

Hogaru

 Hogaru

hogaru.com



The Care Economy
Knowledge Hub

the-care-economy-knowledge-hub.org

Profiling Businesses in the Care Economy

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

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



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



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



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



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

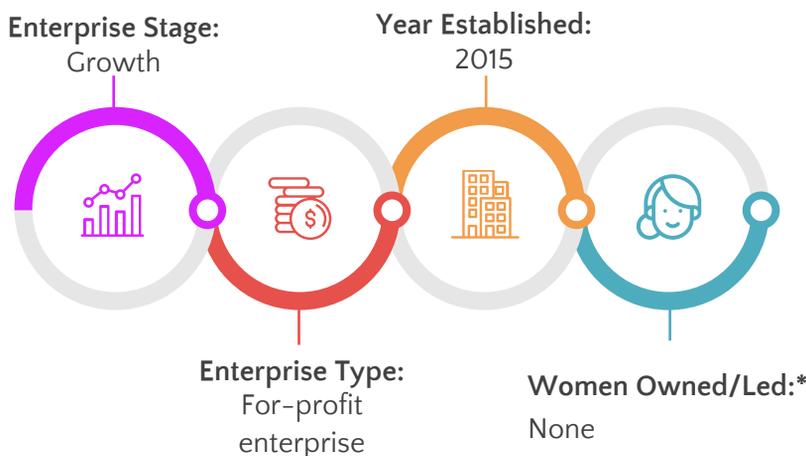
The Care Economy Knowledge Hub aims to address the knowledge gap around care businesses by showcasing various business models and creating a resource base for relevant stakeholders. It also aims to raise awareness and increase knowledge of the state of impact-driven care economy business models and attract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

This project is supported by Canada's International Development Research Center, in partnership with the Soros Economic Development Fund at the Open Society Foundations. Building on their track record and commitment to transforming the care economy and mobilizing finance for gender equality, they have jointly launched this action research program to help transform the care economy through impact business and investment.

Executive Summary



Hogaru is a Colombian for-profit digital platform that provides cutting-edge technology for households and businesses to find reliable and quality domestic workers who have undergone a rigorous recruitment process. Separately, the company offers an employee management tool, Apporta, that enables households that already have a domestic worker, to formalize¹ their employees by signing a contract, enrolling them into the national social security system, and administering their contributions and payments. Hence, Hogaru reduces the time households spend on unpaid domestic work by matching them with trusted and qualified domestic workers. The company redistributes domestic work and provides formal employment and benefits to domestic workers who are rewarded with competitive salaries. Furthermore, Hogaru offers training and upskilling opportunities to domestic workers via the “Hogaru Academy”. Since 2015, Hogaru has served more than 50,000 customers. In 2021, the company generated a revenue of US\$ 3.4 million and currently employs 700 people.



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¹ Formal employment benefits in Colombia entail earning at least a minimum wage salary, which is determined by the government every calendar year. The minimum wage for 2022 is COP 1 million (approximately US\$ 250) per month and includes paid holidays. Working hours are up to 48 hours a week, and employees must have at least one paid day off every six days (usually Sundays); however, some occupations, such as domestic services, can charge overtime hours up to 12 hours per week. Overtime hours are paid at 125% of the ordinary hourly rate. In addition, employers must make monthly social security payments that include pension, health, and occupational hazard insurance, and family compensation funds. Employers must also provide transportation allowance and uniforms/work clothes three times a year for employees who earn a minimum wage. Formal employment also includes a bonus that must be paid in June and December, equivalent to two-weeks pay, vacations (15 working days of vacation for every year of service), paid sick leave, and 18-weeks of paid maternity leave.

*According to 2X “women entrepreneurship” and “women leadership” criteria; [2X Challenge Criteria](#)

1. About The Enterprise

1.1 Problem

Before the 2011 Domestic Workers Convention (No. 189), that Colombia adopted in 2014, domestic workers were exposed to precarious working conditions. They worked more than 8 hours per day, without contracts, and received no health insurance, occupational hazard insurance, or pension benefits.² Despite this regulation, estimates suggest that less than 20% of domestic workers are formalized in Colombia.³ Only 17% have access to social security, and 62% earn the minimum wage or less.⁴ Moreover, informally employed workers do not have access to loans from formal institutions and have to take more expensive loans from informal sources- moneylenders, pawnshops and family and friends.

Additionally, the supply of reliable and high-quality domestic services that cater to different needs (e.g., partial shifts and one-time services) is limited in Colombia. There are 688,000 paid domestic workers, 91% of whom are women,⁵ to satisfy an estimated demand of 900,000 households willing to pay for these services.⁶ Therefore, households and even private companies struggle to find trusted domestic workers and often rely on recommendations from acquaintances or intermediaries. However, these methods do not always successfully match available domestic workers with potential customers. Anecdotal evidence suggests that these issues are associated with lengthy searches, poor recruiting processes resulting in unsatisfactory experiences, and schedules that do not suit customers. Over the past decade, such situations have given rise to digital platforms that do the job easier and faster.⁷

When households and companies find reliable domestic workers on their own and want to formalize their relationship (to protect themselves and the worker),⁸ the administrative barriers they face are many. Apart from issuing contracts, employers must provide enrollment into the national healthcare system, pension, occupational hazard insurance, and family compensation funds,⁹ and administer payments. This complex and lengthy process discourages formalization.

² ILO. (2021). Making decent work a reality for domestic workers. Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 (No. 189). P. 151. Retrieved from: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_802551.pdf

³ Serv. (2021). El trabajo doméstico informal preocupa en Colombia y Bogotá. Retrieved from <https://www.serv.com.co/post/escrbe-en-tu-blog-desde-tu-sitio-web-o-m%C3%B3vil#:~:text=El%2080%20%25%20de%20las%20trabajadoras.aportes%20al%20sistema%20de%20pensiones>.

⁴ Portafolio. (2019). El 96% de los empleados domésticos en Colombia son mujeres. Retrieved from <https://www.portafolio.co/economia/empleo/el-96-de-los-empleados-domesticos-en-colombia-son-mujeres-527092>

⁵ DANE. (2022). Mercado Laboral Julio 2022. Retrieved from https://www.dane.gov.co/files/investigaciones/boletines/ech/ech/pres_empleo_jul_22.pdf

⁶ DANE. (2020). Trabajo doméstico remunerado en Colombia. Retrieved from: <https://colombia.unwomen.org/sites/default/files/Field%20Office%20Colombia/Documentos/Publicaciones/2020/01/trabajo%20domestico%20colombia.pdf>

⁷ DoEmploy. (2021). ¿Dónde buscar un trabajador doméstico? Aquí hay 4 modos. Retrieved from <https://doemploy.app/es/blog/donde-buscar-un-trabajador-domestico-aqui-hay-4-modos>

⁸ Especially since 2015, when Colombia adopted the 2011 Domestic Workers Convention (No. 189).

⁹ The Family Compensation Funds are institutions in charge of administering benefits, such as monetary subsidies, in-kind subsidies that include food, clothing, scholarships, school texts, medication, among others, and service subsidies, such as reduced recreational parks price admission.

1.2 Solution

In Hogaru, domestic workers earn at least the legal minimum wage every month, regardless of the number of hours they work. They receive their salaries every two weeks with all legal benefits such as paid holiday and transportation allowance. Their shifts do not exceed eight hours per day; they are eligible for paid overtime hours (no more than 12 per week); and they can earn prizes (around US\$ 20 extra per month) for service quality. The company also offers interest-free loans to its workers when needed.¹⁰ Around 91% of Hogaru's domestic workers come from the informal sector and 84% report improved economic stability while working for the company.

Hogaru provides households and businesses reliable and high-quality domestic services (cleaning, ironing, laundry, basic cooking, and child supervision) with flexible schedules, which can be booked easily through the web application or the mobile app. Hogaru's comparative advantage lies in its full-time staff, whom they hire directly and to whom they assign work shifts according to customers' needs. The recruitment process includes a background check and a technical and social skills assessment, to ensure service reliability and quality.

In 2019, Hogaru expanded its services portfolio and developed the Apporta feature, an employee management tool that makes it easier for households to formalize existing work relationships between households and domestic workers.¹¹ Apporta facilitates contracts, affiliations to the national social security system (health, pension, risk insurance, and family compensation funds), and salary and benefits payment.

Hogaru reduces the time households spend on unpaid domestic work by matching them with qualified domestic workers. It redistributes domestic work to a third party that ensures decent work conditions through indefinite-term contracts and rewards them with competitive salaries compared to unformalized domestic workers.

¹⁰ Business Call to Action. Hogaru. Retrieved from <https://www.businesscalltoaction.org/member/hogaru>

¹¹ According to Colombian laws, a domestic worker is any person that offers household services, such as cleaning, cooking, laundering, ironing, gardening, child care, driving, among others.

1.3 Customer Segment

Customer Segment	Product / Service Provided	Paid / Unpaid
Domestic workers	<p>Hogaru Academy: This is a tool that allows domestic workers to access different types of training content, such as cleaning and cooking tips, financial education, and digital literacy. The platform contributes to upskilling that benefits both the domestic workers and the company. It also includes documents and videos explaining domestic workers' legal rights.</p> <p>Emergency loans: Hogaru offers interest-free loans to its domestic workers, and to date has given 839 loans. In 2022, 62.8% of active domestic workers received a loan. The average requested loan amount is COP\$ 400,000 (~US\$ 89).</p> <p>Additionally, Hogaru established an alliance with chain stores where domestic workers can use the loans to buy home appliances at a discounted price.</p>	Unpaid
Households	<p>Domestic services: Households can use the Hogaru web application or the mobile app to book reliable and quality domestic workers (hourly, weekly, or every other week). Services include deep cleaning, ironing, laundry, basic cooking, and childcare. Two-thirds of the customers are middle and high-income single women, followed by couples without children.</p> <p>Apporta: It is an employee management tool that enables households to formalize their domestic workers by signing a job contract, enrolling them into the national social security system (health, pension, workplace hazard insurance, and family compensation funds), and pay their salaries and benefits.</p>	<p>Paid: Households pay for services in advance through an online payment channel on the platform.</p> <p>Paid: Employers pay a monthly fee for the subscription to Apporta depending on the number of hours worked by the domestic worker (full-time or part-time).</p>

1.3 Customer Segment

Customer Segment	Product / Service Provided	Paid / Unpaid
Businesses	<p>Cleaning service: Hogaru has commercial partnerships with small and medium-sized businesses that require cleaning services. Domestic workers assigned to these companies are full-time Hogaru employees, relieving companies of having to hire, formalize and pay staff.</p> <p>Employee corporate benefits: Companies can also purchase cleaning service packages as benefits for their employees, especially those working from home.</p>	<p>Paid: Private companies hire Hogaru as a cleaning service provider and determine the frequency and length of services.</p>

1.4 Team And Governance Structure

Hogaru has 700 full-time employees, 624 domestic workers (all women), and 88 administrative employees (58% women). Both the domestic workers and the administrative employees are hired directly by Hogaru, work full-time, and have indefinite-term contracts.

Hogaru was co-founded by three men. Hogaru's Board of Directors includes investors and the management team.

1.5 Enterprise Policies

Policy	Yes / No
Overall HR Policy	Yes
Equal pay for equivalent work policy	No
Non-discrimination / Equal employment opportunity / Diversity and inclusion policy (gender, LGBTQ, PWD, etc.)	No
Anti bullying and sexual harassment policy / Respectful workplaces	Yes

Policy	Yes / No
Whistleblower policy / Employee grievance mechanism	Yes
Maternity / Paternity leave policy	Yes
Safeguarding policies for vulnerable groups (children, elderly, PWDs)	Yes
Safeguarding policies for the environment or to reduce detrimental impact on the environment (covers reducing carbon footprint, reduced water consumption etc.)	No

2. Impact

2.1 Mission Statement

Hogaru's mission is to provide quality and reliable domestic and cleaning services in Colombia. The company also aims to develop formal, stable, and motivating jobs that improve domestic workers' working conditions and quality of life.

2.2 Intended Impact

Hogaru strives to achieve the following impact:

- It **rewards** domestic workers by providing formal jobs and competitive salaries since 91% of Hogaru's workforce comes from the informal sector.
- It **redistributes** unpaid care and domestic work to a third private party.
- It **reduces** the time spent on unpaid care and domestic activities.

2.3 Monitoring And Measurement

Hogaru measures the following indicators:

- Number of domestic workers employed/formalized through Hogaru and Apporta, disaggregated by sex
- Domestic worker income (including the monthly prizes and bonuses)
- Average time of domestic workers' length of employment

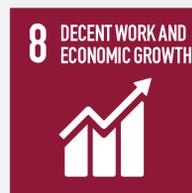
- Number of customers served (around 90% of customers are recurrent vs 10% of one-time services)
- Number of active users on the platform
- Number of dormant customers
- Number of reactivated dormant customers
- Number of women heads of households that are domestic and care workers
- Customer satisfaction (measured through a short survey customers complete upon service delivery via the app or email)
- Domestic workers' satisfaction (measured through a survey every three months)

All these indicators are measured everyday, nearly in real time, except for the last three which are measured quarterly.

2.4 Results To Date

From 2015 to 2022, Hogaru directly benefited the more than 6,500 domestic workers hired, along with another 1,000 that were formalized through Apporta.

Hogaru's work is aligned with the following Sustainable Development Goals (SDGs):



3. Financials

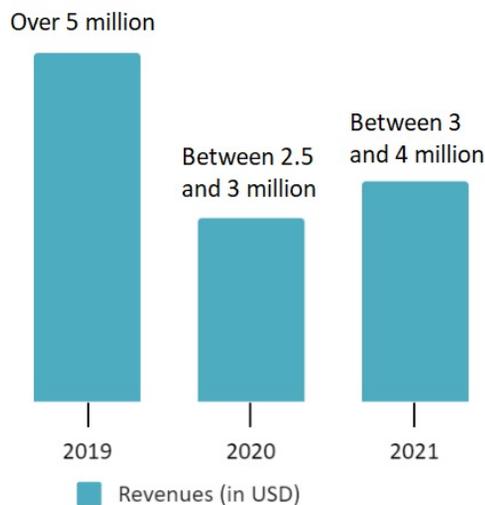
3.1 Financial Status

Hogaru is already financially profitable.

<i>(Amounts in US\$)</i>	FY 2019	FY 2020	FY 2021
Total Revenue	Over 5 million	Between 2.5 and 3 million	Between 3 and 4 million
Total Expenses	Over 5 million	Between 2.5 and 3 million	Between 3 and 4 million
EBITDA OR Profit/ Loss	112,234	2,296	398,173
EBITDA Margin	Between 0 and 5%	Between 0 and 5%	Over 10%

3.1.1 Revenue Streams

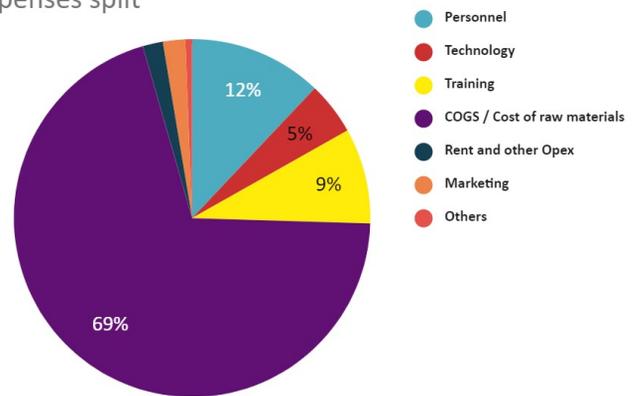
The graphic below depicts Hogaru’s past revenue, 100% of which comes from commercial operations (sales to households and businesses). Between 2019 and 2020, Hogaru’s revenue decreased by 47% due to the pandemic, and between 2020 and 2021 it grew by 19%.



3.1.2 Expenses¹²

- Personnel: 11.9%
- Technology: 4.7%
- Training: 8.5%
- COGS (Cost of Goods Sold, includes domestic workers' salaries) 69%
- Rent and OPEX: 1.8%
- Marketing: 2%
- Other: 0.6%

Expenses split



3.2 External Funding Sources (Past and Current)

Hogaru has received external funding from angel investors, venture capitalists, and private equity funds such as Velum Ventures, Wayra, Y Combinator and The Venture City.

3.3 Challenges Faced In Accessing Capital

- Hogaru reports that growing and scaling business models that heavily depend on human labor for service delivery is more costly and challenging compared to other businesses whose products are mostly technology-based. Therefore, although Hogaru is a tech-enabled company, its reliance on a manual-labor-force causes some venture capital firms to consider its growth estimates to be too conservative.
- Another challenge Hogaru's leadership has identified is the liability regarding direct hiring of domestic labor. This is a core part of Hogaru's value proposition, but it also entails risk considering the responsibilities the company assumes such as sick leave, maternity leave, etc. Investors may see these labor requirements as too much liability.

¹² These expenses percentages were taken from the 2022 budget.

4. Path To Scalability

4.1 Potential Avenues For Growth

Hogaru has identified the following avenues for growth:

- **Geographic expansion:** Hogaru is currently operating in Colombia's biggest cities (Bogota and surrounding areas, Cali, and Medellin) and plans to expand into mid- and small-sized cities as well. The company also plans to expand to Mexico before the end of 2022 and to other countries in Latin America by 2024 and 2025.
- **Expansion of the care segment:** Hogaru plans to develop its care segment by transforming its current child supervision service into a formal childcare service to be delivered by specialized caregivers. Hogaru also plans to develop childcare solutions for companies (such as daycares for employees). Finally, it will introduce elderly care and nursing services.
- **Formalization beyond domestic services:** Hogaru plans to expand its employee management platform, Apporta, through alliances with employment agencies.

4.2 Risks And Challenges

- **Financing challenges:** Investors are wary of investing in the care economy sector, and particularly in companies like Hogaru whose operations rely heavily on supply of domestic workers. This can be considered a scalability limitation and, hence, a less attractive investment for venture capital.
- **Operational challenges:** Due to COVID-19, many domestic workers resigned, causing a shortage. Due to the high cost of recruiting, hiring, and training new employees, maintaining and growing the workforce is one of the biggest challenges. The company must meet numerous legal and occupational requirements.
- **Technology:** Domestic workers' access to cellphone data¹³ is limited, and digital literacy is low. This can be a barrier when working with digital platforms such as Hogaru's, which requires knowledge of how to use the booking app and the training platform.
- **Economic policy:** In Colombia, it is very common for middle- and high-income families to hire a domestic worker. However, if the minimum wage increases above inflation, as the proposed new labor reform would mandate, demand for domestic services might decrease.

¹³ In Colombia, 70% of women have access to a smartphone, however only 36% have access to cellular data. Retrieved from <http://webfoundation.org/docs/2020/10/Womens-Rights-Online-Report-1.pdf>

- **Regulatory:** As of 2022, it is costly for Hogaru to hire part-time employees since they must still receive full social security contributions. Hogaru believes it would be beneficial for the government to explore more flexible labor policies for part-time workers.
- **Competition**

4.3 COVID-19 Impact On The Enterprise

At the beginning of the COVID-19 pandemic, many domestic workers resigned from Hogaru and the demand for services declined as well. Hogaru benefited from government subsidies that helped the company to keep afloat and retain workers. As a result of the pandemic, Hogaru made its services more flexible, allowing customers to book half-day shifts. Additionally, Hogaru partnered with private companies to offer its services as employee benefits.

4.4 Support Received To Date

Hogaru has received technical assistance support from government acceleration programs and other incubators such as Wira and App.co. Hogaru leveraged these programs to increase its brand awareness, identify risks related to domestic worker employment, and analyze its cost structure to optimize resource allocation, among other support provided by mentors affiliated to these institutions.

4.5 Inputs Required For Growth

- **Financial support:** When Hogaru started operations, it prioritized increasing service demand and investing in technology for the platform. Hogaru has since realized that the key to future growth is ensuring a solid supply of quality services and retaining domestic workers. The enterprise needs financial support to increase and strengthen employee recruitment and retention. Hogaru is looking for US\$ 4 million to standardize these processes as they expand to new markets, and is open to any type of capital.
- **Non-financial support:** Hogaru needs operational support to scale its services, especially the Apporta feature. It is imperative for Hogaru's growth to vertically integrate the value proposition, both for the Apporta customer and for the domestic worker. Guidance is required for different stages, from recruitment (registering as an employment agency) to wage payments, expanding the academy's content, increasing employment perks, etc.