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Supply Chain & The COVID-19 Pandemic

By: *Madison Reed*



Chances are, if you have tried to order something in the past few years, you have been hit with increased prices and delayed shipping. Although America is not new to supply chain issues, these have been made much worse by the COVID-19 pandemic.

Many people see these issues and have a hard time wrapping their heads around what exactly has been happening and the potential repercussions this has for the supply chain in the future. This issue emerged into a bigger problem during the early 2020 COVID-19 lockdown when the world quickly saw everyday essentials fly from the shelves.[1] The global supply chain was struck by the bullwhip effect, leading to a significant shift in supply and demand.[2] When demand temporarily changes, the effect magnifies with each supply chain tier as every individual supplier adds an extra buffer to their order to be on the safe side.[3] This is exactly what happened in early 2020 and continues to happen today. If there is a high demand for an everyday item, like eggs, retailers may order more, causing distributors to make more, but when that demand is satisfied, there is an overflow of supply. Minute changes in customer demand can result in huge extra demand for raw materials. Take the supply of cars, for example. There is a notable shortage of chips used in vehicles. But how did that happen? Modern cars can sometimes contain up to 3,000 semiconductor chips, but when car sales plummeted in 2020, people were pivoting and buying devices like laptops and gaming consoles.[4] This redirected the manufacturers to focus on smaller electronic goods that were being purchased. Therefore, when things started getting back to 'normal' and people went out to buy cars, there were not enough chips to fulfill this demand. As a result, many carmakers were forced to stop production lines, halting much of their business.[5]

Not only have we seen a struggle with making products, but a struggle with getting those products. The COVID-19 pandemic led to severe trade disruptions due to lockdowns and strict border closures that immediately made it more difficult

for the product to get from point A to point B.[6] Further, the obsession with online ordering of goods only increased during the lockdown, leaving companies scrambling to get product on the ground when in reality, many vessels could not reach their intended location.[7] For example, China's continuing zero-COVID strategy could reveal even more issues in the future due to the tight border restrictions it places on supply.[8] Further, a shortage of workers has only intensified the effect of the supply chain crisis. People are angry. They are upset with their working conditions, and they have every right to be. It has become clear now more than ever that these workers are essential to our everyday life, and people are realizing through the pandemic that their employer is not taking care of them in a way they are comfortable with.[9] We cannot rely so heavily on these workers to ensure things are getting done or delivered when we are not taking care of them.

We will continue to see the effects of this staff shortage into 2022, not only as individuals leave jobs but as they continue to get laid off or sick. There is no way to tell just how this will affect us moving forward, as demand is still very difficult to forecast during this unprecedented time. With that in mind, companies will have to make their supply chains more resilient, all without weakening their competitiveness. This will require every business, big and small, to reflect on how they are mapping out their strategy. The COVID-19 pandemic was a shock to all, not just our supply chain, but thankfully our supply chain is something that we can potentially address and control. It's been made clear this is not an easy feat, but strategies such as balancing the location in which products are manufactured can ensure there is not a complete cut off a certain item in the chain. Further, putting in place a plan to handle emergency situations and recovering from such is something we will see increasing in businesses as they prepare for even more unprecedented times to come.[10] If there is anything the global supply chain crisis has revealed to us, it's that businesses have to be ready for as much as they can, they have to ensure they are taking care of the people on the ground doing the work, and we absolutely must work together globally to ensure another crisis like this does not hit the world as hard as it has.

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[1] Sarah Schiffling & Nikolaos Valantasis Kanellos, *Supply Chain Issues will Continue well into 2022—With a Twist*, Fast Co. (Jan. 1, 2022), <https://www.fastcompany.com/90711792/supply-chain-issues-will-continue-well-into-2022-with-a-twist>.

[2] *Id.*

[3] *Id.*

[4] *Id.*

[5] Edward Sweeney, *The Big Challenges for Supply Chains in 2022*, World Econ. F. (Jan. 19, 2022), <https://www.weforum.org/agenda/2022/01/challenges-supply-chains-covid19-2022/>.

[6] Tarek Sultan Al Essa, *5 Ways the COVID-19 Pandemic has Changed the Supply Chain*, World Econ. F. (Jan. 14, 2022), <https://www.weforum.org/agenda/2022/01/5-ways-the-covid-19-pandemic-has-changed-the-supply-chain/>.

[7] *Id.*

[8] Sarah Schiffling & Nikolaos Valantasis Kanellos, *supra* note 1.

[9] Chris Isidore, *US Hasn't seen Worker Anger like this in Decades*, CNN (Oct. 17, 2021), <https://www.ksbw.com/article/us-hasnt-seen-worker-anger-like-this-in-decades/37980657#>.

[10] Sara Brown, *6 Steps to Handle Supply Chain Disruption*, Mass. Inst. Tech. Sloan Sch. Mgmt, (Mar. 17, 2020) <https://mitsloan.mit.edu/ideas-made-to-matter/6-steps-to-handle-supply-chain-disruption>.