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# Strengthening the care economy: Benefits for developing countries

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India concluded its G20 presidency with the leaders' summit on 10th September 2023. The summit referenced the care economy under “Gender Equality and Empowering All Women and Girls” for “Enhancing Economic and Social Empowerment.” It stated the need to “promote investment in the availability and accessibility of social protection, and in affordable care infrastructure to address the unequal distribution of paid and unpaid care and domestic work, and to promote the continued participation of women in education and employment.”

MSC (MicroSave Consulting) has worked extensively with policymakers, care service providers, and other stakeholders to explore a multifaceted agenda to develop a vibrant care economy in India, Indonesia, Bangladesh, and Kenya. This paper provides preliminary insights into these ideas.

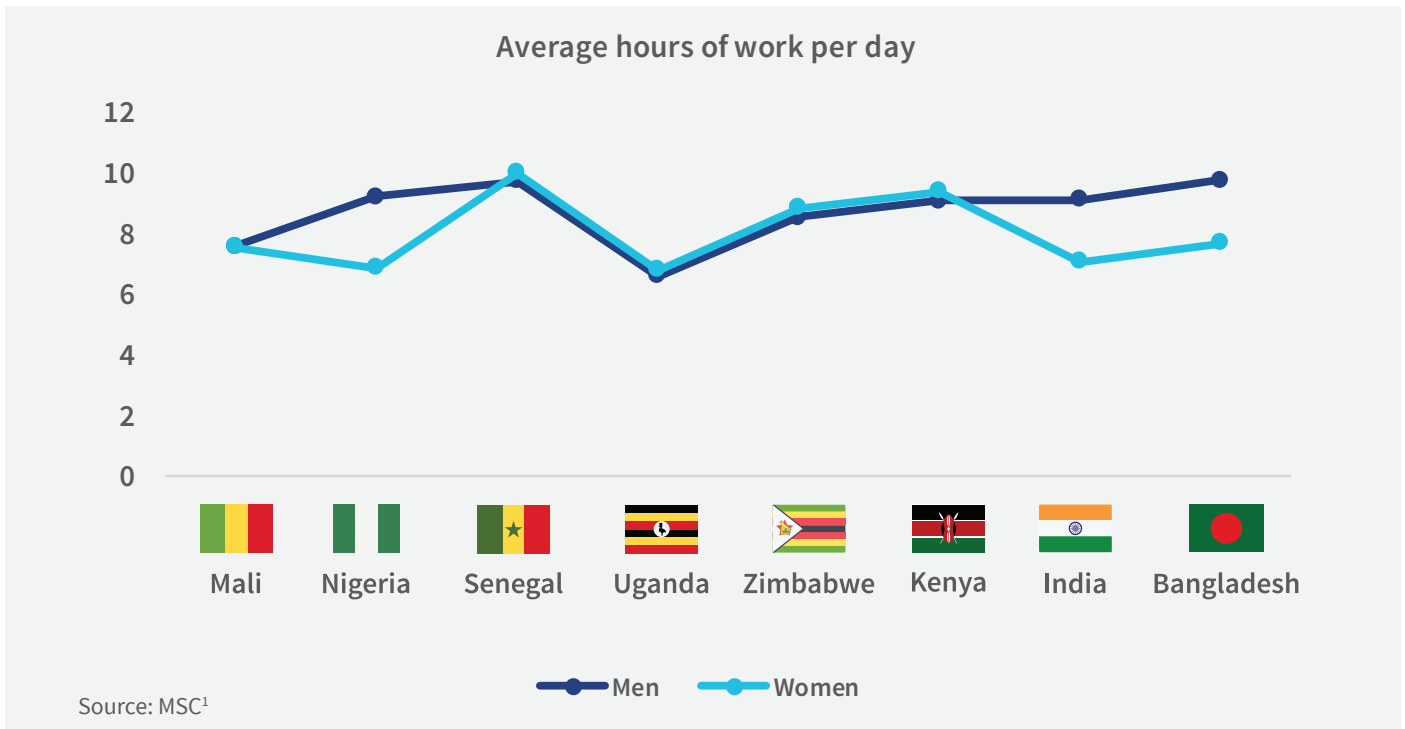
**A more robust care economy offers two significant benefits for developing nations. It promotes gender equality and facilitates inclusive economic growth. Nations can create a stronger care economy if they increase the number of women in the workforce, improve the quality of care training and skill development, raise wages in the care industry, promote fair working conditions, enhance family well-being, and empower women.**

The European Institute for Gender Equality defines care work as “looking after the physical, psychological, emotional, and developmental needs of one or more other people.” Care recipients usually are infants, school-age children, people who are ill, persons with disabilities, and the elderly. Care activities encompass a range of tasks, such as direct, personal care, such as feeding a baby or providing medical assistance to an ill partner or an older adult, and indirect help, such as cooking and cleaning.

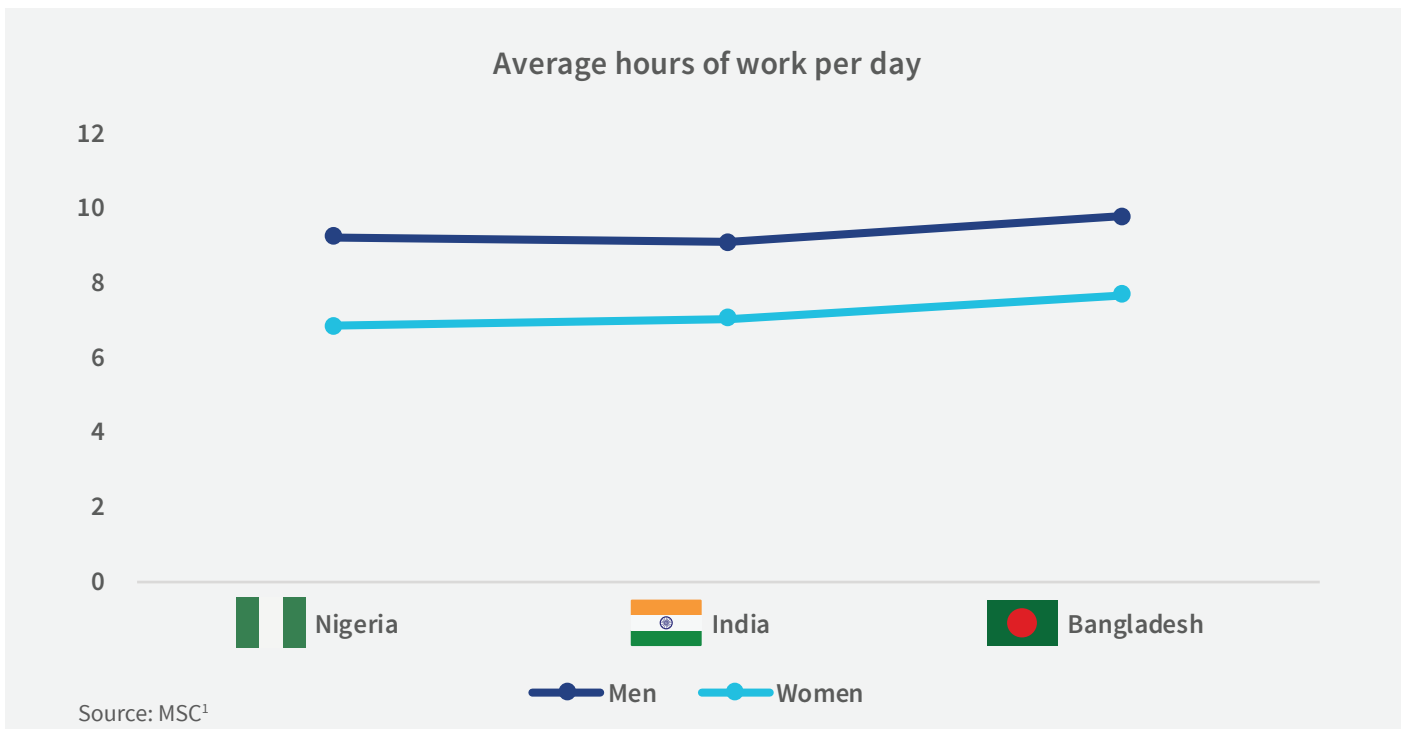
Unpaid caregivers handle a large portion of care work. More often than not, caregivers are women and girls from marginalized backgrounds who leave the workforce due to a persistent gender bias that puts the onus on women to shoulder this responsibility. In 2021, women comprised 47% of the global workforce, compared to 72% of men, which translates to a gap of 25%. This gap is even wider in countries, such as India and Indonesia, at 51% and 28%, respectively. If more women are to participate in the workforce, they must be able to access quality, affordable childcare and elderly care. As per research, the lack of affordable care has led to a 4.8% dip in the female labor force participation rate (FLFPR) in developing countries.

Women entrepreneurs often spend significant time on household responsibilities, as family obligations take precedence in their priorities. MSC's research has found that many female microentrepreneurs, including female business correspondents, face a heavy domestic workload at home, which leaves them with less time for their businesses.





Moreover, in Nigeria, India, and Bangladesh, social norms around women’s role in the household and family mean they work around 20-25% fewer hours per day. This challenge was amplified during the COVID-19 epidemic when women were expected to fulfill caregiving duties for household members and could not go out to work or attend school. A [study](#) conducted during the pandemic’s early stages showed that women’s time spent on childcare increased from 26 to 31 hours per week. For men, it increased from 20 to 24 hours per week. This gender gap varied significantly between countries. A substantial proportion of women also reported they had to take care of their children full-time during the crisis.

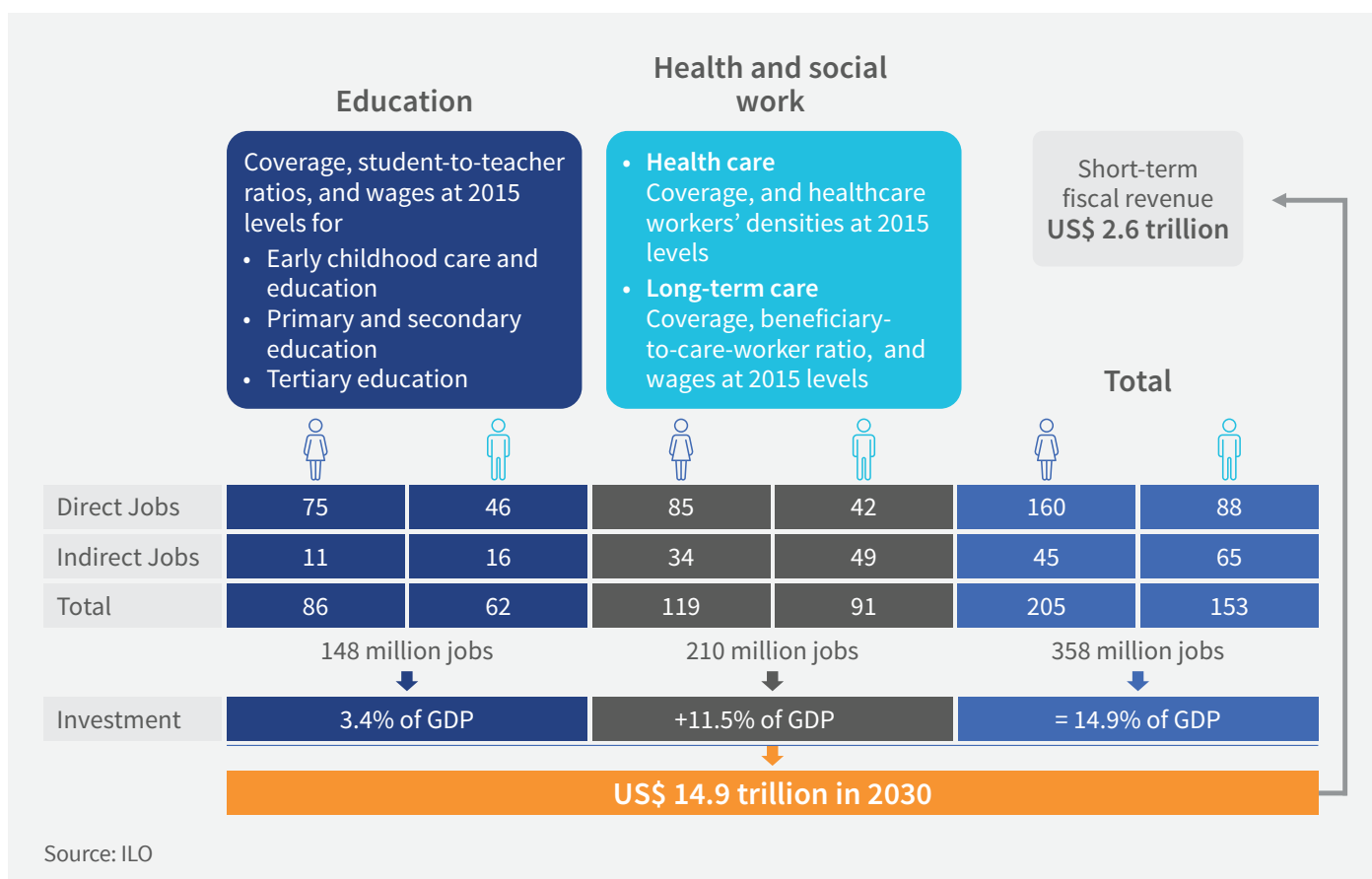


<sup>1</sup> Data gathered from more than 150 men and 567 women corner shop owners and microenterprises in Africa (Mali, Nigeria, Senegal, Uganda, Zimbabwe, and Kenya) and Asia (India and Bangladesh) at various points in time between 2018 and 2023.

MSC’s analysis also reveals that providers who offer financing, market access, and training services to women entrepreneurs rarely design products and services specifically to meet women’s unique needs throughout their lifecycles. These providers tend to develop their offerings with men as the primary target users and overlook women entrepreneurs’ specific needs during important life stages, such as marriage, childbirth, and primary caregiver responsibilities.

## The care economy’s untapped potential

The International Labour Organization’s (ILO) examination of various alternative scenarios of care-related employment in the education, health, and social work sectors in 45 countries illustrates the possibilities of generating supplementary employment through a strengthened care economy. This could help meet global Sustainable Development Goals (SDGs) by 2030, per the “high road”<sup>2</sup> scenario in the ILO’s macroeconomic simulation.



For example, an additional investment of 2% of the GDP in India’s health and care sector could generate 11 million additional jobs, one-third of which would be for women. Additionally, Indonesia may see an increase of more than 10 million jobs in the coming years due to additional investments in the care economy.

A 2018 survey of 64 countries by the ILO represented two-thirds of the world population and 19 countries that belonged to the G20. It revealed an average of 16.4 billion hours of daily unpaid care work. If this work is compensated with minimum wage, it could amount to 9% of the global GDP, or approximately USD 11 trillion. India alone could realize an additional USD 300 billion from its economy through a minimum wage for unpaid care work.

<sup>2</sup> The high road scenario envisions an expansion of care services by 2030 to meet the requirements of SDG 3 on health, SDG 4 on education, SDG 5 on gender equality, and SDG 8 on decent work. This expansion would aim to increase both the population coverage of these services and the quality of care services provided, as well as create more employment opportunities.

Notably, the undervaluation of care work often leads to an underestimation of a nation's GDP, which represents the total value of goods and services bought and sold within a country. This can be attributed to gendered power dynamics that designate women as the primary unpaid caregivers and dissuade them from participating in the formal and paid labor force. The demand for long-term care has increased, with rapid demographic changes and a shift toward nuclear families. Access to high-quality, affordable care could potentially increase women's participation in the labor force and lead to higher incomes for both women and their households. In the US, for example, 91% of the middle class's income increase in the past 40 years can be attributed to women's involvement in the labor force.

Countries can gain insights into opportunities to strengthen their care infrastructure when they examine current policies and care service delivery models.

## Case in point: A look at existing childcare support policies and infrastructure

Many countries have policies to support working parents, working mothers, and care workers at home. OECD notes that on childcare, nations, including several G20 countries, have policies on child entitlements. For instance, the UK offers tax-free childcare. Argentina offers childcare allowances for unemployed or informal workers and childcare in the workplace. Saudi Arabia subsidizes childcare costs for women who earn below a specified level. Germany offers care insurance—a mandatory contribution individuals make to cover the costs of long-term care services. However, these policies should be thoroughly reviewed and contextualized for developing countries.

MSC conducted a comprehensive review of existing literature on care models and collaborated with several care service providers to identify three distinct types of models.<sup>3</sup>



### For-profit

Private and public sector corporations have increasingly recognized childcare's importance for their employees and have gradually started to invest in it. For example, in India, the Mahindra Group offers a five-year flexibility policy to female employees that covers all key life stages of motherhood. Meanwhile, the leading private sector bank, ICICI, offers an iWork@home policy that allows extended work from home. This policy also covers the costs of young childcare and caregivers in the case of business travel. Many other companies provide subsidized crèche services. This has led to the rise of private sector companies, such as Sunshine and Klay in India, and Educor in Kenya, which provide services to parents, such as corporate crèches near workplaces or at fixed locations. In India, kindergarten schools or individual entrepreneurs also offer daycare services on a smaller scale.



### Not-for-profit

Various non-governmental organizations (NGOs) and civil society organizations (CSOs), such as Sangini Childcare Cooperative, run by SEWA, and Mobile Crèches, provide childcare services for children of informal sector workers and construction workers under 12 years in India. Kidogo in Kenya trains existing daycare providers and improves the quality of their services by turning them into “mamapreneurs.” These services are funded by voluntary donations, government funds or subsidies, private organizations, and a nominal fee charged to the parents.







### Government-led initiatives

Various G20 countries have specific programs on childcare. For instance, the Ministry of Women and Child Development in India's Palna Scheme provides subsidized crèche facilities for working mothers from low-income families. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) includes provisions for crèches, on-site shelters for children, and childcare services. The Indian government has also created policy provisions for crèches under the Maternity Benefits (Amendment) Act 2017.

Similarly, the Government of Indonesia's ECCE program is live in Kupang Regency with UNICEF's support since 2016. Meanwhile, in 2022, the government of Bangladesh approved the Integrated Community-Based Center for Child Care, Protection, and Swim-Safe Facilities Project to establish 8,000 community-based childcare centers in more than 16 districts.

<sup>3</sup> The examples listed are from India, Indonesia, Bangladesh, and Kenya but similar models exist in other developing countries too. Among others, MSC has regional offices in these four countries and oversees operations in Asia, the Middle East, North Africa, East Africa, West and Central Africa.

The table below presents a quick comparative evaluation of these models based on their accessibility, affordability, usability, and scalability in India’s context.

Assessment criteria	Parameters	For-profit service providers	Not-for-profit service providers	Government-led initiatives
 <b>Accessibility</b>	<b>Location and coverage</b>	Mostly urban centers, in fact, metros	Mostly urban locations where low-income segments reside	Mostly limited to rural areas, such as Anganwadi centers in India
	<b>Operational hours or flexibility for parents</b>	Generally meet working parents’ requirements	Generally meet working parents’ requirements	Limited support (around 6 hours)
	<b>Proximity of the service</b>	Mostly closer to the place of work	Different models exist—some provide service close to the work area, while some are closer to dwellings, such as slums, colonies, etc.	Mostly closer to the individual’s residence
 <b>Affordability</b>	<b>Cost of operations for the service provider</b>	High cost (usually a high-end, facilities-driven, brick-and-mortar structure)	Relatively low cost compared to for-profit providers, as they provide basic facilities	Relatively low cost compared to for-profit providers, as the existing government programs subsidize the costs
	<b>Cost for parents or users in terms of fees or any additional cost</b>	Expensive for users or corporations that pay for the service  People from the LMI segments cannot afford these services	A nominal fee (or free)	Free
 <b>Usability</b>	<b>Quality of infrastructure—water supply, sanitation, desks, beds, closed-circuit television</b>	Mostly high-end	Meets basic minimum standards to ensure children’s good health, may lack facilities, such as CCTV cameras	Meets basic minimum standards to ensure children’s good health, but several operational challenges persist
	<b>Qualification and capabilities of staff</b>	Mostly high as these providers train the workers and indicate the work’s QC	Mixed; workers have basic training and may lack advanced training and draw expertise from experience	Childcare may not be the care workers’ core skill
	<b>Services including quality provided—educational resources, toys, meals, and healthcare</b>	Mostly all facilities included	Limited based on funding support	Just as in India, the government covers most of the basics on educational development, play, meals, care, etc.
 <b>Scalability</b>	<b>Ease of expansion based on the above-mentioned parameters</b>	They have to invest heavily; expansion has been slow	They depend on donor money and are limited to geographies where they are present with some vintage; hence expansion has been slow	The numbers are fixed and can expand if the population increases

Source: MSC analysis of different childcare models based on first-hand experience and secondary research.

MSC's analysis suggests that none of the three models offers sufficient, affordable, high-quality, and adaptable childcare support for working men and women. Moreover, comprehensive data on these models is lacking, such as the number of households served, revenue, profits, and their impact to increase women's labor force participation and improve children's well-being.

## What can accelerate the care economy's development?

The care economy requires innovative policies, solutions, and services from qualified care workers across a range of areas, including childcare, domestic services, and geriatric care. This, however, is not possible through government support alone and requires the private sector's intervention to create solutions and scale them up proactively. Some ideas that can accelerate the development of the care economy include the following:

- **Research and compare care models**

MSC's consultations with service providers, policymakers, and philanthropies highlighted that a thorough analysis of care models is vital to identify ways to expand the care economy. Comparison indicators cannot solely focus on GDP contributions and business opportunities to ensure an accurate evaluation of potential impact. The indicators should also consider factors, such as gender equality, health, and education outcomes.

- **Devise a national care policy to develop the care economy**

In its opinion piece with India's think tank NITI Aayog, MSC advocates the development of a gender-inclusive national care policy for the care sector to standardize protocols for high-quality and affordable care services. This applies to childcare, domestic services, and elderly care. For success, the care sector should be seen as an emerging industry that needs comprehensive policy support. The sector should receive adequate support that spans significant funding, investment, mentoring programs, legal protections, and advocacy efforts to promote affordable and high-quality care solutions.

- **Ensure public and private sector collaboration to create a skilled workforce that delivers high-quality, affordable care to meet the needs of an ever-growing population**

Collaboration between the public and private sectors is crucial to build a skilled workforce that can provide high-quality yet affordable care to meet our population's growing demands. To this effect, MSC collaborated with NITI Aayog and FICCI FLO to organize the "Accelerating the Care Economy in India" event. It highlighted the need for both sectors to come together and invest in infrastructure, technology, gender inclusion, and skill development of personnel to drive market growth and deliver accessible, quality care for the expanding population. This must include harnessing technology, data analytics, and training and certification programs to encourage a shift to eliminate the stigma of men in caregiving roles and generate employment opportunities for women.

- **Use the potential of the flourishing digitally-enabled care economy**

The digitally-enabled care economy is a rapidly expanding sector that combines elements of the care and digital economy and offers multiple benefits. These include increased flexibility, improved methods of pricing, convenient ways to connect with clients, established workplace safety protocols, written contracts, efficient systems to handle complaints, and digital payment methods to empower women and promote economic autonomy. Various digitally enabled care companies, such as Lovecare in Indonesia and Kiddocare in Malaysia, offer services such as babysitting and eldercare through digital platforms.

- **Encourage, experiment, and incubate innovative care solutions**

An incubator and accelerator should be established to encourage focused private-sector efforts to identify, incubate, and amplify innovative solutions that can significantly benefit a well-developed care economy. These accelerators could address specific problems related to care models and cater to various geographical regions, income groups, and cultures. The goal of such efforts should be to create high-quality yet affordable solutions along the entire care continuum as it generates dignified jobs and incomes for care workers.

A resilient care economy offers several advantages for developing countries, as it is not just a moral obligation but also a crucial element for a prosperous and enduring society. While the discussions at the G20 summit in India indicate progress, concrete measures are needed to further this agenda. Ultimately, a thriving care economy benefits all members of society as it enhances overall well-being and paves the way toward a more prosperous future.