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COVID-19 Impact on the Value Chain – Conceptual paper

The COVID-19 pandemic engulfing countries around the world has caused massive suffering and loss of life. The economic impact of the virus is also becoming increasingly clear. This policy brief explores the impact of COVID-19 on employment and livelihoods in developing countries, across and along value chains. It seeks to explore qualitatively how COVID-19 impacts different kinds of employment across different value chains, and how it affects women and youth. It conducts a high-level assessment of which value chains are affected, who in the value chain is affected and what the impact on livelihoods and labour rights might be. It especially highlights how demand declines and operational constraints will affect the labour position of marginalised workers, and considers how this impacts (local) trade unions and the Netherlands.

Introduction

The COVID-19 pandemic engulfing countries around the world has caused massive suffering and loss of life. As infection rates in some countries appear to be levelling off and these states proceed to reopen their economy, the economic impact of the virus is also becoming increasingly clear. Projected GDP declines of 7.5 percent in the Netherlands and 7.0 percent in Germany are vast, and have even led some of the largest firms in the world to take unprecedented measures.¹ While oil major Royal Dutch Shell cut dividend payments for the first time since the second world war, smaller companies across the Netherlands and Europe docked holiday payments, implemented hiring freezes and substantially cut contractors'

and flex-workers' hours. Some two million full-time job equivalents are estimated to have been lost in Q1 of 2020 in Western Europe, a number that is projected to rise to eight million by Q2.² Such measures are substantial and impactful on employees' lives, but it should be kept in mind that these are responses in "best case" scenarios, in the world's wealthiest economies, featuring functional welfare states, effective

1 IMF, 2020. World Economic Outlook (April 2020), <https://www.imf.org/external/datamapper/datasets/WEO> (visited May 25th, 2020).

2 Global losses are estimated at 130 million and 305 million full-time equivalents in Q1 and Q2 respectively. Of this, 6 million (Q1) and 37 million (Q2) are expected in Africa, 2 million (Q1) and 16 million (Q2) in Latin America and 115 million (Q1) and 175 million (Q2) in Asia and the Pacific. ILO, 2020. "ILO Monitor: COVID-19 and the world of work. 3rd Edition", https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_743146/lang--en/index.htm (accessed May 25th, 2020).

governance and advanced healthcare systems.

As the infection spreads to less well-off states in Latin America, West Africa/the Sahel and Asia, the impact of the virus may be more substantial. While many of these countries have relatively young populations (a less COVID-19-impacted demographic), healthcare capacity is frequently weaker and contact tracing unfeasible. Furthermore, shared housing, pre-existing underlying conditions due to poor nutritional standards, working conditions and sanitation are more common, not to mention weaker governance capacity, state legitimacy and welfare arrangements. This may leave substantial numbers of employees at the start of many value chains at a heightened risk, both for the virus as well as its economic impacts, and also leaves donors with limited options to respond as development budgets are brought into line with donors' reduced GDP figures.

In order to support policymakers in adjusting their support activities in Latin America, the Sahel and Asia to impacts of COVID-19, this paper aims to explore the impact of COVID-19 on employment across and along value chains. It seeks to explore qualitatively how COVID-19 impacts different kinds of employment across different value chains. For a quantitative view please refer to the ILO Monitors.³ In the following chapters, it conducts a high-level assessment of which value chains are affected, who in the value chain is affected and what the impact on livelihoods and labour rights might be. It subsequently explores what this implies for the roles of local trade unions, and what risk and responsibilities this presents for the Netherlands.

Which value chains are affected?

Covid-19 is likely to impact a wide range of value chains and activities within them. While the virus's impact may look decidedly different in each activity and

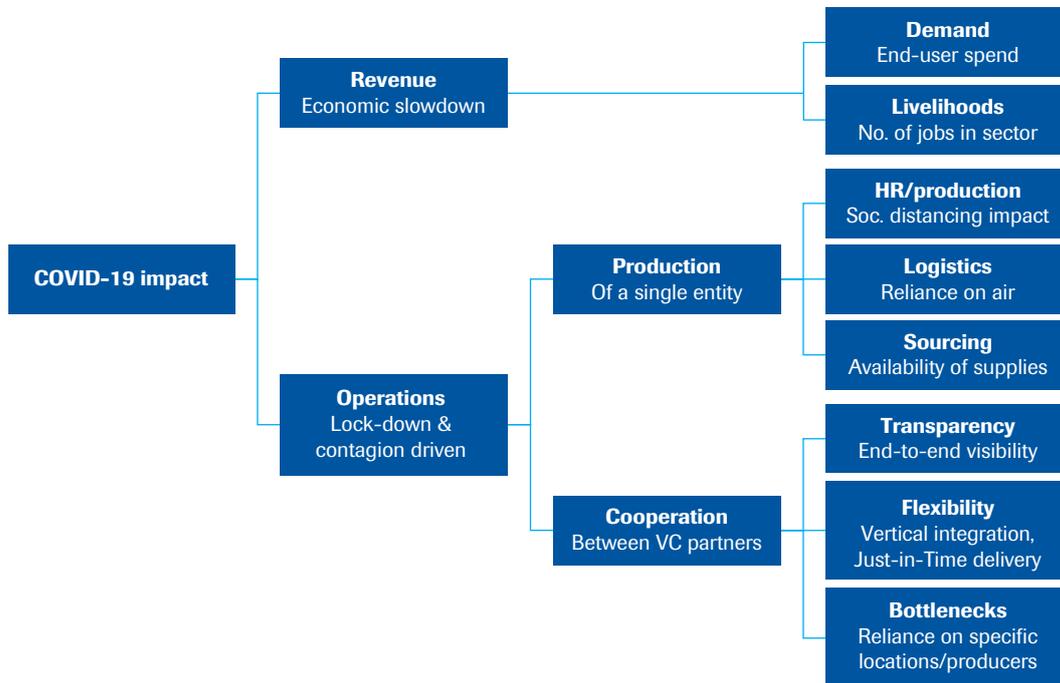
national context, some broad drivers that determine the impact on the value chain can be distinguished (see figure 1). A first pathway leads through a revenue impact on companies caused by the wider economic slowdown setting in. As countries implement lockdowns and factory shutdowns, demand from both consumers and businesses slumps for the duration of the lockdown. Secondary effects related to reduced consumer expenditure, consumer confidence, companies selling stocks rather than newly produced products and the wider economic slowdown will ensure demand is unlikely to return to pre-COVID-19 levels rapidly. Lower demand in virus-affected states across the world will be transferred down the value chain, affecting demand and production levels at each stage, even in areas not directly affected by the virus. Demand impacts are likely to vary strongly across sectors (e.g. demand for agricultural products is likely to fall less than demand for seasonal garments) and the number of employees affected is also strongly mediated by the degree of labour-intensive stages in the production process. For example, garments and mining may both be heavily affected, but the garment sector is far more labour-intensive, aggravating the impact on employees. In Appendix A, a high-level overview of employment levels is contrasted with the GDP impact of a previous epidemic (Ebola in Sierra Leone), highlighting the sectors in which many livelihoods may be particularly at risk.⁴ Additionally, while overall demand may weaken, certain sectors may see temporary increases in local demand due to import substitution. As movement restrictions increase and reduce the availability of imported food, the agricultural sector in particular may face sharp demand increases for national or regional produce.

Besides weakening demand, a range of sectors are also facing considerable operational constraints due to lockdowns, social distancing measures and the risk COVID-19 represents to employees' health. Production within a single asset may be strongly affected, especially in medium-scale

3 *Ibid.*

4 See appendix A.

Figure 1 Overview of the economic impact of COVID-19



enterprises hosting significant numbers of employees in a limited space (e.g. sowing ateliers, market squares etc.), as government measures may make working difficult or employees may refuse tasks due to contagion fears. Alternatively, in cases where enterprises or employees cannot afford to reduce output, invest in a safe workplace or temporarily stop working, employees' health may be severely impacted.⁵ Some 737 million people live on less than USD 1.90 a day, many of whom live a hand-to-mouth existence and thus cannot skip working

for a day.⁶ For micro and small enterprises, as well as a range of consumer services requiring close contact (e.g. shoe shines), additional pressures may apply as customers may prove reluctant to come into close contact (an effect that may be compounded by other prejudices).⁷

Aside from production and human resource-related considerations, assets' operations may be further hampered due to logistical constraints as well as constraints in suppliers' production and reliability. Especially the widespread measures relating to air traffic have virtually halted air cargo transport on a number of corridors, severely affecting products with a high value-to-

5 In an especially forward-looking strategy, some small and medium-sized Indian enterprises have been reported as speeding up investments in capital in order to reduce labour dependency, even when this raises operating costs, as a strategic priority in order to prepare for potential future epidemics. Bahree, M., 2020. "Indian companies rethink strategies in a post COVID-19 world", May 6th, <https://www.aljazeera.com/ajimpact/indian-companies-rethink-strategies-post-covid-19-world-200506023826035.html> (visited May 25th, 2020).

6 2015 data, 2011 purchasing power parity, see World Bank, 2020. Poverty and Equity Data Portal, <http://povertydata.worldbank.org/poverty/home/> (accessed May 25th, 2020).

7 ILO, 2020. 'Racial discrimination and the global economic downturn', https://www.ilo.org/global/publications/world-of-work-magazine/articles/WCMS_165284/lang--en/index.htm (accessed May 25th, 2020).

weight ratio as well as perishables (e.g. floriculture, khat, consumer electronics etc.). Other forms of transport have also been constrained, as some governments have implemented measures preventing the export of strategic goods (so far, some 97 countries have enacted export restrictions)⁸, truck drivers have been targeted for their suspected role in the spread of COVID-19 across borders and shipping transport has been reduced as well.⁹

While individual producers along the value chain will face a range of location- and context-specific constraints, a number of wider dynamics will affect the value chain as a whole. Firstly, supply chain transparency may function as an amplifier of any demand changes. While businesses at the final stages of a value chain generally have good visibility on demand fluctuations, such visibility is reduced the further up the value chain one goes (unless transparency-increasing initiatives are taken). As a consequence, demand changes may reveal themselves as sudden and compounded shocks for producers far removed from the end-consumer (the bullwhip effect). This may lead to significant overproduction or shortages, leading to heavy costs to absorb the mismatch. For example, a beverage producer in Africa decided to reduce production due to reduced demand. While regional vendors of the agricultural inputs took some hits from lower sales volumes, a range of smallholder farmers could not sell any of their harvest, leading to significant

losses. Secondly, while impacts in non-transparent value chains are amplified and sudden, even highly transparent ones may not always be sufficiently flexible to be able to adjust to signs of reduced demand. Long value chains involving steps with long cycle times, low inventories and significant vertical integration may especially face difficulties in adjusting when demand falls or individual links stop working, as individual producers have made significant upfront investments or may face difficulties in cooperating with new partners. Lastly, some supply chains may rely on specific locations or providers for specific critical goods or services, creating vulnerable bottlenecks. A clear example can be found in the automotive industry, which was heavily affected by the initial outbreak of COVID-19 in Wuhan as a number of manufacturers sourced critical components from the affected area.¹⁰

Who in the value chain is affected (first)?

COVID-19 will have a differing impact on different value chains, as well as within each individual value chain. While the impact of demand reductions will eventually affect all producers in the value chain, the financial burden is unlikely to be shared equally by producers across the chain. Measures taken by producers to protect their own cash position (e.g. delayed payments to suppliers, efforts to collect customer payments and delayed investments) to ensure continuity in the short term will likely come at the expense of their chain partners to a considerable degree. The bargaining power of different producers in the chain is key in determining which chain partners will manage to avoid such costs. This can be understood through Porter's 5 forces model (see figure 2).¹¹

8 See for an overview International Trade Centre, 2020. COVID-19 Temporary Trade Measures, <https://macmap.org/en/covid19> (accessed May 25th, 2020).

9 Bearak, M., 2020 'At a busy East African border, testing truckers created perfect conditions for coronavirus to spread', <https://www.washingtonpost.com/world/2020/05/22/kenya-tanzania-coronavirus-borders/?arc404=true> (accessed May 25th, 2020); Lines, B., 2020. 'COVID-19 and its impact on container movements: Monitoring the impact of the coronavirus pandemic on the global container market', <https://www.marinetraffic.com/blog/covid-19-and-its-impact-on-container-movements/> (accessed May 25th, 2020).

10 Ewing, J., Boudette, N., and Abdul, G., 2020. Virus Exposes Cracks in Carmakers' Chinese Supply Chains, February 4th, <https://www.nytimes.com/2020/02/04/business/hyundai-south-korea-coronavirus.html> (accessed May 25th, 2020).

11 See for an in-depth examination Porter, M. E., 1980. "Competitive Strategy: Techniques for Analyzing Industries and Competitors", New York: Free Press.

Figure 2 Porter's five forces



Although the impact of COVID-19 will be a matter of bargaining power, specific initiatives are likely to be initiated by producers across the chain in order to manage the process. While large multinationals may set up teams to manage these initiatives, smaller-scale versions of the same considerations are likely to be implemented by individual entrepreneurs in medium and smaller enterprises.¹² Likely initiatives will include¹³:

- **Financial Health:** Enterprises will reassess their financial health and consider how they can improve their cash flow position, reserves, defer investments and increase their ability to access loans. Enterprises with weaker financial positions will have less opportunity to respond and will be more vulnerable to

shocks of suppliers or customers going bankrupt. SMEs in particular may be vulnerable, as even a few customers defaulting on payments may jeopardise their financial health.

- **Cost reduction:** Falling demand across the chain will drive producers to cut costs. The initial focus will be on rapidly implementable changes in the major cost drivers of the company, especially if they do not affect production capacity. Back-office activities, low-profit product lines, offshoreable services etc. are likely to be impacted.
- **De-risking efforts:** Enterprises will attempt to de-risk their supplier base. They will assess which suppliers are vulnerable, and while they may support critical suppliers to become more resilient, smaller and less critical ones may be cut from the portfolio as they are unlikely to present a cost-benefit ratio worth investing in. Tail-end spend will likely be reduced, supply chains may be shortened and localised, customers may demand that suppliers carry higher stock levels and conduct additional financial due diligence etc.¹⁴
- **“Uniqueness” vs. low cost:** Unique products, location-specific products or operations requiring heavy upfront investments may create significant barriers to entry and switching costs, making it less likely that such companies will be heavily pressured by partners. Low-cost producers are likely to be hit hardest, given low switching costs and wide availability of cheap labour. For example, stopping and restarting a mining concession is costly (monetarily and in terms of licence-to-operate), but pausing a sewing atelier and potentially starting it in another country is relatively cheap.

12 For current thinking on corporate approaches to managing COVID-19 impacts, see Aliche, K., Lund, S. and Swan D., 2020, 'Is your Supply Chain Risk Blind – or Risk Resilient', <https://www.mckinsey.com/business-functions/operations/our-insights/is-your-supply-chain-risk-blind-or-risk-resilient> (accessed May 25th, 2020), and Aliche, K., Azcue, X., and Barriball, E., 2020. 'Supply-chain recovery in coronavirus times—plan for now and the future', <https://www.mckinsey.com/business-functions/operations/our-insights/supply-chain-recovery-in-coronavirus-times-plan-for-now-and-the-future> (accessed May 25th, 2020).

13 Such initiatives may threaten gains made through socially responsible business initiatives and CSR initiatives, which are likely to take a back seat in any companies where such initiatives have not been firmly entrenched or are not reported on publicly.

14 An interesting example of efforts to decouple the UK food supply chain can be seen in Hart, C., and Allen, A., 2020. 'Covid-19 could move UK towards food self-sufficiency', <https://www.cips.org/supply-management/news/2020/may/covid-19-could-move-uk-towards-food-self-sufficiency/> (accessed May 25th, 2020). Note however, that the EU is considering reducing its dependence on China for certain 'strategic goods', which may present opportunities for other states to take up production of these items.

Potential impact on livelihoods and labour rights

As companies across various value chains are increasingly impacted by COVID-19, so are their formal and informal employees, contractors, the self-employed retailers and service providers that rely on their products, and their dependants. Cost-cutting exercises at individual enterprises and disruptions or bankruptcies in other geographical locations may severely impact job security and livelihoods. Initial impacts are likely to be felt as companies reduce hours or lay off workers to cut costs. Especially the production of primary commodities and retail may be affected, as these production steps are often spread across a wide range of small enterprises with little bargaining power, reserves and a heavy reliance on manual labour.¹⁵ Employees with flexible, poorly protected or informal working arrangements will be particularly hit, as they provide opportunities for employers to rapidly cut costs and enjoy little social protection (healthcare, paid sick and maternity leave, unemployment and pension benefits). Additionally, workers in back-office positions, hard-hit product segments and unspecialised employers are likely to be affected. Those with relatively secure positions may face pressures that weaken those rights. Exceptions may arise for the most vulnerable informal workers; they may also be the individuals most likely to remain active in unsafe production environments, as poverty may lead them to take up work others might not accept due to contagion risks. Wages of those who do manage to secure employment may come under further pressure as competition for jobs increases, especially if the country faces significant numbers of returning labour

¹⁵ Note, however, that the agricultural sector may not face particularly major demand reductions (and in certain locations may even see increases due to import substitution), and hence may not be as heavily impacted.

migrants expelled from the Gulf, Europe or elsewhere.¹⁶

Domestic migrant workers also face extra risks, as they are removed from their community and often lack social support and the ability to defend their labour rights. With transport shut down, many migrant workers are leaving on foot, returning to their native villages. Travelling for days has led to reports of deaths due to fatigue and dehydration, as well as increased sexual violence when on the move. Secondary effects can be expected in a range of consumer-facing occupations, especially in locations specialised in the production of specific hard-hit commodities, as demand in food services, leisure and other non-essential items is likely to drop substantially as local demand weakens in line with local employment.¹⁷ As those in the lowest segments are likely to be hardest hit, inequality patterns are likely to be exacerbated (see figure 3).¹⁸

The impact of COVID-19 on income may be substantial, but impaired production and logistics may also have a substantial impact on consumer prices of various key goods. During the initial stages of the pandemic, increased demand for hygiene items (hand sanitiser, soap etc.) has led to steep price increases, putting the use of such products out of reach for significant lower-income segments. Further price increases may be

¹⁶ The New Arab, 2020. 'Gulf countries slammed for 'reckless' mass deportations of migrant workers', April 12th, <https://english.alaraby.co.uk/english/news/2020/4/12/gulf-countries-slammed-for-mass-deportations-of-migrant-workers> (accessed May 25th, 2020).

¹⁷ For a non-COVID-19-related illustration of this effect, see Hoffmann, A., Meester, J. and Nabara, H., 2017, *Migration and Markets in Agadez: Economic alternatives to the migration industry*, Clingendael: The Hague.

¹⁸ ILO, 2020. "ILO Monitor: COVID-19 and the world of work. 3rd Edition", https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_743146/lang--en/index.htm (accessed May 25th, 2020). Relative poverty is defined as the proportion of workers with monthly earnings that fall below 50 percent of the median monthly earnings.

Figure 3 Impact of COVID-19 on informal workers

Region	Expected rise in relative poverty levels		Expected median earnings (2016 PPP\$)	
	Before COVID-19 crisis	First month of COVID-19 crisis	Before COVID-19 crisis	First month of COVID-19 crisis
Europe & Central Asia	34%	80%	1253	387
Asia and the Pacific	22%	36%	549	430
Americas	27%	84%	1298	244
Africa	21%	83%	518	96

likely as many states regulate critical exports and transport methods. Imported staples may temporarily become increasingly scarce and domestic substitutes might not be available in sufficient quantities. Additionally, reduced exports may put severe pressure on the exchange rates of several states with a weak balance of payments, leading to substantial inflation and thus hurting buying power.

Potential impact on girls, women and young people

Based on past experiences, lessons learned from other crises (e.g. Ebola, Zika, financial crisis of 2008) and current information on the COVID-19 pandemic, we have learned that epidemics and economic crises can have a disproportionate impact on certain segments of the population, exacerbating the existing (gender) inequalities in the world of work.¹⁹ The COVID-19 measures involve disproportionate risks for young people at large and young women in particular that subsequently impact the supply chains and widen existing inequalities. This impact can be clustered along the following dimensions: Health and safety; Education and learning; Care responsibilities; and Job

and income – work.²⁰ Given the overlap between the youth and women as a specific group, only the specific impact for one of these groups is described separately below. For more detail on young people, see appendix B.

Health and safety-related impact

In terms of direct health risks, young people face less risk than older people, which might explain the still rather low numbers of sick people in Africa with its large very young population.²¹ However, food shortages due to COVID-response measures (e.g. closed markets, disrupted supply chains) severely impact the (mental) health of a young workforce, and even more in the case of women. This affects productivity in the supply chains. Since the outbreak, domestic violence and harmful practices against women and girls have intensified across the world, with a nearly 30 percent increase in reported cases of domestic violence. Economic downturns and job losses worsen stressful situations at home. During a lockdown (school closures, forced isolation and social distancing measures), victims are not able to be away from their abuser at any time,

19 ILO, 2018. 'World Employment and Social Outlook: Trends for Women 2018.'; https://www.ilo.org/global/research/global-reports/weso/trends-for-women2018/WCMS_619577/lang--en/index.htm (accessed May 25th, 2020).

20 Torres-Rahman, Z., and Nelson, J., 2020, 'Business and COVID-19: Supporting the most Vulnerable', https://www.genderequalityseal.org/wp-content/uploads/2020/05/Biz-Fights-Poverty_COVID-19.pdf (accessed May 25th, 2020).

21 Evidence from countries like Italy, Spain and China suggests men are experiencing more serious illness from COVID-19 than women. Gender-disaggregated data are important to monitor the development of the disease.

or to reach out to friends and family.²² Health resources (including from donors) which are normally allocated to sexual and reproductive healthcare are likely to go towards emergency response, leading to a shortage of doctors, contraception and sanitary products and even to failures to properly deliver maternal health services.²³ These risks exacerbate women's (mental) health conditions and have long-term consequences for a healthy workforce in the supply chain. Gender-based violence impacts businesses through a decrease in productivity and increasing absenteeism, recruitment and training costs. It can also prevent women and girls from engaging in economic activities and career progression.²⁴ For those that remain at work, stressful circumstances and power imbalances may lead to peaks in gender-based violence. Workplace violence and harassment remain a high risk especially in labour-intensive factories. Workers may feel unable to refuse unwanted sexual advances to protect their job or to ensure they are paid for the hours they have worked.

Education and learning-related impact

Technical and other education and training give children and young people the knowledge and skills they need to participate to their full potential in society and their future of work. Skills are required that increase workers' capacity to adapt and their capacity for lifelong learning. Learning to learn, communicate and solve problems in teams and gaining digital skills are important means of enabling young people to make a smooth school-to-work transition, with a fit between education and training and demands on the market. With school and university closures affecting nearly 91% of the world's student population, over 1.5 billion learners have had their education disrupted, including 743 million girls. The impact on young people means less access to technical and vocational education and training (TVET), courses, university, coaching, professional training and networking, especially for those with no digital access.²⁵ Suspension of education heightens the risk of girls and young women not returning to any form of education due

22 "The virus has landed on fertile ground to expose and aggravate pre-existing social disparities and divisions that characterize much of Latin America." "The lockdown policies imposed to prevent its spread have resulted in heightened levels of gender-related domestic violence." Zapata-Garesché, E., and Cardoso, L., 2020. 'What COVID-19 Tells Us About Gender Inequality in Latin America', May 1st, <https://www.as-coa.org/articles/what-covid-19-tells-us-about-gender-inequality-latin-america> (accessed May 25th, 2020). Colombia has been in quarantine for more than two months, during which time calls to the national line reporting violence against women increased by 91%. ICCO, 2020. 'Covid-19 Campaign to Prevent Gender-based Violence in Colombia', <https://reliefweb.int/report/colombia/covid-19-campaign-prevent-gender-based-violence-colombia> (accessed May 25th, 2020).

23 Ravanera, C., 2020. 'Primer on the gendered impacts of COVID-19', <https://www.gendereconomy.org/primer-on-the-gendered-impacts-of-covid-19/> (accessed May 25th, 2020).

24 UN Women Asia and the Pacific, 2020. 'Guidance Note for Action: Gender-Sensitive Private Sector Response to COVID-19 for Accelerated and Inclusive Economic Recovery', <https://asiapacific.unwomen.org/en/digital-library/publications/2020/04/guidance-for-action->

[gender-sensitive-private-sector-response-to-covid-19](https://www.cnvinternationaal.nl/_Resources/Persistent/9da814dfe78696a78edad3d1d0e365810a3de6c1/CNVI-0121%20RVO%20CNV%20I%20Violence%20at%20Work%20Guide.pdf) (accessed May 25th, 2020); Ooijens, M., 2017. 'Violence@Work: How Business can tackle Gender Based Violence in the World of Work.', https://www.cnvinternationaal.nl/_Resources/Persistent/9da814dfe78696a78edad3d1d0e365810a3de6c1/CNVI-0121%20RVO%20CNV%20I%20Violence%20at%20Work%20Guide.pdf (accessed May 25th, 2020). Hoel, H., Sparks, K. and Cary, L. 2001. 'The cost of violence/stress at work and the benefits of a violence/stress-free working environment', https://www.ilo.org/safework/info/publications/WCMS_108532/lang--en/index.htm (accessed May 25th, 2020). Also see Business Fights poverty, 2020.

25 The digital divide between men and women leads to challenges for girls and women to engage in distance learning. On average, women are 14% less likely to own mobile phones than their male counterparts and 43% less likely to engage online. The internet user gender gap stands at 17% worldwide. Coalition for Women's Economic Empowerment & Equality, 2020. 'COVID-19 and Women's Economic Empowerment', https://n2r4h9b5.stackpathcdn.com/wp-content/uploads/2020/04/cweee_covid_and_wee_brief_final.pdf (accessed May 25th, 2020).

to economic hardship, pregnancy or child marriage (lesson drawn from a study of the Ebola crisis of 2014–2015 in West Africa).²⁶ School closures in all crises have long-term impacts beyond the direct loss of education: the loss of social contact, of the support of peers and teachers, of the opportunity to build networks for the future and the lack of access to sexual and reproductive health and rights information. Their ability to find a decent opportunity in the labour market will be challenged even more than is already the case.

Impact related to care responsibilities

The COVID-19 pandemic is likely to exacerbate burdens of unpaid care and domestic work on girls and young women, who bear greater responsibility for caring for children out of school and childcare facilities, elderly and ill family members (three times as much globally). Women are at higher risk of exposure to the disease. The care responsibility also reduces their time spent on generating an income, operating a business or other economic activities.²⁷ The increase in women's care burden as a result of COVID-19 could leave female employees and workers with no option other than to cut back their hours and quit entirely or become less productive at work, struggling with their time. It is also often more difficult for women to find alternative employment and income streams (such as piecemeal work) following a layoff.

Jobs and income-related impact²⁸

The COVID-19 pandemic is expected to have significant impacts in terms of unemployment and underemployment. Women's and youth overrepresentation in the informal sector heightens their vulnerabilities during crises.²⁹ The ILO estimates that 195 million jobs could be eliminated globally due to the pandemic, with a majority in sectors predominated by women. Oxfam noted that 500 million people could be pushed into poverty globally.³⁰ Only 17.8% of the African population is covered by some form of social protection. As 15–34-year-olds make up close to half of the continent's working-age population and also account for a vast majority of vulnerable agricultural and informal workers, young people may be the first to feel the effects of this recession.

Women are present in many supply chains. They may, for example, be small-scale entrepreneurs in the informal or the formal sector, self-employed seamstresses, farm labourers, distributors, factory workers, administrative staff, supervisors, high-level managers/factory owners or consumers buying from global brands. Women tend to be overrepresented in a number of sectors³¹:

- **Industries that rely on travel and on physical interaction with customers** are hit hard. This includes air travel, tourism, retail activities, accommodation services (e.g. hotels) and food and beverage service activities (e.g. cafés, restaurants and catering). Many of these

26 Plan International, 2020. 'Living under Lockdown: girls and COVID-19', <https://plan-international.org/publications/living-under-lockdown> (accessed May 25th, 2020).

27 UN Women Regional Office for Asia and the Pacific, 2020. 'Guidance for Action: Gender-Sensitive Private Sector Response to COVID-19 for Accelerated and Inclusive Economic Recovery', <https://www2.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2020/04/guidance%20for%20action%20private-sector-f.pdf?la=en&vs=5155> (accessed May 25th, 2020).

28 OECD, 2020. 'Women at the core of the fight against COVID-19 crisis', <http://www.oecd.org/coronavirus/policy-responses/women-at-the-core-of-the-fight-against-covid-19-crisis-553a8269/> (accessed May 25th, 2020).

29 ILO, 2020. 'The impact of the COVID-19 on the informal economy in Africa and the related policy responses', ilo.org/africa/information-resources/publications/WCMS_741864/lang-en/index.htm (accessed May 25th, 2020).

30 Oxfam, 2020. 'Dignity not Destitution: An 'Economic Rescue Plan For All' to tackle the Coronavirus crisis and rebuild a more equal World', <https://assets.oxfamamerica.org/media/documents/mb-dignity-not-destitution-an-economic-rescue-plan-for-all-090420-en.pdf> (accessed May 25th, 2020).

31 Women are underrepresented in higher-skills industries related to STEM.

industries are major employers of women. 50 million jobs could be lost globally (with 30 million in the Asian region) in travel and tourism.³² As a sector with a mostly female workforce worldwide (54%) and most women in low-skilled or informal work, women will feel the economic shock to tourism caused by COVID-19 quickest and hardest.

- **The public sector**, especially care and education. Women are more likely than men to be “frontline workers”. In 104 countries analysed by the WHO, women made up 70% of workers in the health and social care sector, exposing them to greater health risks.³³
- Women comprise on average 43% of the **agricultural workforce** in developing countries. In many countries in Southeast Asia and sub-Saharan Africa, the figure is more than 60%. Women are estimated to account for two-thirds of the world’s 600 million poor livestock keepers.
- Women tend to be **overrepresented in the lower, labour-intensive tiers of the supply chain** that are traditionally low paid and less innovative, and with lower productivity and growth possibilities. Jobs in these parts of supply chains are likely to be part-time or temporary work, increasing women’s susceptibility to layoffs and economic insecurity. These sectors can be further characterised by a strong export orientation. Examples are the ready-made garment sector in Bangladesh (see appendix C), or floriculture and horticulture production in Kenya, or toys and electronics in China. These female-dominated sectors are being brought to a halt during the pandemic and face massive layoffs.

32 UNWTO, 2020. ‘COVID-19 and Vulnerable Groups: An Inclusive Response for Vulnerable Groups’, <https://www.unwto.org/covid-19-inclusive-response-vulnerable-groups> (accessed May 25th, 2020).

33 Percentage of nurses in Europe is 84%, in the African region 65%, in Latin America 86% and in South-East Asia 79%. Boniol, M. *et al.*, 2019. ‘Gender equity in the health workforce: Analysis of 104 countries’, Geneva: World Health Organization.

Travel bans, border closures, quarantine measures and layoffs have knock-on effects on incomes. Globally women earn 24% less than men, with women experiencing wage gaps for both identical roles and different occupations of equal value.

Women also receive fewer bonuses and are more likely to be paid by the hour, or per piece, meaning they end up working longer hours for less pay.³⁴ Lower pay or losses means many women have reduced ability to purchase the necessary supplies needed to engage in preventative activities around COVID-19 (soap, sanitisers etc.). The impact of these losses goes beyond the workers themselves, especially since women (more than men) spend their income on their family and community. Evidence from the Ebola outbreak showed that men were able to return to their jobs and previous income levels faster than women.

Women-led businesses/SMEs and informal entrepreneurs are even more affected by major disruptions due to cultural and legal barriers, a lack of control over assets and their double burden managing their own family.³⁵ Unsurprisingly, enterprises in the technology, telecommunications and education sectors report the least negative impacts.³⁶ The existing digital divide will

34 Ooijens, M. and Plan Nederland, 2020 ‘Report 2017 Investing in Girls & Women: A good business’.

35 There are also inspiring examples of youth and/or women-led enterprises across the continents that are innovating to support their communities to respond to the coronavirus and build back better. These enterprises are fighting fake news/misinformation, have organised online hackathons to share (innovative) ideas, products and services, started crowdsourcing initiatives to raise awareness and mobilise community action to protect the vulnerable.

36 A rapid survey of 410 young entrepreneurs across 18 countries in Asia and a range of sectors concluded that 86% of young entrepreneurs reported that the coronavirus has negatively impacted their business. Among these, one in three report a major slowdown and one in four have stopped entirely. Of the young entrepreneurs who report that coronavirus has negatively impacted their business, 88% have experienced reduced customer demand, 34% have experienced supply chain disruptions, 26% cannot progress

negatively affect women's ability to receive vital (government) support and services or adapt businesses or roles as employees to social distancing constraints. This will result in the inability to access critical cash transfers and other financial services via digital platforms currently being prioritised by governments in light of social distancing measures. Additionally, pre-COVID women and youth were already underrepresented in leadership. In COVID responses their voices were insufficiently heard in decision and policy making, in social dialogue and in union structures (if present), whereas these are vital to ensuring a gender-responsive and inclusive recovery.

Role for local unions

Local trade unions are likely to face increasing opposition as the necessity for companies to cut costs grows, increasing the importance of effective social dialogue around non-wage matters. Working with governments and employers to deal with the health impact of COVID-19 and the subsequent responsible resumption of operations may be a key area. Information for employees on hygiene, underlining the importance of sick leave, as well as sharing best practices on logistics and travel to and from work may prove to be valuable areas in which cooperation may still be achieved (other concrete initiatives can be found in appendix D). Layoffs, informalisation and returning guest workers from abroad may test trade unions' cohesion as competition for jobs increases. To maintain relevance, trade unions may have to proactively develop

an approach that includes the interests of non-unionised informal workers, contractors and returning guest workers in order to avoid fragmentation.

Trade unions have a key role to play in influencing government policy development so that post-COVID recovery is decent, inclusive and gender-equal. Advocacy highlighting the gendered impact of the pandemic and the need to invest in the prospects of young people is paramount. Initiatives like "Build back better" may be leveraged to strengthen the bargaining power of workers' organisations and ensure that voices of (young) workers and women's representatives in decision-making processes are being heard (including in the unions themselves). Collaboration with employers and/or sector organisations to discuss collaborative initiatives to increase youth employability and the business case of investing in training youth may further support an inclusive recovery.

Social dialogue is critical. Key emerging issues relate to rebalancing power between suppliers and buyers in global supply chains and setting up frequent and transparent dialogue between supply chain actors on sourcing decisions in order to stimulate collaborative solutions. Tripartite cooperation including governments of production and consuming countries will increase in importance. Furthermore, pressuring national governments to ratify and implement the ILO Convention on the Elimination of Violence and Harassment in the World of Work (C190) is urgent, given the likely rise in domestic and workplace violence.

government business and 25% have experienced distribution disruption. As a result of the negative outlook, 35% of young entrepreneurs have had to lay off staff or reduce staff hours, 25% have had to cancel orders from suppliers, 25% have had to postpone investments and 24% have had to reduce wages. UNDP Asia and the Pacific, 2020. 'Youth Co:Lab survey reveals how COVID-19 is affecting youth-led businesses in Asia-Pacific', <https://www.asia-pacific.undp.org/content/rbap/en/home/presscenter/articles/2020/youth-co-lab-survey-reveals-how-covid-19-is-affecting-youth-led-.html> (accessed May 25th, 2020).

Risks and responsibilities for the Netherlands

An open trading nation such as the Netherlands benefits from limited inequality, stability and respect for the rule of law.³⁷

37 Veen, E., 2020. 'Verkleinen mondiale ongelijkheid is van levensbelang voor Nederland', May 18th, <https://www.parool.nl/columns-opinie/verkleinen->

Where individuals' rights and decent working conditions are under pressure and instability rises, foreign policy interests may be compromised, trade may be hampered and migration increased, alongside the substantial human cost. COVID-19 directly impacts Dutch SDG commitments, notably SDG 8 (sustained, inclusive and sustainable economic growth, full and productive employment and decent work) as well as SDG 5 (gender equality and empowering women and girls).³⁸ COVID-19 risks wiping out progress made on a range of SDG targets and aggravates existing negative coping strategies (e.g. child marriages, sex work and child labour to deal with poverty). Additionally, the Netherlands is tied to Latin America, West Africa/the Sahel and Asia through a range of value chains. Hence, developments there also affect the resilience of the wider value

chain, as well as economic growth potential and ethical sourcing considerations in the Netherlands. Initiatives aiming to reduce labour exploitation cannot be seen separately from the way we handle who in the chain bears the brunt of the costs for COVID-19-related disruptions. The challenge is further compounded as the economic slowdown is likely to reduce states' development budgets (traditionally aiming for 0.7 percent of GDP), raising the importance of how states manage their economic footprint to contribute to a just and sustainable world. Lastly, while post-COVID-19 recovery is key in the short term, it should be kept in mind that COVID-19 also underlines the importance of longer-term investments in resilience against potential future epidemics.

[mondiale-ongelijkheid-is-van-levensbelang-voor-nederland~bc562cc5/](#) (accessed May 25th, 2020).

- 38 The COVID-19 pandemic poses a severe threat to the achievement of SDGs, particularly with regard to youth employment, gender-related targets and SDG 5. In particular: 1) An increase in women's poverty levels around the globe is highly likely (affecting SDG 1, 8 and 10); 2) A rise in maternal mortality, especially in regions with weak healthcare capacities affects SDG 3 (Good Health and Well-Being); 3) Missed school classes during the outbreak, increased drop-out rates, missing the right skills for the labour market affects SDG 4 (Quality education). The Ebola crisis also revealed a significant increase in adolescent pregnancies. Any increase in unpaid and domestic care work falling on women's and girls' shoulders will also affect girls' educational prospects. 4) Restricted food resources might lead households where discriminatory social norms are widespread to favour boys over girls, directly affecting SDG 2. 5) The pandemic is likely to have severe consequences for the specific achievement of SDG 5, in particular SDG 5.2 on violence against women, SDG 5.3 on harmful practice, SDG 5.4 on unpaid care and domestic work and SDG 5.6 on sexual and reproductive health and reproductive rights. OECD, 2020. 'Women at the core of the fight against COVID-19 crisis', <http://www.oecd.org/coronavirus/policy-responses/women-at-the-core-of-the-fight-against-covid-19-crisis-553a8269/> (accessed May 25th, 2020).

Appendix A: Employment and potential GDP impact by sector

The following graphs give an indication of the potential impact of a major epidemic on various sectors, and contrasts this with sectors' employment levels to contextualise the risk.³⁹ The GDP impact data are derived from the Ebola outbreak in Sierra Leone (2013-2014). It should be kept in mind that while COVID-19 is a global pandemic affecting global supply chains, the Ebola outbreak was a less contagious epidemic, limited to a few countries. The impact of COVID-19 may thus differ, as lockdown measures were not as widely spread and worldwide demand was not heavily affected. Furthermore, Sierra Leone has different patterns of employment in the formal and informal economy, which may be more or less similar to other countries. Extrapolating the impacts of Ebola to COVID-19 without taking into account local, cultural, economic and epidemiological differences may obscure important differences.

Figure 5 GDP lost in Sierra Leone during Ebola⁴⁰

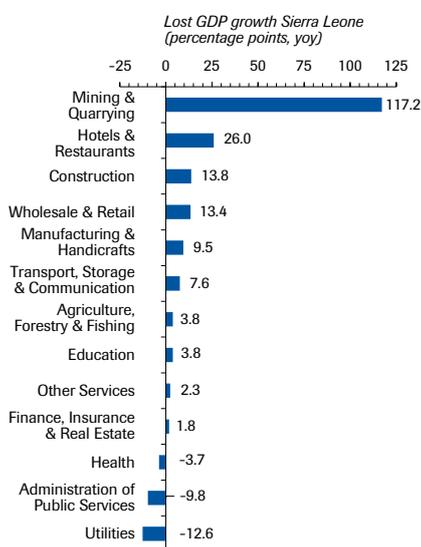
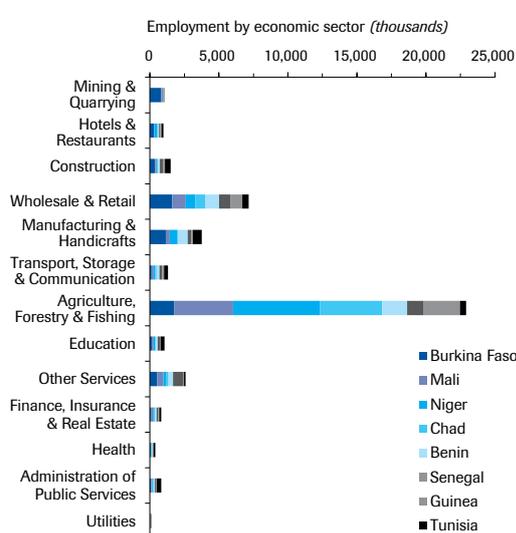


Figure 4 Employment by sector in West Africa³⁹



39 Employment comprises all persons of working age who during a specified brief period, such as one week or one day, were in the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work).

40 GDP loss based on percentage point reduction in GDP growth between 2012 and 2013 in Sierra Leone, Statistics Sierra Leone, 2018. 'Report on the 2016 and 2017 Real Gross Domestic Product (RGDP) Figures at 2006 Prices', https://www.statistics.sl/images/StatisticsSL/Documents/gdp/gdp_2017/gdp_2016_2017_analysis.pdf (accessed May 25th, 2020). Employment by sector from ILOSTAT.

Figure 6 Employment by sector in Asia³⁹

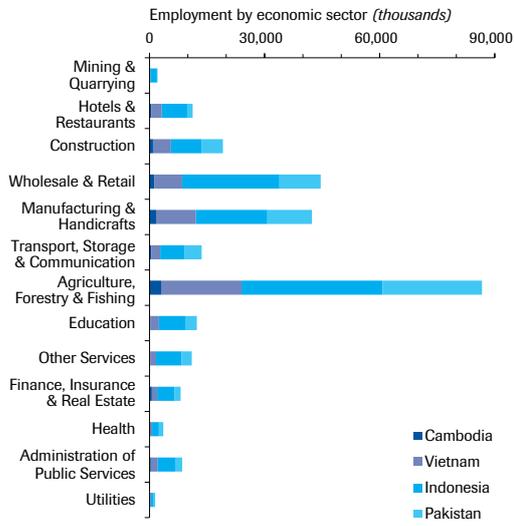
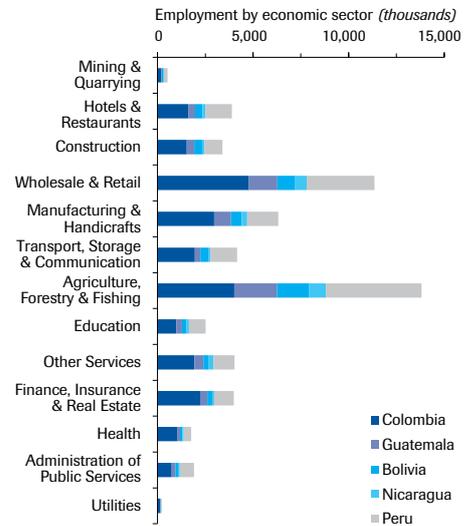


Figure 7 Employment by sector in Latin America³⁹



Appendix B: Impacts on young people⁴¹

Specific impact on young people

Even in the best economic times, making the transition into decent employment is a tough challenge for young people.⁴² In Africa alone, 12 million young people⁴³ enter the labour market each year, while only 3 million jobs become available.⁴⁴ Young people already face: a non-conducive business environment and job availability; a lack of quality education and training; a mismatch between the offering of education and training programmes and labour market demands; specific challenges related to entrepreneurship; weak social networks and a lack of knowledge of where and how to look for jobs; social (gender) norms; difficult civic engagement.⁴⁵ The first analyses of COVID-19's economic impact indicate that the virus amplifies youth workforce vulnerabilities.⁴⁶ The ILO summarises the specific reasons why youth is being hit disproportionately and at prolonged risk of suffering the COVID effects as follows:

1. Youth is the first group whose hours are cut, or that is laid off; youth are less experienced than older generations (young people are twice as likely as adults to be in temporary employment). Young people are also at higher risk of losing their jobs due to automation.⁴⁷
2. Three in four young people work in the informal sector, reaching more than 95 percent in developing countries. They have no social protection and teleworking is often not an option. As both their health and livelihoods are at stake, young people will need to continue working to survive.
3. Youth is more likely to be in non-standard forms of employment, part-time and gig work (independent workers, online platform workers, on call). Such jobs are often low paid, with irregular hours, poor job security and little or no social protection (paid leave, pensions, sick leave, medical insurance coverage). Job centres, sometimes providing some sort of safety net, are already beyond capacity and ineffective.

41 Fair Wear, 2020. 'How does Covid-19 affect women garment workers?', <https://www.fairwear.org/covid-19-dossier/covid-19-gender-analysis/> (accessed May 25th, 2020).

42 ILO, 2020. 'Global Employment Trends for Youth 2020: Technology and the future of jobs', Geneva: International Labour Office.

43 The United Nations generally defines youth as those in the ages between 15 and 24, but also sometimes as up to 32 years of age. Youth definition may be country- and context-specific. In Benin and Mali the age range of youth is 15-35; in Niger it is 14-30 and in Senegal 18-35. CNV Internationaal defines youth as 'individuals between the ages of 15 and 35', in line with the International Trade Union Confederation's point of view that finding a job in most regions is equally difficult for young people in their twenties as in their early thirties..

44 Ministry of Foreign Affairs of the Netherlands, 2020. 'Youth at heart - Young people at the heart of Dutch development cooperation', <https://www.government.nl/ministries/ministry-of-foreign-affairs/documents/publications/2020/05/14/youth-at-heart--young-people-at-the-heart-of-dutch-development-cooperation> (accessed May 25th, 2020).

45 CNV Internationaal, 2019. Youth employability: Enhancing opportunities for young people. Internal report: an analysis of the business case and the role of trade unions

46 ILO, 2020. "ILO Monitor: COVID-19 and the world of work. 2nd Edition", https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_740877/lang-en/index.htm (accessed May 25th, 2020).

47 ILO, 2020. 'Global Employment Trends for Youth 2020: Technology and the future of jobs', Geneva: International Labour Office

4. Globally, youth is overrepresented in sectors highly affected by the pandemic, such as tourism, accommodation and the food sector. The sectors most at risk of COVID-19 disruptions in Africa are: wholesale and retail trade, manufacturing, administrative services and hospitality. Along with agriculture, these sectors represent many of the key industries in which young people currently find employment.⁴⁸
5. Young people are a vulnerable group with 22 percent of young people (aged 15 to 24, equivalent to 267 million young people worldwide) not in employment, education or training (NEET). Two-thirds of youth with NEET status are young women.

48 S4YE Coalition, 2015. 'Toward Solutions for Youth Employment A 2015 Baseline Report', https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_413826.pdf (accessed May 25th, 2020).

Appendix C: Women workers in the garment industry in Asia, typical of labour-intensive supply chains⁴⁹

The current crisis has exposed the fragility of several global supply chains, such as the garment industry and horticulture. The characteristics of the impact in these chains may be instructive for other chains.

Garment supply chains are designed to maximise brand profits (and shareholder return) by squeezing the margins of suppliers in countries where production costs are low; with governments incentivised to offer tax breaks, low wages and poor working conditions in deregulated industrial zones to encourage business from the brands. The COVID-19 pandemic has reduced consumer demand for garments around the world. A majority of retailers and brands demonstrated irresponsible practices such as cancelling orders or asking for enormous discounts, with a tremendous negative impact on working conditions further down the chain. Business will remain slow for many months to come. This means many factories will remain closed – some permanently – or provide employment for much smaller numbers of people than before the crisis.

In Bangladesh, the ready-made garment industries employ approximately 4.2 million workers. The number of women workers in the sector is as high as 80%. The average wages of women are 69% of those of men. Female employment is clearly on the lower levels of the wage ladder. Most women have no or temporary contracts, work a lot of overtime and lack social protection (healthcare, paid sick and maternity leave, unemployment and pension benefits). In the lower tiers of the garment supply chain, there is a lack of health and safety (overcrowded, no hand washing, no equipment), exposing workers to higher risks. The industry is known for its high occurrence of gender-based violence, which will increase in these stressful times. With the mass layoffs due to Covid-19, many workers are without an income. In Bangladesh one million garment workers were laid off, 72 percent without severance pay.⁵⁰ Women make up the majority of migrant workers in the garment industry. Migrant workers face additional risks in the world of work; removed from their community, they often lack social support and an understanding of how to access help if their labour rights have been violated.

49 Fair Wear, 2020. 'How does Covid-19 affect women garment workers?', <https://www.fairwear.org/covid-19-dossier/covid-19-gender-analysis/> (accessed May 25th, 2020).

50 Anner, M., Worker Rights Consortium, 2020. 'Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains', <https://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf> (accessed May 25th, 2020).

Appendix D: COVID-19-relevant initiatives for local unions

The International Labour Standards may guide the trade unions in bridging COVID-19 and the subsequent recovery period. Relevant areas to engage on may be:

- Protecting workers in the workplace to minimise the direct effects of the coronavirus, in line with WHO recommendations and guidance. This includes:
 - Strengthening OSH measures: social distancing, safe transportation, provision of protective equipment, hygiene procedures and forms of work organisation, supported by correct information and awareness campaigns, and through social dialogue between employers and workers and their representatives, using OSH committees, for example;
 - Adapted work arrangements (e.g. teleworking);
 - Preventing discrimination and exclusion (prevention and mitigation of gender-based violence in the world of work); and
 - Expanding access to collectively financed paid sick leave, sickness benefits and parental/care leave to ensure income security for those who are sick, quarantined or caring for children, elderly or other family members.
- Stimulating the economy and labour demand through economic and employment policies to stabilise economic activity (active fiscal policy, accommodative monetary policy and lending and financial support to specific sectors).
- Supporting employment and incomes for enterprises and workers negatively impacted by the indirect effects (factory closures, disruption to supply chains, travel bans, cancellation of public events etc.). Meaning:
- Social protection for workers, including informal, casual, seasonal and migrant workers and the self-employed (e.g. through access to unemployment benefits, social assistance and public employment programmes); and
- Employment retention schemes, including short-time work arrangements/partial unemployment benefits and other time-bound support for enterprises, such as wage subsidies.

In all strategies and interventions unions need to ensure that gender- and sex-disaggregated data on the pandemic and its outcomes are made available.

About the Clingendael Institute

Clingendael – the Netherlands Institute of International Relations – is a leading think tank and academy on international affairs. Through our analyses, training and public debate we aim to inspire and equip governments, businesses, and civil society in order to contribute to a secure, sustainable and just world.

www.clingendael.org/cru
cru@clingendael.org
+31 70 324 53 84

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This policy brief was written at the request of and in consultation with CNV Internationaal.

About the authors

Jos Meester is a Senior Research Fellow at the Conflict Research Unit of Clingendael (CRU). His research work focuses on the functioning of the private sector in conflict affected environments and migrant economies. He is in particular interested in supply chains spanning across political divisions, as well as the close relationship of political and private sector elites and its consequences for the stability of political power structures. Jos previously worked as a management consultant at KPMG in on supply chain issues, in the Netherlands and Brazil, and various other regions.

Machteld Oijens has a passion to work on social impact and enlarging opportunities for all. She has a degree in Economics, Cultural Anthropology and finished a post-university degree in Corporate Social Responsibility. After working internationally (UN, government, NGOs), she founded Partnering for Social Impact. It supports organizations in the creation and management of partnerships, in the implementation of impactful projects and in organizing key learnings. It provides thematic expertise on human rights dimensions of doing business (child labour, gender issues/female entrepreneurship, youth, freedom of association and education for all). Machteld is able to motivate and lead multi-disciplinary professional teams.

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