COVID-19 Impact on the Value Chain in Latin America

Hogenboom, B.B.; van Teijlingen, K.M.

Publication date
2020

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
COVID-19 struck Latin America in the middle of what was already a tough economic, political and social period. This policy brief looks into the effects of the pandemic on employment and labour rights in the Colombian and Peruvian large-scale mining sectors. Mining has been severely affected by low commodity prices and demand, interrupted supply chains, national lockdowns and the (partial) closure of operations. Companies have tried to cut costs on the back of their labour force, resulting in layoffs, renegotiations and suspension of contracts. Informal economies around mining operations also suffer from the fall in demand for services and goods. The most impacted groups are outsourced workers and workers in the informal economy, the latter being predominantly women. On the long-term, these countries risk a race to the bottom in terms of labour rights. The brief calls upon (Dutch) companies and investors working in the Latin American commodity sectors to put social and economic justice at the centre of their operations.

Introduction

The COVID-19 virus first appeared on the Latin American continent in Brazil, where the first case of corona virus was recorded on 26 February. Soon afterwards, other cases were reported in Ecuador (27 February), Mexico (28 February), Chile (3 March), Peru and Colombia (8 March). Currently, about 685,000 Latin American citizens have been infected with the virus, most of them living in Brazil, Peru, Chile and Ecuador (WHO Health Emergency Dashboard, 2020). As of March 2020, most governments have taken measures aimed at curtailting the spread of the virus among its population while keeping their economies afloat. These measures have included lockdowns, mobility restrictions, social distancing measures, emergency responses and economic support packages. Despite these efforts, governments have not been able to prevent severe health and economic crises across the continent.

The pandemic struck Latin America in the middle of what was already a tough economic, political and social period. The past decade has been characterised by economic instability and the average regional growth rate over the period 2014-19 marked a historical low of 0.4% (ECLAC, 2019a). This economic stagnation was also reflected in the labour market: employment rates balanced between 8% and 9%, while the quality of work deteriorated over the last few years (ECLAC/ILO 2019). Politically, from 2015 Latin America saw a shift from predominantly progressive and left-leaning governments to more conservative and right-wing regimes. These governments,
which openly embraced neoliberal economic policies, responded to economic backlashes by introducing austerity measures and taking on more foreign loans. The resulting economic reforms were met by fierce protests across the continent during 2019. In Chile, Ecuador, Colombia, Costa Rica, Nicaragua, Panama, Honduras and Haiti, large numbers of students, workers and indigenous people took to the streets or went on strike to protest against budget cuts. Bolivia and Peru also saw massive protests leading to the resignation of their presidents, although this discontent was more related to election and corruption scandals than to specific economic measures (Washington Post, 2019).

The economic problems and social unrest laid bare some of the more structural ills that afflict Latin American economies and societies. An important issue here is the high dependency of Latin American economies on the export of minerals, oil and agricultural products, and therefore on the fluctuations of international commodity markets. Particularly for some South American countries, the export of raw materials represents over 70%, or even 90%, of total exports (World Bank Group, 2018). Due to the continued decline of commodity prices over the last six years, many of these countries have seen revenues falling from exports of, and taxes on, the extractive industries without having other sectors to compensate for these losses (ECLAC, 2019a). Another issue is the soaring income inequality that characterises the continent. With an average GINI-index of 0.48, Latin America continues to be the most unequal region in the world (ECLAC, 2019b). Lastly, Latin American labour markets have large informal sectors that account for approximately 54% of all incomes. This percentage is even higher among women, young people and rural populations, these also being the groups most likely to be unemployed and living in poverty (ECLAC/ILO, 2020).

Both these structural ills and the economic and social difficulties of the last few years have defined the way in which Latin America is currently being hit by the spread of corona virus and the accompanying crises. This report aims to provide an exploratory analysis of how corona crisis is affecting Latin America, with a focus on particular value chains, employment issues and worker’s rights at the start of the chains. The sectors that will be looked at are the commodity sectors, with a particular emphasis on current challenges in the Colombian and Peruvian mining sectors. These sectors were selected due to their importance to Latin American economies.

In order to reach these objectives, the report is structured as follows. First, it will provide a general perspective on the impact of COVID-19 on the economy and on the commodity sectors in particular. Then it will discuss the effects on labour and livelihoods in the mining sectors of Colombia and Peru, including sector characteristics that render specific groups more vulnerable than others. Last, the report reflects on the post-COVID recovery of these sectors, the more permanent legacy of the current crisis in the commodity sector, and the role of labour unions in defending worker’s rights during and beyond the crisis.

Current impact of COVID-19

Although both the pandemic and the socio-economic crisis are still unfolding, there are some cautious predictions of the implications for the economy and the labour market in Latin America. ECLAC and the ILO (2020) foresee a contraction of 5.3% of the Latin American economy in 2020, and a prolonged period of negative or low growth rates. This contraction has much to do with the continent’s structural dependence on commodity exports. Commodity prices have generally experienced sharp declines since the outbreak of the pandemic. Crude oil prices plummeted by 50% in April, while the coal price showed a more modest decline of 17% (UN DESA, 2020; World Bank Group, 2020). Most mineral and metal prices saw a decline, although this varied strongly. Platinum saw the strongest decrease (23%), followed by copper and zinc (15%). Gold, instead, increased 15% as a safe-haven asset (World Bank Group, 2020). The FAO Food Price Index also experienced a downward
trend, with sugar and vegetable oil prices showing the strongest declines –14.3% and 5.2% respectively (FAO, 2020; also see Figure 1).

Figure 1: FAO Food commodity price indices for selected crops
Source: FAO, 2020

The current contraction is, however, caused not only by falling prices but also by a decline in export volume. The global reduction in total volume of international trade in 2020 is estimated to be 13% to 32%, which is mainly explained by the slowdown in consumption and economic activity in China, the United States of America (USA) and Europe. The volumes of Latin America commodity exports are most affected by the strong decline in demand from their principle trading partners: China and the USA. This reduction is caused by reduced travel and demand for fuel, as well as by the closedown of the Chinese manufacturing and technology industries, which use a large percentage of the metals mined in Latin America (World Bank Group, 2020). The particularly low sugar prices are explained by low oil prices: much of the sugarcane originally destined for ethanol production is now used to produce sugar. This sudden dumping of sugar leads to an increased volume of sugar on the market, hence the falling sugar prices (FAO, 2020).

Within the commodity value chains, low prices and dropping demand have led to many companies temporarily running down production. These circumstances coincided with initially mandatory shutdowns of mining and oil operations due to national lockdowns in March. Although pressure by the mining industry led various governments to lift these restrictions, mobility constraints for workers and the disrupted supply chains of equipment, chemicals and explosives required for the operations continued to hamper production. Companies furthermore need to design social distancing measures and sanitary protocols, which in some cases must be approved by governments before they can be implemented. All in all, this has affected mineral production and exports. In Peru, for example, the value of metal exports fell by 17.4% in March (Instituto de Ingenieros Minas del Perú, 2020), and the volume of Colombian coal production decreased by 7.2% (Minería en Línea, 2020).

The agricultural export sector also faces further complications in its operations due to soaring prices and logistical restrictions, despite the fact that this sector was exempted from lockdown measures from the start of the pandemic in almost all Latin American countries. Some representatives of the sugar cane industry have reported delays in harvests due to a shortage of workers in Central America (CLAC, 2020), while sugar cane producers from El Salvador have claimed that harvest, refining and export are proceeding according to plan (El Salvador.com, 2020). The Colombian

1 The cases of Peru and Colombia are particularly illustrative here. See the next section for a more detailed description of the effect of the lockdown on the mining sectors in these countries, and how governments have tried to minimise these.
The palm oil sector is operating at 65% of its normal capacity, as demand by the European market and the biodiesel market has fallen (La República, 2020).

Another impact of the COVID-19 crisis that may affect commodity chains in both the short and the long term is the decline in foreign investment, and the fact that many planned investments by multinationals have been put on hold. Since the start of the pandemic, the global value of cross-border mining deals has gone down by 32% (Mining Technology, citing Global Data, 2020). In Peru, market analysts expect a 10-30% reduction in mining investment in 2020. The London-based mining giant Anglo American, for example, says it has delayed a US$1.5bn investment in the development of the Quellaveco copper mine in the Peruvian highlands (Mining Technology, citing Global Data, 2020). There are also alarming reports about high levels of capital flight across the region, although regional numbers on this are not available and national figures are hard to find. The only figures available are for Colombia, which reports that foreign investors redirected US$115.7m out of the country – representing about 16% of their total investment portfolio in Colombia (Alerta Económica, 2020). To what extent this capital flight takes place within the commodity sectors remains unclear so far.

**Effect on livelihoods and labour rights**

In overall terms, the contraction of Latin American economies described in the previous section will undeniably lead to severe impacts on the labour market and social indicators on the continent. According to the first projections by ECLAC and the ILO (2020), unemployment rates will be driven up from the current 8% to 11.5%, a number that might go up further as the pandemic and period of social distancing last longer. This increased unemployment is accompanied by a general deterioration of the quality of work, as informality increases and both working days and salaries are reduced. This, then, will result in an estimated rise in the poverty rate (from 30.3% to 34.7% of the population) and extreme poverty (from 11% to 13.5% of the population) (ECLAC/ILO, 2020).

To get a more in-depth and qualitative understanding of what the implications are at the start of the commodity value chains in Latin America, this section reviews the available information on recent changes in employment, worker’s rights and the situation of women and local communities in the commodity sector. In doing so, it will first briefly analyse some of the more structural issues that characterise the commodity sectors, which will help to explain some of the sector-specific challenges and impacts generated by the COVID-19 crisis. Then it will focus on the impacts as they are unfolding within sectors of particular interest: the Peruvian metal mining sector and the Colombian coal mining sector.

**Structural issues at play in Latin America’s commodity export sectors**

A first issue that structurally affects worker’s rights at the start of the commodity value chains in Latin America is the fragmented and very complex business and ownership structure of many of the enterprises operating in the mining and agribusiness sectors. By ‘fragmented business structure’ we refer to the way in which large transnational mining corporations often make use of joint ventures and multiple local subsidiaries to operate their businesses on the ground (Accenture, 2011). These local subsidiaries, in turn, often carry out their work through extensive use of subcontracted companies that each specialise in a particular part of the mining or agricultural process – e.g. extraction, processing or refining, infrastructural maintenance, operation of heavy machinery, environmental monitoring, transportation or port management. These subcontracted companies may also make use of subcontracted companies that provide them with particular services such as catering, private security or the transportation of personnel.

This fragmented and complex web of companies that characterises the production of commodities in Latin America has various
consequences for workers. First, many of the workers that are essential to these operations are not directly employed by the large multinational mining companies but by subcontracted companies of their local subsidiaries. These subcontractors are often signed for a limited number of years, after which contracts may be renewed or revoked. This results in very high instability for subcontracted workers, as well as enormous differences between the working conditions of those directly employed by the transnational, the local subsidiary or the subcontractors. Especially the conditions of the second level of subcontracted workers (who are typically unskilled and from low-class families), are characterised by low wages, variable working hours, little social protection and low job security. There are also notorious differences in the quality of the facilities in the mining camps of subsidiaries and subcontractors. Some subcontracted workers might even be informally employed as day labourers, with no rights whatsoever. A leader of a Chilean labour union called this group of subcontracted workers ’21st century slaves’ (IPS News, 2012). Second, this fragmentation and differentiation between companies and workers challenges the formation of strong unified labour unions or other forms of worker representation. Workers’ interests and struggles for better rights and working conditions are very diverse, which means it is more effective for workers to organise in small, company-based workers committees. Third, the obscure ownership structures and outsourcing of labour at the start of the global value chain makes it hard to hold transnational companies accountable for possible violations of labour rights and international standards (SOMO, 2014). The outsourcing to other companies allows them to pass on the responsibility for worker’s rights to subcontracted companies. The latter are often much smaller, place less weight on corporate socially responsible practices, and are not part of transnational dialogues within value chains such as the Better Coal initiative. As we will see in the following sections, avoiding responsibility is also a common practice during the COVID-19 crisis.

A second issue that is important to keep in mind when discussing the impacts of COVID-19 on workers’ rights in the commodity value chain is the enclave nature of both the agribusiness and mining sectors. Sugar cane or palm oil plantations as well as mining operations are often located in remote, relatively marginalised regions, such as the arid highlands of the Andes or the Amazonian rainforests. Workers often live in camps near the plantation or the mine, and work in shifts of 15 to 22 consecutive days, after which they are allowed to travel to their families in other parts of the country for eight to 15 days. Within the camps, workers share dormitories and sanitary facilities, and eat collectively at the company canteen.

The enclave nature of these sectors also generates particular community–company dynamics that are important to look at. Far removed from national capitals or economic centres, the areas these companies operate in are generally historically underserved, and have poor health and education services. The people living in these areas are often among the most marginalised in society, such as indigenous groups, black communities or lower-class mestizo peasants. In such contexts, companies often take up the role of a pseudo-state, providing healthcare, education and public transport to surrounding communities. Agribusiness and mining companies are furthermore the main catalysts of the local economies, both in terms of direct (or subcontracted) jobs at the plantation or mine and in terms of indirect jobs related to these operations. The latter includes jobs at small restaurants, hairdressers, shops, laundry shops, taxi companies, bars or brothels – jobs which are mostly informal.

A last structural issue that should be mentioned here is the gender dimension of employment in the mining and agribusiness sector. The mining industry in particular is
known for its high level of masculinisation, as most formal jobs within this industry are occupied by men. In Colombia, women in the mining sector represent 15% of the formal workforce (Asociación Colombiana de Minería, 2019), while in Peru this is only 6.9% (Ministerio de Energía y Minas, 2019). Women’s participation in the informal jobs described above is much higher, although official numbers are unavailable. In agribusiness, the participation of women in the workforce is less skewed than in the mining sector. The FAO (2017) reports that women make up 20% of the agricultural labour force, although they often have the lower paid (informal) jobs.

In the following sections of the report, it will become clear that these structural characteristics of the commodity sectors draw out the lines along which COVID-19 and accompanying crises are affecting workers and their rights.

The impacts of COVID-19 on labour in the Peruvian metal mining sector

Peru is one of Latin America’s principle mining nations. The sector accounts for about 9% of the country’s GDP and 60% of its total export value (Instituto de Ingenieros Minas del Peru, 2020). Despite its economic prominence, the sector was initially included in the lockdown measures put in place by the Peruvian government on 14 March. In the days that followed, only a few mining companies took restrictive measures and sent their workers home. Many mines continued working, albeit at a reduced capacity due to the reduced demand or lack of some crucial supplies. In response, various local labour unions, mayors and regional ombudsmen have denounced mining companies to the police and the Ministry of Labour (El Gran Angular, 2020a).

On 17 March, the national government issued a statement in which the mining sector was exempted from the lockdown measures. This was the direct result of a strong lobby by the mining sector. To continue operating, however, companies were required to present to the government protocols that ensured the health of their workers and nearby communities. For many companies these protocols formed a major challenge due to the enclave nature of their operations and the mining infrastructure. The protocols proposed by companies included restrictions on the travel of workers to their homes in order to protect their families and communities. Some companies went even further and forcefully detained workers in the camps for up to 60 days, blatantly violating their work shifts and right to freedom (FENTECAMP, 2020). Companies also faced difficulties in ensuring social distancing in the workplace, both in the (underground) mines and in the collective dormitories, sanitary facilities and canteens typical of mining camps. Lastly, the remote locations of many mining projects complicated adequate access to testing and health services.

Due to these difficulties, companies were rather slow in implementing appropriate measures to protect their workers, and some even refrained from taking any measures at all. Although local union leaders spoke out on the lack of protective measures, their protests could not prevent the virus from spreading rapidly among mine workers. The first case of COVID-19 was registered on 25 March, and currently there are over 700 cases of mine workers with the virus across the country (see Figure 2). This alarming number of infections among mine workers attests to the inadequacy of the measures that were taken and to the risks mining companies took: only when workers tested positive did they decide to close down. It also shows the general weight the government gave to the economically important mining sector and its reluctance to take preventive measures.

Another factor that affected workers in the Peruvian mining sector due to the pandemic and related contraction of commodity markets was the diminution of employment in the sector. As mining companies reduced their operations or closed entirely, they sought ways to cut costs on labour. To do this, Peruvian mining companies basically followed four different legal and extra-legal strategies (based on FENTECAMP, 2020 and other sources):

1. Companies as well as subcontractors sought to negotiate or unilaterally announce holidays for their workers during the time they stayed at home, or a
reduction of their salary. In other cases, the company proposed unpaid leave to their workers with the promise they would maintain their contract. Companies that were reported using this strategy were Sociedad Minera Cerro Verde, Backus, Austria-Duvaz, and Raura SA.

2. In order to cut costs, mining companies terminated contracts with their subcontractors by declaring the work or service for which they were hired as officially ‘finished’ (in Spanish: terminación de contrato por fin de obra). This legal device enabled mining companies to unbind the service contract, while providing subcontractors with a legal ground to end contracts with their own workers. This directly affected the outsourced labour force, made up largely of unskilled workers who already suffered disproportionately due to poor working conditions and lack of rights. Companies that were reported using this strategy were Minas de Buenaventura SA, Sociedad Minera Cerro Verde, and Shougang Hierro Perú.

3. Since 14 April 2020, Peruvian mining companies can make use of a legal instrument quite ironically called Suspensión Perfecta de Actividades: the Perfect Suspension of Labour. The Peruvian government brought in this measure after lobbying by the corporate sector, in an attempt to help companies across sectors to survive the economic crisis caused by the pandemic. It allows the employer to unilaterally put workers

---

3 Emergency Decree number 038, signed 14 April 2020.
on unpaid leave for up to three months, a period that was later extended to a maximum of nine months. As soon as circumstances allow, the suspension will be lifted and workers can return to their jobs. The Perfect Suspension can be applied by any company without prior authorisation by the Ministry of Labour: companies need only declare they are unable to pay salaries. Since its introduction, the mechanism has been widely used to temporarily suspend payments to more than 70,000 employees across sectors (Ojo Público, 2020). Numbers for the mining sector are unavailable, but a review of newspapers and press releases by labour unions indicate that the Perfect Suspension affects thousands of workers. Companies and subcontractors that have been reported for the use of this mechanism include Semsa, Minera Santa Luisa, San Martín Contratistas Generales, Grupo Maquinarias Peru, Minera Corona SA, Austria-Duvaz, Minas de Buenaventura SA, Argentum SA, Raura SA, and IESA.

4. A final, extra-legal strategy that has been reported by labour unions is the persuasion of workers to voluntarily resign. Generally, companies offer workers money in return for a resignation letter, although sometimes they are forced to do so under threat of a court case.

As mentioned before, it is very hard to estimate the magnitude of the impact of each of these strategies on employment in the Peruvian mining sector. Many of these practices are kept quiet by companies and official sector representatives, and the only information available is scattered across newspaper articles, union press releases and Facebook posts. What these strategies do show, however, is the existence of easily accessible legal mechanisms that allow companies to lay off workers or suspend payments. This shows increased worker vulnerability, in particular the already disadvantaged, the subcontracted and the outsourced workers, and a deepening of the inequalities among different groups of workers in these value chains. Also notorious is the role of the government in facilitating this deterioration of workers’ rights.

Finally, impacts of the COVID-19 crisis must unmistakably be felt among the thousands of people who have built their livelihoods around the indirect and informal provision of services to mining projects. Current lockdown protocols put in place by mining companies prohibit workers from having any contact with local communities (CAMIPER, 2020). Workers’ visits to local restaurants, bars, barber shops and brothels are thus virtually reduced to zero, leaving these informal workers without income. This decline in demand for local informal services disproportionately affects women, whose labour participation in the commodity value chains is particularly concentrated in jobs in these local informal economies. These workers are furthermore excluded from official government support (if available), precisely due to the informality of their employment.

Despite these presumably devastating impacts on communities surrounding mining projects, there is surprisingly little information available on this issue. When collecting data for this report, the authors did not come across any newspaper articles, reports or communications about this part of the mining-related workforce. Labour unions or worker committees also fail to report on the issue. This lack of attention to the hardship experienced by this group, as well as the underrepresentation of their particular interests and needs, puts them in an even more vulnerable position within the current crisis.

The impact of COVID-19 on labour in the Colombian coal mining sector

Although Colombia is much less of a mining country than Peru, coal represents the country’s second most important export, valued at US$6,562bn a year (World Bank Group, 2018). The coal mines are located in the north of Colombia, in the departments of Magdalena, La Guajira and Cesar on the Caribbean coast. The mines are considered to be the largest open-pit coal mines in the world and are operated by local subsidiaries owned by some of the giants of the transnational mining industry such as Anglo American, BHP, Glencore and Drummond.
When the Colombian government announced a nationwide quarantine on 20 March 2020, the coal mines did not immediately stop working. Only when the demand for coal and its prices dropped substantially a few days later, did they take their operations down to a minimum (Seminario Voz, 2020). After restrictions for the mining industry were lifted in mid-April, the mines slowly restarted their operations with the use of new protocols. Although labour unions from La Guajira also denounced the lack of protective measures and social distancing (Sintracarbón, 2020), the situation did not get out of hand like it did in Peru. So far, no cases of COVID-19 have been reported in Colombian coal mines.

Due to the reduction of mining activities, the Colombian mining sector saw a deterioration in employment conditions. With strategies similar to those used by Peruvian companies, Colombian coal mines tried to reduce operational costs and the payment of wages. Their main strategy was to terminate contracts with subcontractors and services providers. Legally, they base this termination on the claim that the service or job for which the subcontractor was hired is ‘finished’ or ‘suspended’. In response, many workers employed by these subcontractors were laid off with reference to a situation of ‘force majeure’. According to local labour unions, these layoffs affected about 1,500 workers, although these numbers are hard to verify. Other subcontractors tried to send workers on obligatory holidays and unpaid leaves (Seminario Voz, 2020).

The most remarkable case is the layoff of subcontracted workers by Manpower Group Colombia. The Manpower Group is a transnational employment agency subcontracted by Prodeco, the company that operates the coal mines in the Cesar department. Prodeco is a Colombian subsidiary, 100% owned by mining giant Glencore. After Prodeco ended its contract with Manpower Group Colombia, the latter laid off about 500 workers. This led to great discontent among unions and the local population, who called upon Prodeco and Glencore to act more responsibly. However, a Prodeco representative avoided any involvement by pointing out that Prodeco had no direct relationship with the workers who had been laid off: ‘We just have to suspend the service contracts when our activities are suspended. The labour relation is between the subcontractors and the workers’ (El Pilon, 2020).

This quote clearly illustrates the way in which these multinationals conceive of their responsibility for the conditions of outsourced workers. It also underscores the vulnerable position of subcontracted and outsourced labour, a position further weakened as a result of the COVID-19 impacts on Latin America’s mining sector.

Perspectives for post-COVID-19 recovery

The previous sections outlined some of the main impacts on employment and labour rights at the start of the commodity value chains in Latin America, with an emphasis on what is currently changing in the Colombian and Peruvian mining sectors. Although Latin America is still in the middle of the pandemic and the full impacts of the related crises are unfolding, this section will try to look ahead and draw out some first perspectives for the post-COVID-19 recovery.

Looking at the long-term effects and the recovery of a previous, major crisis in Latin America may be helpful in this regard. In 1982, the continent experienced a severe debt crisis after commodity prices plummeted. Years of negative or zero growth followed in many countries, and the region’s average growth rate amounted to 0.7% in the period 1980–85 (Ocampo, 2020). To service their external debts, governments were assisted by IMF loans, which came with extensive austerity and liberalisation measures. Both the crisis...
and the structural adjustments introduced by the IMF have made the 1980s into Latin America’s infamous ‘Lost Decade’ in terms of social indicators: poverty rates went up from 35% to 41% in only a few years, inequality soared and many Latin Americans were pushed into the informal sector (Ocampo, 1998). It took the continent eventually more than two decades to bring these indicators back to pre-crisis levels.

Analysts warn that Latin America might be heading toward a second ‘Lost Decade’ due to the COVID-19 crisis as well as the poor economic performance of the past five years. Where the region’s average growth rate was 0.7% during the worst years of the debt crises of the 1980s, the last few years have seen a mere 0.4% of average growth (Ocampo, 2020; ECLAC 2019b). Struggling with alarming debt rates, fiscal deficits and low commodity prices, Latin American economies are thus in a much weaker position now than they were during the 1982 or 2008 crises (UN DESA, 2020). In this context, the current COVID-19 crisis will probably cause long-lasting recession and a jump in unemployment, poverty rates and inequality similar to the Lost Decade.

When it comes to the future of the commodity sectors in Latin America, an equally dark recovery scenario is to be expected. According to various outlooks, mineral prices will continue to be historically low throughout the remainder of 2020, except for gold (World Bank Group, 2020). This is explained by contracting economies all around the globe and the subsequent continued low demand on international markets. The recovery of China might push up demand for metals and energy somewhat, but the growth projected for this country will be very low compared to previous decades (1.2% growth instead of 6% or 8%). The negative impacts on formal employment in the Peruvian and Colombian mining sector discussed in this report will thus probably endure, also because foreign direct investment will be low throughout 2020 (Mining.com, 2020a). The ongoing implementation of social distancing protocols within mines will furthermore cripple local, mostly informal and women-dominated, employment.

Despite these long-term negative impacts on mineral prices and exports, national governments will generally be eager to help the mining sector get back on track. For most Latin American economies, the commodity sector represents an important economic pillar for the post-COVID recovery and repayment of the external debt contracted during the crisis. National governments will therefore probably assist the commodity sector – mining in particular – with deregulation and the speeding up of licensing processes (IHS Markit, 2020). The first indication of this was the facilitating role played by national governments during the crisis: they exempted the sector from quarantine measures and provided legal instruments to lay off workers or temporarily end labour contracts (El Pilon, 2020).

Peruvian non-governmental organisations, however, warn that a more structural deregulation of the sector is already taking place. They refer to a recently issued decree by the Peruvian government that aims to support key economic sectors to lead the post-COVID recovery. This decree allows companies to conduct citizen participation and consultation processes online and exempts mining companies from certain environmental reports and restrictions. In addition, the comprehensive revision of the Peruvian Mining Law that had begun before the pandemic and included proposals to higher taxes on the sectors, has been postponed until further notice (Red Muqui, 2020).

As a result, the current situation of employment loss and deteriorating working conditions in the Latin American commodity sectors caused by COVID-19 will see no quick relief in the near future. On the contrary, the combination of low profit rates due to low commodity prices on the one hand and permissive governments on the other, may generate a race to the bottom in terms of labour rights, environmental protection and popular consultation. As a result, some of the structural ills in the commodity value chains, such as obscure ownership structures, persistent subcontracting of labour, informality and little participation of women, will probably persist or further deepen. In the long term, the current crises will significantly affect
the realisation of Sustainable Development Goal 8 on decent work.

Role for local unions

As the pandemic and related crises have unfolded, labour unions and workers committees in the commodity sectors have spoken out against the violations of worker’s right by companies, and against the inadequacy of protective measures. The struggle for worker’s rights during the pandemic has been an uphill one. Restrictions on mobility have constrained the work and internal communications of unions and committees, as many union leaders working in mines were not allowed to leave, or they were living in areas with no mobile phone coverage. Another issue that muddled their work was the reduced capacity of government agencies that would normally oversee the implementation of workers’ rights. Finally, the willingness of national governments to issue decrees and implement legal mechanisms that facilitated the effective violation of workers’ right has been an important constraining factor. These circumstantial difficulties might have been worsened by the structural fragmentation of worker representation and the absence of broad sector-wide unions in both Peru and Colombia. In Colombia, violence against union leaders in the coal mine regions has created an additional complication (SOMO, 2014).

Probably because of these momentary and more structural constraints, neither in Peru nor in Colombia there has been a concerted and national-level response to the COVID-19 crisis by labour unions. On a local level, unions have been able to mobilise control agencies like the Superintendencia Nacional de Fiscalización Laboral (SUNAFIL) or local Ombudsman offices in Peru. These have carried out inspections at mining projects – none of which have been sanctioned so far. Some company- based unions have gone on strike, as at the Los Quenuales mine operated by a Glencore subsidiary (IndustriALL, 2020). But beyond this, unions have not been able to influence national decision making regarding lockdowns, the protection of workers’ rights or policies for the re-opening of mines in Peru and Colombia. Their lack of effective leverage contrasts sharply with the way in which the mining sector has been able to push its agenda within national politics. As a result, the government responses discussed in this report pass the largest part of the bill of the current crisis on to (subcontracted and informal) workers.

In order to improve their role in setting the agenda for responses to the COVID-19 crisis and the recovery, labour unions must gain leverage at national level and engage in a meaningful social dialogue with governments. Particularly with regard to the protocols currently being set for the re-opening of mines, unions should become one of the principal negotiation partners. An important issue to overcome in order to reach a better position is the fragmented nature of worker representation in the sector. In addition, unions could improve the way in which they address the specific issues faced by the most marginalised groups within the value chain: subcontracted workers, informal workers and women.

Risks and responsibilities for the Netherlands

The Netherlands accounts for about 7% of total exports from the Colombian coal industry (Hellenic Shipping News, 2019), and for relatively small percentages of mineral exports from Peru and commodity exports from Central America (World Bank Group, 2018). The supply of these commodities to The Netherlands will presumably not be affected in the near future. There is currently a surplus of most commodities on the global market, and supply will continue to exceed global demand in 2020 (Mining.com, 2020b). Prices will furthermore remain low for most commodities, facilitating access by Dutch buyers to these markets. Interruptions in the supply chain will probably be resolved soon, as mining companies are working on protocols in order to re-open mines. Dutch investors in commodity markets, in turn, will most certainly see their investments affected by the crisis and the low prices. It is, however, still unclear what the scope of these impacts will be.
Dutch companies and investors operating in the commodity value chains do, however, have a considerable role to play in upholding the principles of corporate social responsibility and transparency, despite the deteriorating economic conditions. The COVID-19 crisis will place a considerable burden on all players in the commodity value chain, yet powerful players such as foreign investors and traders have a responsibility to avoid passing this burden on to the most vulnerable. Unfortunately, this report has outlined that this is precisely what is happening within the mining sectors in Peru and Colombia: subcontracted (and often unskilled and low-class) workers, informal workers and women are among the most affected by the COVID-19 crisis.

Ensuring that social and economic justice is at the centre of decision making by Dutch companies and investors, starts with gaining a proper understanding of the structural ills of the chains they work in as well as of the groups that are and will be most affected by COVID-19 crisis. This report emphasised various gaps in the available information on the impacts of the pandemic within the commodity sector. While reporting on the number of food kits that transnational mining companies donated to local communities is abundant, little can be found on the number of layoffs of (subcontracted) workers, or the particular issues faced by informal workers and women. Dutch investors, companies and the government must make efforts to increase their knowledge base on these issues and their root causes in order to forge a socially and economically just recovery from this crisis.

Bibliography


Sindicato Nacional de los Trabajadores de la Industria del Carbón (Sintracarbón). 2020. Insuficientes acciones de Cerrejón para prevenir el contagio del coronavirus por parte de los trabajadores que hacen parte de la contingencia y suspensión de contratos por parte de empresas contratistas de Cerrejón. Letter to the Cerrejón Coal Mine, retrieved from: https://www.facebook.com/sintracarbon/


About the authors

Karolien van Teijlingen is fellow at the Centre for Latin American Research and Documentation (CEDLA) and the Amsterdam School for Regional and Transnational and European Studies (ARTES) of the University of Amsterdam. She is also affiliated to the USFQ and UASB universities in Ecuador. She holds a B.A. in Human Geography and Spanish, and completed a Research Masters in International Development Studies at the University of Amsterdam in 2013 (cum laude). In December 2019 she defended her PhD thesis *Mining in the Land of Buen Vivir. The Politics of Large-Scale Mining, Development and Territorial Transformation in the Ecuadorian Amazon.*

Barbara Hogenboom is Director of the Centre for Latin American Research and Documentation (CEDLA) and Professor of Latin American Studies at the Faculty of Humanities, University of Amsterdam (UvA). Her field of study is the politics and governance of development and environment, viewed from an interdisciplinary perspective. Her research focuses on the clashing values and interests at play in connection with the use of natural resources in Latin America. She is also managing editor of the European Review of Latin American and Caribbean Studies (ERLACS).