



BETTER WORK

Better Work in Nicaragua

Project Summary

Context

The apparel industry is one of Nicaragua's most important manufacturing sectors in terms of employment generation and national income. In fact, the apparel sector is crucial for the future growth of the Nicaraguan economy. In February 2010, the sector accounted for 70 factories that employed around 51,300 workers, the majority of whom are women. The factories are located in four major areas of the country, namely in Managua, Masaya, Granada and the Pacific coast. Investors are North Americans, Nicaraguans, Mexicans, Koreans and Taiwanese.

Within the global apparel industry, Nicaragua has a comparative advantage based on: (i) its proximity to the US market; (ii) its low labour costs; and (iii) the financial incentives offered to investors within the export processing zones. Notwithstanding, Nicaragua faces strong competition from China, Vietnam and other Asian apparel exporters. In addition, according to the Nicaraguan Association of the Textile and Garment Industry (ANITEC), the sector has still not completely recovered from the negative impact of the global economic crisis. In 2009, several factories in the free trade zones had to decrease their production or even close their operations due to reduced demand from the United States. Indeed, exports to the US market in terms of volume have decreased by around 5 per cent in 2009. However, since the beginning of 2010, signs of improvement have become visible. In January and February 2010, two new factories have opened.

The Better Work programme presents an opportunity for Nicaragua to market itself as an ethical sourcing country and therefore offer a comparative advantage in the international market.

Project Strategy and Objectives

Given the above-mentioned challenges, the Better Work programme, a unique partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), has designed a response for Nicaragua in cooperation with the relevant national and international stakeholders. The goal of the programme is to contribute to the creation of decent work opportunities in targeted export industries. Better Work Nicaragua aims to improve competitiveness of the industry by enhancing economic performance at the enterprise level and by improving compliance with Nicaraguan labour law and the principles of the ILO Declaration on Fundamental Principles and Rights at Work.

Strategic Framework

The project intervenes at the factory level. As such, it focuses activity on three central elements: (i) harmonizing factory assessments to help suppliers identify their compliance needs and take corrective action through the implementation of remediation and training schemes; (ii) strengthening the capacities of national stakeholders to ensure the sustainability of the initiative and its outcomes; and (iii) integrating lessons learned from the project into governmental programmes, policies, and existing or potential sub-regional initiatives. The project is part of the ILO's Decent Work Agenda in the country.

At the sectoral level, a tripartite Project Advisory Committee (PAC) will provide advice to Better Work Nicaragua throughout the implementation of the project. The PAC typically comprises government representatives, as well as members of employers' and workers' organizations representing the

apparel sector. In addition, every year a Buyers' Forum will be held to bring together international buyers with the PAC to discuss issues arising from the project and to provide advice on solutions.

The project will use transparent public reporting to promote accountability and measure progress. Local factories can use the project reporting process to demonstrate compliance performance and corrective actions to international buyers. Over time, the public reporting mechanism allows for reduced buyer-initiated auditing and for resources to be redirected towards fixing problems.

During the scoping mission, the national stakeholders, in particular ANITEC and the National Commission of Zonas Francas (CNZF), agreed to adopt a gradual, comprehensive strategy to ensure the participation of all export factories and subcontractors. This will provide maximum reputation protection and support to the objective of marketing Nicaragua as an ethical sourcing destination.

Stakeholders in the Programme

The key stakeholders in the project are:

1. The Government of Nicaragua, in particular the **Ministry of Labor (MITRAB)**.
2. The **National Commission of Zonas Francas (CNZF)**.
3. National **employers' organizations**: Superior Council of Private Enterprises (Consejo Superior de Empresas Privadas, COSEP), Association of the Textile and Garment Industry (Asociación Nicaragüense de la Industria Textil y de Confección, ANITEC).
4. **National workers' organizations** that are members of the CNZF:
 - Central Sandinista de Trabajadores (CST);
 - Confederación de Trabajadores de la Maquila (CTM);
 - Confederación Sindical de Trabajadores José Benito Escobar (CST-JBE);
 - Confederación de Unificación Sindical (CUS);
 - Confederación Unitaria de Trabajadores (CUT);and others that are representative in the sector.
5. **International buyers**, including major brands and retailers.

The Programme

The focus of the Better Work programme is to assess compliance with core labour standards and national labour laws, which in turn allows factories to track the effects of compliance on quality and productivity.

Factory assessments conducted by Better Work Nicaragua staff will identify compliance gaps and help implement corrective action plans. Additionally, each factory can participate in training programmes for workers and managers that address priorities indicated in the improvement plans. Training topics could include, among others: (i) workplace cooperation (improving communication between workers and management); (ii) productivity (define, measure and identify actions to improve productivity); (iii) human resource management; and (iv) rights and responsibilities of workers. Information from the assessments will be entered into the Better Work information management system, known as STAR. Subsequently, factories and international brands can access this system via subscription, and review compliance levels of participating factories, as well as updates on remediation activities.

Better Work will invest in the translation of training materials and global methodology tools in order to facilitate the implementation of the programme in Nicaragua. In addition, Better Work Nicaragua will design its own materials to address problems specific to local factories.

The direct beneficiaries of the programme will be the workers, the supervisors, the factories and the international buyers.

Expected Impact

Better Work Nicaragua expects to have the following impacts:

- **For the workers**
 - ✓ Better protection of their labour rights
 - ✓ Better working conditions
 - ✓ Positive impact on their livelihoods and their families

- **For the enterprises**
 - ✓ Increased production and quality
 - ✓ Cost savings due to reduction in redundant auditing and remediation
 - ✓ Better qualified workers
 - ✓ Increased access to international markets, and better relationships between producers and international buyers

- **For the textile and apparel sector**
 - ✓ Better positioning and development of the sector
 - ✓ Increased exports
 - ✓ Increased employment
 - ✓ Positive social and human development impacts

Sustainability

Better Work has a dual strategy in order to ensure the financial and institutional sustainability of the programme in the medium to long term.

First, the programme foresees a financial contribution from the private sector through a registration mechanism that provides factories with independent assessment and advisory services, and through the subscription of international buyers to reports on compliance data and corrective action via Better Work's information management system. Furthermore, the programme will be charging fees for the training services offered to the factories. The programme will encourage the brands to co-fund training activities.

In addition, when conditions are met that would guarantee a self-sufficient programme in financial, administrative, political and technical terms, the programme is expected to transition to an independent entity to maintain services and systems established during the implementation of the Better Work programme.

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