



**BetterWork**  
Nicaragua

# Annual Report



International  
Labour  
Organization



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

2020 DATA

# FOREWORD



# Nicaragua

Better Work Nicaragua marks its tenth anniversary in 2021 with a strong national reputation and 25 factories enrolled. In 2020, the Nicaraguan apparel industry made crucial strides amidst the pandemic: a Tripartite Labour Agreement was negotiated between the government, employer and worker representatives to mitigate the consequences of COVID-19 and its effects on workers. Better Work Nicaragua continued to monitor working conditions in factories both in-person in early 2020 and, later, using a virtual assessment model during the pandemic. Despite the year's challenges, Better Work Nicaragua's mission remains to nurture strong partnerships with key stakeholders and play a key role in developing progressive policy and maintaining high standards across the sector.

# COUNTRY CONTEXT



**25**

factories enrolled  
in Better Work  
Nicaragua



**64,667**

workers in  
the garment  
sector



**56%**

of workers in the  
industry covered by  
the programme



**49%**

workers in our  
participating  
factories are women



**260**

workers  
trained  
in 2020



**68**

stakeholder  
representatives  
trained

## Impact of COVID-19 on the garment sector

The pandemic forced ten Better Work Nicaragua factories, employing 13,900 workers, to close, some for little more than a fortnight, others for up to three months. Workers were significantly impacted by these temporary closures. One factory remained closed throughout, and its 895 workers were still furloughed as this report went to print. The Nicaraguan apparel industry rebounded more quickly than neighboring countries because its borders remained open to importing raw materials and exporting finished products. An effect of this was that Nicaraguan factories absorbed some of the demand that other countries in the region were unable to fulfil. They also transitioned to producing masks and medical clothing when demand for them increased. However, official numbers of cases and deaths reported may be below actual figures.

## Partnerships

Better Work Nicaragua developed partnerships to address and prevent sexual harassment cases within Central American factories. As part of this collaboration, Better Work created a methodology called Prevention of Sexual Harassment (POSH) in 2020 – an online training programme for factories on gender equality, sexual harassment, and victim support. POSH also offers coaching for factory management on their existing policies and procedures to deal with cases of sexual harassment, including grievance mechanisms through which harassment allegations are reported. The team began implementing POSH after a kick-off workshop in Guatemala in September 2019, which reached 75 suppliers across Central America. The content was later adapted to virtual delivery methods when the pandemic affected the country in March 2020.

***In 2021, we are celebrating ten years of Better Work operations in Nicaragua. The programme has been a key force in improving working conditions in the garment industry and enhancing its competitiveness. We are keen to explore possibilities to impact the growing garment sector in the region, even beyond the country."***

*Tara Rangarajan, Head of Communications, Brand Relationships, and Country Programmes, Better Work*

## GARMENT SECTOR STATISTICS

- ◆ In 2020, total exports for the Nicaraguan ready-made garment industry (RMG) were US\$ 1.43 billion (54 per cent of total exports from the free trade zones) – down by approximately 20 per cent from 2019's \$1.8 billion, mainly due to the pandemic. The forecast for the 2020 drop in exports was expected to be even higher than was actual numbers.
- ◆ The garment sector remains the largest source of formal employment for women in Nicaragua.
- ◆ Of the 70 garment factories in Nicaragua, 30 are owned by Korean investors.
- ◆ There was an 8.25 per cent increase in minimum wage for workers in 2020 (in the free trade zones in Nicaragua).

# ACHIEVEMENTS



## Partnerships: Tripartite agreement to respond to the COVID-19 crisis

The focus of Better Work Nicaragua in 2020 was to support the industry and participating factories in their response to COVID-19. One of the key strategies was the signing of an agreement, in March 2020, recommending companies to take key measures to avoid the spread of COVID-19 and aid worker survival. It included factory recommendations based on best practices and legal provisions, such as annual leave paid in advance, reduction of working hours, temporary employment suspensions with conditions agreed upon by bipartite committees, and other good practices to enable workers and the sector to weather the economic hardship. Developed by the National Tripartite Free Trade Zone Commission, this agreement was able to unite union confederations, government and employer associations.

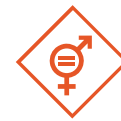


## A safe return to work

Better Work Nicaragua facilitated national protections for workers and promoted the safe reopening of factory production lines under COVID-19 conditions. The prevention measures included temperature checks, frequent handwashing, hand sanitizer and the provision of masks and gloves to all employees. Better Work Nicaragua developed posters, video and audio messages to disseminate correct information about the virus among workers, thereby supporting factories in raising awareness. The team also carried out virtual advisory and training sessions on virus containment measures. Bipartite committees in factories, set up in partnership with Better Work Nicaragua, negotiated a shift in production from clothing (while demand from importing countries dropped) to the production of face masks and medical scrubs. Better Work Nicaragua also organized a webinar in coordination with the United Nations International Children's Emergency Fund (UNICEF) for management and worker representatives from 11 factories to discuss long-term solutions for a more sustainable and resilient sector in light of the pandemic.

**100%** of enrolled factories that suspended operations because of COVID-19 and had a union joined agreements to ensure workers' protection against the virus.

# ACHIEVEMENTS



## PROMOTING GENDER EQUALITY

### A focus on sexual harassment prevention

Upholding and promoting gender equality throughout 2020 remained a key priority for Better Work Nicaragua, primarily through education to prevent sexual harassment. In addition to the POSH methodology (see Partnerships, page 3), Better Work Nicaragua conducted various other forms of sexual harassment prevention training for partner factories and other constituents. The team delivered five sessions on the topic to 98 participants. Better Work Nicaragua also facilitated the formation of a Sexual Harassment Prevention Committee in two non-enrolled factories to create tools, guidelines and grievance mechanisms. The two committees were formed with an equal gender balance among both workers and management representatives.



## WORKING WITH GOVERNMENT

### Labour inspection framework and virtual training tools

Better Work Nicaragua has collaborated with Nicaragua's Ministry of Labour (MITRAB) to promote capacity building through various activities. One such activity is the ongoing partnership to create a new framework to develop a standardized labour inspection tool. As part of this, Better Work Nicaragua funded six workshops involving inputs from almost all of Nicaragua's 96 labour inspectors to validate the criteria for their inspections. They also received a series of training and workshops organized by the team: a UNICEF webinar on COVID-19 prevention, one OSH course and one training on industrial hygiene risk assessments. All courses were developed and delivered through a partner university.

**94.8%** of labor inspectors attended six criteria evaluation workshops, gathering input from almost all of them. The 7th and final workshop could not be carried out because it was planned to be executed in the Caribbean Coast, but two hurricanes hit the area.

# ACHIEVEMENTS



## WORKING WITH BRANDS

### Building a more resilient sector

Communication with brand partners strengthened throughout 2020. The Building Bridges project, funded by the Walt Disney Company, began in 2019 and was modified for virtual delivery in 2020. The initiative brings the country's public and private sectors together to create a new vision for change in the apparel industry and beyond. Better Work Nicaragua also brought new buyer partners into the programme this year. Better Work engages with 200 apparel brands globally and about 40 have signed public-private partnership agreements with Better Work.



## WORKING WITH EMPLOYERS

### Half of the assessments were online

With on-site factory assessments prohibited from March 2020, Better Work Nicaragua developed a series of virtual advisory and training sessions. Of the 25 factory assessments scheduled for 2020, 13 were conducted remotely via Virtual Compliance Checks (VCC), while five factories were assessed in-person

before the pandemic started. The remaining assessments were postponed until 2021. Employers cooperated and complied with the evolving VCC model.

**100%** of the programme's active factories received virtual advisory visits, mainly on COVID-19 protocols.



## WORKING WITH TRADE UNION

### Improving HR and OSH management systems

Better Work Nicaragua developed virtual training tools to continue work with tripartite constituents during the pandemic, including unions. This comprised the development of an online specialization course developing from the 2019 Building Bridges programme. Trade union representatives participated in these workshops in partnership with the National Engineering University (UNI). The focus was on building capacity and knowledge to improve the Human Resources and Occupational Safety and Health management systems in the factories. Part of the course involved implementing key project indicators to measure, evaluate and restructure the factories' systems. While this is mainly relevant for management representatives' daily work, experience proves that union members also require a basic knowledge and understanding of these topics to engage adequately in social dialogue about these issues.

#### ONLINE COURSE PARTICIPATION

- ◆ Three out of four trade union federations
- ◆ 24 out of 25 factories
- ◆ Four Ministry of Labour representatives
- ◆ Two non-enrolled factories

# ACHIEVEMENTS

## CASE STUDY

### Social dialogue during the pandemic

Gildan, a Canadian-based company with operations in Nicaragua, currently employs close to 12,000 workers in the country. Following its COVID-19 global lockdown, Gildan reached a bipartite agreement with its Nicaragua factories' unions, compensating workers with 50 per cent of their basic salary during the lockdown. This was progressive, as local legal requirements only mandate payment of six working days in the event of temporary closure.

For Melvin Cordero García, a sewing operator who has worked for Gildan for 17 years (since the factory started operations in Nicaragua), the pay was a financial lifeline: "Without this agreement, I would have had to look for another job to be able to find food for my family. The company could have closed down and left the country but instead, they kept on all workers."

"With the uncertainty about when work could resume, we looked into possible scenarios together with management," says Arlen Mendieta, General Secretary of the Gildan San Marcos Trade Union. "We had numerous meetings to discuss the company's business situation and what could be done to safeguard workers. Both parties worked together because we were all in the same boat and had to focus on that common goal."

When production resumed, Gildan factories not only developed a comprehensive COVID-19 safety protocol for all employees, but also specific guidelines for pregnant workers, categorized as a high-risk group. Factory management worked with worker representatives to implement further protocols, reducing the risks for pregnant women and educating them about the risks.



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**Melvin Cordero García,**  
sewing operator with 17 years of experience

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**Arlen Mendieta,** General Secretary  
of the Gildan San Marcos Trade Union

# TACKLING CHALLENGES

## Finding creative solutions in difficult times

A positive outcome of the considerable barriers imposed by 2020 was that Better Work Nicaragua learned to be a more nimble and adaptable team. Faced with various challenges, Better Work Nicaragua had to stretch its resources and human capital to continue serving the industry and achieving its goals. The main hurdle was adapting factory engagement services to virtual formats. Not only was Better Work introducing new technology that was not always available, the team also had to assess working conditions under changed circumstances. This meant creating confidential spaces in factories, promoting guidelines on safety at work, relying on other industry actors for information, and overall, finding creative solutions to complex problems.



### COMMUNICATING WITH WORKERS

## Virtual safe spaces for workers

The halt to in-person factory visits made communicating directly with workers a real challenge for Better Work Nicaragua. Technology enabled the team to carry out virtual compliance checks. While this opened up a direct channel of communication with workers, there was still the obstacle of creating confidential spaces from which workers could participate, even virtually. Factories were required to provide a room where workers could be alone without employers or employer representatives, and also without any equipment such as computers or cell phones; in other words, a “virtual safe space”. This was crucial for virtual compliance checks, as confidential worker interviews are a prerequisite of any Better Work assessment.



### RELATIONS WITH NATIONAL CONSTITUENTS

## Adapting to remote working

The remote working challenge also required Better Work Nicaragua to help stakeholders adapt and be as effective in a virtual environment as they would have been otherwise. At times, this proved to be a challenge, particularly with union leaders and government representatives, due to the lack of technical equipment on their side, insufficient internet connections, or lack of experience to manage virtual meetings or even join them. This will still require work and support for the constituents to adapt to this new way of operating, as Nicaragua adjusts to the “new normal.”



# ISSUES AND ACTIONS



## ISSUES

**The lack of adequate donor funding for the Better Work programme in Nicaragua has been a challenge in recent years.**

**The COVID-19 pandemic affected the Better Work plan of conducting a regional scoping in Central America to explore possibilities for a regional intervention.**

## CORRECTIVE ACTIONS TAKEN

A number of measures have helped the programme to continue its operations nonetheless. Nicaragua's government is providing in kind support in the form of office space and related services (internet, security, cleaning). The team structure has been adapted to respond to the reduced budget and revenues from the private sector — factories and buyers — and support from the Better Work global team are allowing the Nicaragua programme to continue working.

Travel bans did not allow the team to travel to neighboring countries and hold consultations with the tripartite constituents in El Salvador, Guatemala, Honduras and Mexico. Cancellations of orders created further uncertainties about production levels in the garment industry in these countries. Yet, funding could be secured to hire a coordinator to lead on this work in 2021. Several buyer partners maintain a significant sourcing footprint in Central America due to the proximity to the US market.

# OPPORTUNITIES AND LESSONS LEARNED



## Overcoming skepticism on the use of masks

Some factories had doubts about masks' effectiveness in preventing the spread of the virus and had many questions. To address concerns, Better Work included in a webinar organized in partnership with UNICEF a section to clarify and provide technical information on masks. Also, the team shared World Health Organization (WHO) guidelines with factories, which also helped clarify questions. After these two initiatives, more skeptical factories started developing and providing masks to workers, confirming that clear communication can produce important outcomes and save lives.

## New ways of communicating with workers, government and unions

Perhaps the biggest challenge and resultant opportunity of the past year was in communicating with workers and their representatives. For the first time in ten years of operations, Better Work Nicaragua could not host face-to-face bipartite meetings between employers' and workers' representatives facilitated and mediated by Better Work Enterprise Advisors (EAs). In order to overcome that, the team had to be creative, using tools like WhatsApp and Zoom to develop online Performance Improvement Consultative Committee (PICC) meetings. When rooms with adequate space to apply social distancing guidelines were made available, PICC meetings could take place with Better Work EAs joining virtually.

Employers and brands were able to efficiently make the pivot to virtual ways of working. However, unions and the government were hindered by limited internet access and technological equipment. International buyers were especially eager to ensure factory compliance under pandemic conditions, making communication and accountability more important than ever for Better Work Nicaragua. This opened a new channel with these stakeholders. The Better Work team is working to ensure this communication with buyers stays strong in the future.

## Expanding POSH programmes in the region

In 2020, the Prevention of Sexual Harassment (POSH) intervention (see Partnerships, page 3) was adapted to be delivered online.

The initiative was so successful that several Better Work partner brands expressed interest in having the same programme in their supply chains in Central America. Better Work Nicaragua is now exploring how to deliver this training to factories in neighboring countries that don't have a full Better Work presence. This will be part of Better Work's regional thematic scoping in Central America planned for 2021.

## Ensuring the results of the programme for future years

There is still strong interest from constituents, factories and brands for Better Work Nicaragua to continue to operate in the country. In late 2019, the national partners started to work on a sustainability plan focusing on building capacities of stakeholders, increasing revenues from factories and streamlining services. The plan had to be put on hold due to the global pandemic and its repercussions. Yet, the programme will re-focus its attention on ensuring a longer term vision for the sector, which is developed together with the stakeholders. This is key to ensuring a lasting impact in Nicaragua's garment industry and beyond as part of Better Work's sustainability agenda.



## Regional expansion of Better Work Nicaragua to Central America

The regional angle and potential to impact the industry in neighbouring countries beyond Nicaragua has been of growing interest among Better Work partners and stakeholders. The Northern Triangle countries of Guatemala, Honduras, and El Salvador and neighbouring Mexico have been sourcing destinations for products headed to the US market for many years. However, with the increasing pressure on speed to market to the US, these countries are in an unparalleled and unique position to grow their global market share considerably. Indications clearly show that if the region can provide a stable investment climate for US brands, they could grow exponentially. One of the key barriers to ensuring this stability is ongoing concerns over critical deficits in the application of labour standards and governance. Better Work is uniquely positioned to help address these issues and allow the region to take full advantage of these countries' market opportunities. In 2021, Better Work is planning to do a more thorough scoping of this potential. This idea is not to set up fully-fledged Better Work programmes in these countries but rather look at strengthening the region's industry with a thematic focus on industrial relations and gender. Better Work Nicaragua intends to leverage its ten years of experience to positively impact the garment industry in neighbouring countries.



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