Short is beautiful?

VALUE CHAINS AND HUMAN RIGHTS IN A (POST-) PANDEMIC WORLD

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Report

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Executive summary (NL)

Eind 2019 lanceerde de Wereldbank haar jaarlijkse ontwikkelingsrapport met als titel *'Trading for Development in the Age of Global Value Chains'*. Een dik jaar later vragen velen zich luidop af of COVID-19 het definitieve einde heeft ingeluid van de globalisering zoals we ze kennen. Hoewel de wereldhandel zich stilaan lijkt te herstellen, heeft de pandemie onmiskenbaar een verregaande impact gehad op het functioneren van globale waardeketens. Dit rapport tracht een overzicht te geven van de manier waarop bedrijven omgaan met deze nieuwe realiteit, maar ook van wat dit betekent voor de honderden miljoenen werknemers die voor hun levensonderhoud afhangen van hun deelname aan globale waardeketens.

Een tijdperk van globale waardeketens?

De laatste decennia hebben we een spectaculaire toename gezien van de wereldhandel. Producten en diensten waren steeds vaker het resultaat van lange en complexe waardeketens, die bedrijven en werknemers van over de ganse wereld met elkaar verbinden. Grote, veelal westerse bedrijven, gingen globale waardeketens aanwenden om hun productieproces te optimaliseren en hun winsten te maximaliseren. Terwijl deze bedrijven zich steeds vaker gingen toeleggen op activiteiten met een hoge toegevoegde waarde, zoals branding en marketing, verschoof de meer arbeidsintensieve productie steeds meer richting lageloonlanden. Invloedrijke spelers zoals de Wereldbank wijzen op het ontwikkelingspotentieel van globale waardeketens, die bedrijven en werknemers in ontwikkelingslanden toegang zouden verschaffen tot nieuwe markten en meer (en betere) jobs. Meer kritische stemmen wezen er al snel op dat integratie in globale waardeketens bedrijven en werknemers ook kan blootstellen aan nieuwe vormen van kwetsbaarheid en afhankelijkheid. Denk aan de uitbuiting van textielarbeiders in Bangladesh, de neerwaartse prijsdruk op koffieboeren in Colombia, of de levensgevaarlijke werkomstandigheden van artisanale mijnbouwers in Congo.

De financieel-economische crisis van 2008 zorgde echter voor breuken in dit dominante model van globale waardeketens. In een context van toenemende geopolitieke spanningen, protectionisme, en populisme, zagen we steeds duidelijker de contouren van een multipolair handelssysteem georganiseerd rond drie grote handelsblokken: de Verenigde Staten, China, en Europa. We zagen ook het ontstaan van nieuwe waardeketens, ditmaal gedomineerd door nieuwe spelers uit lage- en middeninkomenslanden, en met name uit China. Er was ook toenemende bezorgdheid over de negatieve uitwassen van de globalisering, zowel op ecologisch (klimaat, biodiversiteit) als op sociaal vlak (mensenrechten, armoede en ongelijkheid). Toenemende maatschappelijke druk zet overheden steeds vaker aan tot actie. Zo zien we de laatste jaren een duidelijke trend van meer vrijblijvende initiatieven, naar dwingende internationale en nationale regelgeving die bedrijven verplicht om aandacht te besteden aan mens en milieu, in hun eigen activiteiten én in hun toeleveringsketens.

De COVID-pandemie: meer van hetzelfde?

De pandemie legde op pijnlijke wijze de zwakheden bloot van een systeem van globale waardeketens die gericht zijn op maximale flexibiliteit tegen een zo laag mogelijke kost. De snelle verspreiding van het virus en de daaropvolgende overheidsmaatregelen zorgden voor verregaande disrupties in de toevoer van essentiële (bv. mondmaskers, computers) en minder essentiële (bv. spelconsoles) goederen. Op korte termijn hadden vele bedrijven geen andere keuze dan op alle mogelijke manieren hun aanvoer veilig te stellen. Op langere termijn zullen ze allicht streven naar meer schokbestendige toeleveringsketens. Hierbij kan bijvoorbeeld gekeken worden naar een (geografische) diversificatie van leveranciers; het opzetten van bijkomende of (re)lokaliseren van bestaande productiecapaciteit; het aanhalen van banden met strategische leveranciers; en (verdere) investeringen in automatisering en digitalisering. In combinatie met een politieke context waarin steeds meer de nadruk komt te liggen op soevereiniteit en duurzaamheid, zou dit kunnen leiden tot een toenemend belang van kortere, regionaal georganiseerde waardeketens, maar ook tot een diversificatie van productiecapaciteit buiten China. Toch zal China ook na de pandemie een nog centralere rol spelen in regionale én in globale waardeketens. In die zin lijkt de pandemie geen radicaal kantelpunt te zijn, maar eerder een versnelling in te luiden van trends die reeds zichtbaar werden na de financiële crisis van 2008.

De pandemie heeft echter ook een verregaande impact gehad op tientallen zo niet honderden miljoenen werknemers. Naast gezondheidsrisico's, waarmee vooral arbeiders aan de 'frontlijn' te maken krijgen (gezondheidspersoneel, winkelpersoneel, onderwijspersoneel, …), is er de verregaande economische impact. De vaak stringente overheidsmaatregelen en de daaropvolgende schok aan vraag- én aanbodzijde hebben ertoe geleid dat vele werknemers tijdelijk of zelfs permanent hun inkomen verloren. Waar werknemers in hoge-inkomenslanden vaak (maar zeker niet altijd) een beroep kunnen doen op een sociaal vangnet, is dit voor werknemers in vele ontwikkelingslanden niet of nauwelijks het geval. Wanneer we het hebben over de meest kwetsbare werknemers springen een aantal categorieën in het oog, met name migrantenarbeiders en zij die tewerkgesteld zijn in de informele- en in de platformeconomie. Deze werknemers bevonden zich reeds voor de pandemie in een zeer precaire situatie, en blijven (nog meer dan anderen) verstoken van toegang tot sociale bescherming. Ook op langere termijn zullen de gevolgen van de pandemie voelbaar zijn. Initiële analyses tonen aan dat lonen en werkomstandigheden in vele landen zwaar onder druk komen, en dat er een toename is van fenomenen als mensensmokkel en kinderarbeid.

Wat dient (niet) te gebeuren?

Tot slot stelt zich de vraag hoe we met deze uitdagingen aan de slag kunnen gaan. Hoe kunnen we werknemers de bescherming bieden die ze verdienen? Wat kunnen bedrijven doen om negatieve uitwassen doorheen hun toeleveringsketens te voorkomen? Een eerste oplossing waarnaar vaak verwezen wordt is een inkorting of regionale reorganisatie van globale waardeketens, al dan niet gecombineerd met de inzet van digitale technologieën om meer transparantie te garanderen. Het is echter een illusie om te denken dat het terugbrengen van productie naar Europa garanties biedt op het vlak van sociale duurzaamheid – getuige de situatie van Oost-Europese vrachtwagenchauffeurs, van Noord-Afrikaanse migranten in Spaanse serres, of (dichter bij huis) van de duizenden schijnzelfstandigen bij bezorgdiensten. Om nog maar te zwijgen over de verregaande gevolgen die strategieën van 'relokalisering' kunnen hebben voor werknemers in ontwikkelingslanden, die vaak afhankelijk zijn van globale waardeketens voor hun levensonderhoud.

Meer heil kan allicht verwacht worden van 'ketenzorg': het systematisch en proactief identificeren en aanpakken van risico's op mensenrechtenschendingen door bedrijven, in hun eigen activiteiten én in hun toeleveringsketens. Het is het echter van primordiaal belang dat dit geen top-down oefening wordt die eenzijdig aangestuurd wordt vanuit bedrijven, maar dat actief wordt samengewerkt met andere actoren, gaande van andere bedrijven (en met name leveranciers), over lokale overheden, tot het middenveld, zowel hier als op eigenlijke productielocaties. In een snel veranderende en steeds onzeker wordende wereld is ketenzorg niet enkel een morele verplichting, maar kan het ook duidelijke voordelen opleveren aan bedrijven in hun zoektocht naar meer schokbestendige toeleveringsketens.

Wat betekent dit voor internationale vakbondsactie?

Deze veranderingen brengen belangrijke strategische uitdagingen met zich mee voor vakbonden, en bij uitbreiding voor andere organisaties die zich inzetten voor mensenrechten en waardig werk in globale waardeketens. Op korte termijn dienen vakbonden zowel bedrijven als overheden te wijzen op hun verantwoordelijkheden op vlak van mensenrechten. Zo dienen vakbonden een belangrijke rol te spelen bij het uitwerken en implementeren van sociale beschermingsmaatregelen. Op langere termijn identificeren we vijf strategische vraagstukken waarmee vakbonden zowel intern als via internationale samenwerkingsverbanden aan de slag kunnen gaan:

1) **Mensenrechten binnen én buiten de EU**. Vakbonden spelen een belangrijke rol in het debat omtrent bedrijven en mensenrechten enerzijds, en omtrent sociale fraude en uitbuiting binnen de Europese Unie anderzijds. Vaak worden deze debatten los van elkaar gevoerd, vanuit verschillend referentiekaders, en door verschillende actoren. Binnen vakbonden dient een interne dialoog gevoerd te worden over hoe deze twee debatten op elkaar afgestemd kunnen worden. Lopende discussies omtrent bindende wetgeving inzake bedrijven en mensenrechten, zowel op Europees als op nationaal niveau, bieden hiervoor een strategisch kader.
2) **Korter is niet altijd beter**. Kortere ketens worden vaak gezien als een oplossing voor ecologische en in mindere mate sociale duurzaamheidsvraagstukken in globale ketens. Hoewel korte ketens duidelijke ecologische voordelen kunnen opleveren, is de sociale impact minder eenduidig. Het geografisch inkorten van productieketens heeft weliswaar voordelen voor werknemers 'hier', maar kan desastreuze gevolgen hebben voor werknemers 'daar'. En het anatomisch inkorten van ketens (lees: het aantal betrokken actoren beperken) kan weliswaar voordelen opleveren op het vlak van transparantie, maar kan ook gepaard gaan met nieuwe vormen van uitsluiting. Zwakkere en kleinere bedrijven (en hun werknemers) die niet in staat zijn om rigide duurzaamheidsstandaarden te behalen, riskeren het gelag te betalen. Vakbonden moeten meer aandacht besteden aan deze 'ongewenste effecten' van kortere ketens.
3) **Een holistische ketenbenadering**. Multinationals hebben handig gebruik gemaakt van de expansie van globale waardeketens, door zich toe te leggen op activiteiten met een hoge toegevoegde waarde, en door meer arbeidsintensieve activiteiten met beperkte toegevoegde waarde af te stoten naar lage- en midden-inkomenslanden. Vakbonden kunnen hier nog strategischer op antwoorden, door zélf de logica van globale waardeketens te volgen. Concreet kunnen ze strategische allianties aangaan verschillende actoren op verschillende niveaus van deze waardeketens, gaande van lokale vakbonden tot 'progressieve' bedrijven. Zulk een strategie dient ook gekoppeld te worden met een breder debat over hoe bepaalde landen en regio's momenteel geïntegreerd zijn in globale waardeketens, en hoe internationale en lokale vakbondsactie hiermee strategisch moet omgaan. Moeten vakbonden meer inclusieve waardeketens bepleiten, of integendeel inzetten op het versterken van lokale en regionale waardeketens?
4) **De opkomst van China**. De pandemie zal geenszins de spectaculaire opkomst van China op het economische wereldtoneel stuiten. Er blijven belangrijke vragen bestaan omtrent de mate waarin Chinese bedrijven (en consumenten), maar ook westerse bedrijven die actief zijn in China, bereid zijn om dezelfde normen en standaarden op het vlak van duurzaamheid te hanteren. Vakbonden moeten trachten om actoren binnen China te identificeren waarmee ze in dialoog kunnen gaan, en kunnen voorzichtig experimenteren met HRDD in Chinese bedrijven.
5) **Building back better**. Ondanks de verregaande economische en sociale impact van de pandemie, creëert de huidige crisis ook een opportuniteit om het in de toekomst anders aan te pakken. De pandemie is niet enkel een wake-up call voor vele bedrijven, maar heeft ook bij andere maatschappelijke actoren het besef doen groeien dat de sociale én ecologische limieten van de geglobaliseerde economie bereikt zijn. In vele landen bestaat er bijvoorbeeld een brede maatschappelijke consensus omtrent de nood aan sociale steunmaatregelen, welke de basis kunnen vormen voor een meer systematische uitbouw van sociale beschermingssystemen.

1 | Introduction

In October 2019, the World Bank launched its 2020 World Development Report, which was entitled 'Trading for Development in the Age of Global Value Chains' (World Bank, 2019). The report praised the potential of Global Value Chains (GVCs) as a lever for development, and called on governments to implement policies aimed at encouraging the integration of firms into GVCs. Less than a year later, global thought leaders are pondering over the question if COVID is "killing globalization". While a complete collapse of the global trading system is not yet around the corner, it is abundantly clear that the pandemic has disrupted many GVCs, with far-reaching consequences for the hundreds of millions of workers that depend on them for their everyday survival. The latest estimates of the International Labour Organization (ILO) indicate that in the first three quarters of 2020, working hours equivalent to as many as 1 billion full-time jobs may have been lost (ILO, 2020a).

This report assesses how the COVID-19 pandemic is reshaping GVCs, and how this is affecting the rights of workers across the globe. The first chapter ('A short history of Global Value Chains') presents a concise historical overview of the emergence and expansion of GVCs. It broadly distinguishes between two periods. The first period (1980-2008) can be described as the real age of GVCs. The second period (2008-2019) saw a slowdown of global trade in the wake of the 2008 financial crisis, but also saw the rise of new actors from low- and middle income countries, and particularly from China. Part 1 ends with an overview of how business and human rights issues have gradually made it to the political agenda, and are increasingly translated into multi-stakeholder initiatives, but also into hard laws that oblige companies to take responsibility with regards to human rights.

The second chapter ('COVID-19 reshaping Global Value Chains?') zooms in on how the pandemic is disrupting GVCs, and has highlighted the need for more resilient supply chains. It discusses different corporate strategies to achieve this, and how these strategies could shape the future of GVCs. Rather than representing a radical break with the past, the pandemic may end up reinforcing a number of trends that were already apparent in the years preceding the pandemic. Prime amongst these trends is a partial regionalization of global production and trade, coupled with an expansion of manufacturing capacity outside China, and increased investment in automation and digitalization. At the same time, firms from middle-income countries, and notably from China, will continue to climb the ladder of the global economy.

The third chapter ('COVID-19 impacting human rights') assesses how the pandemic may affect the human rights of workers, both in the short and in the longer term. In the short term, millions if not billions of workers have faced livelihood losses and health risks. In the longer run, several of the structural trends identified in part 2 of the report (e.g. regionalization, digitalization, shortening of supply chains) may impact human rights, sometimes in unexpected ways.

The fourth and final chapter ('Strategic challenges for trade unions') identifies five sets of strategic challenges for trade unions wishing to promote human rights and decent work in the changing global economy. Among other things, it identifies a need to critically reflect about the human rights impacts of shorter supply chains (which are now seen as a panacea for sustainability challenges), about how to engage with Chinese actors in GVCs, and about the possibility of following a 'whole-of-chain' approach to international trade union collaboration.

2 | A short history of global value chains

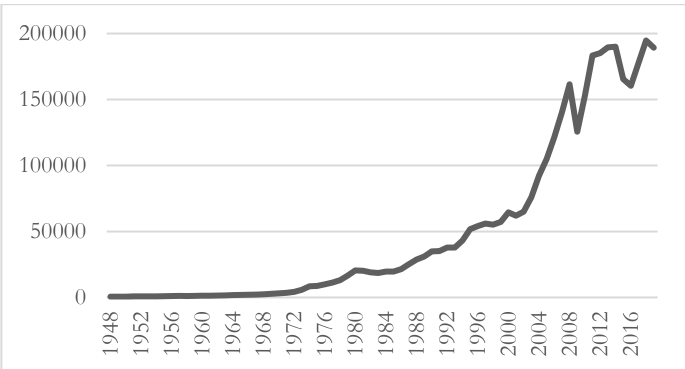
Key takeaways

- The period from 1980-2008 can be seen as the 'era of global value chains'. Lead firms increasingly fine-sliced their production process, deciding for each step where and under what conditions it would be undertaken. While exhibiting substantial variety, GVCs became increasingly organized around a logic of cheap, lean, and just-in-time production.
- In the period 2008-2019, the GVC-system underwent important shifts. There was a trend towards a poly-centric GVC-system, wherein different GVCs are oriented towards different end markets. Actors in low- and middle-income countries, and notably in China, played an increasingly prominent role in GVCs.
- Since the 1990s, there has been growing attention for human rights violations across GVCs, and we have seen a proliferation of initiatives in the field of Corporate Social Responsibility. Since the adoption of the UNGPs in 2011, we have seen important innovations in the domain of business and human rights, including a growing number of multi-stakeholder initiatives that bring together companies, civil society, and/or governments; but also hard regulation that obliges companies to take action.

2.1 1980-2008: The era of global value chains

In the decades following World War 2, the global economy was dominated by large, vertically integrated, and mostly US-based companies, such as General Motors and Exxon Mobil (Gereffi, 2014). Many countries in Latin America, and to a lesser extent in Asia and Africa, relied on a model of import-substituted industrialization, through which they attempted to boost domestic productive capacity. By the late 1970s and early 1980s, however, this model was becoming increasingly untenable in the face of increasing debt and disappointing growth rates. International lenders started pushing for structural reforms inspired by the 'Washington Consensus': a series of policy prescriptions that focused on fiscal austerity, strict monetary policies, and trade liberalization (ibid.). Many developing countries subsequently moved away from a model of import-substituted industrialization, towards a model based on export-oriented industrialization, and started a frantic quest to attract foreign direct investment. At a global level, the World Trade Organization presided over different rounds of trade liberalization. Combined with dramatic innovations in digital technologies, transport, and logistics, this created unprecedented opportunities for the globalization of production and trade (Gibbon et al., 2008). As figure 1 makes abundantly clear, global trade flows gradually started to rise during the 1980s and 1990s, before skyrocketing between 2000 and 2008.

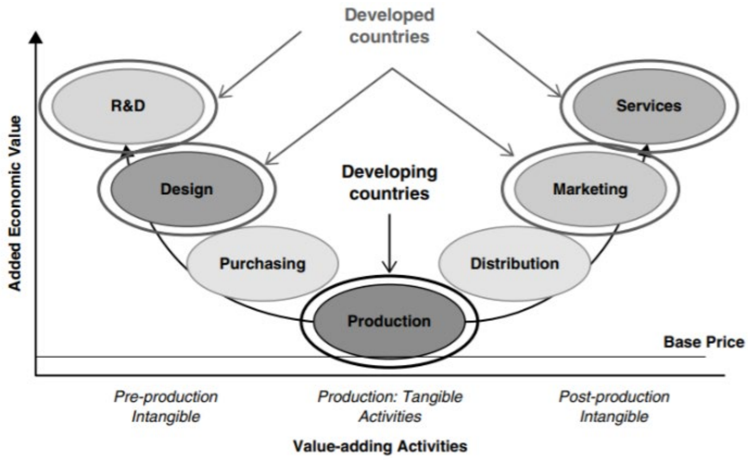
Figure 2.1 World merchandise trade in € billion, 1948-2019



Source stats.unctad.org

‘Lead firms’, many of which were and still are based in Europe and North America, responded to this new reality by setting up global value chains (GVCs) wherein *“the full range of activities that firms, farmers and workers carry out to bring a product or service from its conception to its end use, recycling or reuse (…) are distributed among many firms scattered around the world”* (Ponte et al., 2019, 2). Relying on advanced digital technologies and managerial innovations in coordination and control, lead firms started ‘fine-slicing’ the production process into narrow and modular activity sets. For each of these activity sets, they could now decide on whether it is best carried out within the firm or by external actors, but also on the optimal production location (Buckley, 2009). Broadly speaking, while lead firms increasingly focused on activities with high value-added such as research, product design, and marketing; more labour-intensive, non-core activities (which include but are not limited to manufacturing) were increasingly outsourced to low- and middle-income countries where wages are lower, and labour markets are less regulated (figure 2). In some cases, companies decide to set up their own production facilities in other countries (*offshoring*). In other cases, they started outsourcing or subcontracting tasks to suppliers.

Figure 2.2 The division of labour in global value chains



Source Fernandez-Stark & Gereffi, 2019: 64

The expansion of GVCs into developing countries has affected these countries in different ways. Broadly speaking, countries in East and Southeast Asia have the highest degree of GVC participation (understood here as the share and value of exports that depend on GVCs), and the region is now the leading global center for export-oriented manufacturing and -processing. Chinese companies in particular came to play a crucial role in GVCs, as the ‘factories’ of the world (Neilson et al., 2014). Central America (and notably Mexico) similarly has a high degree of GVC participation, which is mostly due to its position as a key supplier to the US domestic market. South Asia and Latin America, meanwhile, lag behind in terms of GVC participation.

The overall degree of GVC participation of a country may conceal important differences in *how* countries and regions participate in GVCs. For instance, while many Sub-Saharan African countries have a fairly high degree of GVC participation, this is mostly due to the export of raw commodities (and particularly oil), which offers only limited opportunities for domestic value creation. That said, several countries (e.g. Ethiopia, Tanzania, Kenya, and off course South Africa) have made strides into GVCs, notably in sectors such as horticulture, manufacturing, tourism, and textiles (IMF, 2016). Likewise, within Latin America, there exist important disparities between countries, both in how and to what extent they are involved in GVCs. While some countries are heavily dependent on the export of raw commodities (e.g. copper in Peru, cocoa and bananas in Ecuador), other countries have diversified into sectors like offshore services (e.g. Colombian call centers, financial services in

Panama), apparel production (e.g. Haiti), or manufacturing (e.g. medical devices in Costa Rica, car parts in Argentina (ILO, 2016).

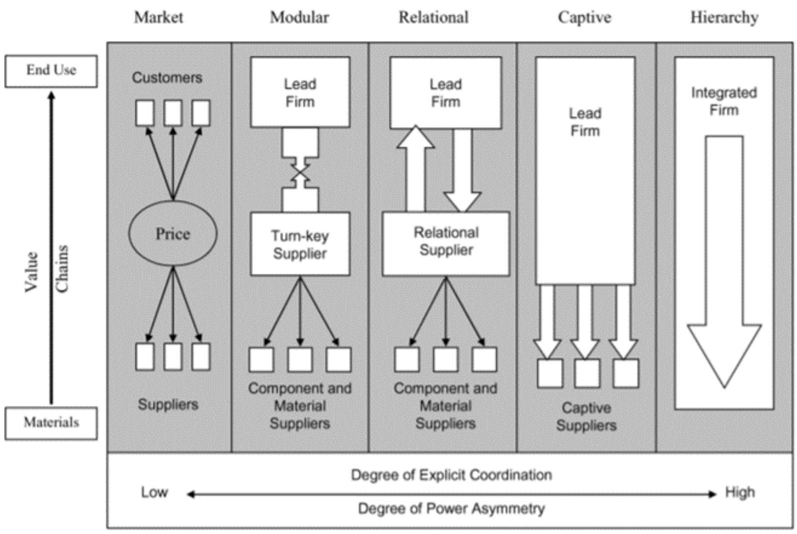
Box 1: Theoretical background – GVC-typologies

To make sense of the growing number and the increased complexity of GVCs, academics have developed different typologies. Gary Gereffi (1994), the leading authority on GVCs, first made the famous distinction between producer- and buyer-driven value chains. Producer-driven chains are more vertically integrated, with lead firms playing a more prominent role in the actual production process to realize technological- and scale advantages. A prime example is the automotive industry. In buyer-driven chains, powerful retailers and brands set the conditions under which their suppliers operate, through various requirements, standards, and protocols. Examples include the apparel industry and segments of the agri-food industry. Since the 1980s, many GVCs have moved towards the buyer-driven type of GVC. A clear example is the electronics industry, wherein big brands increasingly started relying on contract manufacturers, notably in China.

In his later work, Gereffi (Gereffi et al., 2005) developed a more elaborate typology, distinguishing between five ideal-typical GVC-configurations based on their degree of coordination by lead firms, and the degree of inequality between actors operating along the chain (figure 3). At one end of the spectrum we find a situation of perfect market governance, where product specifications are simple, suppliers can make products with limited inputs from buyers, and linkages between buyers and suppliers are governed by a price logic. On the other side of the spectrum, we find a situation of perfect hierarchy, whereby integrated firms develop and manufacture products or services 'in-house'. In-between these extremes, three other constellations are possible. In some cases, lead firms work with turnkey suppliers that deliver customized products or services based on specifications set and codified by themselves. A clear example is Taiwanese firm Foxconn, which manufactures iPads and iPhones for Apple. In other cases, product information cannot be that easily codified, and there is a need for a high degree of trust-based interaction between lead firms and relational suppliers. This type of interaction can be found e.g. in segments of the automotive industry, where electronics companies deliver modules for cars, and can develop strong capabilities through their interaction with major car brands. Finally, there are GVCs in which smaller and weaker suppliers are held captive by lead firms. This model corresponds most closely with the notion of a buyer-driven chain, and involves a high degree of control and monitoring by lead firms. Examples of captive suppliers include apparel producers, and producers in many agricultural value chains.

In reality very few (if any) GVCs correspond neatly with any one these ideal-types, and GVCs combine elements of different constellations. Even if a relationship between lead firms and suppliers can be classified as 'relational' or 'captive', suppliers will still develop relations with their own suppliers, which can be governed by an entirely different logic. In short, while they may exhibit widely diverging trends, GVCs defy easy categorization. Still, it is important to be aware of the fact that differences exist in the anatomy of GVCs, and that these differences can have important consequences for dynamics of social upgrading and -downgrading (see box 3).

Figure 2.3 **A typology of Global Value Chains**



Source Gereffi et al., 2005: 89

The geographical fragmentation of production went hand in hand with new forms of coordination by lead firms. In addition to more direct forms of control embodied by offshoring- and outsourcing arrangements, lead firms started to rely on vital technical and product-related information, and on the enforcement of standards and protocols, to determine the conditions under which firms, and their workers, would operate (Gibbon et al., 2008; Barrientos et al., 2011). While becoming exceedingly stretched across countries and continents, and involving a growing number of 'tiers' or layers, many GVCs also became organized according to just-in-time (JIT) principles. The JIT paradigm was developed by Toyota as early as the 1970s, and essentially involves suppliers and customers coordinating in such a way that goods are immediately collected and processed further (Monden, 2011). While highly efficient from an economic point of view (e.g. minimized storage costs and waiting times), the JIT model relies on the ability of companies to rapidly exchange information, and is highly vulnerable to external shocks.

Ultimately, then, the GVC-model emerged because it allowed lead firms to realize economic efficiency at a global level, by fine-slicing the value chain and deciding where and by whom specific activities could be conducted. Meanwhile firms and workers in low- and middle-income countries remained confined to non-core, low-wage activities with limited added value. Yet this overall picture disguises a lot of variation both within and between GVCs, as is explored in box 1.

2.2 2008-2019: 'Peak Globalization' and the regionalization of value chains

While the image of a world of GVCs dominated by multinational lead firms from 'the North' remains a powerful one, already in the years preceding the pandemic the global trading system was undergoing important changes. Following the 2008 financial crisis, the growth of global trade stalled (cf. figure 1). Tellingly, in an article published in January 2020, right before the start of the pandemic, global thought leaders were debating whether we had reached or had even passed the point of 'peak globalization'. While the reasons for the slowdown in global trade are varied, obvious ones include the economic downturn in high-income countries, the unravelling of the 'Washington consensus', growing geopolitical tensions, rising populism and protectionism, and the stalling of global trade talks (Rodrik, 2018; World Bank, 2020). While global trade growth stalled, this same period saw strong increases in South-South trade and -investment, with China in particular occupying an increasingly central position in the global economy (Gereffi, 2014; Horner, 2016). Chinese firms not only started flooding domestic markets and markets in low- and middle-income countries with cheap products, but increasingly moved up the value chain, into higher value-added activities in the pre- and post-production stage (see box 2) (Azmeh & Nadvi, 2014; Yang, 2014).

While China has increasingly looked outwards, rising labour costs in China and escalating trade tensions between the US and China have prompted many multinational companies to adopt a 'China plus one' strategy, complementing production capacity in China with production capacity in other countries like Vietnam, Indonesia, and Cambodia (Yang, 2016). In short, while the expansion of global trade stalled after the 2008 financial crisis, the same period saw end markets shifting from the 'global North' towards the 'global South'; a growing importance of Southern (and particularly Chinese) firms; and a growing importance of regional (alongside global) value chains (Horner & Nadvi, 2018).

This relates to a more general observation, namely that the focus on *global* value chains dominated by large brands and retailers risks obscuring the fact that many value chains are, for the most part, regionally circumscribed. For instance, research shows that for the period 2003-2016, the majority of offshoring and outsourcing arrangements set up by European companies involved offshoring within Europe, with Romania in particular emerging as a key low-cost destination (Eurofound, 2016). In specific sectors, other countries in Europe's vicinity are also a key destination for outsourcing and offshoring. A good illustration is leading garment brand Inditex (Zara). While working with suppliers across 44 countries, 54% of the factories it works with are located in close proximity of its headquarters in Arteixo (Spain), including not only in Spain and Portugal, but also in Turkey and Morocco.

Box 2: The rise of China and the Belt and Road Initiative (BRI)

The spectacular rise of China, which became apparent during the era of unbridled globalization described in section 1.1, was the result of an export-led development strategy propagated by the Chinese government (Liu & Dunford, 2016). In the period 2001-2008, right after China's accession to the WTO, its trade grew at an astonishing rate of 23.5% per annum. Increasingly, the Chinese development trajectory was seen as an alternative for the neoliberal growth model envisioned by the Washington Consensus. Yet by the mid-2000s, growing social and environmental challenges, rising labour costs, and the revaluation of the Renminbi were posing challenges to this export-driven growth model. In response, the Chinese government reoriented its development strategy, which increasingly started emphasizing technological innovation, economic diversification, and the expansion of domestic and international markets for Chinese products. This reorientation also required China to play a more prominent role on the international stage.

The Belt and Road Initiative (BRI) came to play a central role in China's strategy for global outreach. Plans for the BRI were first announced by President Xi Jinping in 2013, and an action plan for the BRI was released by the government in 2015. The BRI promotes the development of infrastructure along China's major land- and sea-based routes, as a way to foster tighter political and economic collaboration between China and other countries. For China, the BRI serves different goals. In the economic realm, one key objective is the export of manufactured goods. On the one hand, the Chinese government wants to encourage the development of 'Chinese production chains' whereby Chinese companies set up assembly factories in third countries, but import key components from China (Holslag, 2017). On the other hand, the BRI fits in with the government's strategy to expand China's market share in high-end goods like aviation technology, biotech, and renewable energy. In addition to export promotion, another important goal of the BRI is to increase China's access to natural resources, through investment in agriculture and mining projects overseas (Ibid.). Analysts are divided over the developmental impacts of the BRI. For some, it serves as a model of 'inclusive globalization' that pays central attention to the realization of mutual benefits (Liu & Dunford, 2016). More critical voices, including leading international NGOs like Human Rights Watch, have drawn attention to the negative social and environmental impacts resulting from projects undertaken under the banner of the BRI.

2.3 The business and human rights agenda

While there exists a fairly broad consensus that globalization and the emergence of GVCs have created opportunities for the economic upgrading of firms and workers in low- and middle-income countries (e.g. World Bank, 2020), it has also become increasingly clear that economic upgrading and the insertion of firms and workers in GVCs does not automatically lead to social upgrading (see box 3). Instead, from the 1980s onwards, there were growing concerns about human rights violations and decent work deficits in GVCs. For instance, civil society campaigns drew attention to the plight of underage workers in the apparel industry, and to how the mining sector was fueling conflict across Sub-Saharan Africa. In short, it was becoming increasingly evident that the unbridled expansion of GVCs was taking a heavy toll on workers, for whom integration in GVCs can generate new forms of poverty and exclusion (Selwyn, 2019).

Unrelenting efforts on the part of NGOs, trade unions, and critical journalists to expose human rights violations across GVCs (notably those involving large multinational companies) have also led to growing consumer awareness. Demand for sustainable products has steadily grown, which provides companies with incentives to clean up their act (Richey & Ponte, 2011). Companies have responded to these mounting pressures through a variety of voluntary, non-governmental governance initiatives, such as corporate codes of conduct and sustainability standards, typically coupled with some form of social audits (Gereffi & Mayer, 2010). Yet over time, it became increasingly obvious that corporate-driven CSR-initiatives alone are insufficient for dealing with pervasive human rights challenges in GVCs (LeBaron, 2020). The widespread practice of social auditing in particular has attracted a lot of critical attention for its alleged failure to fully identify, let alone address, human rights challenges on the ground. This failure of private governance initiatives led to a widening call for more resolute action, including on the part of governments.

Box 3: Theoretical background – economic and social upgrading

Economic upgrading refers to *"the process by which economic actors –nations, firms, and workers– move from low-value to relatively high-value activities"* (Gereffi et al. 2005, 171). This process of economic upgrading can occur in different ways, e.g., by increasing the efficiency of production, by raising the quality of a product, or by shifting to other products or even different value chains (Humphrey & Schmitz 2002). For this report, however, we are primarily interested in **social upgrading**: *"improvements in the terms, conditions and remuneration of employment and respect for workers' rights, as embodied in the concept of decent work"* (Barrientos et al., 2011: 301). A growing body of critical research has highlighted that economic upgrading does not always lead to social upgrading, and that many workers and firms are instead 'adversely incorporated' into GVCs, through highly uncertain and irregular working arrangements (Philips, 2011). It is important to remember that this situation results from the logic of economic efficiency that is embodied in GVCs. More precisely, as discussed in section 1.1, the creation of GVCs has allowed lead firms to fine-slice their value chain, and to decide where and by whom each step in this value chain should be undertaken. By outsourcing labour-intensive production to low-wage countries, companies are not only able to minimize costs and maximize flexibility, but can also relinquish responsibility over workers (Mezzadri 2010). Faced with a simultaneous time (due to JIT-requirements) and price squeeze, suppliers are often left with no choice but to squeeze their own workers and/or to outsource work themselves, not seldom to irregular, informal economy or home-based workers (Anner, 2020). In this way, GVC-participation can contribute to the emergence or persistence of exploitative and irregular labour arrangements.

Assuming that social upgrading through GVC-participation is in fact possible, scholars have attempted to understand the conditions under which it becomes possible. Clearly, opportunities for social upgrading are not evenly distributed. Existing evidence indicates that GVC-expansion mostly benefits a small stratum of skilled and regularized workers, while failing to uplift the overwhelming majority of casualized and irregular workers, which are often linked to GVCs through intermediaries, and engage in hazardous and underpaid forms of work (Barrientos et al., 2016). While empirical research has mostly focused on GVCs wherein suppliers are held 'captive' by large buyers, like horticultural (ibid.) and apparel value chains (Anner, 2015), other types of GVCs are by no means immune for decent work challenges. For instance, human rights abuses have repeatedly been detected at the facilities of 'turnkey suppliers' in the ICT value chain, such as Pegatron and Foxconn, but also in more hierarchically integrated lead firms in the agri-food business or in the mining industry.

An important step was taken in 2011, when the UN Human Rights Council unanimously adopted the UN Guiding Principles on Business and Human Rights (UNGPs). While the UNGPs were not binding, they clearly outlined the duties of the state to protect against human rights abuses involving companies, and the responsibility of companies to respect human rights. A core concept is that of Human Rights Due Diligence (HRDD). Specifically, UNGP 17 states that *"In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed."* UNGP 13 further clarifies that this responsibility is not limited to a company's own activities, but also applies to its business relationships, including those in its supply chain. While the UNGPs failed to elaborate meaningfully on the operational implications for companies, the OECD developed more practical guidance, in the form of its Due Diligence Guidances that were developed both at a generic and at a sectoral level.

Since the adoption of the UNGPs, there have been important regulatory innovations in the domain of business and human rights. There has been a proliferation of multi-stakeholder initiatives (MSIs) like the Dutch agreements on International Responsible Business Conduct, which bring together companies, NGOs, trade unions, and/or governments. Trade unions increasingly engaged multinational companies in Global Framework Agreements that were meant to ensure workers' rights across a company's global operations, and in some cases also throughout its supply chains.

Over time, 'soft law' instruments (non-binding but authoritative international guidelines and instruments) like the UNGPs and the OECD guidance were increasingly complemented with hard regulation that obliges companies to carry out (aspects of) HRDD (Macchi & Bright, 2020). While some of this regulation (e.g. the UK Modern Slavery Act and the Dutch Child Labour Due Diligence Law) focuses exclusively on reporting obligations, the French Corporate Duty of Vigilance Law also requires companies to develop and implement a 'vigilance plan'. Early 2021, legislative initiatives were initiated in the Netherlands and Germany, with the former in particular having a rather ambitious scope. At EU Level, in addition to existing regulation on non-financial reporting and on the import of timber and conflict minerals, it is expected that the European Commission will follow an advice of the European Council and a resolution of the European Parliament that called for new rules on supply chain due diligence for EU companies. While it is too early to assess the impact of these regulatory innovations, and while tough regulation on HRDD could also have unintended consequences (notably because it might end up excluding smaller companies from developing economies), they could in theory provide an arena in which trade unions and other civil society organizations can strive for corporate accountability.

3 | COVID-19 reshaping (global) value chains?

Key takeaways

- The pandemic has severely disrupted GVCs, exposing the vulnerabilities of a GVC-system based on a logic of cheap and just-in-time production.
- Companies will be inclined to re-evaluate their supply chains, and to strike a better balance between efficiency and resilience in the face of external shocks. To do so, they will probably rely on a combination of diversifying risk across suppliers and countries, automation, and a greater tolerance for redundancy.
- At the level of GVCs, the pandemic will likely reinforce a number of trends that were already apparent before the pandemic. In particular, we may see a geographical realignment of GVCs, whereby manufacturing moves away from China into a range of new manufacturing destinations, but in some cases also closer to home. Meanwhile firms from China and other emerging economies will continue to climb the ladder of GVCs.

3.1 The disruption of GVCs

While the contradictions of a GVC-model based on cheap and just-in-time production were already becoming apparent in the years before the pandemic, COVID-19 would painfully expose its inherent weaknesses in the face of external shocks. As companies around the world were forced to shut down, we witnessed severe disruptions in the supply of essential goods and services. The Wuhan outbreak made clear just how dependent the world had become on production in a single country. One value chain that attracted particular attention is that of face masks, which acquired strategic importance in the fight against COVID-19. The production of face masks has long been outsourced to China which, at the start of the crisis, was responsible for approximately half of global production (Gereffi, 2020). Yet existing production levels were even insufficient to meet demand within China, which has imported up to 2 billion masks. Once COVID-19 spread to the rest of the world, other countries faced dramatic shortages, notably of the high-quality FFP2-masks that provide nearly full protection to health workers. Despite China managing to increase its production more than tenfold between January and March 2020, it still fell way short of meeting global demand. The situation was made worse by the JIT business model, which left key manufacturers without strategic stocks. In response, most countries resorted to a desperate scramble for face masks, relying on a combination of domestic production and imports.

Looking beyond the medical sector, other sectors have similarly faced disruptions of their supply chains, whose ripple effects continued well into 2021. One example is the Cambodian apparel industry, which was hard-hit in the early stages of the pandemic due to a shortage of raw materials coming from China. Another example is the 'perfect storm' that has hit the chip-making industry, which is forcing a wide range of sectors – from carmakers to producers of game consoles– into cutting back production targets. In all of these cases, supply chain disruptions pose important risks for the survival of companies, and for the workers they employ.

3.2 Corporate strategies to achieve resilience

In the short run, companies across sectors were forced to grapple with these disruptions in their supply chains. In the longer run, the COVID pandemic could prove to be a wake-up call for many companies, who now realize that there is a need for a better balance between 'quarter-to-quarter' efficiency and resilience –understood here as the ability of a supply chain to withstand external shocks

(Golgeci et al., 2020). Below, we outline five strategic responses through which companies could attempt to achieve greater resilience (this overview is based on Free & Hecimovic, 2020; Lin & Lanng, 2020; Enderwick & Buckley, 2020).

1) **Business as usual**. In this scenario, the pandemic would be nothing more than a temporary disruption in GVCs, and companies would change little in how they manage their supply chains –except perhaps in the medical industry. This would also imply a return to the dependency on China, which has been fairly successful in rebooting its manufacturing capacity following the initial lockdown. That said, a return to the situation before the pandemic would also imply that human rights are still firmly on the agenda (see section 2.3).
2) **Diversify risks**. A more likely scenario is that companies attempt to diversify risks across countries and across suppliers. The 'China plus one' strategy could become the norm, which would contribute to the further rise of new Southeast Asian manufacturing hubs like Vietnam, Thailand, and Myanmar. Major electronics manufacturers like Taiwanese Foxconn and Pegatron are already expanding their operations outside China, to countries like India and Thailand. Strategic diversification could also provide an impetus to the further regionalization of supply chains. US companies could 'nearshore' even more of their production to Mexico, while European companies could consider relocation towards the European periphery (e.g. Romania, Turkey, North Africa). A more far-reaching response would involve reshoring (bringing production back 'home'), onshoring (outsourcing within national borders), or even internalizing production (taking production in your own hands). However, diversification comes at a cost in terms of sunk investments, relinquished ties with suppliers, etc. In particular, branching out from China prove very costly or even impossible, because the country holds such a unique set of locational advantages, like a large educated workforce and state-of-the-art infrastructure (Seric et al., 2020). And while strategic relocation may make supply chains less vulnerable to shocks in other countries, it heightens exposure to domestic risks, and can complicate access to foreign markets (Strange, 2020). Moreover, some activities, like the extraction of raw materials, simply cannot be relocated.
3) **Automation and digital innovation**. Artificial intelligence, robots, 3D printing, and other technological innovations are becoming ever less costly and ever more efficient. They can reduce the need for low-skilled labour, lowering the barriers for bringing production closer to home. While technological innovation is not a new phenomenon, the pandemic might be the trigger that companies need to enter the digital age (Kilic & Marin, 2020). At the same time, it is important to recognize that automation has its limits, and depends e.g. on the availability of a skilled workforce that is able to operate machines (Seric & Winkler, 2020). Increased attention for automation and digital innovation may also give a further boost to platform work: "non-standard work facilitated by online platforms which use digital technologies to 'intermediate' between individual suppliers (platform workers) and buyers of labour." (Hauben et al., 2020: 3). At the same time, technological innovation and ever-increasing amounts of data about trade flows and production processes also create new opportunities for rendering corporate supply chains more transparent (Gardner et al., 2019).
4) **Closer ties with suppliers**. Resilience and the ability to anticipate disruptions require an efficient flow of information as well as clear commitments between customers and suppliers. In this sense, COVID may increase the importance of relational types of GVC-governance (see box 1) that involve a higher degree of reciprocity between companies (Kano et al., 2020). More broadly, the crisis has underlined the importance of knowing your supply chains, if only to identify possible bottlenecks (Choi et al., 2020). Corporate efforts to develop/maintain a closer relationship with their suppliers may be further incentivized by increased demands for transparency and sustainability. For instance, already in the years before the pandemic, and in response to increased demands for conflict-free minerals, lead firms in the electronics industry were increasingly 'jumping the chain', by engaging directly with minerals suppliers (Young et al., 2019).
5) **Tolerate redundancy**. Finally, the pandemic is forcing companies to critically reflect about the costs and benefits of a JIT model that has been taken to its extremes. It is likely that companies

will (literally) create room for strategic stockpiling, or even revert to setting up spare production capacity closer to home. While leanness may be efficient in normal times, when demand is stable, they make supply chains fragile in times of crisis, as was clearly demonstrated by the case of PPEs (box 4). In short, companies (and governments) will likely be more willing to tolerate redundance in their supply chains, particularly for those goods that are deemed 'essential'.

3.3 The future of (global) value chains

COVID has severely disrupted GVCs, exposing the weaknesses of a GVC-model based on low-cost, just-in-time production. When the dust has settled, many companies will be poised to strike a better balance between efficiency and resilience in their supply chains. Rather than relying on a single strategy, they are likely to rely on some sort of combination of risk diversification, nearshoring/reshoring, automation and digitalization, maintaining (even) closer ties with strategic suppliers, and displaying a greater tolerance for redundancy.

Clearly, companies do not take decisions about their supply chains in a political vacuum. The pandemic has not only led to a further escalation of US-China tensions, particularly over trade, but has also reinforced high-level political calls for economic sovereignty. For instance, during the 2020 US presidential campaign, both Donald Trump and Joe Biden promised to boost manufacturing inside the United States. This sentiment bodes well for corporate strategies that seek to bring production (closer to) home. Against this background, we may see a geographical realignment of global value chains towards more regionally circumscribed value chains linked with the major trade blocks: North-Central America, East Asia, and Europe (Enderwick & Buckley, 2020). At the same time, GVCs as such are unlikely to disappear completely, if only because of their superior ability to realize economic efficiency (Verbeke, 2020). Within these GVCs, manufacturing capacity will increasingly be spread across a wider range of manufacturing destinations in Asia and beyond. While manufacturing will move away from China, this is unlikely to halt the spectacular rise of Chinese companies, who are increasingly pushing into the higher-value segments of GVCs.

Yet the pandemic has not only been a wake-up call for companies, but has led to a growing realization in different segments of society that our model of unbridled globalization has reached its social and ecological limits. In addition to unrelenting campaigns on the part of broad segments of civil society, there is growing consumer demand for local and ethically produced goods. Even in the business community, a growing number of companies are speaking out in favour of tougher rules, purportedly to level the playing field. As indicated earlier, these pressures are increasingly feeding into hard law that obliges companies to take action (Macchi & Bright, 2020). While concerns about human rights in GVCs could temporarily move into the background for companies that are struggling for their economic survival, these pressures are unlikely to disappear soon, if only because of the unrelenting advocacy efforts on the part of civil society (Evans, 2020). These efforts to increase corporate accountability and supply chain transparency and -sustainability, could also have far-reaching consequences for the future shape of GVCs. While the top-down imposition of transparency and sustainability requirements can provide more capable suppliers with access to fairer and higher-value markets, it could also lead to the exclusion of smaller and weaker suppliers (and their workers), because they are unable to meet stringent sustainability standards (Gardner et al., 2019). Producers and workers in the informal economy in particular face the prospect of becoming excluded from value chains (Narula, 2019). An obvious example is artisanal mining. While employing tens of millions of people worldwide, it is also associated with human rights abuses such as child labour, forced labour, and conflict financing. Rather than trying to include artisanal miners in their supply chains in an equitable way, many companies (notably smelters and refiners) instead opt for avoidance policies that exclude artisanal miners from their supply chains. In this way, corporate efforts to 'clean up' their supply chains could inadvertently contribute to a process of consolidation in the hands of more powerful players, while further excluding the already marginalized (Gardner et al., 2019).

Summarizing the above, rather than representing a radical rupture with the past, the COVID-pandemic could end up reinforcing a number of trends that were already becoming apparent in the years preceding the pandemic, and particularly since the 2008 financial crisis. However, as we will see in the following chapter, the impact of the pandemic on human rights throughout GVCs could be much more far-reaching.

4 | COVID-19 impacting human rights

Key takeaways

- In the short term, the pandemic has exposed workers across GVCs to serious employment related health- and income risks. Migrant workers, informal workers, and platform workers have been amongst those most hard-hit by the economic fall-out of the pandemic.
- In the longer run, the pandemic and associated shifts in GVCs may create (not so) new human rights risks. As a growing number of people are desperately on the lookout for income-earning opportunities, they become vulnerable to exploitative labour arrangements. More broadly, the new economic reality and the rise of emerging economies are posing important challenges to the fragile institutional architecture around business and human rights that has emerged in recent years.

4.1 Short-term impacts: economic devastation and health risks

In the short run, companies and workers have been severely affected by lockdown measures and the abrupt shock in demand that followed. A first obvious impact are job losses: according to the ILO, working hours equivalent to as many as 1 billion full-time jobs may have been lost during the first three quarters of 2020 (ILO, 2020a). Lower-middle income countries have been the hardest-hit, with an estimated loss of 240 million jobs in the second quarter of 2020 alone. Within this category, the worst-affected countries are typically those that depend on their insertion into a select number of GVCs. For instance, in East African countries like Ethiopia and Kenya, exports of products like coffee, tea, cut affected, and fresh vegetables have plummeted due to weakening international demand (Morton, 2020). In South Asian countries, garment suppliers have suffered due to the cancellation or postponement of orders by Europe- and US-based brands and retailers (Anner, 2020). This, in turn, has left suppliers with no choice but to temporarily or even permanently stave off workers. Similarly, workers in electronics manufacturing firms across Asia, Latin America, and Eastern Europe have faced a loss of working hours, wages, and jobs, as a result of decreased demand and government restrictions. Reports about employment in the digital platform similarly indicate that in the first months of 2020, over half of platform workers worldwide had lost access to their employment, and those that were still working had lost two thirds of their income, on average (Fairwork, 2020). Companies have responded to the immediate economic fall-out of the pandemic in different ways, with some companies (notably large retailers that risk reputational damage) following a more consensual approach than others -albeit not always without putting up a fight first (box 5).

Box 5: Company responses to the pandemic – the good, the bad, and the ugly

Companies have responded to the pandemic in very different ways. A lot of attention (as always) has gone to the garment industry, where a lot of companies (examples include Hema and Bestseller) have failed to honour even basic commitments made to suppliers before the pandemic, by one-sidedly cancelling orders. Likewise, in the digital platform economy, many companies have failed to address even basic health and safety concerns of platform workers (Fairwork, 2020). In Haiti, several employers who are active in the country's Free Trade Zones have forced their workers into signing a declaration that if they would become infected with COVID, it would be their own responsibility. Other companies have remained committed to honouring their agreements made before the pandemic, but in many cases only after experiencing external pressures. Examples in the garment industry include Marks & Spencer and Levi Strauss. Beyond the garment industry, the hotel management of Sofitel Pnom Penh in Cambodia only agreed to paying outstanding dues to terminated workers following weeks of trade union protests. Finally, there are those companies that have gone the extra mile for their workers and/or suppliers. For instance, early on in the pandemic, Unilever committed €500m for cash flow relief to its suppliers, particularly for SMEs. Another example is Danone which, in March 2020, took a series of measures to strengthen the resilience of its value chains, including strong contract and income guarantees as well as extensive health coverage for its 100,000-odd employees, but also financial support amounting to €250 million for its 15,000 small suppliers.

In addition to job- and income losses as a result of decreased global demand and cancelled or delayed orders, the pandemic is also exposing workers to health risks, and notably the risk of getting infected. Obviously, these risks are not distributed evenly across the workforce. Instead, risks tend to be higher for those who are unable to work from home, and work in environments where physical distancing rules are difficult to abide. In Morocco, major COVID outbreaks were recorded in strawberry packing plants and in an associated ice factory. In Malaysia, major outbreaks occurred in factories producing disposable medical gloves, which are imported into Europe and the US. And inside Europe, reports about COVID outbreaks in the meat processing industry have lifted the blinkers on the terrible working conditions facing migrant workers (box 6).

Indeed, migrant workers, and particularly female migrant workers, are amongst those most heavily affected by the pandemic (ILO 2020b). A lot of the work undertaken by migrant workers tends to be to be informal, temporary, and underpaid. In addition to being the first ones to be laid-off, migrant workers often remain excluded from COVID policy responses, and are afraid to seek medical treatment due to fears of being detained. In some cases, lockdown measures and travel restrictions have literally trapped migrants. A particularly mediatized case is that of Filipino seafarers that have been stuck on freight carriers for many months, because no country would allow them ashore.

Box 6: The plight of migrant workers inside the EU

Some of the biggest COVID outbreaks in Europe have occurred in the agri-food industry. More than 40 percent of the cultivation of fresh fruits and vegetables takes place in Spain and Italy. Traditionally, the sector has relied heavily on migrant labour from Eastern Europe, but increasingly also from Africa. Already before the pandemic, a steady stream of reports documented the dire situation of many of these migrant workers, who live in shantytowns near the farms, are often hired on an irregular basis, are paid below minimum wage, and face with repressive management techniques. UN special rapporteur Olivier De Schutter even described the situation of some workers as ‘forced labour’, with Moroccan women migrant workers in particular being coerced into highly unsafe working conditions that violate international human rights standards. In the wake of the pandemic, many migrant workers were reportedly left unprotected and at risk of becoming infected with COVID. Moreover, when the strawberry harvesting season in Spain ended in June-July 2020, thousands of migrant workers were unable to return home, due to Spain having closed its borders.

Another industry that has received a lot of attention due to the pandemic is the meat processing industry. The most well-known case is that of Tönnies, a German meat processing plant where as many as 1300 workers tested positive. Through the model of ‘posted workers’ Tönnies, along with many other European companies, was able to outsource responsibility and liability for the workers inside their factories to foreign contractors. Reports have documented poor working conditions inside these companies, including a lack of health and safety measures, a high risk if injuries, low wages, and long working hours.

In addition to migrant workers, informal workers (in practice both categories overlap) are also facing severe risks. For one, most informal workers remain excluded from existing systems of social protection which, in many low- and middle-income countries, were already underfinanced to begin with. This observation also applies to COVID-19 support measures. Secondly, while informal work typically tends to increase abruptly after an economic shock, offering a refuge to the newly-unemployed, in this particular crisis informal workers have not been insulated from the economic shock (ILO 2020c). Lockdown measures have prevented many informal workers from getting to work, as illustrated by the situation in informal mining communities (box 7). Many informal activities are also directly or indirectly linked with companies in the formal economy, so that the (temporary) closure of formal sector companies has knock-on effects in the informal economy as well. And even if informal workers can go to work, they face the agonising dilemma of having to choose between staying at home without any source of income, or getting to work in an environment where they face serious risks of becoming infected.

Box 7: COVID and informal gold mining (Geenen & Verbrugge 2020)
An estimated 30-40 million people worldwide are engaged in mostly informal artisanal and small-scale mining activities: the low-tech, labour-intensive extraction and processing of minerals. Together, they provide an important contribution to the supply of minerals such as gold, cobalt, and tungsten (tin). The informal mining economy traditionally functions as a safety net in times of economic hardship. Yet when governments in countries like the Philippines imposed strict lockdown measures, many informal mine workers were unable to access the mines. When they were able to get to work, there was often no-one around to buy their produce, as many of the small traders that traditionally roam the mine sites were not only banned from traveling, but were also facing severe cash shortages. This created opportunities for unscrupulous traders with cash reserves and with the necessary political knowhow to circumvent lockdown restrictions and make a fortune. This is why, at a time when gold prices were soaring due to global economic uncertainty, many informal gold miners were earning less than ever before.

4.2 Structural changes in GVCs and human rights

The second part of this report has outlined a number of structural changes in GVCs that may come about as a result of the pandemic. In this section, we attempt to assess how these structural, longer-term trends may impact human rights.

4.2.1 Changing labour markets

The initial economic shock is likely to give way to more longlasting negative impacts on unemployment, and possibly on wages and worker rights. Youth unemployment is already on the rise inside Europe and beyond, raising clear concerns not only about the well-being of younger generations, but also about political stability, particularly in low- and middle-income countries with a large young population. As tens of millions of people (young and old) join the ranks of the global 'surplus population' (Li, 2010), this may become grist to the mill of unscrupulous intermediaries (labour brokers, staffing agencies, human traffickers) that play a key role in connecting workers to employers (Voss, 2020). Already, international organizations like the United Nations (UNODC, 2020) and the ILO (2020d) are observing increases in human trafficking, child labour, and forced labour. Based on the experience of earlier economic crises, it can be expected that many new employment opportunities will involve irregular and temporary forms of employment. Work in the digital platform economy in particular is expected to increase, offering a refuge to the growing number of people that are unable to access jobs in the regular economy. This raises important questions about workers' rights, including their ability to access social protection. The pandemic is already putting downward pressures on wages: in its global wage report for 2020-2021, the ILO (2020e) indicates that around two thirds of countries are showing decreasing wages or slower average wage growth. In those countries where wages did increase, this was mostly due to the loss of lower-paying jobs.

On a more positive note, many governments have stepped up to cushion the immediate economic effects of the pandemic through social support mechanisms. In the process, they have displayed great creativity in the ways through which they have reached out to marginalized communities, including those that previously remained excluded from social protection mechanisms (Gentilini, 2021). Surveys show that support for social protection and for protective labour legislation is at an all-time high, creating a window of opportunity for more structural reforms (ITUC, 2020).

4.2.2 Workers' rights in new manufacturing destinations

If manufacturing capacity is indeed set to expand (further) from China into other manufacturing destinations, this raises important questions about the plight of workers in these countries. In addition to the more familiar human rights risks that are inherent to activities involving low-wage labour in countries with weak (capacity to enforce) labour regulation, there may also be risks that are specific to particular countries. Examples include the plight of migrant workers in Malaysia and Turkey, the situation of female home-based workers in Pakistan, longstanding concerns about freedom of association in Vietnam, and the repression of trade union activism in the Philippines.

4.2.3 Short is beautiful?

The possibility that global value chains could become more regionally oriented is not only applauded by supporters of economic sovereignty, but can also sound like music to the ears of those advocating for geographically shorter supply chains from a sustainability perspective, or from the perspective of European workers. However, it is by no means a panacea for human rights risks. Firstly, while bringing production closer to home can indeed be a boon for producers and workers 'here', it simultaneously poses threats to firms and workers in low- and middle-income countries, for whom a strategic engagement with GVCs through leveraging lower labour costs has been a key strategy. Secondly, bringing production (back) to Europe offers no guarantees in terms of respect for human rights. Instead, in addition to the aforementioned examples in the agri-food industry (box 6), risks for decent work deficits and human rights abuses persist across the EU. A clear example is the transport sector. European transport companies are increasingly recruiting drivers from non-EU countries such as Ukraine, Belarus, Uzbekistan, Turkey, and even the Philippines. These drivers are paid monthly wages between €100-600, and are effectively forced to sleep and live inside their vehicles, often for months on end (ITF, 2020). Another noteworthy example are the poor working conditions of garment workers in eastern European countries like Romania.

In addition to becoming geographically shorter, value chains can also become 'anatomically' shorter, i.e., in terms of a reduced number of actors involved. While geographically shorter value chains are often anatomically shorter, and vice versa, this is not inevitably the case. A clear example was already given in section 2.2: that of electronics companies 'jumping the chain' and linking directly with 'deep suppliers' of minerals to engage them in responsible sourcing programs (Young et al., 2019). This relates to a broader concern about sustainability initiatives in GVCs, namely that they may paradoxically contribute to the further marginalization of smaller and weaker actors that are unable to meet stringent sustainability standards (Brandi et al., 2015; Gardner et al., 2019). Rather than excluding these purportedly 'unsustainable' actors from supply chains, a better strategy would be to promote their sustainable integration. These concerns about the 'distributional impacts' of sustainability initiatives in GVCs are increasingly acknowledged by key actors like the OECD (in its due diligence guidance) and the European Union (in its conflict in practice many companies will be tempted to avoid risk.

4.2.4 A stress test for the business and human rights agenda

More broadly, the pandemic is an unprecedented stress test for emerging multi-level regulatory frameworks on business and human rights (Voss, 2020). It is more important than ever that states and companies assume their responsibilities to respectively protect and respect human rights. At the same time, because the pandemic is forcing companies to respond quickly to disruptions in their supply chains, there is a risk that human rights issues (temporarily) fade into the background. For instance, at least some of the face masks that were imported from China were purportedly made in factories powered by Uighur workers that form part of a controversial Chinese government re-education program. And amidst the surge in demand for medical gloves, companies and public buyers in Europe and the US turned to Malaysian glove producers with a history of abusing migrant workers. While hard economic calculations might temporarily gain the upper hand, years of unrelenting advocacy efforts and political commitments (including about binding regulation in the domain of business and human rights) have let the genie out of the bottle, and it is very hard to see how business and human rights concerns would suddenly disappear completely.

Arguably a more fundamental challenge stems from the rise of emerging economies, and particularly of China (Nadvi, 2014). On the one hand, the emergence of value chains linking lead firms from emerging economies to suppliers and workers in other low- and middle-income countries can provide new opportunities for economic upgrading. On the other hand, it poses clear risks for a 'race to the bottom', not only because price pressures may be even more intense, but also because consumer demand for sustainable products is still lower in emerging economies (Horner, 2016). As companies from countries like China and India climb the ladder of GVCs, important questions remain about their (future) willingness to engage with human rights issues. While China and Chinese companies have shown a cautious willingness to engage with international frameworks like the UN Global Compact and the OECD guidance, this engagement has been limited to particular sectors, and to the activities of Chinese companies abroad (Buhmann, 2017). Meanwhile serious concerns persist about human rights issues inside China, and about the behavior of Chinese companies abroad. More broadly, questions persist about whether and how Chinese companies, but also European and American companies in China, can be engaged and held to account for their behavior. The feasibility of social audits in China has been repeatedly questioned, and the freedom of expression and -association are in no way guaranteed. The growing presence of Chinese companies in other countries is also posing formidable challenges for civil society organizations and workers that wish to hold companies accountable for their behaviour (Merk, 2014).

5 | Strategic challenges for trade unions

This report has provided an initial and admittedly somewhat speculative assessment of how COVID is transforming global value chains, and how this is impacting human rights across these value chains. The analysis in part 2 has shown that the pandemic is unlikely to represent a radical turning point at the level of GVCs, but it may well end up reinforcing a number of trends that were already apparent in the years preceding the pandemic. At the same time, part 3 has shown that the impact on human rights may be more far-reaching. While this impact may be partly offset by an expansion of value chains that are dominated by firms from China and from other emerging economies, important questions remain about the position of human rights within these value chains. In this final part, we will try to identify a number of strategic predicaments faced by trade unions and other civil society organizations that wish to promote human rights and decent work in GVCs.

5.1 Short-term trade union responses

In the short term, responses from civil society should focus on ensuring that companies and governments take the necessary measures to shield workers from the economic fall-out and health risks caused by the pandemic, and to guarantee access to basic social protection. Wherever possible, workers should receive the necessary support (financial, technological, etc.) to work from home. Where working from home is impossible, companies should ensure safe and sanitary facilities, where risks for infection are minimized. While the rights of regular workers can be safeguarded through more conventional channels (e.g. social dialogue mechanisms), trade unions can also play a role in protecting informal workers (box 8).

Box 8: Protecting informal workers: trade union practices from across the globe (ILO 2020f)

One example of how trade unions can alleviate the plight of informal workers is the campaign launched by the Georgian Trade Union Confederation (GTUC) to help thousands of informal workers in the retail sector benefit from support from COVID-19 support measures implemented by the Georgian government. Specifically, the campaign assisted some 200 market vendors to meet the eligibility criteria defined by the government. Another example is a hospital for SMEs that was jointly created by the university of Guadalajara and a Mexican trade union (CCIJ). This hospital aims to help SMEs cope with the immediate impact of COVID-19. At least one third of the SMEs seeking assistance are believed to be informal. Still other examples come from the domestic work sector, which in many countries, is partly or fully informal, and employs a lot of women. In countries like the Dominican Republic, Togo, India and Malaysia, domestic workers' trade unions have not only delivered emergency relief support (food, water, and even shelter) to domestic workers and their families, but have also drafted guidelines and given trainings on how to return safely to work. In Argentina, employers and trade unions have joined forces, lobbying the government to obtain an extension of income support for domestic workers.

5.2 Longer-term trade union responses and -challenges

The structural trends in (global) value chains that were described in this report present trade unions with a number of strategic challenges, both with regards to their internal functioning and with regards to international collaboration. Below, these challenges are discussed in relation to five broad themes, each of which could form the basis for internal discussions within and between trade unions.

1) **Human rights inside *and* outside Europe**
In addition to promoting human rights and decent work in global value chains, trade unions have played a key role in pushing the debate on workers' rights inside Europe, e.g. by highlighting how companies make inventive use of European regulation like the EU Posting of Workers Directive to drive down the cost of labour. Yet so far, there appears to be a disconnect between debates about business and human rights in GVCs, and discussions about labour rights and social dumping within Europe. When we consider the plight of North African migrant workers on Spanish and Italian farms; of Ukrainian, Uzbek, and even Filipino truckers on European highways; of Romanian and Bulgarian posted workers in German meat processing plants; and of the growing number of platform workers; a clear case can be made for a business and human rights agenda within Europe. Efforts of companies and civil society organizations to identify human rights risks should not focus exclusively on those parts of GVCs that are outside Europe, but also on those parts that are located within Europe. This recommendation becomes all the more pressing when considering the possible trend towards near-shoring or reshoring production to Europe. Ongoing debates about binding regulation on business and human rights, both at the national and at EU level, provide both an additional incentive and a starting point for an internal dialogue about linking human rights issues inside and outside Europe.

2) **The human rights impacts of shorter value chains**
Shorter value chains - be it geographically or anatomically shorter - are increasingly seen as a panacea for social and environmental challenges. However, shortened supply chains can also create new human rights risks. Making value chains geographically shorter by bringing production closer to home may have knock-on effects for producers and workers in developing countries that vitally depend on GVCs. Trade unions can and should play an important role in cushioning the blow, by making sure that companies do not leave these countries without considering the plight of local workers. Meanwhile efforts to make value chains anatomically shorter, by reducing the number of actors involved (e.g. as a part of broader efforts to increase transparency), may paradoxically lead to the further marginalization of smaller and weaker actors. Any efforts to make value chains shorter should therefore strive towards the emancipation and inclusion of these actors. For instance, corporate efforts in the field of sustainable procurement or HRDD should be coupled with efforts to can help smallholders overcome the barriers of GVC-integration.

3) **A whole-of-chain approach**
Value chains undeniably form the backbone of the global economy, and dynamics within these value chains (e.g. outsourcing, consolidation, digitalization) have a defining impact on human rights. While trade union structures at different levels now rely on an exceedingly wide range of strategies to target different actors along these value chains, these strategies do not always amount to a 'whole-of-chain' approach. Trade unions and other civil society organizations could experiment with collaborative approaches that explicitly aim to bring together actors from different countries around particular value chains. For instance, while trade unions in Europe could make sure that companies carry out HRDD in their supply chains, trade union partners in low- and middle-income countries could play a vital role in mapping these chains, monitoring the situation on the ground, and making sure that HRDD efforts do not overlook the weakest actors (e.g. informal workers or smallholders). There is also an obvious need for a whole-of-chain approach where it comes to the ongoing geographical restructuring of GVCs. For instance, should trade unions in producer countries support a more inclusive integration into GVCs, or should they rather support the setting up of regionally or even locally circumscribed value chains? And how should trade unions in advanced economies approach this question?

4) **The rise of China**

Chinese companies will undoubtedly have a defining influence over the future shape of global value chains. For obvious reasons, engaging Chinese companies in a HRDD process may seem like a daunting task, not only due to cultural barriers, but also due to the challenging (some would say repressive) institutional context within China, and due to the fact that few Chinese companies are leading brands, which makes them less susceptible to reputational risks and external pressures (Merk, 2014). Trade unions need to think of ways to overcome these barriers, e.g. by building stronger relationships with key actors (firms, workers' organizations) inside China and across the value chains of Chinese companies. This will inevitably require an open mindset and a lot of trial-and-error.

5) **Building back better**

Finally, it is important for trade unions to continue working towards transformative institutional change, laying the basis for more sustainable and more inclusive value chains. Despite of its far-reaching economic impacts, the pandemic is seen by many as a window of opportunity for positive change, and for 'building back better' (IDS, 2020). For one, civil society has an important role to play in pressurizing states and companies into fulfilling their duties and responsibilities as outlined in the UNGPs, even - or particularly - during times of economic hardship. Civil society should also continue its efforts to strengthen social protection systems. The pandemic has once again underlined the need for more comprehensive systems of social protection. There is a need to make sure that shorter-term responses that address the direct needs of those affected by the pandemic give way to more structural reforms in social protection systems that maximize coverage for the most vulnerable (ibid.)

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