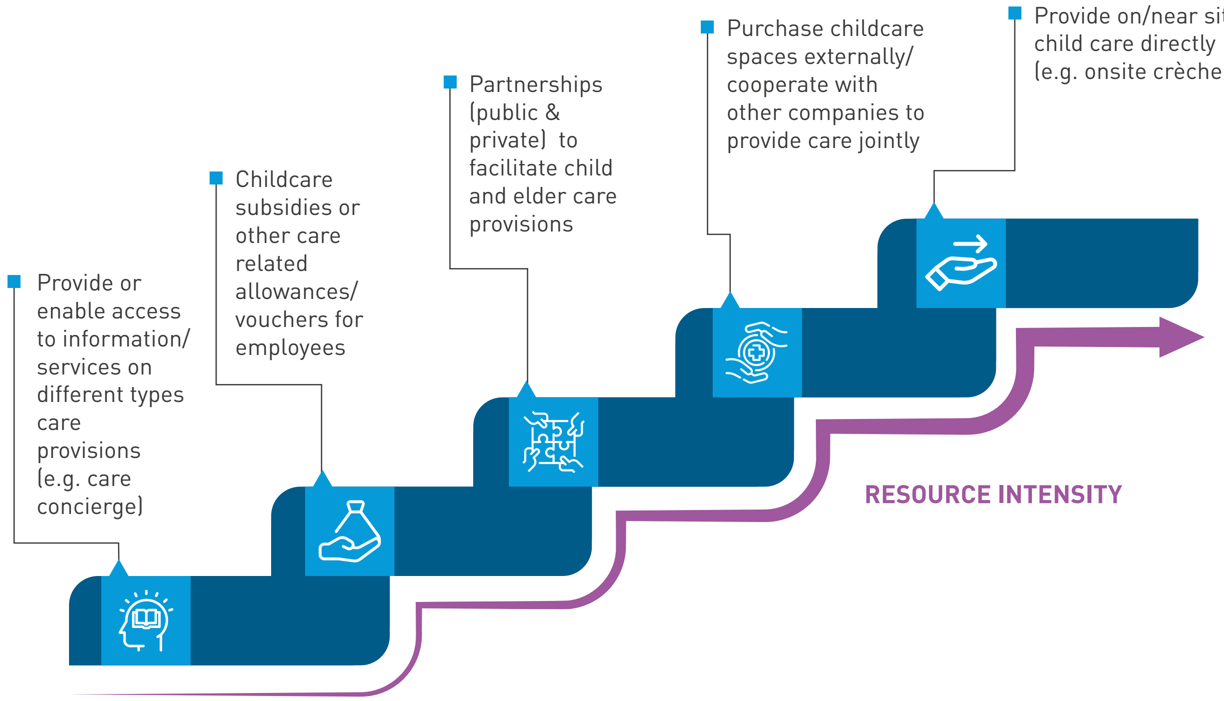
For investors, with care adjacent enterprises in particular, there may sometimes be tension and overlap with other impact or outcome objectives. For example, a clean cooking technology could be considered care, as it reduces the burden of collecting biomass for fuel. We are not recommending that investors begin to reclassify such existing investments as "care", but rather that **being more aware of care-related impacts and outcomes can help drive intentionality**.

3.2.4 Care friendly

Investing in care friendly enterprises offers investors an alternative way to align care objectives and outcomes with existing investment and impact strategies, as it necessarily involves investing in enterprises whose core function does not relate directly to the provision of care products and services. However, a key point here is that the enterprise should **go beyond care-friendly policies** (e.g. flexible working, paid parental leave etc.), and **demonstrate concrete steps and actions in supporting employees to reduce, redistribute, or reward care work**.

Research from the World Bank shows that although only 17% of South Asian economies have legislation relating to the *public provision of childcare* (the lowest percentage globally), **67% of South Asian economies have legislation pertaining to private or employer provided childcare** (the second highest region globally, after the Middle East and North Africa)[49]. For instance, India and Bangladesh both have provisions mandating employer-provided childcare for organisations with a minimum threshold of employees (50 employees in India; 40 women employees in Bangladesh)[50]. This indicates large potential for investing in care friendly enterprises (as more are required to provide childcare by law, or are convinced by the business case for employer provided childcare), as well as direct care enterprises (as care friendly businesses seek providers to meet their obligations).

Figure 4. Examples of care-related provisions that care friendly enterprises can provide



Note: This is modified from The Business Case for Employer-Supported Child Care Company experiences across Asia. IFC

3.3 Five main factors hamper investor engagement in the care economy

3.3.1 No clear definition of the 'care economy'

Ecosystem stakeholders with whom we spoke noted that care is often conflated with healthcare. Meanwhile **amongst investors with whom we spoke, the definition of what 'care' is and what the 'care economy' constitutes varied greatly, and their approaches to investing in the care economy differ** based on their impact and/or investment focus (e.g. a broad focus on decent jobs or gender lens investing, or a narrower, sector focus on health and wellbeing, education, skill enhancement services, technology, eldercare, childcare, or disabilities).

This lack of a single definition and the nascent understanding of opportunities means that **investors do not often associate their investments in these sub-sectors with the care economy**. This hampers recognition of the sector's potential for investable opportunities and socio-economic impacts.

3.3.2 Limited market data available

Whilst high-level data is available to demonstrate the regional potential for child and eldercare, investors noted a **lack of data on specific market sizes and segments in Asia**, such as on willingness to pay for care services. There is also a lack of documented evidence and cases on what enterprise models work in specific contexts, return on investment, and the costs of regulatory compliance.[51]

3.3.3 Social structures and norms limit market development

Gender roles and social norms around child and elderly care continue to impede demand for care solutions outside the home, and affect accurate market sizing. Because so much care work is currently unpaid, developing the market for paid care relies on not only ability to pay, but also on changing **social norms–held by both potential customers and investors –around who can and should provide care**.

Some investors we spoke to noted that increases in incomes and demographic changes will drive some of these changes in underlying norms and will likely result in a larger viable market for available services. For example, the burgeoning ageing population, in East Asia especially, [52] [53] coupled with low birth rates are necessitating innovations in elderly care and ageing in place, and creating a market opportunity that has until now remained latent.

3.3.4 The gender finance gap for women-led enterprises

A higher than average percentage of care enterprises are women-led,[54] and there is a well-documented shortfall of investment in women-led enterprises. This indicates a heightened struggle for these enterprises to obtain investment as they are **doubly disadvantaged by both being women-led and developing products and services that ultimately benefit women the most**.

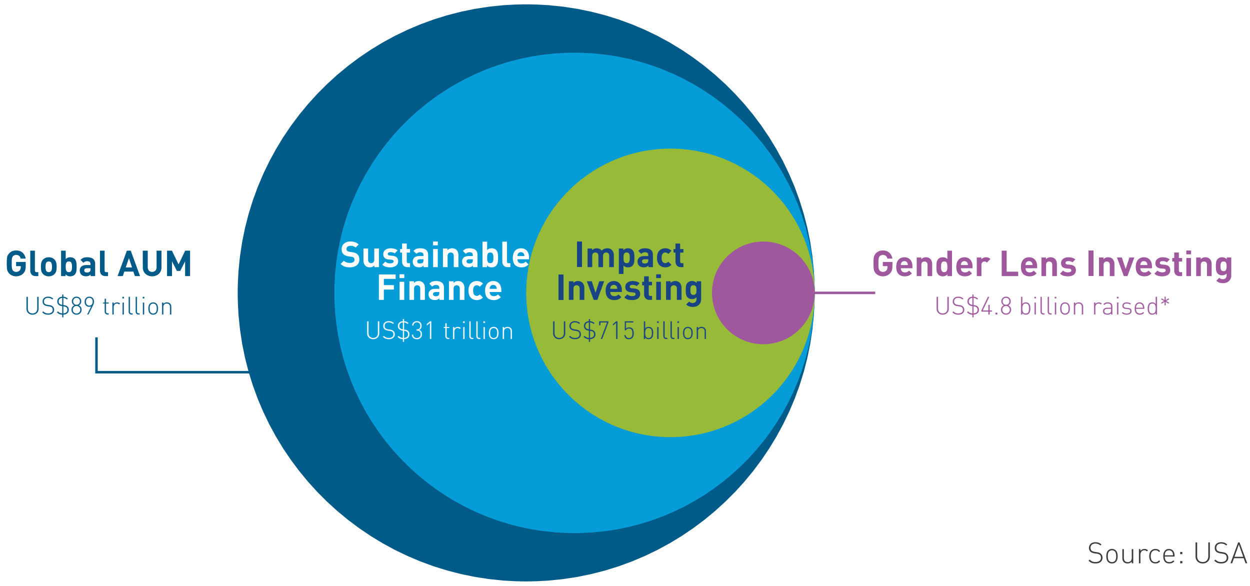
> ***"A lot of early stage women-owned businesses struggle to access capital, and this is worse in sectors where there is less attention/knowledge."***
>
> **- Agnes Makena, Disrupt4Her Incubator, Plan International**

Gender lens investing and care

Investing in care can be seen as a subsector of gender lens investing (GLI), given the number of women-led care enterprises and that care enterprises both provide products and solutions that have a disproportionate impact on women and girls and are likely to have a higher proportion of women in their value chains. Despite the increasing amount of capital being invested with a gender lens, GLI and investing in women-led enterprises remains a tiny proportion of overall investments. [55] This is partly attributable to the male-dominated nature of investors – where only 15% of emerging market general partners have gender-balanced senior investment teams, and nearly 70% have no women at all. [56]

Investors therefore need to be intentional and proactive about sourcing enterprises from outside of their usual networks, and about overcoming gender biases that might affect investment decisions – including those in the care economy.

Figure 5. Gender lens investing as a proportion of overall assets under management



Source: USAID[70]

3.3.5 Investors perceive investing in the care economy as risky

Investors we spoke to highlighted a range of specific risks they associate with care enterprises, including around **regulation, demand and customer acquisition, care workers, and enterprise scalability.** We dive into each of these here.

Regulatory and policy-related issues:

While regulation is critical for offering minimum standards and requirements that ensure quality and build customer confidence, **both commercial and impact-first investors noted that regulatory and policy-related issues deter investment into care economy enterprises,** particularly those providing direct care. Largely this is because care enterprises often straddle more than one area of regulatory compliance. For example, eldercare health support services entail regulatory compliance across health, caregiving, and technology sectors. Emerging digitally-enabled care enterprises fall into a regulatory grey area as they can often be registered as IT businesses. Investors noted that this results in higher costs of doing business.

Related to this is policy uncertainty. Government subsidies and policies are key influencers of demand and service provision in the care economy, **so the low political and policy priority given to care until recently** creates a particularly uncertain business environment for investors deciding to allocate capital to care enterprises. Furthermore, interviewees noted how political parties have different views on and solutions for childcare, making childcare (and associated taxation, education, and social security) policies likely to shift with a change of government.

It should be noted that COVID-19 and the subsequent increase in focus on unpaid care amongst a range of stakeholders has led to some actions and progress (e.g. an increasing number of national governments and organisations joining the Global Care Alliance, convened by the Government of Mexico and UN women[58]; 2X Global, UN Women, AVPN, Women Deliver and other influential member organisations forming care economy working groups and hosting events). However, this has yet to result in significant cohesion or a concerted increase in investment in the care economy, or institutionalised and well-implemented policies.

Safety, security, and reputational risks:

Due to the very personal nature of direct care provision, investors and entrepreneurs noted that managing reputational risks and building trust is crucial for both acquiring and retaining customers. Yet **building a reputation as safe and reputable takes time**, making it challenging for enterprises to attract investment until this trust and brand reputation have been established.

> ***"Trust is most important for the success of a care business model. How to replicate trust is at the core of scaling care businesses"***
>
> **- Abdullah Hidayat, Managing Partner, Ficus Capital**

Not only did a majority of the investors we spoke with highlight safety and security risks to care recipients, but also to care workers– especially when care is provided in the care receivers' home. Investors also noted the challenges in **ensuring workers are not abused or exploited**.

Additionally, investors **perceived risks of litigation to be high in the care sector,** due to providing care for potentially vulnerable groups (children, elderly, etc.). Whilst litigation is always a risk when people are involved, there is little evidence that litigation is higher in care than other sectors. Additionally, as described above, there is a broad swathe of non-direct care enterprise models that could appeal to investors with a lower risk appetite.

High attrition coupled with shortage of care workers:

Investors perceive that worker attrition is particularly high in the care sector, which they attribute to the care sector's low pay and limited professional advancement opportunities.[59] Although data on attrition of care workers relative to attrition in other sectors is not available, investors perceive risks to investments due to a lack of "stickiness" of contractors or gig economy workers in the sector due to low pay and limited opportunities to grow professionally.

Furthermore, lack of a reliable supply of qualified/quality care workers limits the availability of formal long-term care options– currently, the largest shortage of formal care workers globally is in the Asia and the Pacific region.[60] This indicates more needs to be done to close the gap between supply and demand in the provision of direct care for people.[61]

Care business models are seen as difficult to scale:

Investors across the spectrum (including early stage and impact investors) viewed direct care enterprises, in particular, as capital intensive and therefore difficult to scale and risky. We saw this often derived from investors **associating the care sector with traditional models of 'brick and mortar' childcare and eldercare facilities**. Understanding the full range and spectrum of opportunity that exists within the care economy should help mitigate this view.

> ***"There is a perception that the sector is old fashioned and limited, such as care homes. More awareness is needed on the types and scopes of businesses operating in the space, and how to assess an interesting care business."***
>
> **- Claudius Gutemann, Senior Investment Manager, Artha Impact**

A perception of inherent trade offs:

For commercial investors, viability is undermined by their perception of trade offs between end customer willingness to pay, quality of service delivery, and profitability. It *is* possible for care enterprises to offer affordable, high quality products and services that provide decent work opportunities for their care workforce and are profitable. Today, more successful examples of this are emerging, but it will take time for perceptions on this to shift. It is important to note that because the sector is so nascent, business models are evolving quickly and enterprises need support to experiment and find the right model.

Another area that can cause confusion or misalignment amongst investors with limited knowledge of the care economy is that **multiple impact pathways can co-exist in any given care enterprise.** For example, a platform that matches childcare professionals with families is reducing, redistributing, and rewarding care work. **This creates an opportunity for enterprises to demonstrate to investors how they can help meet multiple investor impact objectives simultaneously**.

4. What is needed to catalyse investments into the care economy in South and Southeast Asia?

As we heard throughout our research, and as evidenced by the lack of literature and data, **market building in the care economy is needed**. Given the nascency of the sector, there is a lot to build and fund, and funders across the spectrum have a role to play. Notably, we saw that catalysing the care economy is not inherently different to how investments in other emerging sectors might be catalysed.

Below we lay out what is specifically needed for the care economy today.

The following sections of this paper relate to recommendations and actions for investors and market builders. We recognise that these two audiences are not necessarily distinct, and that recommendations for one audience may also be of interest to the other, but we have added tags to indicate which audience the subsection might be most relevant for.

Investors

Market builders

MARKET BUILDERS

4.1 A common language for investing in care

Many investors we spoke with pointed to how the lack of a common understanding and investment language around the care economy impedes the flow of capital. Establishing a common language is a key first step in driving care-conscious, growth-oriented investments that can reduce and redistribute unpaid care work as well as reward paid care work through decent job creation, formalisation, and fair pay. Our framework (detailed in section 5) attempts to demystify what investing in the care economy entails, and provide investors with a common language and understanding.

MARKET BUILDERS & INVESTORS

4.2 Market segmentation and alignment

We heard from care entrepreneurs that business models are evolving quickly, leading to a sector that currently is both diverse and fragmented. Given the diversity of care enterprises and business models, we find **the market needs better segmentation and more clarity as to which types of finance are appropriate for each care business model and enterprise stage**. Some require market building capital, while others require de-risking, innovation, and business model experimentation. Likewise, not all enterprises are seeking VC funding; some may require loan financing from banks. Segmentation will help investors better identify what categories of care enterprise and business model are best suited for them (and vice versa).

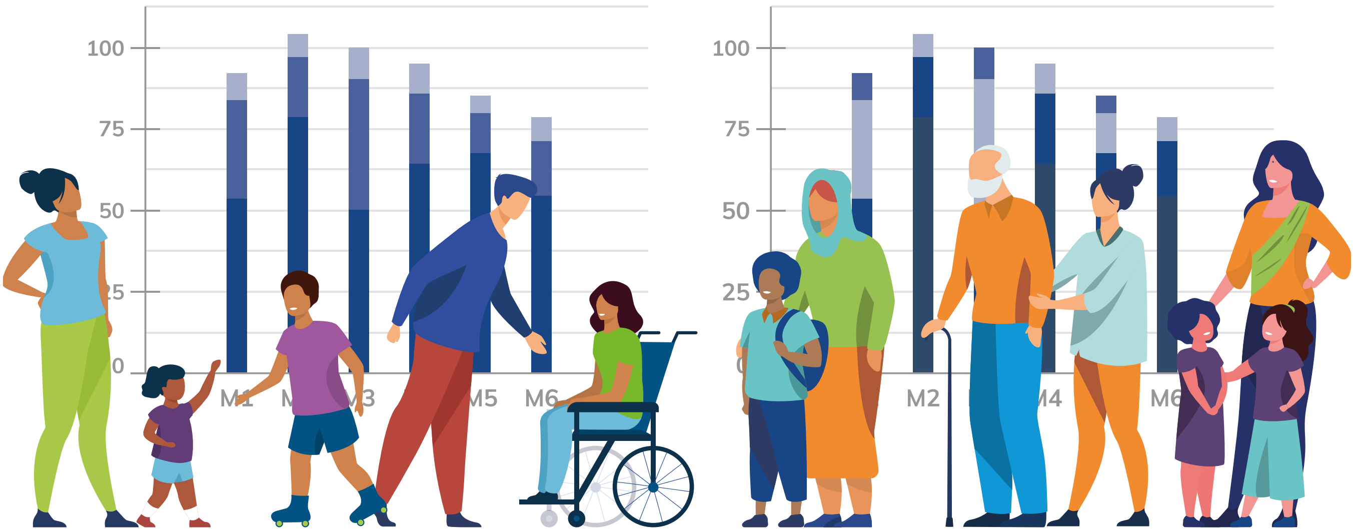
Additionally, within this diversity, alignment is critical. As interest in investing in the care economy is so nascent, there are a high proportion of very early stage care enterprises. These **early stage enterprises, even if profitable might not be deemed investment ready by many traditional investors and DFIs** that have much larger ticket sizes than such care enterprises can absorb. On the flip side, we heard from a couple of **impact-first and philanthropic funders that they are willing to invest in enterprises that are not yet profitable or that have a higher risk profile**. While this illustrates the range of investors to meet the broad variety of care business models and stages, it makes evident the alignment challenges.

Finally, some entrepreneurs we spoke with identified that **consolidation of similar or complementary enterprises was beginning to happen. Over time, this will help build opportunities to scale** (which is where most large private equity transactions have happened). The work of researchers and market builders to understand where this consolidation is happening, in terms of business models and categories of care, may offer insight into scalability.

MARKET BUILDERS & INVESTORS

4.3 Connection between investors and businesses

From the investors and enterprises we spoke with, it is clear there is a disconnect between investors and care enterprises/entrepreneurs: parties do not know where to find each other. Once better market segmentation is available, this will help to "matchmake" investors and enterprises, and identify what role other ecosystem actors can play (including incubators and accelerators).



Pathways for family offices to invest in care enterprises

A 'family office boom'[62] is being witnessed in South and Southeast Asia. There has been a rapid increase of high net worth individuals in the region (family office wealth management is expected to grow from US$248bn in 2020, to US$812bn by 2030)[63] and, rethinking their role in society since COVID-19, family offices are increasingly willing to support early stage investments through venture philanthropy and investing in familiar geographies or their home countries.[64]

Against this backdrop, **family offices (and those that advise them) can look to emerging care enterprises in the region as viable investing opportunities, and contribute to market building**.

There are different pathways available for family offices to look at investments linked to care outcomes. While direct investments into care enterprises or co-investing along with other investors is one way of allocating capital, family offices can also explore investing into VC funds or similar pools of capital that have a given mandate of achieving care-related impact outcomes. Investing in a fund becomes their way of building a bespoke startup portfolio, accessing qualified deal flow, and addressing some of the core challenges that come with being a family office.

MARKET BUILDERS

4.4 Business development support

When asking investors, ecosystem actors, and entrepreneurs **if care enterprises have unique needs in terms of business development support, nothing was mentioned that is specific to care**. Issues pertaining to navigating the legalities of setting up a business, finding and pitching to investors, financial planning, and business modelling were raised, but these are true of startups in general.

There is, therefore, **a need for business development services, incubation, and/or acceleration opportunities that are intentional about identifying and supporting care enterprises.** Although care-specific incubator/accelerators or business development services are not necessarily required to meet the needs of care enterprises, there is value in that they draw attention and visibility to the sector.

As part of this, mentorships, access to networks, and unlocking new markets and customer segments through market research, customer analytics, and digital marketing will be powerful services to enhance investors' confidence in businesses' potential for scale.

Example care-focused initiatives and accelerators

This is a non-exhaustive list of some examples of care-focused accelerators and initiatives, which reflects recognition of a growing need and interest in the space.

Accelerators

- UNW/ Seedstars Asia Pacific Care Accelerator [Cohorts 1&2]
- The Care Economy Solutions MIT Solve
- Techstars Future of Longevity Accelerator

Initiatives

- Care Economy Knowledge Hub
- Global Alliance for Care
- 2X Global Care Working Group
- Khazanah Impact Innovation Challenge

MARKET BUILDERS & INVESTORS

4.5 An ecosystem approach driven by catalytic capital

In order for more investment to flow into care economy enterprises in South and Southeast Asia, **philanthropy and grant capital** is needed for regional and country-specific sector research, market segmentation, customer data, case studies, industry groups, and spaces for collaboration. **Investment in analytics, aligned definitions of the care economy, and building of the business case is needed to drive more investment**.

Funders are needed that are willing to experiment with **different financing structures to meet the needs of early stage care enterprises**. These enterprises need both catalytic investment and space to find the right model to deliver commercial and social returns.

> ***"What is needed is patient capital and investors that really want to make that change. Innovative financing structures and creating incentives to make sure the care is provided in a proper way. For example, subsidised loans if certain impact targets are met, impact-linked financing structures, social outcomes bonds."***
>
> **- Claudius Gutemann, Senior Investment Manager, Artha Impact**

The role of catalytic capital in building the investment case for the care economy:

- Providing patient, flexible, risk-tolerant financing that sometimes accepts lower returns to accommodate the economics of high-impact organisations
- Seeking profit, but not necessarily profit-maximising
- Serving low income populations or a new market segment

Catalytic capital is much needed to set the ground for an enabling ecosystem for care enterprises to grow, test markets and scale, alongside efforts that generate investor awareness and confidence. Market building programmes such as accelerators and incubators, research and evidence building, creating communities of practice, among many other activities (refer to Section 5.2.4 for more details) will require funding from philanthropies and DFIs.

Examples of successful care enterprises across the spectrum exist, as do investors that have sought care and care-adjacent enterprises and made care an explicit part of their impact strategy.

Investors interested in care do not necessarily have to develop a specific investment strategy around care, but can consider, at a portfolio level, how **higher-growth investments in other sectors might accommodate potentially lower returns from care enterprises**, at least in the short term.

INVESTORS

4.6 Myth busting

We heard from investors a range of risks of investing in the care economy and **though these risks might be valid, they are not necessarily inherent or exclusive to care**. In fact, these risks are also present in other sectors that are far more established in terms of investment. See Figure 6 for a list of risks we heard, and sectors where we believe similar risks have been surmounted.

Figure 6. Perceived risks of investing in the care economy and other sectors where these same risks are present

"Harassment and worker abuse-related risks make these businesses difficult to invest in"	**Service industry, healthcare**
"It is highly reliant on person-to-person relationships and that is difficult to manage"	**Healthcare, hospitality, domestic services, security services**
"Compliance requirements and regulations make it very complex"	**Financial services, mortgage providers, investment platforms**
"Certifications are hard to attain"	**Education, EdTech**

Whilst we do not expect that these examples on their own will convince funders to invest in care, the intention is to reiterate that there is little evidence that the perceived risks are particular to the care economy and cannot be overcome.

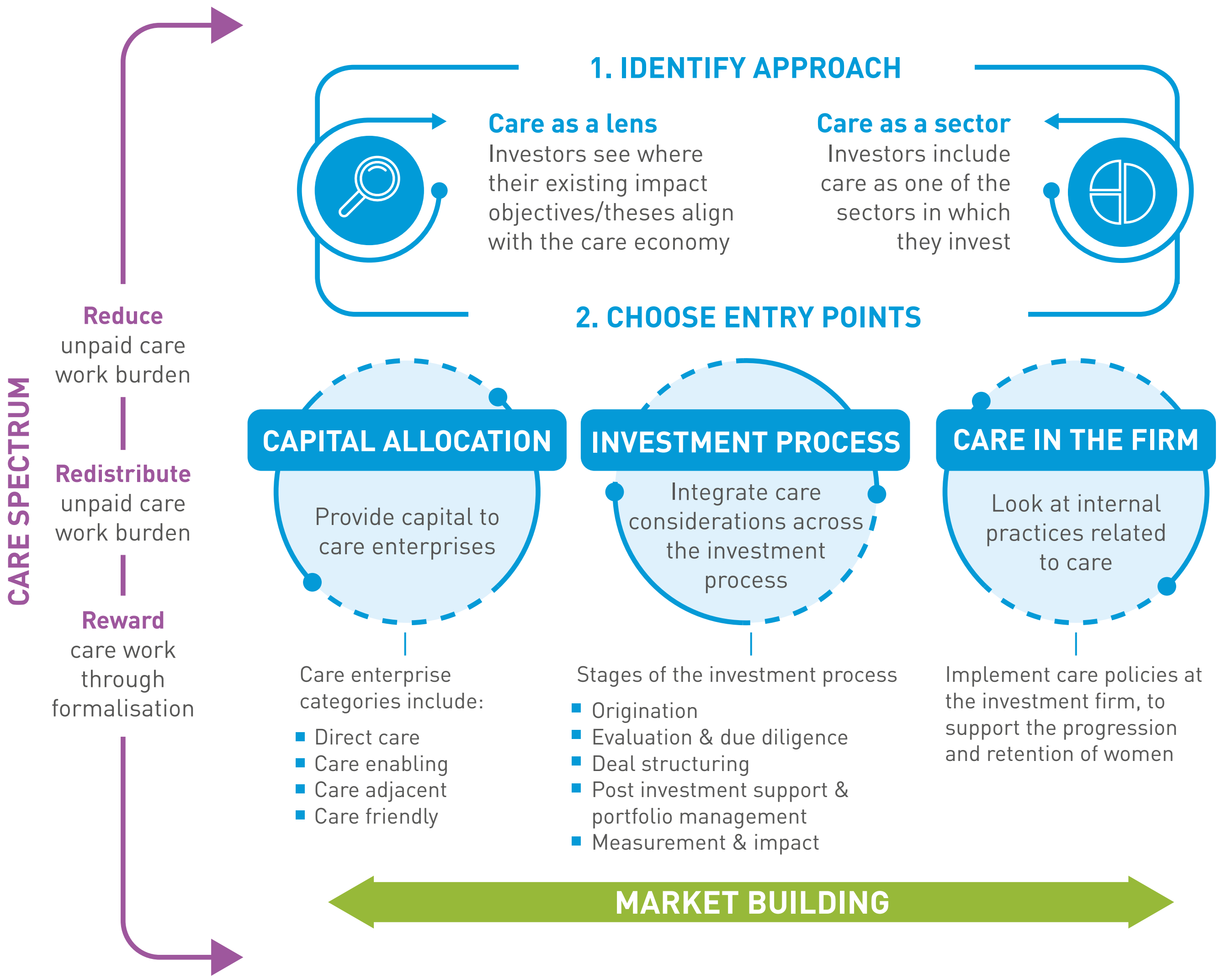
5. Insights to action: How to invest in the care economy

To guide investors on **HOW** they can catalyse investments into the economy, we offer the following **Catalysing Care Investments Framework** (Figure 7). This framework draws from the research findings in the previous sections. The framework presents **the various ways investors can make care-conscious investment decisions** to reduce, redistribute, and reward care work. As in other parts of this paper, care products or services might fall into one or multiple categories– the categories are not mutually exclusive.

This framework does not consider care investments along the impact–returns spectrum, and it is not prescriptive insofar as laying out concrete recommendations and pathways for readers. This is because there are many contextual nuances within the care economy and across countries/regions that need to be aligned with investors' individual strategies and approaches. The framework is therefore necessarily simplified, to invite readers to get started with considering the ideas presented in this paper.

The **objective is to help investors understand what the opportunities for investing in care might be for them**, including supporting them in refining their existing strategies and identifying additional opportunities to engage in the care economy. This framework will also help investors articulate the linkage between care and their investing strategy or impact thesis, consequently driving more investment into the space.

Figure 7. Catalysing Care Investments Framework



We suggest investors who are (or want to be) care conscious and intentional:

1 **Identify your approach** to determine how you want to think about investing in care, and

2 **Use entry points** to clarify what you can do to invest in care (the entry points are the same regardless of your approach).

We dive into each step below.

5.1 Identify your approach to investing in care

The objective here is to help investors understand **how to think about investing in care**. These two approaches will align with diverse investor motivations, stages, and apply to investments along the impact-return spectrum.

The two approaches investors have to invest in the care economy are:

Care as a lens: This is where investors see that their existing or potential impact objectives/theses align with care business models and outcomes. For example, investors with a strong gender focus might find overlap with how the care economy impacts women's economic empowerment and labour force participation. Other investors might be more motivated by health or wellbeing outcomes, education and children, the elderly, technology, etc. Care as a lens demonstrates that **investing in care does not necessarily require divergence from an investors' existing approaches**.

The alignment can be unintentional (i.e. investors might find that investments in their portfolio could be considered as care enterprises) or it can be used to intentionally screen in care investments. **For investors looking to start intentionally meeting care outcomes without changing their investment thesis, strategy, or the enterprise models in which they invest, the most accessible way to do that is to approach care as a lens**. Ultimately, this will build the investor's confidence in investing in care.

This will also help investors develop a working definition of what constitutes a care investment and why. Investors can build their working definitions around any part of reducing, redistributing, and/or rewarding care work and improving outcomes for caregivers (be they unpaid or paid) and care recipients.

> ***"It's hard to build a whole fund focused on care, but easier to align with other impact objectives"***
>
> **- Daan Besamusca, Investment Principal, Open Society Foundations**

Once alignment has been identified, investors can articulate these interlinkages between their impact objectives and care outcomes, and integrate this into their overall investment strategy.

Care as a sector: This is where investors are interested in including care as one of the sectors in which they invest. This is most **appropriate for investors already interested in care.**

Case Study: Example of using *care as a lens*

Upaya Social Ventures, an impact investor focused on creating dignified jobs, invested in Maitri Livelihood Services, an India-based service placement and management company that trains caregivers on a variety of home-based care services including housekeeping, childcare, and elderly care.

Upaya's approach here is that of care as a lens, as the investment aligns with their existing impact objective on dignified job creation within a care enterprise – thus *rewarding* care work through the creation of caregiving jobs; and *reducing* and *redistributing* care for customers.

Case Study: Example of using *care as a sector*

In 2021, the Malaysian sovereign wealth fund Khazanah Nasional Berhad launched the Khazanah Impact Innovation Challenge (KIIC). The challenge sought "innovative solutions to enhance ageing services for Malaysians".

Care Concierge was one of the KIIC 2021 winners and in 2023 it received investment from the Khazanah-backed Gobi Dana Impak Ventures (GDIV) fund.

Khazanah's approach here is that of care as a sector, as it was specifically seeking solutions for elderly care.

5.2 Choose entry points

Once investors have identified if they are motivated by care as a lens or a sector, they then need to decide how to take action. Here, we introduce four entry points:

1) **Allocate capital to care enterprises** by investing in direct care, care enabling, care adjacent, or care-friendly enterprises.

2) Integrate care considerations into **the investment process.**

3) Consider **care in the investment firm** by implementing care-friendly policies and practices.

4) **Invest in market building**, such as incubators, accelerators, research, or technical assistance. [Section 5.2.4]

There is no 'one-size-fits-all' approach, and so we recommend investors use these entry points as a reference and adopt one, all, or a combination, to meet their objectives. Incrementally, investors can add more elements to further increase their focus on the care economy.

We now look at each of these entry points in detail.

5.2.1 Entry point 1: Provide capital to care enterprises

Here, investors consider what category of care enterprise they are most interested in:[65]

- **Direct care** enterprises (i.e., those directly providing care related services, or platforms that match customers to carers);
- **Care enabling** enterprises (i.e., those providing products or services that support the functioning of direct care enterprises, such as training or certification for care workers);
- **Care adjacent** enterprises (i.e., those providing time-saving products or technologies such as labour-saving technologies that contribute to care outcomes); or
- **Care friendly** enterprises (i.e., non-care focussed businesses that provide benefits or services for their employees that reduce or redistribute unpaid care work, such as childcare vouchers or subscriptions to care concierge services).

NOTE: Enterprises may fall into one or more of these categories at any given time, and business models may evolve.

The category(ies) of care enterprises an investor chooses to direct capital towards will depend on the investor's starting point, impact objectives, risk appetite, and investment approach.

5.2.2 Entry point 2: Integrate care considerations across the investment process

Here, investors should explicitly incorporate care considerations throughout their investment process with all categories of enterprises. Doing so will support the investor to identify potential care investees; advance care practices and outcomes at the enterprise level; ensure deals are structured in ways that are suitable for care enterprises; and, ultimately, increase the flow of capital to care enterprises.

The variety of ways that investors can integrate care considerations into the investment process are listed in Figure 8 and actions are tagged as applicable to:

Investors wanting to invest in care enterprises (i.e., direct care, care enabling and care adjacent enterprises), marked as

Investors wanting to invest in care friendly enterprises, marked as

Figure 8. Integrating care considerations into the investment process

1 Origination

- Set targets for care enterprises and care friendly enterprises
- Seek out investible care enterprises
- Partner with care-focused accelerators and practitioner groups

2 Evaluation and due diligence

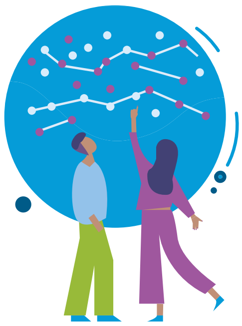
- Include care-related questions in your evaluation criteria
- In DD questions, collect data on job quality and closely examine risks related to care workers

3 Deal structuring

- Develop financing options to incentivise care
- Develop flexible financing options to meet the needs of women-led businesses

4 Post-investment support and portfolio management

- Influence care-friendly business practices within portfolio companies through board participation, in-house advisory, or third party advisory
- Offer portfolio companies technical assistance to implement care-friendly practices internally



5 Measurement & impact

- At investee level, track business and impact data from care-related activities
- At portfolio level, analyse impact of employer-supported care to build the evidence base for investing in care

5.2.2.1 Origination

Given the nascency of the care economy, **care enterprises are rarely part of existing networks and channels through which investors source deals**. Investors we spoke with shared that despite emerging interest in investing into care, suitable, investor-ready enterprises are hard to find. The following actions can help investors adjust their pipeline development efforts to identify and reach more care enterprises or enterprises that may contribute to reducing and redistributing unpaid care work and/or rewarding care work:

Investors wanting to invest in care enterprises

Investors wanting to invest in care friendly enterprises

a) **Set targets for care enterprises or care friendly enterprises**
Investors interested in investing in the care economy can set targets for doing so [refer to section 5.2.1]. These targets can utilise the definition your organisation has decided on for 'care enterprises or 'care-friendly enterprises'. Setting targets for dedicated outreach to care enterprises beyond traditional deal sourcing channels, for example, will diversify the pool of applicants. Investors applying a care lens to their existing investing approach can set aside a deal sourcing target share for enterprises meeting care outcomes within their larger pipeline or deals sourced.

b) **Seek out investible care enterprises**
As care enterprises tend to be women-led or women founded, investors looking to discover care enterprises can actively leverage women entrepreneurship networks, and also look to sectors that overlap with care. Investors applying a care lens can look to new, relevant networks and sources to increase chances of identifying care enterprises.

c) **Partner with care-focused accelerators and practitioner groups**
As part of efforts to increase focus and investment in the care economy, care initiatives such as the UN Women Care Accelerator program, Kore Global Care Economy Knowledge Hub, and the MIT SOLVE Care Challenge have been created. These offer opportunities for investors to discover and identify care enterprises, and to engage with others active in the sector.

Case Study: The Asia-Pacific Care Accelerator

The Asia-Pacific Care Accelerator is part of the Gender-Inclusive Care Entrepreneurship Ecosystem Program jointly supported by Canada's International Development Research Centre and the Visa Foundation.

The Accelerator offers a comprehensive approach to strengthening innovative care enterprises in the Asia-Pacific region. Through business training, mentorship, capacity building, and access to networks and finance, the Accelerator supports entrepreneurs to transform caregiving challenges into employment and business opportunities, provide products, services, or tech solutions that make care more accessible and affordable, and improve the overall quality of care services on and offline for women, families, and communities. The Accelerator specifically accepts women-led entrepreneurs and women-benefitting entrepreneurs.

More information on the Care Accelerator can be found here.

The Gender-Inclusive Care Entrepreneurship Ecosystem Program is implemented in partnership with the UN Women Regional Office for Asia and the Pacific, the Swiss Association For Entrepreneurship In Emerging Markets (SAFEEM), and BopInc.

5.2.2.2 Evaluation and due diligence

The evaluation and due diligence phase offers investors a powerful opportunity to integrate a care focus. Doing so at this stage will signal the investor's commitment to reduce unpaid care and will encourage investment-seeking enterprises (both care enterprises and others) to make provisions around care for which they will be held accountable. Investors can add questions about care provisions to wider GLI and ESG screening tools they may be already using. Some specific actions that can be taken are outlined below:

a) Include care-related questions in your evaluation criteria

Investors should include specific questions that systematically capture potential investees' care-related provisions and opportunities. A good practice is to incorporate a set of standard questions in the due diligence questionnaire (or standard indicators in the evaluation criteria) on the type of care benefits investees have for their employees and the provisions and incentives investees offer their employees.

Illustrative care-related due diligence questions

1. **As an organisation, what are the care policies that have been implemented?**
   - Paid maternity leave beyond national regulatory requirements
   - Paid paternity leave beyond national regulatory requirements
   - Support for employees as parents and caregivers, (e.g. flexible work hours, remote work, or phased return for new parents)
   - Paid personal/care/compassionate leave days
   - Accommodations for nursing mothers such as breastfeeding/pumping spaces that are private, clean, safe, and available primarily for this purpose
2. **Does the organisation periodically assess employees' needs as regards childcare, care for elderly relatives, and care for ill family members?**
3. **Are other care-related benefits or provisions offered to employees in the organisation? (E.g. provide information/ direct access to services/ allowances to new parents and those caring for an elderly, seriously ill, or special needs family member.)**

b) Collect data on job quality and examine care worker-related risks in your due diligence questions

Due diligence on both the protection and value proposition offered to care workers is particularly vital for those investing in enterprises providing direct care and those investing in intermediary platforms that connect care workers to customers. This is often overlooked; analysis by Dalberg Advisors found that investments lack consideration of how to support and value the workers that provide many care services (and who are the backbone of the care economy). Additionally, Investors have limited understanding of what these workers need and want.[66] Finally, asking questions on labour policies, protection, and wages also helps uncover and mitigate challenges related to potential for scale.

5.2.2.3 Deal structuring

Investor actions at the deal structuring stage can incentivise enterprises to adopt care-conscious business practices and can make financing suitable to women-led, early growth enterprises. Some specific actions include:

a) **Develop financing options to incentivise care**

To spur investee action on care, investors can explore innovative financing options that link investments with care-related outcomes. For this, investors can take inspiration from the gender-related incentives that funds and investment vehicles have used to improve gender outcomes (see *Value for Women Insights Issue Brief 5*– for example, IDB Invest uses concessional resources and grants to provide gender-related incentives to its portfolio companies). For investors interested in placing care outcomes at the core of a deal, outcome-based financing, such as impact-linked finance67, is particularly appropriate – e.g. lower interest rates can be made available to care enterprises or enterprises that improve their care practices and provisions.

b) **Develop flexible financing options to meet the needs of women-led businesses**

Many care enterprises are women founded or women led, in their early stages of growth, and, because of these two attributes, face difficulty raising capital. Investors looking to invest in care enterprises can develop investment offerings that are better suited to the characteristics typical of these enterprises. This may mean lowering ticket sizes, introducing less dilutive terms, and making provisions for flexible and affordable capital options (e.g. returnable grants, working capital loans).

5.2.2.4 Post-investment support and portfolio management

a) **Influence care-friendly business practices within portfolio companies through board participation, in-house advisory, or third party advisory**

Investors can leverage their active participation in portfolio companies' boards to influence those companies to develop and implement care-friendly policies and provisions. Investors can make available in-house or third party advisory services (e.g. 1:1 office hours, workshops, training) to provide portfolio companies with guidance on how to integrate care considerations into their day-to-day business practices.

b) **Offer portfolio companies technical assistance to implement care-friendly practices internally**

Investors can offer their investees gender-lens technical assistance with a specific focus on care policies and practices provided for their employees. This can include support to investees to establish on-site childcare facilities, partnerships with third-party child or eldercare providers, and child or eldercare vouchers or subsidies.

5.2.2.5 Measurement & impact

a) **At an investee level, track business and impact data from care-related activities**

For investors wanting to invest in direct care enterprises, they can incorporate metrics into their reporting frameworks that capture care-specific impacts. Here, investors might find the three R (reduce, redistribute and reward) framework useful, to capture data such as new customers served (reduce and redistribute), number of care worker jobs created (reward), etc.

Investors investing in care friendly enterprises can collect and track metrics highlighting the impacts of care-related activities. Such metrics can include the number of days of care leave availed by employees, uptake of care provisions, and employee retention and absenteeism. Investors may also encourage investee companies to deploy employee satisfaction surveys on care-related provisions within their company.

b) **At the portfolio level, analyse the impact of employer-supported care to build the evidence base for investing in care**

Investors looking to build care friendly portfolios can analyse the impact of employer-supported care, such as through employee satisfaction surveys deployed across portfolio companies, to build evidence and data for further employer-supported care including both policies and practices.

5.2.3 Entry point 3: Care within the investment firm

Investment firms may have relatively small teams, but support to caregivers is key to create inclusive workplaces and recruit, retain, and promote women. This is critical in an industry that sees a distinct drop in representation of women in higher positions (women make up only 11% of partners, C-Suite executives, and managing directors in emerging market private equity and venture capital[68]– for more analysis on the barriers and consequences of this lack of women's representation, see the Value for Women Insights Series: Issue 4.). Addressing care within the investment firm is also powerful for activating the other two entry points (provide capital and integrate care across the investment process) because people are more likely to invest when they have personal experience or connection to a sector.

Here, firms can look at their internal policies and practices from a care perspective. Particularly important is looking for family-friendly policies, and care benefits and provisions that reduce and redistribute employees' unpaid care work.

Examples of care policies in investment firms

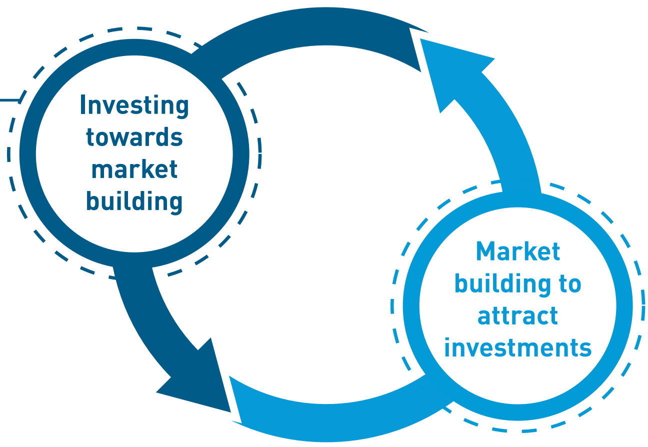
- Paid parental leave (for newborn or adoptive children)
- Flexible working options (e.g. phased return to work, flexible working hours/schedules, working from home, part-time or job share)
- Childcare support (e.g. childcare subsidies, allowances or other subscriptions)
- Long term care leave (e.g. to care for those with chronic, terminal or long term conditions)

Source: Adapted from Engaging with the care economy A guide for investors, employers and corporate actors, GenderSmart, 2022

5.2.4 Invest in market building

With the care sector in South and Southeast Asia being so nascent, **market building that strengthens the business case for investment, tests different care models, and drives high potential care enterprises, is critical for investment flow into the care economy**. This creates a virtuous cycle: as investors make greater levels of capital available to support market-building activities, incubators, accelerators, advisory service providers, networks, academia and policy makers are more able to develop the market, which in turn enhances investor confidence and drives greater investment, making further market building even more possible. Here, there is a need for philanthropic capital to fund these initiatives, as they are unlikely to be attractive to commercially-driven investors, and governments have limited funds to invest in market building.

Figure 9. Virtuous cycle of investing and market building



The next section provides recommendations for investors and market builders seeking to build the care economy market in South and Southeast Asia.

5.2.4.1 For investors

Investors, particularly philanthropic investors and development finance institutions, can take the lead in addressing critical market gaps to care enterprises growing and scaling.

Specifically, investors can:

a) **Fund research on market landscaping, trends and returns on investment.** This can include research focused on identifying the viable market size of care subsectors (childcare, eldercare etc.), diversity of emerging business models, return on investment, the costs of regulatory compliance, and surfacing successful case studies.

b) **Support accelerator and incubator programmes:** Funding the design, development, and delivery of accelerator and incubator programmes will create an enabling entrepreneurial ecosystem that supports high-potential care enterprises. As seen in other rapidly evolving sectors - such as climate tech and circular economy - dedicated programmes will be critical to build pipeline, increase discoverability, and enhance enterprises' investment readiness.

c) **Provide catalytic capital to test care models in early stages of growth:** Patient funding holds huge potential, allowing entrepreneurs the flexibility to experiment with different business models and customer acquisition methods, and gives them time to deepen their understanding of market dynamics. Funders may also explore channelling funding to venture builders that are building and testing enterprises tackling challenges around reducing unpaid care and formalising care work. Venture builders typically start companies from scratch and take them to (at least) the seed stage, indicating options where patient capital can play a critical role at different stages of businesses' development.

d) **Develop communities of practice:** Philanthropies and development finance institutions play a crucial role in building ecosystems that enable collaboration and widespread knowledge-sharing. While the care economy encompasses a wide range of stakeholder types, communities of practice fostering sharing specifically between investors and care enterprises could be critical in catalysing the increased awareness needed to drive investments into the care economy. Through discussions, resources, case studies, and identification of good practices, these platforms can facilitate the sharing of evidence, challenges, data, experiences, and advice needed to plug the sector's information gaps.

5.2.4.2 For market builders and ecosystem stakeholders

Incubators, accelerators, advisory service providers, networks, academia, policy makers, advocacy groups, and companies have a critical role to play in creating conducive conditions that support enterprise growth, reduce investment risks, and increase opportunities for returns. For example, incubators and accelerators can integrate a care lens into their programmes, to intentionally screen in more care enterprises.

The below table outlines some key actions these market builders can take:

Table 1. Illustrative actions for market builders and ecosystem stakeholders

	Entrepreneurship support organisations (accelerators & incubators)	Advisory service providers	Network & industry associations	Academia	Policy makers & government	Advocacy groups	Companies
Organise care enterprise showcases, competitions, and awards	✓	✓	✓	✓		✓	
Provide investment readiness support for care enterprises	✓	✓					
Undertake research to determine market size		✓	✓	✓	✓		
Highlight case studies of successful, scaled care enterprises	✓	✓	✓	✓		✓	✓
Co-fund care infrastructure [69]					✓		
Build a community of practice and encourage peer learning	✓	✓	✓		✓	✓	
Participate in peer learning exchanges	✓	✓	✓	✓	✓	✓	✓

Note: This table is indicative and non exhaustive.

6. Conclusion

Today, **investors have an unparalleled market opportunity to invest in the care economy in South and Southeast Asia**. Recent demographic shifts, population growth, urbanisation, and an ageing population are creating demand that has until now remained latent. Care enterprises are leaning on different business models to formalise care work and reduce and redistribute time spent on unpaid care work: care concierge services, dedicated e-commerce platforms, franchise caregiving, peer to peer services, and care worker matching platforms are just some of the diverse business models cropping up in the region.

As seen throughout this paper, **investing in care does not necessarily require divergence from an investor's existing approaches**, and many investors will find alignment with their current impact objectives. Given the emerging nature of the care sector in South and Southeast Asia, it is particularly important that funding be **patient and catalytic**.

Additionally, for investment to flow into the care economy, **ecosystem-focused market building is needed.** From supporting incubators and accelerators to research and technical assistance, support is needed to strengthen the business case for investment, test different care models, and drive high potential care enterprises. Public investment is also much needed and should not be replaced by private sector resources.

Now, we invite you to take action. Investors should not be put off by the emerging nature of the care economy– the sector is ready for both investment and market building. And this paper has outlined the specific steps each type of actor can take.

Investing in the care economy will pay off in both social and financial returns. Reducing, redistributing, and rewarding care work will improve outcomes for both carers and those being cared for, and drive greater economic productivity and growth. Also –together with policy and broader behaviour/normative change efforts– it will ultimately contribute to greater gender equality at the societal level.

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