

ILO Global Summit on Covid-19 and the world of work- Building a better future of work (Africa Regional Event)

2 July 2020

Panel 1- ILO policy framework for responding to the COVID-19 crisis Building Back Better in Africa

Remarks by Mr Mthunzi Ndwaba, IOE Vice-President to the ILO and the Employers' Vice-Chairperson of the ILO Governing Body

Question: What are the sectors of economic activity that require particular support and what is the nature of support that in your view and experience, will ensure quick recovery, enhanced productivity and protecting jobs as well?

- Africa is confronted with a double supply and demand shock that arrived in three successive waves.
- A first wave came from China through weakened trade channels and lower foreign direct investment (FDI).
- A second wave arrived from OECD countries, due to the EU demand slump associated with the lockdown and the halt in tourism. Most small island developing states, North African countries, as well as several West African economies depend on the EU for at least 50% of their trade.
- Finally, a third wave came from the shock on internal demand and the slowdown of intra-African trade. The shock to internal demand has been driven by disruptions in household and business spending and particularly impacted countries with strict confinement measures such as South Africa.

Sectors of economic activity that require particular support

- Commodity-sensitive economies are suffering the largest disruptions to trade and exchange rate stability. Algeria, Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Ghana, Nigeria, and the Republic of the Congo are among the most affected.
- The crisis is having a significant impact on tourism in Africa and has directly and indirectly affected jobs.

- IATA estimates the economic contribution of the air transport industry in Africa at USD 55.8 billion, supporting 6.2 million jobs and contributing 2.6% of the continent's GDP. Restrictions to international travel have affected African airlines such as Ethiopian Airlines, Egyptair, Kenya Airways, and South African Airways, which are large employers and have linkages to other domestic businesses. In normal times, airlines transport around 35% of world trade and each job in air transport supports 24 others jobs in the travel and tourism value chain, which creates around 70 million jobs. ¹
- **The Covid-19 crisis is shattering the hotel industry.** No flights means no guests. Hotels have reported having extremely low occupancy rates or have experienced closures on a massive scale. Big hotel chains have seen their stock price plunge as a result.
- The contraction of world trade is affecting the productive apparatus of several sectors across the region. African industries import over 50% of their industrial machinery and manufacturing and transport equipment from outside the continent. The most important suppliers are Europe (35%), China (16%) and the rest of Asia, including India (14%). As such, COVID-19-related disruptions in global supply chains, especially from China and Europe, led to a decrease in the availability of final and intermediate goods imported to Africa. **Lower value-added sectors such as agribusiness, flowers, or garments have suffered the most from shortages in supply** and reshoring of production activities closer to final markets. ²
- Small and medium-sized enterprises (SMEs) and own-account workers have been those hit the hardest by the Covid-19 crisis. We must have governments partner with all social partners especially businesses to have meaningful support for SMEs. Governments should go beyond just enabling the environment and be funders of first resort for SMEs.

Support for quick recovery

- **The private sector is central to the recovery to drive economies forward.** However, businesses will not restart operations spontaneously without any support. Businesses need governments to facilitate and create an enabling environment for private sector growth and resilience.
- **Emergency assistance is needed.** Drastic and well-informed policy choices should be made in a matter of hours rather than years. Employer organizations, together with their governments, will need to show real leadership and effective advocacy in the process of building back resilience and supporting a sustainable and inclusive recovery.
- **Liquidity and solvency must reach the real economy.** Not only in an effective manner, but most importantly, in a timely manner. Central banks and other financial institutions have a big role to

¹ IATA (2020), Africa & Middle East - Urgent Emergency Support Requested for Airlines

² COVID-19 and Africa: Socio-economic implications and policy responses

<http://www.oecd.org/coronavirus/policy-responses/covid-19-and-africa-socio-economic-implications-and-policy-responses-96e1b282/>

play to ensure liquidity, maintain the flow of credit to the economy and safeguard financial stability against global market shocks.

- **The removal of barriers to financial aid.** Bureaucracy needs to be minimized to help businesses at risk of bankruptcy. Grants, bank loans, interest-free credit, moratorium of loan payments, waiver of public utility bills and other economic packages should reach business owners as fast as possible. Simplifying the application process for those in need is also crucial.
- **Ensuring fiscal and monetary policies work together** to stabilize the economy and address the needs of the private sector. Depending on the fiscal and monetary space available, taxes and interest rates should be determined to allow for a faster, steady, and sustainable recovery once the pandemic is under control. Close, continuous international coordination will be essential to support Africa.
- **Governments should consider re-prioritising resources from non-essential services** and prioritise funding to essential services such as medical support and PES. Short term work schemes can help prevent unemployment. Digital tools can help alleviate the problem of the volume of claims. However, extra support needs to be offered to applicants who do not have digital skills or access to the internet.
- **Strengthen food chain security:** encourage food crop production, rather than cash crops; ensure continuity of agriculture activities and food supplies to most vulnerable towns and cities.
- It is important for the **ILO**, as the international specialized labour agency, **to play a central role** in this unprecedented situation in a rapid, decisive and a balanced manner. The ILO must take a bold, innovative and balanced approach in its actions and messages to the world in addressing the concerns of all its constituents – including employers
- **Political will and innovative solutions** should be developed to tackle this global issue, using a bottom-up, differentiated approach. Policy guidance should particularly look at how to promote the digital transformation of work. As the world is getting ready to enter in the post-Covid-19 phases, much lessons have been learnt regarding the importance of digital tools. Going digital is unavoidable. It requires openness, innovation, agility and flexibility. Digitalisation should help us to work in a more efficient manner, with better impact and to avoid unnecessary heavy workload.
- **Help build a productive private sector.** Without employers there cannot be job creation in the private sector. Without businesses and enterprises, there can never be full and productive employment, and concomitantly, there can be no decent work as per our Centenary Declaration that stresses this from our ILO celebration last year. Without this there can never be any social justice. Period. A productivity focus is required. Productivity brings revenue, which in turn pays for the wages and benefits. All of which are important to earn a good living and sustain families. Productivity means businesses can compete, especially in a world now where businesses not only

compete domestically but internationally. A thriving private sector contributes to the GDP, to economic growth and development, and it stimulates trade and attracts foreign direct investments. Most importantly, the private sector creates jobs for the population and reduces the dependency on the state in creating employment.

- **We must turn over a new leaf**, do away with ideology fixation and fetish, playing to the gallery, using words that never translate to action. We must urgently do things differently for different positive results...to quote the Minister of Labour and Employment of India, the Honourable Santosh Kumar Gangwar, from this morning at the Asia Regional Conference - "...there is a need to rewrite the rules of the world of work and accept things must be done differently..."