



BUSINESS AND **COVID-19**

ACTION TOOLKIT

VULNERABLE WORKERS IN CORPORATE VALUE CHAINS

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with



HARVARD Kennedy School
Corporate Responsibility Initiative



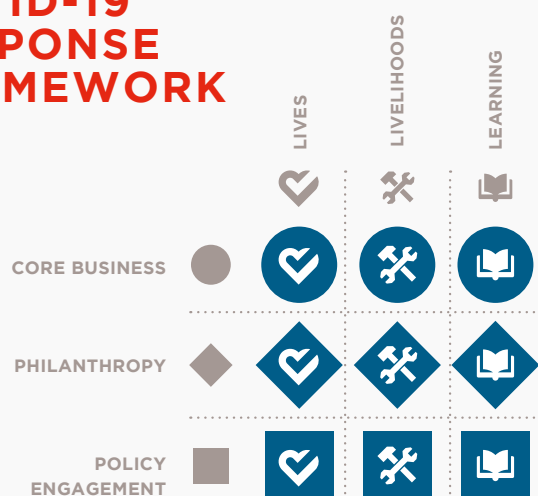
FOREWORD

BUSINESS AND COVID-19

The novel coronavirus (COVID-19) pandemic is creating the worst humanitarian and economic crisis in a generation, threatening the lives, livelihoods, and learning of people around the world.

COVID-19 poses risks for everyone and the impacts across all aspects of life will be profound and long-lasting for every segment of society. They are especially serious for those who are most vulnerable.

COVID-19 RESPONSE FRAMEWORK



Find the [Framework rationale here](#)

This Action Toolkit provides guidance on what businesses can do immediately and in the longer term to support vulnerable workers. Government leadership is crucial, but companies and civil society organizations also have a vital role in working together to support the most vulnerable people.

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We recently published a COVID-19 Response Framework¹ that sets out guidance for how businesses can support the most vulnerable across three areas of impact: on their **lives** (health and safety), **livelihoods** (jobs and incomes) and **learning** (education and skills). The Response Framework

¹ Available in our Business and COVID-19 Response Centre: https://snipbfp.org/C19_ResponseCentre



In this Action Toolkit, which is one of a series, we on the Response Framework to provide guidance on what actions companies can take immediately and in the longer term to support vulnerable workers.

set outs actions that businesses can take through their **core business** capabilities and activities, **philanthropic** donations and volunteering, and **policy engagement**, advocacy, and support for institution strengthening. This can be visualized as a three-by-three matrix (see figure). We have separately published an online Action Mapping Tool² that sets out over 200 examples.

In this Action Toolkit, which is one of a series³, we build on the Response Framework to provide guidance on what actions companies can take immediately and in the longer term to support vulnerable workers.

The Action Toolkit is one part of a wider response that we are convening to crowdsource and share best-practice examples and insights from a variety of companies, industry sectors, and countries. For more information, and to get involved, visit our Business and COVID-19 Response Centre at https://snipbfp.org/C19_ResponseCentre

This work is being funded with UK aid from the UK government. We are working with an international coalition of partners, businesses and business networks.

We hope that you will find this Action Toolkit useful as you frame both your immediate response and longer-term strategy for rebuilding.

Zahid Torres-Rahman, CEO, Business Fights Poverty

Jane Nelson, Director, Corporate Responsibility Initiative, Harvard Kennedy School.

² Available in our Business and COVID-19 Response Centre: https://snipbfp.org/C19_ResponseCentre

³ Current topics include gender-based violence, vulnerable workers, micro and small enterprises, supporting NGO partners, and promoting handwashing and other preventative measures. We will be adding further topics. If you would like to suggest or support another topic, please get in touch with us at team@businessfightspoverty.org.

CONTEXT

VULNERABLE WORKERS IN VALUE CHAINS

Global firms have acted swiftly to protect the lives and where possible livelihoods of their direct employees and customers, while also trying to sustain their financial liquidity as COVID-19 and associated lockdowns have swept across many countries. But the most vulnerable workers are less visible, further down the value chain, and much less resilient in their ability to cope with crisis or rebuild later.

Who are the most vulnerable workers in global value chains? (figure 1)

- Those whose *health is most vulnerable* to COVID-19 are health workers in all countries and other first responders, people working in essential production, logistics and retail jobs, such as food and public transport, and those living in cramped settings with minimal access to water, sanitation and health care, especially in the Global South.
- Those whose *livelihood is most vulnerable* to the economic corona crisis, are workers in countries where jobs and income have collapsed and where public sector safety nets are weak or non-existent. This includes employees and many more informal workers, migrants, and gig economy workers, many of them are women. Without household savings or government safety nets, they are plunged into poverty. Many of them work in global value chains, but often in informal undocumented roles.



Figure 1

THE ECONOMIC COST TO POOR WORKERS' LIVELIHOODS IS HUGE

According to the ILO on April 7th, the slump in jobs and working hours in Quarter 2 of 2020 is estimated as the equivalent of 14 million full-time jobs in low-income countries, 80 million jobs in low-middle income countries, and 100 million jobs in upper-middle income countries (5.3-7% of total working hours). Manufacturing, wholesale and retail trade, accommodation and food, real estate and business activities are the worst hit sectors. ILO warns that the employment impacts of COVID-19 are 'deep, far-reaching and unprecedented' and the final tally of losses for 2020 is highly uncertain.

As of April 10th, as European and US customers go into an Easter holiday weekend after just two to four weeks of restricted shopping and activity::

- 2.24 million Bangladeshi garment workers have lost jobs due as over 1,000 factories close, and the tally has been rising daily.⁴
- In Kenya, 500,000 people working in the flower industry are losing their livelihoods⁵ and 600,000 in the tea sector are suffering from closure of the Mombasa tea auction.

4 According to BMEA tracker, as of April 10 2020. <https://www.bgmea.com.bd/>

5 http://www.kenyarep-jp.com/business/flower_e.html and <https://www.aa.com.tr/en/africa/kenya-s-flower-industry-dying-due-to-covid-19/1782378>

How far do responsibilities of global companies extend?

Suppliers and workers in the global value chains of most large corporations are often geographically removed from corporate headquarters, and company influence is mediated through other firms (suppliers and distributors). But there is no doubt that certain actions by global brands, such as exercising *force majeure* and cancelling contracts, have huge, direct and almost immediate negative effects on workers across the value chain. Other actions, such as dedicated funds for wages in collaboration with supply chain partners, are to mitigate some of the worst impacts on workers' livelihoods.

The UN Guiding Principles on Human Rights state that companies need to take responsibility for knowing and mitigating human rights risks across their entire chain. From this perspective, the rights of all workers in global value chains, including those in the informal sector, such as home-

Bottom Line: *The time to act is now. In Ethiopia and Kenya, hundreds of thousands of people stand to lose their jobs if nothing is done. Hundreds of millions of dollars have been invested in the garment industry in east Africa. That money risks being wasted: it will be much cheaper to save east Africa's manufacturing capability than to build it again from scratch.*

Dirk Willem teVelde, Overseas Development Institute

based piece-rate workers and migrants, are salient, if not material, and need to be considered as part of the corporate responsibility to respect human rights. Some of the greatest human rights risk and vulnerability may sit here. However, in terms of employment or income protection, these workers are much harder for brands to support in the current crisis, precisely because of the many intermediaries often involved and the lack of formalisation.

The argument for corporate action does not just depend on salience. There is a strong business case too. As demand recovers, a robust supply chain will be needed again. If suppliers have gone under, workers returned to villages and years of investment in workforce development lost, then entire sectors will be hampered.



IMMEDIATE RESPONSE

CORE BUSINESS

Harness policies, processes, products, services, technologies, financing mechanisms or business models.

LIVES



- Ensure suppliers have clear information on protecting workers. That they know the law and your high expectations for human rights and hygiene to be upheld. Share key toolkits, e.g. of ILO and UNICEF.
- Make changes to terms and deadlines to allow extra breaks for hygiene, cleaning, or slower production due to spacing.
- Discuss with suppliers how they can repurpose production capacity or logistics capacity for health-related goods - e.g. Personal Protective Equipment (PPE), or services (meals, transport) for front line workers and for essential products and services for the public more generally.

LIVELIHOODS



In sectors with slumping export demand:

- Pay in full, and without delay, for previous contracts that are already in production or complete.
- Support suppliers with quick payment terms for cash flow.
- If cancelling new orders, talk to suppliers about options for survival and how you can support:
 - + shifting production capacity to PPE or other items in demand domestically
 - + wage support for workers, blending supplier, buyer, donor and government money.
 - + using factory downtime for worker training
 - + other ideas suggested by workers & unions.

- If supporting worker wages, be sure to include part-time workers (more likely to be women) and piece-rate workers (the most vulnerable).

In sectors with high/rising demand, e.g. food

- Ensure correct health information regulations and PPE for workers so they can continue operations, adapting operations where needed.
- Support increased hourly wages and/or better benefits for these workers
- Work with suppliers on how logistics and supply chain continuity will be protected. Plan for disruption. Look at transport and storage, and how to avoid product losses during delays.

In sectors with disrupted retail:

- Provide products to suppliers on credit.
- Support 'buy now pay later' or 'pay now, buy later' schemes.
- Make secure forward commitments to future purchases so that suppliers can plan.
- Consider rent moratoriums for several months.
- Connect retailers to innovative finance and provide documentation they need to access finance.
- Support retailers to shift to other products irrespective of whether they are the company's own products.

CORE BUSINESS

LEARNING



- Discuss with suppliers whether factory closure time can be used for skill development of staff.
- Make use of growing digital innovation and content from online courses around the world that are not behind pay walls to support low-cost and accessible remote training.

PHILANTHROPY

Explore ways to leverage corporate philanthropy, employee engagement and social investment.

LIVES



- ◆ Co-finance supplier efforts to support public health response. e.g. donating factory or warehouse space, making PPE, supporting local food banks, shelters.

LIVELIHOODS



- ◆ Co-finance suppliers to redeploy workforce to supporting the national health/logistical response. e.g. supplying food to homeless/migrants/ unemployed or health workers.

LEARNING



- ◆ Support local civil society organizations to support vulnerable households suffering ill-health and loss of income. Provide cash, logistics, equipment, communications support. Discuss with suppliers whether factory closure time can be used for skill development of staff, contractors or local community.

POLICY ENGAGEMENT

Engage in policy dialogue, awareness raising and institution strengthening partnerships.

LIVES



- Amplify calls for essential worker protection and public health requirements to be in place and enforced.
- Amplify government's public health messaging through your own trusted communications channels.

LIVELIHOODS



- Support government social protection measures. Collaborate on cost sharing (e.g. % paid by employer and % paid by government).
- Work with other companies in your sector on how to maintain jobs and sector assets collectively, sharing costs together. Create a rescue plan.

- Advocate for governments to keep logistics and trade flows/ corridors open where possible despite travel restrictions.

EXAMPLES OF COMPANY ACTION IN RELATION TO VULNERABLE WORKER LIVELIHOODS

Keeping cash flowing for payments to workers

Several fashion brands have cancelled contracts for garments already made while others paused on exercising the *force majeure* clause. After some debate, for example, H&M, and VF Corporation have committed to honour existing contracts.⁶ Primark has cancelled contracts that were not yet shipped, but set up a fund to part-finance the wages due.⁷

Couriers who have lost wages are being supported by distribution/retail networks. iFood, Latin America's leader platform of food delivery, is creating a fund of c. £ 155,000 to support income of its couriers during the crisis.⁸ Alibaba announced additional payments for couriers alongside logistical efficiencies.⁹

Fairtrade Africa, while calling for structural support to Kenya's flower industry and its workers, has relaxed rules around use of the FairTrade premium so it can be distributed as cash and used for hygiene activities

Temporary shifts of workers to other sectors

In China, Alibaba's new retail supermarket, [Freshippo](#), introduced an employee-sharing scheme that allows those who work in hospitality, dining, movie theatres, department stores and various other sectors to find temporary jobs at Freshippo locations.¹⁰

Providing cash-flow to help keep suppliers, distributors and retailers afloat

L'Oréal is [prioritising](#) immediate payments to and shortening payment terms with suppliers who may go out of business.¹¹ Unilever is [offering](#) early payment to its most vulnerable small and medium-sized suppliers to help them with financial liquidity.¹²

AB Inbev, the world's largest beer producer, launched financial support initiatives for their retailers. In Brazil they are promoting vouchers which consumers can use for future meals while AB Inbev donate to the restaurants twice the value of each voucher purchased.¹³

6 <https://www.textiletoday.com.bd/hm-assures-suppliers-of-taking-ready-goods/> and <https://www.vfc.com/sustainability-and-responsibility/news/sustainability-story/70357/vf-corporation-statement-regarding-supply-chain-actions-during-covid-19-pandemic>

7 <https://www.theguardian.com/global-development/2020/apr/07/primark-announces-wage-fund-for-garment-workers>

8 <https://g1.globo.com/economia/tecnologia/noticia/2020/03/25/ifood-anuncia-desconto-de-comissoes-e-repasse-dos-pagamentos-para-restaurantes-da-plataforma.ghtml>

9 https://www.alibabacloud.com/blog/alibaba-unveils-measures-to-support-businesses-during-coronavirus-outbreak_595953

10 https://www.alibabacloud.com/blog/alibaba-unveils-measures-to-support-businesses-during-coronavirus-outbreak_595953

11 https://mediaroom.loreal.com/wp-content/uploads/2020/03/PR_LOreal-Europe-wide-coronavirus-solidarity.pdf

12 <https://www.unilever.com/news/press-releases/2020/helping-to-protect-lives-and-livelihoods-from-the-covid-19-pandemic.html>

13 <https://www.ab-inbev.com/news-media/news-stories/helping-our-favorite-hangouts--ab-inbev-launches-programs-to-sup.html>

Company examples related to supporting health and saving lives

Investing in health information

Cargill is using its mobile application to inform their cocoa suppliers in Côte d'Ivoire about health and safety measures against Covid-19. Through their mobiles they keep updated about the measures being adopted by health institutions and the best wash and sanitary practices. The action reaches more 1,200 cooperative leaders and lead farmers.¹⁴

Repurposing to produce and distribute health supplies

Natura & Co, the fourth largest cosmetic company in the world, is converting its makeup and fragrance factory lines in Latin America to the production of hand sanitisers and soaps which will be donated to the communities around their plants. They have promised not to dismiss any employee for two months.¹⁵

Olam is using its infrastructure as a global agri-food trader to move health information and supplies. Online platforms used with farmers are now sharing Covid-19 information. Through its infrastructure and logistics business, ARISE, Olam has sourced and distributed medical and health care equipment, including 50 ventilators, 24 thermal cameras, 10,000 electronic thermometers, 500,000 gloves, 230,000 disinfectant gels and 7 million masks, to communities in Africa.¹⁶

P&G has installed new lines to start production of hand sanitizer in five manufacturing sites, and face masks at nearly a dozen P&G manufacturing sites around the world.¹⁷

Health and hygiene for workers

Anglo American has reduced their workforce present in several locations to between 50 and 70% to be able to respect social distancing. They have also implemented various adapted health and safety measures, such as working from home or temperature screening of those entering certain offices and sites.¹⁸

Olam has introduced staggered shift rotations at its processing facilities, to support social distancing.¹⁹

¹⁴ <https://www.cargill.com/2020/cote-divoire-cocoa-farmers-receive-covid-19-critical-health>

¹⁵ <https://www.reuters.com/article/health-coronavirus-natura-co-hldg/update-1-natura-to-convert-makeup-fragrances-production-to-hygiene-items-in-coronavirus-fight-idUSL1N2B1169>

¹⁶ <https://www.world-grain.com/articles/13517-olam-raises-1-million-to-combat-covid-19-pandemic>

¹⁷ <https://us.pg.com/Breaking-News/>

¹⁸ <https://www.angloamerican.com/media/covid-19-update>

¹⁹ <https://www.world-grain.com/articles/13517-olam-raises-1-million-to-combat-covid-19-pandemic>

FUTURE REBUILDING

WHAT CAN BUSINESS DO FOR THE RECOVERY AND REBUILD PHASE?

Actions taken now will affect how and how easily value chains recover and rebuild. Some things can be done now, to make recovery better, while others will need to come later. The more ambitious ideas to 'build back better' will require collective action so need collaborative conversations to start swiftly.

Avoid decimation today

Work with suppliers to ensure that wherever possible, workers are on reduced hours, temporary absence, or training, rather than permanently laid off. Lost workers will return to villages, be out of contact, and years of investment in the workforce will be lost.

Be ambitious: Collaborate with leading firms, domestic suppliers, industry bodies, national government, local government, and development banks to create rescue plans that prevent sectoral collapse. The number of governments putting in place wage support schemes and other measures is increasing rapidly

Cambodia's Prime Minister [announced](#) that suspended garment workers would receive 60 per cent of base wages - 40 per cent paid by factories and 20 per cent paid by the government. But factory owners said they cannot afford 40%.²⁰ As a result, support was cut to \$70 per month- not enough to keep a household out of poverty.²¹

Improve workforce conditions, transparency and planning

Continue to implement robust human rights due diligence in the value chain. Ask suppliers and distributors for information about formal and informal workers. This will enable risk management, provide data for advocacy and for rebuilding. A more impoverished workforce will mean more risk of abuse once jobs materialise again.

Plan ahead for how worker health and workplace hygiene will be permanently improved, as lockdown diminishes. Particularly consider how workplaces will operate if product demand rekindles in richer markets, while Southern workers are still constrained by a health crisis and restricted activity.

Invest in developing skills across the value chain, keep workers in touch, expand training opportunities, use of digital tools. Use philanthropy and social investment to support local civil society reskilling and retraining schemes.

Incorporate gender assessment into assessments and plans, and ensure women are involved in dialogue, so women's needs are not ignored.

Adopt a corporate living wage strategy with a year-by-year plan for progress.

²⁰ <https://vodenglish.news/factories-cant-afford-to-pay-suspended-workers-40-percent-gmac/>

²¹ <https://www.khmertimeskh.com/50711164/oxfam-70-a-month-factory-pay-could-push-workers-back-into-poverty/>

Engagement across and beyond the sector

Listen to what others are saying and needing, particularly women, workers organisations, and less powerful actors.

Work with suppliers, distributors, competitors and the wider sector to:

- + build crisis plans for resilience against future shocks, including a likely second wave of COVID-19: shared business continuity plans, upgraded communications mechanisms, agreed measures to share risk and smooth impact.
- + increase coverage of contracts - or at least basic paperwork - across the informal workforce, ensuring minimum documentation for state support and legal protection is provided.
- + explore how to shift from single firm initiatives to cross-sector. For example, Asia Floor Wage Alliance has asked garment brands to create a COVID-19 Workers' Fund.²²

Explore collaboration with banks and non-bank financial institutions. There are host of initiatives by banks to maintain liquidity of SMEs, plus increased momentum behind digital cash for emergency transfers. For example, in Brazil, Itau-Unibanco, Banco do Brasil and Santander are jointly creating an emergency fund for subsidised credit lines of up to 36 months to companies with revenue below £ 1.5 million.²³

Collective private and public action

Governments have to lead the solutions, particularly social protection and maintaining macro-economic stability. But in many countries, especially the Global South, they had limited public revenue and capacity before the pandemic, with fiscal flexibility and public services now critically stretched by the Covid-19 response. Businesses can serve as allies, advocates, collaborators, innovators and tax-payers, to create bold new public-private solutions. They can:

- + Join coalitions advocating for strong state social protection (unemployment funds, sick leave, social health care) for formal and informal workers to complement company action.
- + Commit to transparent and fair tax payments to support state spending.
- + Convene and engage in collective 'build back better' discussions on making global value chains in key sector more resilient. Commit funds and actions to sector-wide action, public and private.

For example, the Nigerian Private Sector Coalition Against COVID-19, formed by the Central Bank of Nigeria in partnership with private-sector and philanthropic organizations, is mobilizing private-sector resources to support government's response to the crisis, and raising public awareness.²⁴

Opportunities to complement Government action

Governments across the developing world are taking action: delaying tax and duties (Indonesia, Turkey, Kenya, Myanmar), extending finance for SMEs (many), incentivising firms not to lay off workers and part-funding wages (South Africa, Pakistan, Philippines), upskilling those laid off (Korea, Philippines).²⁵ Such actions complement private sector action but there is potential for much greater coordination with major domestic companies, foreign investors or key business associations at the country-level.

22 <https://asia.floorwage.org/wp-content/uploads/2020/03/AFWA-Statement-on-COVID-19-Demands-of-Garment-Workers.pdf>

23 <https://valorinveste.globo.com/produtos/credito/noticia/2020/03/27/bancos-privados-ao-oferecer-credito-subsidiado-para-empresas-pagarem-funcionarios>

ghtml

24 <https://www.mckinsey.com/featured-insights/middle-east-and-africa/tackling-covid-19-in-africa>

25 <https://set.odi.org/wp-content/uploads/2020/04/Country-fiscal-and-monetary-policy-responses-to-coronavirus-as-of-2-April2020.pdf> and https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_741358/lang-en/index.htm

RESOURCES

RECOMMENDED RESOURCES, TOOLS AND ORGANISATIONS

COMPILATIONS OF USEFUL BUSINESS-RELEVANT COVID-19 RESOURCES FROM MULTIPLE SOURCES

Pillar Two compilation on managing human-rights-related risks during Covid-19 and beyond. Rich compilation of guidelines and selected blogs on how to respect human rights during this crisis, covering topics such as: responsible business leadership, protecting workers, women's rights, and more. <https://www.pillar-two.com/featured-insights/2020/3/31/managing-human-rights-risks-during-and-after-covid-19-what-resources-are-out-there-for-businesses>

CDC Group list of Covid-19 resources. Compilation of resources produced to advise and inform companies on their Covid-19 response, including past and future webinars, consultancy tools, and new opportunities. <https://www.cdccgroup.com/en/news-insight/insight/covid-resources/>

REGULARLY UPDATED SOURCES OF USEFUL INFORMATION RELATED TO COVID-19 AND VALUE CHAINS

ILO briefing. All ILO's Covid-19 monitoring data, news, and recommendation to businesses and workers. At the time of writing, the latest *ILO Monitor 2nd edition: COVID-19 and the world of work* (April 7th) is an up to date assessment of impact on workers in different sectors and regions. <https://www.ilo.org/global/topics/coronavirus/lang--en/index.htm>

Business and Human Rights Centre Weekly Update. Responses, information and news from organisations around the world about Covid-19 and implications for workers in different languages and geographical regions. <https://www.business-humanrights.org/en/covid-19-coronavirus-outbreak>

United Nations Conference on Trade and Development (UNCTAD). UNCTAD monitors the impact of the Covid-19 crisis on manufacturing, trade, investments, and economic growth, offering analysis and resources through reports, news, and advice, including sector-specific outputs. <https://unctad.org/en/Pages/coronavirus.aspx>

RESOURCES (CONTINUED)

The Africa Report. Provides in-depth dossiers, chronicles, and news on how African countries are fighting the Covid-19 crisis. <https://www.theafricareport.com/in-depth/corona-chronicles-23-27-march/>

Coronavirus Economic Vulnerability and Economic Impact and Policy Response Tracker (Overseas Development Institute). A database and compilation of reports on actions governments are putting in place to respond to Covid-19 including social protection and business support. <https://set.odi.org/coronavirus-economic-vulnerability-economic-impact-and-economic-policy-response-tracker/>

SELECTED OUTPUTS ON GLOBAL VALUE CHAINS

Tackling COVID-19 in Africa (McKinsey.com). <https://www.mckinsey.com/featured-insights/middle-east-and-africa/tackling-covid-19-in-africa>

'Supply chains need some love during the coronavirus pandemic' Brooke Masters, Financial Times. https://www.ft.com/content/e1b2f728-77f1-11ea-af44-daa3def9ae03?accessToken=zwAAAXFfkmGokdPhsvcodER6tOvRNqj3vmuAw.MEQCIALZYbh-f7J2wFOcF2g11FrdojJ6JjyOCrTU_uQy01abAiAhvIc7nyNXMyfdGbyGXAeOdEW_2HjN48-zzGelwZA&sharetype=gif?token=b541bcd1-fb33-4ce9-a6f8-1c0258df541f

Cordinated Response can protect African garments industry from Corona Virus fallout (Dirk Willem te Velde, ODI, in The Africa Report) <https://www.theafricareport.com/25207/coordinated-response-can-protect-african-garments-industry-from-coronavirus-fallout/>

'Half a billion people could be pushed into poverty by coronavirus' Warning from Oxfam. <https://www.oxfam.org/en/press-releases/half-billion-people-could-be-pushed-poverty-coronavirus-warns-oxfam>

Chaos and Covid-19. Business Lessons from a Pandemic (Innovation Forum). What business should do if it wants to ignore the multiple threats to global value chains that exist. https://www.innovationforum.co.uk/articles/chaos-and-covid-19-business-lessons-from-a-pandemic?utm_novation+Forum+Business+Brief&utm_campaign=2e67bdc35d-EMAIL_CAMPAIGN_2020_04_09_06_28&utm_medium=email&utm_term=0_2689fd4178-2e67bdc35d-201331177