



BetterWork

Progress towards Sustainability

Nicaragua

REPORTING PERIOD
OCTOBER 2011 - SEPTEMBER 2018



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LIST OF ABBREVIATIONS

ANITEC	Nicaraguan Apparel and Textiles Manufacturers Association
BWN	Better Work Nicaragua
CAFTA-DR	Dominican Republic-Central America Free Trade Agreement
CNZF	National Free Trade Zone Commission
CST	Central Sandinista de Trabajadores
CST-JBE	Central Sandinista de Trabajadores, José Benito Escobar
CUS	Confederación de unificación sindical
CUT	Confederación de Unidad de trabajadores
IFC	International Finance Corporation
ILO	International Labour Organization
MITRAB	Ministry of Labour
TPL	Tariff Preference Level
UCA	Central American University

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- ◆ Nicaraguan Ministry of Labour

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- ◆ United States Department of Labor

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Preface

In the second quarter of 2018, Nicaragua experienced a GDP contraction of 4.4 percent, which stands in contrast to the average GDP growth rate of 5.2 percent registered since 2010. Sustained economic development over recent years contributed to a significant decline in poverty and improvements in human development indicators. According to World Bank estimates, total exports as a share of GDP accounted for over 40 percent in 2017 and were primarily driven by exports from the free trade zones, mining and manufacturing.

The textile and apparel industry in Nicaragua comprises 28 percent of total exports and has developed remarkably during the past years. Despite a changing economic environment since the end of 2014, which has seen the expiration of the Tariff Preference Level (TPL) with the United States, Nicaragua has maintained its competitiveness and market niche for responsible sourcing relative to other countries in Central America. Stakeholders' efforts have been rewarded by an increase in orders from international brands and sustained exports. Amidst the worsening political and social crisis since April 2018, Better Work Nicaragua has strived to support the creation of a policy environment promoting decent work and collaboration among the Government of Nicaragua, the private sector and workers' organizations.

This report from Better Work Nicaragua provides an overview of progress made from the programme's inception to date, as well as an update on the compliance status of participating factories over the past reporting year. The report is intended to share a retrospective snapshot of the developments of the industry and to inform interested observers about future projects and actions. The Better Work Nicaragua team hopes that the reader finds this report as an informative tool, and that the industry stakeholders will proactively address the areas of opportunity highlighted within it.

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Executive Summary

Launched in 2010, Better Work Nicaragua (BWN) was established as a cooperative agreement between the Nicaraguan government and international stakeholders, including the US Department of Labour. The goal of the programme is to contribute to the competitiveness of the sector by improving working conditions through enhanced compliance with Nicaragua's labour legislation and international labour standards. In doing so, the programme aims to reduce poverty and expand decent work opportunities in the apparel assembly sector.

Since the beginning of operations, BWN has conducted a total of 142 assessments. To date, over forty factories completed Cycle 1, while just over half of those completed Cycle 4, an indicator of the lasting relationships and high retention rate of the programme. This report takes into consideration this group of factories, assessed between 2011 and 2018, from Cycle 1 to Cycle 4, providing both an accurate depiction of trends, and dynamic overview of the improvement process. The analysis combines findings from the independent assessment of the Better Work programme, non-compliance data collected by Better Work Nicaragua's Enterprise Advisors through unannounced assessments and qualitative narrative from BWN's operational experience.

REALIZING CORE LABOUR STANDARDS

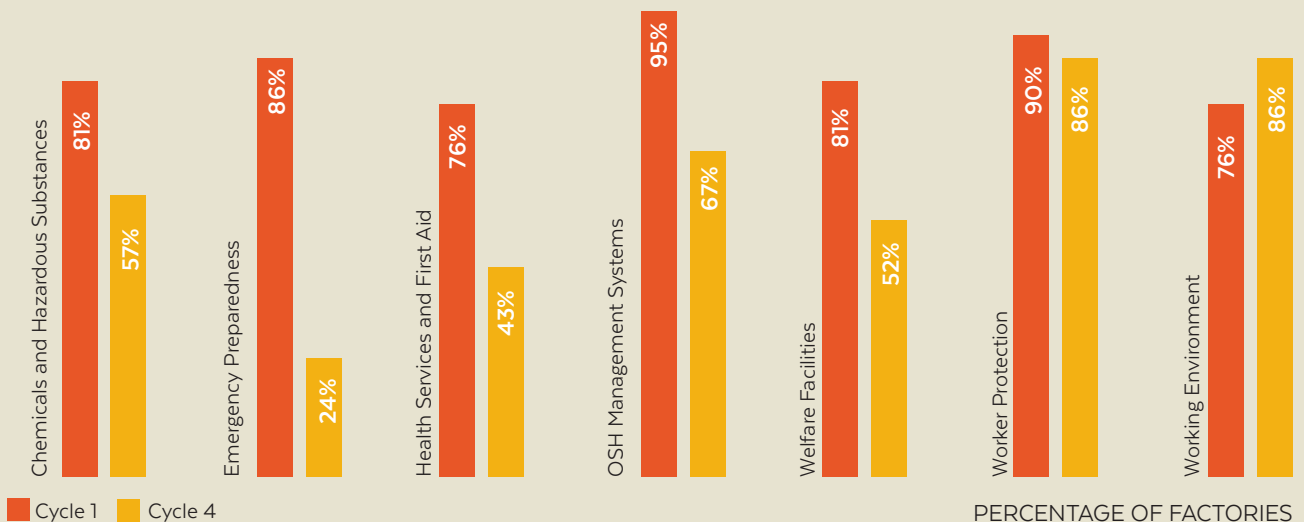
Nicaragua entered Better Work at a relatively high baseline and no evidence was ever found of non-compliance in the areas of child and forced labour through factory assessments, while participation in the programme corresponds to increasing compliance in the areas gender equality, freedom of association and collective bargaining.

ACHIEVING DECENT WORK

Despite the importance of establishing secure employment relations for advancing decent work, some factories struggle in balancing the need to provide fair treatment as well as income security to workers and adjust to supply chain pressures based on fluctuations in orders. The number of cycles a factory is enrolled in Better Work Nicaragua, however, corresponds to improved compliance in several dimensions related to employment security, particularly in the areas of employment contracts, severance payments for workers who resigned or were dismissed, payments of social security contributions and other benefits.

Impact assessment findings confirm that improvements in compliance with the national labour law are likely to have important implications for workers' perceptions of pay practices and fairness at the workplace. After two assessment cycles, weekly take-home pay (including bonuses) reported by workers increased by about 16 US dollars, while workers reported being less concerned about late payments, low wages and excess overtime.

Additionally, there is evidence that participation in the programme is associated with significant improvements in workplace relations and social dialogue. By the third assessment, workers were more likely to feel comfortable seeking help from their supervisor and no longer believed that joining a union would lead to employment termination. At the second assessment, the intensity of concerns about verbal abuse reported by workers declined by 12 percent, while managers' awareness of sexual harassment was associated with a 29-percentage point reduction in worker concern with this abuse.

FIGURE 1. NON-COMPLIANCE TRENDS IN THE OCCUPATIONAL SAFETY AND HEALTH CLUSTER

Significant advances have been achieved in factories at cycle 4, specifically in the area of occupational safety and health, which presented the highest levels of non-compliance when factories began their engagement with BWN. The combination of factory services provided by Better Work Nicaragua and activities in partnership with national tripartite stakeholders have driven significant improvements in the use of chemicals and hazardous substances, emergency preparedness, health services and first aid, the establishment of sound OSH management systems, as well as adequate welfare facilities. Improving the working environment, particularly with respect to ventilation, temperature and illumination, and the provision of adequate personal protective equipment, however, remain important areas for future programme activities. Finally, as factories became more mature in their participation in the programme, there is evidence of improvements in workers' capacity to reconcile paid employment, their personal life and domestic responsibilities. Non-compliance with the national legislation for workers' leave fell by over 80 percent, while the compliance points for Regular Hours and Overtime work show small but steady improvement.

ENGAGING STAKEHOLDERS

Better Work Nicaragua has placed a strong emphasis on creating and sustaining longer-term strategic efforts with tripartite partners. Training, research and advocacy at the industry, national and regional levels have helped strengthen national capacities and promote industry competitiveness through responsible business practices.

NEXT STEPS

In 2019, BWN will amplify its positive impact by expanding the delivery of factory assessment, advisory and training services, as well as the adoption of best practices among participating factories. The programme will also continue activities to strengthen the capacity of the Ministry of Labour and promote labour law compliance, helping incorporate proven Better Work methodologies into occupational health and safety and labour inspectors' approaches. To continue improving working conditions and business practices across the garment sector and beyond, BWN will focus on greater ownership of the improvement process in participating factories through worker-manager committees, and on capacity-building for factories which have not yet joined Better Work.



Section I:

Introduction

The Better Work programme, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), brings together stakeholders from all levels of the garment industry to improve working conditions and respect of labour rights, and boost the competitiveness of apparel industries.

Better Work was invited to in Nicaragua establish as part of a cooperative agreement between the Nicaraguan government and international stakeholders, including the US Department of Labour, and began in-country operations in February 2011.

The goal of the programme is to contribute to the competitiveness of the sector by improving working conditions through enhanced compliance with Nicaragua's labour legislation and international labour standards. In this manner, the programme aims to reduce poverty in Nicaragua by expanding decent work opportunities in the apparel assembly sector.

Factories participating in Better Work go through a process of learning and dialogue, which consists in factory assessments, advisory visits, industry seminars and training. At the factory level, the programme provides support for the formation of the Performance Improvement Consultative Committee (PICC) to address improvement needs emerging from assessments in a framework of dialogue. In factories where unions are present, the PICC includes representatives from all unions in the factory. In non-unionized factories, worker representatives are selected by workers according to guidelines approved by the Project Advisory Committee (PAC).

As in all Better Work country programmes, Better Work Nicaragua works with a Project Advisory Committee, which includes representatives of governments (National Free Trade Zone Commission, the Ministry of Labour), the employers' association (ANITEC), and leaders of the four national union confederations with a presence in the apparel industry and signatories of the Tripartite Agreements.¹

In addition to the in-factory work, BWN supports activities with national constituents to strengthen their participation in the programme and enhance their role in sustaining continuous improvements of working conditions.

For instance, the programme worked in coordination with the Ministry of Labour to strengthen the skills of labour inspectors and supported the development of a capacity-building initiative for union leaders at the grass-roots level. To foster communication and respect between workers and supervisors, the programme provided training on leadership skills development and created an online forum to share experiences and best practices.

Annual reports presenting non-compliance findings among participating factories are a key component of Better Work country programmes' strategy to increase transparency about factory working conditions, both to programme stakeholders and a wider public audience. Since its launch, Better Work Nicaragua has produced four annual reports. This is the first report presenting the programme's overall achievements and drawing lessons from its launch until today.

The next section provides an overview of Nicaragua's institutional and economic landscape, the Better Work Nicaragua programme, the characteristics of participating factories, as well as the profile of factory workers. Section III presents impact assessment and non-compliance findings, highlighting the programme's continuous efforts to realize core labour standards, expand opportunities for decent work and strengthen public policies, institutions and practice at the national level. This section is followed by conclusions in Section IV.

The findings from the assessments carried in the latest reporting period, from April 2017 to September 2018, are presented in Annex A, while the Better Work methodology, impact assessment data and approach, and non-compliance calculations are discussed in Annex D.



Section II:

Background

INSTITUTIONAL CONTEXT

Nicaragua has ratified sixty-two ILO conventions, of which forty-eight are in force and eight cover the fundamental principles and rights at work. With extensive national labour legislation, Nicaragua entered the Better Work programme at a relatively high baseline.

The first Labour Code was created in 1945, while the second passed in 1996 (Law No. 185). Promulgated by the government through a consensus between employers' and workers' representatives, the Labour Code and the Law No. 618 on Hygiene and Safety provide a sound legal framework for the promotion of decent work.

In September 2008, the tripartite social partners of Nicaragua and the ILO signed the National Decent Work Programme, creating renewed momentum for fostering social dialogue and creating decent work opportunities in the industry.

The establishment of the Free Trade Zone Tripartite Commission of Nicaragua and the achievement of the "Tripartite Economic and Labour Emergency Agreement in Free Trade Zones" in 2008 played a key role in preserving employment and competitiveness, and strengthening social dialogue. To increase stability and predictability of minimum wage increases for employers and investors, a series of tripartite agreements established fixed minimum wage increases for workers in the free trade zone sector. The latest agreement, signed in 2017, covers the 2018-2022 period and sets annual salary increases of 8.5 percent (compared to 8 percent for the period from 2014 to 2017). The monthly basic minimum wage in the FTZ was equal to USD 257, according to 2018 estimates.

Throughout the past decades, Nicaragua experienced remarkable economic growth, improvements in human development indicators and poverty reduction. Between 1990 and 2017, life expectancy at birth increased by 11.5 years, while average years of schooling increased by 2.6.² Additionally, as reported by the National Development Information Institute, general poverty dropped

from 29.6 to 24.9 percent between 2014 and 2016, and extreme poverty fell from 8.3 to 6.9 percent.

To strengthen its trade and investment policy and attract international investments, the government established ProNicaragua, the country's official investment and export promotion agency, and the Presidential Delegation for the Promotion of Investments, Exports and Foreign Trade Facilitation in 2015.

Despite this progress, poverty and poor access to basic services, including water, sanitation and electricity remain a challenge. After hitting a record 5.1 percent in 2011, economic growth has slowed down to 4.5 percent in 2017, and experienced a contraction in the first semester of 2018, estimated at 0.9 percent due to the worsening social and political crisis.³ The ongoing protests, violence, job losses, and decrease in consumer and business confidence have taken a severe toll on the country's social and economic development.

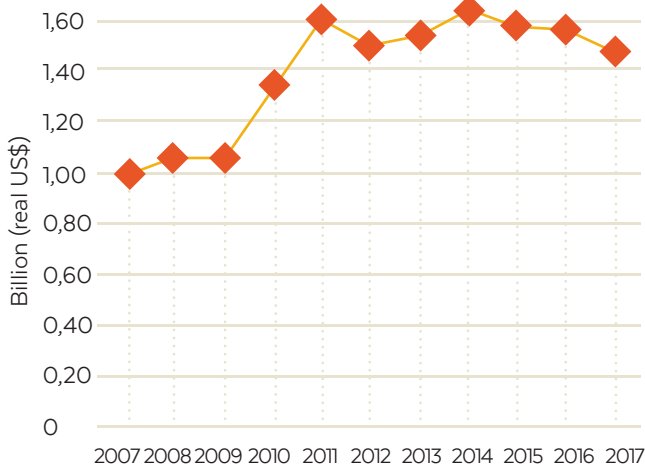
GARMENT MANUFACTURING IN NICARAGUA

Nicaragua has developed a strong garment sector. Relative to other garment-producing countries in the Western Hemisphere, it is unique for a number of reasons. First, the apparel industry has expanded since 2005 in contrast to a general trend that has seen a greater concentration in Asia. Second, Nicaragua has a market niche for responsible sourcing. It is the only country in Central America and second in the Americas (following Haiti) to have joined Better Work.⁴

Nicaragua is also a party to the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) and enjoys strong trade ties with the United States. From 2006 to 2014, under the CAFTA-DR, Nicaraguan apparel production has benefited from duty free treatment as a result of the Tariff Preference Level (TPL). This regime allowed Nicaragua-based producers to export tariff-free garments with flexible "rules of origin", i.e. exempted from the requirement that garments manufactured in Nicara-

gua destined to the US market be made with fabric from the DR-CAFTA region. In other words, Nicaraguan companies could use lower-cost fabrics from other regions of the world, particularly from China, and still benefit from duty-free entry into the US market.

FIGURE 2. TRENDS IN THE NICARAGUA GARMENT SECTOR⁵



Garment production – fuelled by the participation in the CAFTA-DR – has been a key driver of economic growth and business dynamism. The largest share of garment exports is sent to the United States, making Nicaragua its 11th largest supplier of apparel. As shown in Figure 1, exports increased sharply during the recovery of the global financial crisis, rising from 16 million US dollars in 2008 to 29 million in 2011 and decreasing only slightly in 2012.

Despite strong support from both Nicaragua and US apparel retailers, the TPL expired at the end of 2014 and has not been extended. This has contributed to a climate of uncertainty, resulting in a slowdown in growth and consolidation towards larger firms. Although the sector contracted slightly over the past years, particularly since 2014, garment exports have been falling much less than comparable Central American countries that did not have the benefit of the TPL. One of the reasons why the performance of the industry held steady is that the end of the TPL was anticipated by employers, who had time to take preventive actions. Only a limited number of buyers shifted orders out of Nicaragua, and this had a small effect on overall production.

BETTER WORK NICARAGUA

KEY PARTNERS



GOVERNMENT

- ◆ Ministry of Labour (MITRAB)
- ◆ National Free Trade Zone Commission (CNZF)



EMPLOYER ORGANIZATIONS

- ◆ Nicaraguan Apparel and Textiles Manufacturers Association (ANITEC)



BUSINESS COMMUNITY

- ◆ 15 brand and retail partners



WORKERS ORGANIZATIONS

- ◆ Central Sandinista de Trabajadores (CST)
- ◆ Central Sandinista de Trabajadores, José Benito Escobar (CST-JBE)
- ◆ Confederación de unificación sindical (CUS)
- ◆ Confederación de Unidad de trabajadores (CUT)

CURRENT DONORS:

- ◆ US Department of Labor
- ◆ Nicaragua Ministry of Labour (MITRAB)

Better Work Nicaragua was launched in the last quarter of 2010 and started in-country operations in February 2011. The programme has worked hand-in-hand with workers, employers, the government and multinational businesses to improve working conditions and foster competitiveness in the garment industry, through assessments, training and advisory work at the factory level, as well as research and advocacy at the national and regional levels.

Factories participating in the programme have taken significant steps to improve working conditions in the industry, proving that labour compliance does not only bring moral benefits, but also supports national growth, drives business competitiveness and empowers workers beyond the workplace.

Since 2016, the programme has focused on increasing the number of participating factories, strengthening the role of national partners, and integrating a gender-based approach into all operations. By helping to safeguard stable employment for tens of thousands of workers, BWN has been committed to ensuring economic security in politically uncertain times.

Additionally, by capitalizing on its experience, BWN is uniquely positioned as an operational hub for a potential regional Better Work initiative in discussion with other countries in the Northern Triangle region of Central America, which has the potential to showcase the region as a stable sourcing destination of choice.

FACTORIES IN THE SAMPLE

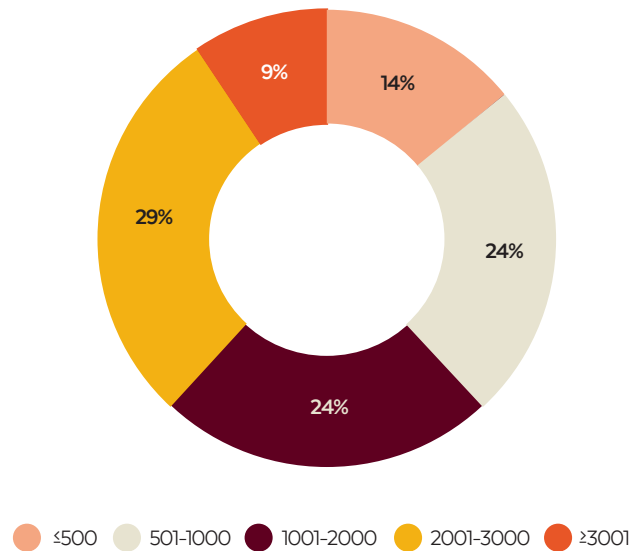
Since the beginning of operations, BWN has conducted a total of 142 assessments (Annex E). To date, over forty factories completed Cycle 1, while just over half of those (21) completed Cycle 4, indicating lasting relationships and high retention in the programme. The group of factories that has completed Cycle 1 to Cycle 4 between 2011 and 2018, represents the unit of analysis of this report, allowing for a more accurate depiction of trends and dynamic overview of the improvement process.

On average, the factories in this report have been in Better Work Nicaragua for about five years. Factory sizes vary considerably, from a minimum of 230 workers to over 3600, while ownership is prevalently foreign, specifically Korean and North American. This reflects both country-wide estimates and trends in other developing-country apparel exporters and contributes in making the sector highly integrated in two segments of the global garment value chain—one based in the Americas and the other in Asia.⁶

Full package production is dominant in the industry. The majority of factories are direct exporters and offer

a range of services additional to cut, make and trim (CMT), including pre-production activities such as pattern making and product development. Among the products exported by the factories in this study, the most common is knitwear, while most production is for US-based mass retailers.

FIGURE 3. FACTORY SIZE



PROFILE OF WORKERS

About 53 percent of workers interviewed in Better Work Nicaragua factories are women. Most workers are between 21 and 30 years old and have experienced a range of work trajectories. Over 1 in 5 has seven years or more of experience, while 40 percent has previously worked in another factory in Nicaragua. The majority of workers have children and at least some years of formal education, but 19 percent report their children are out of school for financial reasons.

For many, having a garment sector job provides a route out of poverty, however, job quality is also important. To this end, BWN has made substantial progress towards ensuring decent working conditions and strengthening workers’ livelihoods, including by improving their ability to pay for basic household goods and support their children.



PARA INGRESAR A SERATEX NICARAGUA SE PROHÍBE:

- ARMAS DE FUEGO (PISTOLAS, HECHIZAS)
- ARMAS BLANCAS (CUCHILLOS, MACHETES)
- EXPLOSIVOS (BOMBAS, MORTEROS)
- ESTUPEFACIENTES (DROGAS ILICITAS)

NO VEHICULO ANTES DE INGRESAR A LAS INSTALACIONES
DEBE ESPERAR QUE EL SEGURO DE SEGURIDAD REALICE LA REVISIÓN COMPLETA DEL VEHICULO PARA PODER INGRESAR
CADA VISITA DEBE SER REVISADA POR SEGURIDAD
APRECIAMOS SU COOPERACION

TO ENTER SERATEX NICARAGUA S.A.

VEHICLES BEFORE ENTERING PREMISES MUST BE INSPECTED BY SECURITY WE ENFORCE SECURITY!



“Most of the factories have been steady in their improvement, thus reducing their cases of non-compliance. Today, our relationship is open and transparent. Managers are not perceiving us as an audit anymore, rather, like an entity which is trying to help out.”

Blanca Peralta Paguaga, Better Work Nicaragua Programme Manager

Section III:

Achieving Better Work Nicaragua’s Mission

This section combines findings from an independent assessment of the Better Work programme conducted by Tufts University, compliance data collected by Better Work Nicaragua’s Enterprise Advisors through unannounced assessments in participating factories, and qualitative narrative based on BWN’s operational experience, from the programme’s inception to currently. The non-compliance rates are presented in aggregate terms and take into consideration twenty-one factories over sequential assessments, each corresponding to a cycle of exposure to the activities and initiatives of Better Work Nicaragua.⁷

Taken together, the findings demonstrate the significant progress made by Better Work Nicaragua. Through a combination of advisory services, training and industry seminars between compliance assessments, factories increased their overall compliance. But BWN has been equally successful beyond a narrow compliance perspective, expanding opportunities for decent work on the factory floor and strengthening public policies, institutions and practice at the national level.

REALIZING CORE LABOUR STANDARDS

Core labour standards are enshrined in the 1998 ILO Declaration on Fundamental Principles and Rights at Work, as well as the Nicaraguan Constitution, which establishes the prohibition of forced labour (Article 40) and of child labour (Articles 71 and 84), the right to work, freedom of association, and the right to strike and to collective bargaining (Articles from 80 to 88).

In consideration of this sound legal framework, Nicaragua entered Better Work at a relatively high baseline and no evidence through factory assessments was ever found of non-compliance in the areas of child and forced labour.

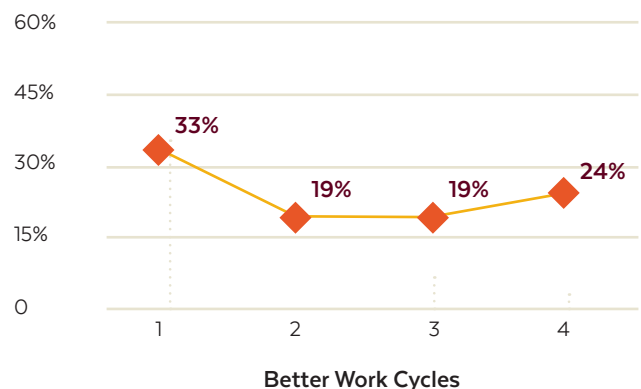
With respect to discrimination, particularly based on gender, the programme has embedded gender equal-

ity in all operations, from factory services to policy work. In one factory, gender was a factor in decisions regarding conditions of work. While this non-compliance was resolved immediately following the first assessment, the BWN team has worked extensively to prioritize sexual harassment prevention and awareness of women’s rights in participating factories.

At the factory level, participation in BWN is associated with significant improvements in the area of freedom of association and collective bargaining. In more mature factories, no non-compliances are found in the Freedom of Association, Interference and Discrimination, Strikes, or Union Operations Compliance Points.

Some evidence of non-compliance remains in the area of collective bargaining (Figure 2), defined as the process of negotiation between trade unions and employers related to working conditions, terms of employment and other work-related issues. Between cycle 1 and cycle 4, however, non-compliance levels dropped from seven factories out of compliance (33 percent) to only five (24 percent), reaching a minimum of three factories out of compliance between cycle 2 and 3.

FIGURE 4. NON-COMPLIANCE TREND IN THE COLLECTIVE BARGAINING COMPLIANCE POINT



At the outset of the programme, in four factories, workers were prevented from accessing copies of collective bargaining agreements and learning about their provisions. In one factory, provisions were not as favourable as the law. These non-compliances were resolved in factories relatively more advanced in their engagement with BWN. The implementation of all provisions in the collective bargaining agreements, which remains an area in need of improvement in five factories (24 percent).

ACHIEVING DECENT WORK

The Decent Work Agenda, which brings together the goals of rights at work, employment, social protection and social dialogue in a consolidated and gender-sensitive framework, is at the core of Better Work Nicaragua's mission to improve the garment industry. There is a strong evidence highlighting that factories make improvements as they become more mature in their participation in the programme. Declining trends in non-compliance with ILO labour standards and national labour law in the areas of contracts, occupational safety and health, and working time illustrate this argument. Impact assessment results reinforce this evidence, suggesting that improvements have a tangible impact on both workers' daily experiences and the competitiveness of firms.⁸

Security of employment and pay practices

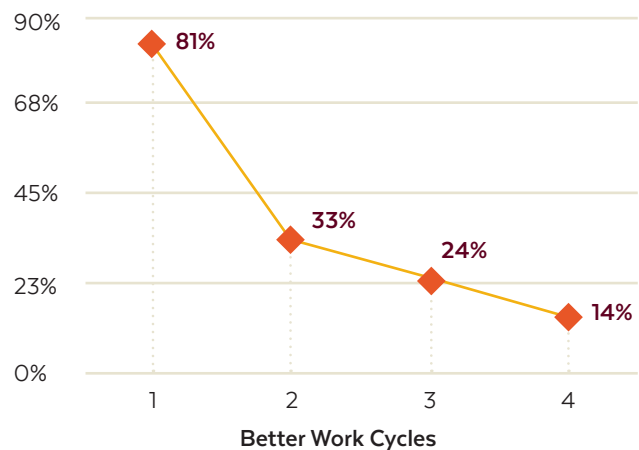
Employment security is an important determinant of job quality, overall worker security and wellbeing. It is about providing workers with stable employment relationships, as well as adequate protection against fluctuations in earned income or upon dismissal.

Despite the importance of establishing secure employment relations for advancing decent work, some factories struggle in balancing the need to provide fair treatment and income security to workers, and at the same time adjust to supply chain pressures based on fluctuations in orders. About half of workers interviewed reported being concerned with low wages (51 percent), while one-third reported concerns about late payment (37 percent), excess deductions (33 percent) or a broken punch clock (27 percent).

In addition, as shown by non-compliance trends, four in five factories at the first assessment were found non-compliant in the area of employment contracts, particularly due to their inability to adequately specify the terms and conditions of employment relations.

Along these lines, six factories (29 percent of the sample) were out of compliance with the national requirements for the payments of social security and other benefits and incorrect wage information, use and deduction.

FIGURE 5. NON-COMPLIANCE TREND IN THE EMPLOYMENT CONTRACTS COMPLIANCE POINT



The number of cycles a factory is enrolled in Better Work Nicaragua corresponds to improved compliance in several dimensions related to employment security. As shown in Figure 4, non-compliance with the national legislation for employment contracts declined by 80 percent.

With respect to incorrect severance payments for workers who resigned or were dismissed at cycle 1, four factories (19 percent) failed to compensate workers for unused paid annual leave, while seven factories (33 percent) did not provide adequate compensation based on years of service. As participation in the programme increase, factories made substantial improvements, and only two (10 percent) remained out of compliance by cycle 4.

Further, the number of factories out of compliance with social security contributions and other benefits declined to four factories (19 percent) at cycle 4, while one factory resolved non-compliance issues related

“When the management is properly trained, less problems tend to emerge on the factory floor. Factories outside the programme present a higher number of violations and issues.”

Luis Barbosa, secretary general of the union confederation of workers Central Sandinista de Trabajadores Jose Benito Escobar (CST-JBE)

to wage information, use and deduction. Properly informing workers about wage payments and deductions and keeping a single, accurate payroll record represent two areas in need of future improvement.

As impact assessment findings demonstrate, improvements in compliance with the national labour law are likely to have important implications for workers' perceptions of pay practices and fairness at the workplace.

Weekly take-home pay (including bonuses) increased by about 16 US dollars between the first and second assessment cycle, while workers reported being less concerned with late payments and low wages. Concerns about late payments, in particular, declined by over 40 percentage points, indicating a large programme effect.

Payment practices with regard to overtime show gradual, but steady improvement. After two cycles in the programme, factories that were not paying for overtime resorted to paying for overtime after the production target was completed. In their third year of participation in the programme, they became more likely to pay overtime for hours above 48 per week.

Finally, Tufts research demonstrates the impact of improved employment security extends beyond the workplace, positively affecting outcomes such as education access for workers' children. After one year, impact assessment findings suggest that the number of workers reporting that their children were not in school due to financial constraints declined as a result of participation in the programme.

Employment relations

Since 2011, Better Work Nicaragua has prioritized worker-management dialogue, including by addressing barriers to women's participation in social dialogue mechanisms and by focusing on skills-building through Training of Trainer initiatives. These initiatives contributed to the promotion of more advanced human resource (HR) management systems and proved that worker-manager communication can be an important competitive asset for firms.

In particular, Tufts researchers examined the way worker-manager interactions may change in factories as a result of joining Better Work, finding that participation in

the programme has a measurable impact on multiple aspects of working conditions and employment relations, effectively moving factories from the sweatshop model towards more innovative HR management systems.

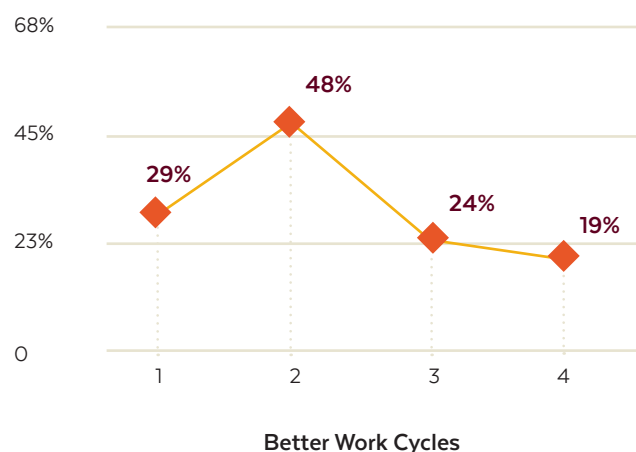
By the third assessment, workers were more likely to feel comfortable seeking help from their supervisor and no longer believed that joining a union would lead to employment termination. After three years of participation in the programme, respondents were 54 less likely to report believing that union membership was not an offense for which they would be fired.

Similarly, researchers identified evidence of increased comfort in seeking help from supervisors, with nearly all workers indicating that they felt very comfortable or comfortable seeking help from their direct supervisor.

The non-compliance trend for the Dialogue, Discipline and Disputes compliance point, which takes into consideration compliance with the national labour law on disciplinary measures and the way factories address grievances and disputes, reflect this finding.

In factories at their first assessment cycle, enterprise advisors found that in four factories (19 percent) the disciplinary measures did not comply with the company's by-laws approved by the Ministry of Labour, this number fell to only one factory out of compliance after four years of participation in the programme.

FIGURE 6. NON-COMPLIANCE TREND IN THE DIALOGUE, DISCIPLINE AND DISPUTES COMPLIANCE POINT



In addition, over 60 percent of workers interviewed reported being concerned with verbal abuse, but evidence suggests the intensity of concerns declines by 12 percent at the second assessment.

Despite this, harassment, bullying and humiliating treatment continued to be detected by Enterprise Advisors during assessment visits in three cycle 4 factories out of twenty-one (14 percent). Eliminating these harmful and counterproductive workplace abuses, while at the same time fostering firm competitiveness, has been a focus of Better Work Nicaragua activities.

The Supervisory Skills Training programme, one of Better Work's signature initiatives, for instance, achieved substantial progress in improving communication and dialogue between line supervisors and personnel, positively affecting workplace relations and leading to more balanced production lines, better workplace relations and higher productivity. Training female supervisors in particular was shown to result in a 22% increase in productivity.

In addition, between 2011 and 2018, BWN took important steps to prevent and deal with sexual harassment cases in participating factories, specifically by improving managers' awareness about this abuse. This has led to a 29-percentage point reduction in workers' concerns, suggesting gender equality advancements go hand-in-hand with better conditions for business competitiveness.

Safety and wellbeing of workers

In factories at their first assessment, occupational safety and health was one of the areas in which non-compliance with the national labour law was higher. The combination of factory services provided by BWN and activities in partnership with national tripartite stakeholders achieved significant advancements, improving in working environments and fostering a preventive safety and health culture.

From cycle 1 to cycle 4, non-compliance for the Emergency Preparedness compliance point fell by over 70 percent. In five factories (24 percent), emergency exits and escape routes were not clearly marked, while they were found to be inaccessible or obstructed during assessment visits in eight factories (38 percent).

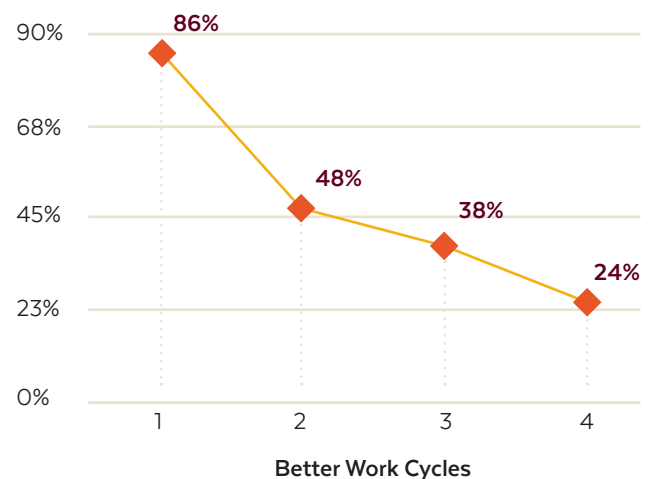
After four years in the programme, the number of non-compliant factories with unmarked emergency exits fell to only two (10 percent), while the non-compliance in the accessibility of emergency exits was resolved in all twenty-one factories.

Similarly, non-compliance in the Health Services and First Aid compliance point fell by over 40 percent, with the largest drop in non-compliance driven by improved provision and coverage of first-aid training for workers.

The Emergency Preparedness Program (EPPRO) has been key to this success, providing the basic tools for workers in the industry to respond appropriately in emergency situations. The training was delivered in partnership with officers from the local fire department, to certify the participating factories and workers. In 2014, over 1500 workers and 26 factories had been trained and certified on a range of topics, including First Aid, Fire Fighting, and effective fire drills. These certifications have been useful to the audits of the local department of Labour, while the training material has been further developed into a fire safety handbook, widely distributed to garment sector firms in the free-trade zone.

To reinforce awareness among both managers and workers, in 2017, BWN organised an industry seminar on the topic. It was attended by over 50 management and worker representatives from 25 factories.

FIGURE 7. NON-COMPLIANCE TREND IN THE EMERGENCY PREPAREDNESS COMPLIANCE POINT



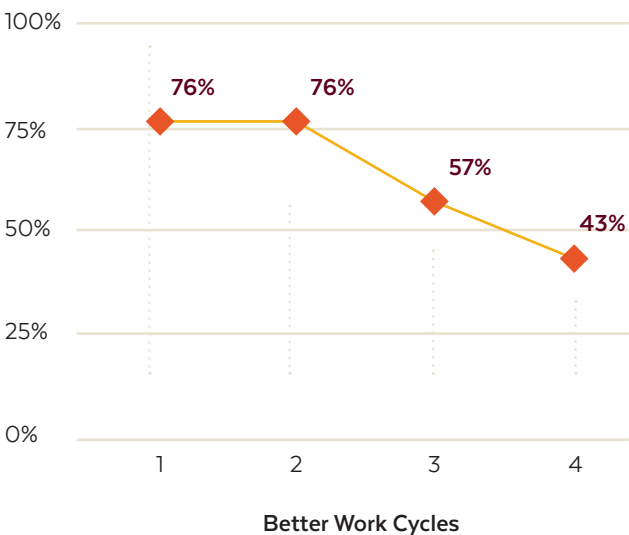
1. IN FOCUS TABLE: EMERGENCY PREPAREDNESS

COMPLIANCE QUESTION	NC RATE BY QUESTION	
	Cycle 1	Cycle 4
Are emergency exits and escape routes clearly marked and posted in the workplace?	24%	10%
Are the emergency exits accessible, unobstructed and unlocked during working hours, including overtime?	38%	0%
Does the employer conduct periodic emergency drills?	19%	5%
Does the workplace have a fire detection and alarm system?	24%	0%

2. IN FOCUS TABLE: HEALTH SERVICES AND FIRST AID

COMPLIANCE QUESTION	NC RATE BY QUESTION	
	Cycle 1	Cycle 4
Has the employer provided first-aid training for workers?	48%	5%
Does the employer address safety and health risks to pregnant or nursing workers?	12%	5%
Does the employer comply with requirements on HIV/AIDS?	38%	5%
Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/supplies in the workplace?	33%	10%

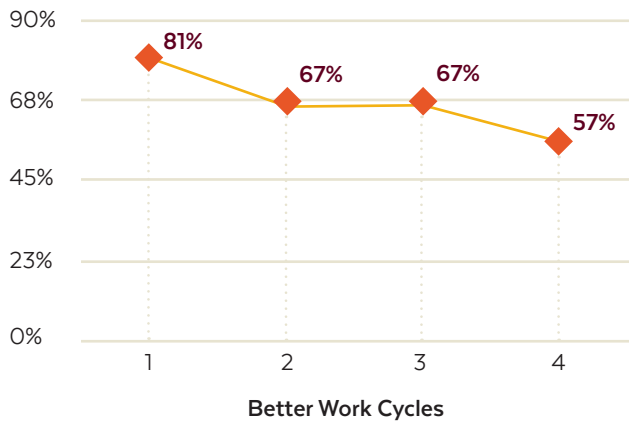
FIGURE 8. NON-COMPLIANCE TREND IN THE HEALTH SERVICES AND FIRST AID COMPLIANCE POINT



Chemicals and hazardous substances are critical in the industrial process. Yet, many factories struggle in taking the necessary steps to prevent and control potential risks for workers. As suggested by worker surveys, concerns with air quality and chemical smells are particularly high, with about 55 and 52 percent of workers reporting to be concern about these issues respectively.

Non-compliance in the Chemicals and Hazardous Substances compliance point achieved sustained improvement. While seventeen factories (81 percent) were out of compliance at cycle 1, this number fell to twelve (57 percent) by cycle 4. As shown in Table 2, after four cycles in the programme, improvements were apparent specifically with respect to actions taken by factories to assess, monitor, prevent and limit workers' exposure to these substances, and to store chemicals safely.

FIGURE 9. NON-COMPLIANCE TREND IN THE CHEMICALS AND HAZARDOUS SUBSTANCES COMPLIANCE POINT

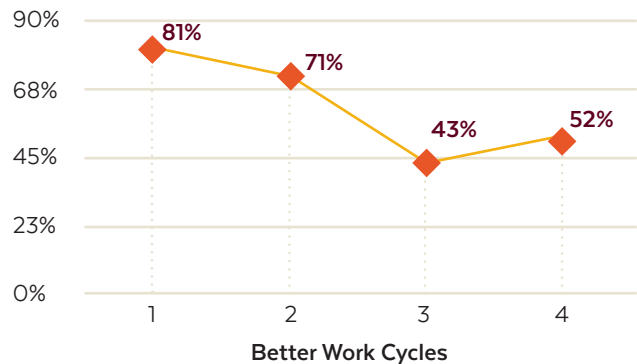


3. IN FOCUS TABLE: CHEMICALS AND HAZARDOUS SUBSTANCES

COMPLIANCE QUESTION	NC RATE BY QUESTION	
	Cycle 1	Cycle 4
Are chemicals and hazardous substances properly stored?	33%	5%
Are chemicals and hazardous substances properly labelled?	67%	52%
Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace?	48%	29%
Does the employer provide information on the chemicals and hazardous substances used in the workplace to the Ministry of Labour?	33%	10%
Has the employer taken action to assess, monitor, prevent and limit workers' exposure to chemicals and hazardous substances?	29%	5%
Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?	29%	14%

To improve working conditions, and the safety and well-being of workers, BWN has focused on building a preventive safety and health culture through worker-management dialogue, and by strengthening the unions' capacity to work productively with employers. In some factories, workers have played a proactive role in improving and monitoring better conditions in bathrooms and ensuring that aisles were free of obstructions. In one factory, management and union representatives on the PICC developed checklists to jointly monitor both these issues. Reflecting these efforts, non-compliance the Welfare Facilities compliance point dropped from seventeen factories (81 percent) out of compliance at cycle 1, to eleven (52 percent) at cycle 4.

FIGURE 10. NON-COMPLIANCE TREND IN THE WELFARE FACILITIES COMPLIANCE POINT

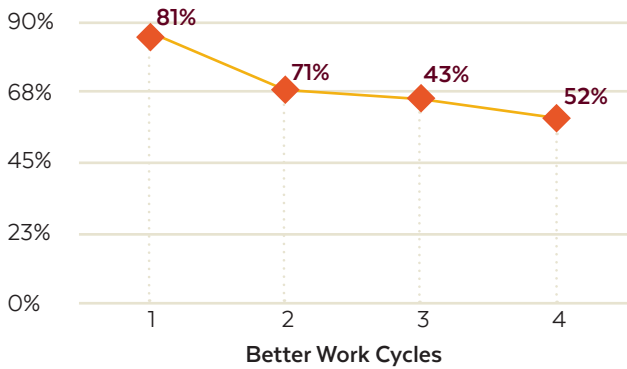


Factories' ability to establish a workplace that is safe, efficient and productive is oftentimes an outcome of improved occupational safety and health management systems. This notion refers to the organizational structure required for developing, implementing, achieving and maintaining safety and health policies, from planning and defining responsibility, to policy implementation. This organizational structure is based on shared procedures, processes and resources, resulting from the continuous consultation between management and worker representatives.

As Figure 10 illustrates, OSH management systems improved steadily. After four years in the programme, non-compliance fell from twenty factories (95 percent) out of compliance to fourteen (67 percent). At the fourth assessment cycle, all factories updated their OSH techni-

cal organizational regulations (TOR) reflecting those approved by the Ministry of Labor and designated a person exclusively devoted to OSH promotion, prevention and protection, while nearly all factories obtained an OSH policy and elaborated an OSH training programme.

FIGURE 11. NON-COMPLIANCE TREND IN THE OSH MANAGEMENT SYSTEMS COMPLIANCE POINT



4. IN FOCUS TABLE: OSH MANAGEMENT SYSTEMS

COMPLIANCE QUESTION	NC RATE BY QUESTION	
	Cycle 1	Cycle 4
Does the employer have an OSH license?	38%	5%
Has the employer elaborated an OSH training programme?	19%	5%
Does the employer record and investigate work-related accidents and illnesses, and indicate the technical recommendations necessary to prevent them?	66%	38%
Does the employer have updated OSH technical organizational regulations (TOR) that are approved by the Ministry of Labor?	29%	0%
Has the employer designated a person exclusively devoted to OSH promotion, prevention and protection?	10%	0%

Finally, independent research by Tufts University has proven the wellbeing of workers is higher in factories where workers perceive better working environments. This includes feeling safe from accidents, working in an environment with good air quality and comfortable temperatures. Despite non-compliance in the Working Environment and Worker Protection compliance points remaining high (86 percent) by cycle 4, findings suggest there have been significant improvements as factories became more mature in their engagement with BWN. By cycle 3, workers were 23 percent less likely to report being concerned about injuries at work, while reports of sadness and feeling restless improved steadily over time.

Working time and work-life balance

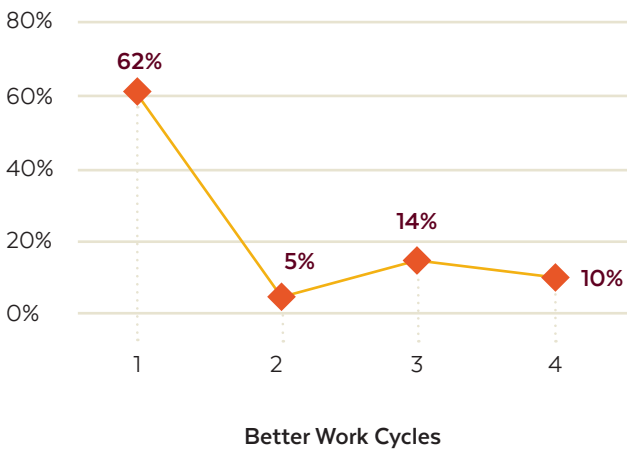
With increasing competition and supply chain pressures, the demands on workers and firms have intensified. This has meant increasing challenges for workers to be able to successfully reconcile paid work and their personal lives, as well as domestic responsibilities, particularly for women with children. Better Work Nicaragua recognizes these challenges and views work-life balance is an important dimension of decent work, which is vital for maintaining the wellbeing of workers. For this reason, the programme has emphasized the importance of compliance with working-time legislation, particularly with respect to excessively long hours and overtime, as well as the availability of various forms of paid leave (including annual leave, sick leave and paid maternity/paternity leave).

Impact assessment results demonstrate BWN significantly improved workers’ concerns about excess overtime. Between cycle 1 and 2, workers reported working fewer hours, and concerns, with the strongest effect at cycle 3.

At the first assessment, the number of non-compliant factories in the Working Time cluster was seven (33 percent) for Overtime, thirteen (62 percent) for Leave, and seven (33 percent) for Regular Hours.

As factories became more mature in their participation in BWN, non-compliance for Leave fell by over 80 percent, from 62 to 10 percent for factories at their fourth assessment cycle, with only three factories out of compliance at their fourth assessment.

FIGURE 12. NON-COMPLIANCE TREND IN THE LEAVE COMPLIANCE POINT



5. IN FOCUS TABLE: LEAVE

COMPLIANCE QUESTION NC RATE BY QUESTION

	Cycle 1	Cycle 4
Does the employer provide required personal leave?	10%	0%
Does the employer provide required sick leave?	5%	0%
Does the employer provide breastfeeding workers with required time off for breastfeeding breaks?	19%	5%
Does the employer provide 15 days of annual leave to workers for every six months of continuous service in the factory?	29%	0%

Similarly, factories' compliance with Regular Hours and Overtime improved, falling to five (24 percent) and four factories (19 percent) respectively by cycle four. An important improvement is the increase in the number of factories obtaining authorization for overtime work from the Ministry of Labor. Compliance with the daily legal limits for work shifts and ensuring that working time records reflect the hours actually worked are two areas requiring focused improvement.

ENGAGING STAKEHOLDERS

Better Work Nicaragua has placed a strong emphasis on creating and sustaining longer-term strategic efforts with tripartite partners, beyond improving compliance. The highlights in the timeline below show a story of intensifying and expanding collaborations, through training, research and advocacy at the industry, national and regional levels. Working in partnership with national stakeholders has helped strengthen national capacities and policy, while simultaneously promoting industry competitiveness through responsible business practices.

Government

Starting in 2013, the programme has developed the new Labour Law guide for the management of the textile and clothing industry and supported the government in the elaboration of the national strategy for the garment sector, working closely with the Ministry of Labour (MITRAB). To ensure lasting impact, BWN has delivered a number of capacity building programmes for labour inspectors, focusing on the implementation of the Labour Law guide, assessment techniques and discrimination in the workplace. Training-of-trainers initiatives focused on payroll analysis, strategies to identify non-compliance with labour standards through proven Better Work methodologies, interview techniques, prevention of sexual harassment and gender equality, as well as communication and social dialogue.

Workers Organizations

Since its inception, BWN has been working hand-in-hand with local unions, by establishing an educational committee to develop sectoral training modules and by fostering social dialogue in worker-management committees. Training modules, specifically for trade union leaders, focused on gender and collective bargaining techniques. In addition, between 2014 and 2017, BWN partnered with the Paulo Freire University, to develop a specialized training programme for union leaders, comprising of the following diplomas and workshops: trade union management; negotiation techniques (with a focus on salaries, productivity and

incentives); union communication and social dialogue; collective bargaining techniques for corporate agreements, tripartite sectoral agreements, and occupational safety and health; gender approaches to collective bargaining and trade union management; social security; administrative procedures; and risk mapping.

Employer Organizations

By 2015, BWN reached over 70 percent of the country's export apparel industry, expanding the reach of the programme and building stronger ownership for factory improvements. Through continuous cooperation with the Nicaraguan Apparel and Textiles Manufacturers Association (ANITEC), BWN has organized a series of industry-wide seminars targeting the specialization of the workforce, corporate social responsibility, the development of key performance indicators (KPIs), and occupational safety and health, specifically accident investigation and emergency preparedness.

In the period from 2014 to 2017, a specialized training programme in collaboration with the Central American University (UCA) was tailored to equip factory managers with the skills to effectively manage social

compliance, labour productivity and quality of work-life balance. Further, in October 2016, BWN published Good Practices in the Textile and Clothing Industry, a set of case studies on successful experiences of labour law compliance and continuous improvement in ten participating factories.

Multinational Businesses

With funds from multinational businesses, BWN has supported a number of initiatives addressing gender equality and workers' wellbeing across industrial parks in the country's Free Trade Zone, including space adaptation and provision of teaching materials for a children's development centre, and the development of an adult education programme in coordination with the Ministry of Education.

Since the opening of the first breastfeeding centre with technical assistance from UNICEF in 2015, BWN has continued advancing gender equality in the garment sector, through training on supervisory and leadership skills, workshops on gender equality, access to finance, and sexual harassment prevention through a management systems approach.

“We have a close collaboration with Better Work. Together, we worked on a number of projects that targeted the technification of the workforce, OSH and on social corporate responsibility issues, which were beneficial to the workers, the companies, and the sector as a whole.”

Dean Garcia, Executive Director of ANITEC

FIGURE 13. HIGHLIGHTS FROM BETTER WORK NICARAGUA'S ACTIVITIES

2010

December - Cooperative agreement and launch of Better Work Nicaragua

2011

February - Beginning of operations

October - Pilot assessments in 3 factories

2012

July - First Buyer Forum

August - BWN reaches 12 factories

2013

July - Capacity-building programmes for labour inspectors on homologation criteria for the implementation of the Labour Inspection Guide and assessment techniques, focusing on discrimination in the workplace, interviews and documentary review

2014

March - First Synthesis Report (reporting period: February 2012 - March 2013)

March - New Labour Law Guide and Handbook on breastfeeding promotion at work

June - Capacity-building programme for trade union confederations in collaboration with the Paulo Freire University

October - BWN reaches 26 factories

October - Thematic Synthesis Report: Fire Protection

2015

February - BWN reaches over 70% of all workers in the country's export apparel industry

March - Second Synthesis Report (reporting period: January 2014 - January 2015)

March - Opens the first breastfeeding centre supported by BWN

September - Launch of BWN's capacity-building programmes for factory management delivered by the Universidad Centro Americana (UCA): Social compliance and Labor Law, productivity and quality management

2016

May - Industry seminar on Self Reporting

June - Launch of two capacity-building programmes on gender and communication for trade union confederations

August - First international OSH congress in Nicaragua

September - Thematic brief based on independent impact evaluation carried by Tufts University

October - Good Practices in the Clothing and Textile Industry case study

November - Third Synthesis Report (reporting period: April 2015 - April 2016)



Section IV:

Next Steps

This report has combined findings from an independent impact assessment of the Better Work Nicaragua programme conducted by Tufts University, internal data on compliance with ILO core labour standards and national legislation and a qualitative narrative based on BWN's operational experience. This report has aimed at providing an overview of the programme's achievements and challenges since inception to date and to advance future discussions and actions.

Declining trends in noncompliance demonstrate that factories made substantial improvements as they became more mature in their participation in the programme, but these improvements may not last indefinitely. Hence, addressing the root-causes of noncompliance with a stronger focus on management systems and creating a policy environment that is conducive to social dialogue and better working conditions are vital.

To this end, BWN will intensify and expand the delivery of factory assessment, advisory and training services, as well as the adoption of best practices among participating factories. The areas in need of improvement identified in this report suggest priority should be given to: strengthening social dialogue, particularly with respect to the implementation of all conditions in the collective bargaining agreements; fostering a preventive health and safety culture, by im-

proving compliance in the national legislation for work environments, including adequate ventilation, temperature and illumination, as well as worker protection, specifically the use of adequate personal protective equipment; and providing guidance to employers on the implementation of daily legal limits for work shifts, as well as accurate working time records.

In addition, BWN will work towards lasting impacts by strengthening the capacity of the Ministry of Labor to conduct thorough inspections of garment sector factories in accordance with both international labour standards and national labour laws using proven Better Work assessment methodologies. To continue improving working conditions and business practices across the garment sector, BWN will focus on greater ownership of the improvement process in participating factories.

Finally, BWN will strive to foster a policy environment in which a fair, productive garment industry can thrive, by advancing the National Strategy for the Garment Industry and by enhancing collaboration among all national stakeholders. Starting from the first quarter of 2019 and throughout the year, BWN will engage national tripartite partners and multinational businesses in Building Bridges, a training programme with the aim of strengthening labour law governance and achieve a shared vision in the manufacturing sector as a whole.



Annex A:

Annual Report 2018

Reporting Period: April 2017 – September 2018

FACTORIES IN THE REPORTING PERIOD

Between April 2017 and September 2018, Better Work Nicaragua conducted assessment in a total 29 factories. In terms of size, the majority of factories employ over 500 workers. Since the previous reporting period, 2 new factories joined the programme and completed Cycle 1. Most factories completed Cycle 6.

COMPLIANCE SITUATION

Figure 2 presents aggregate non-compliance rates for the 29 assessed factories in the period from April 2017 to September 2018. Non-compliance rates are reported for each cluster point under the eight Core Labour Standards and Working Conditions Clusters.

FIGURE 14. BETTER WORK CYCLE

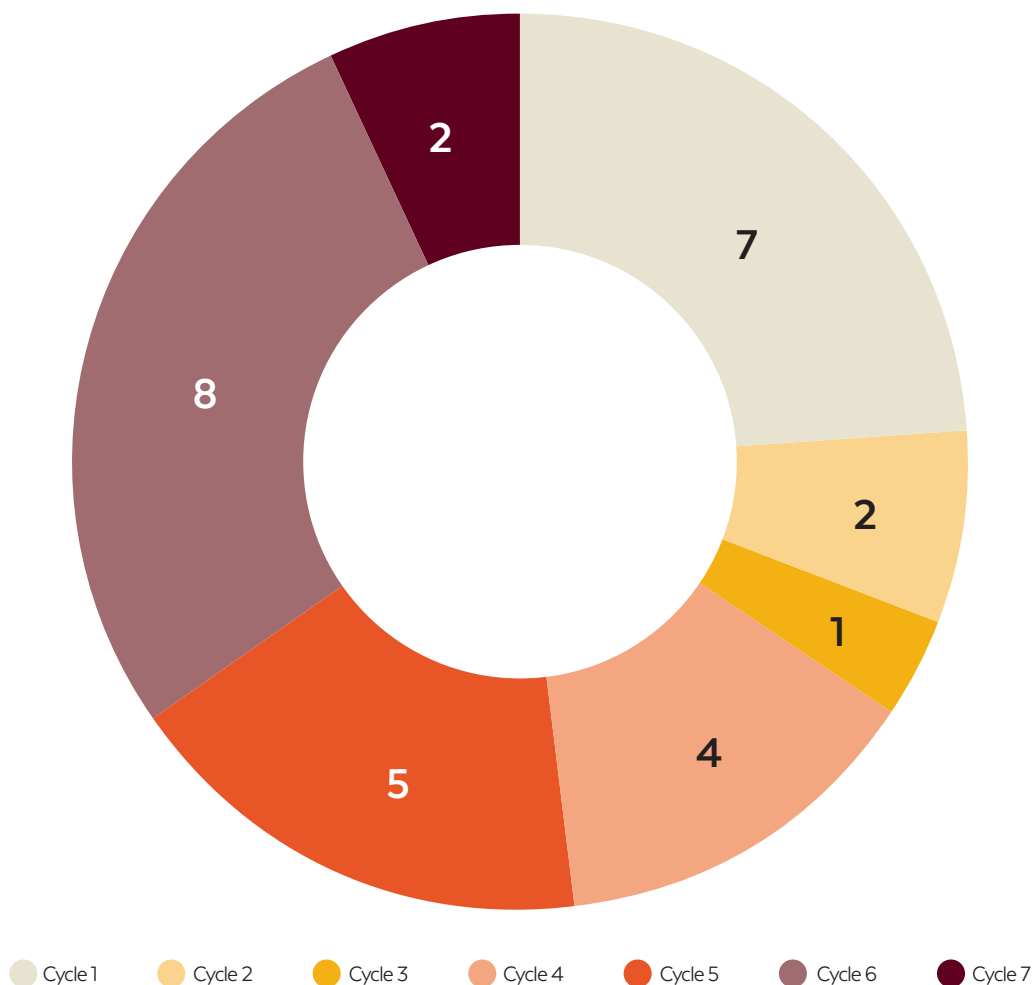
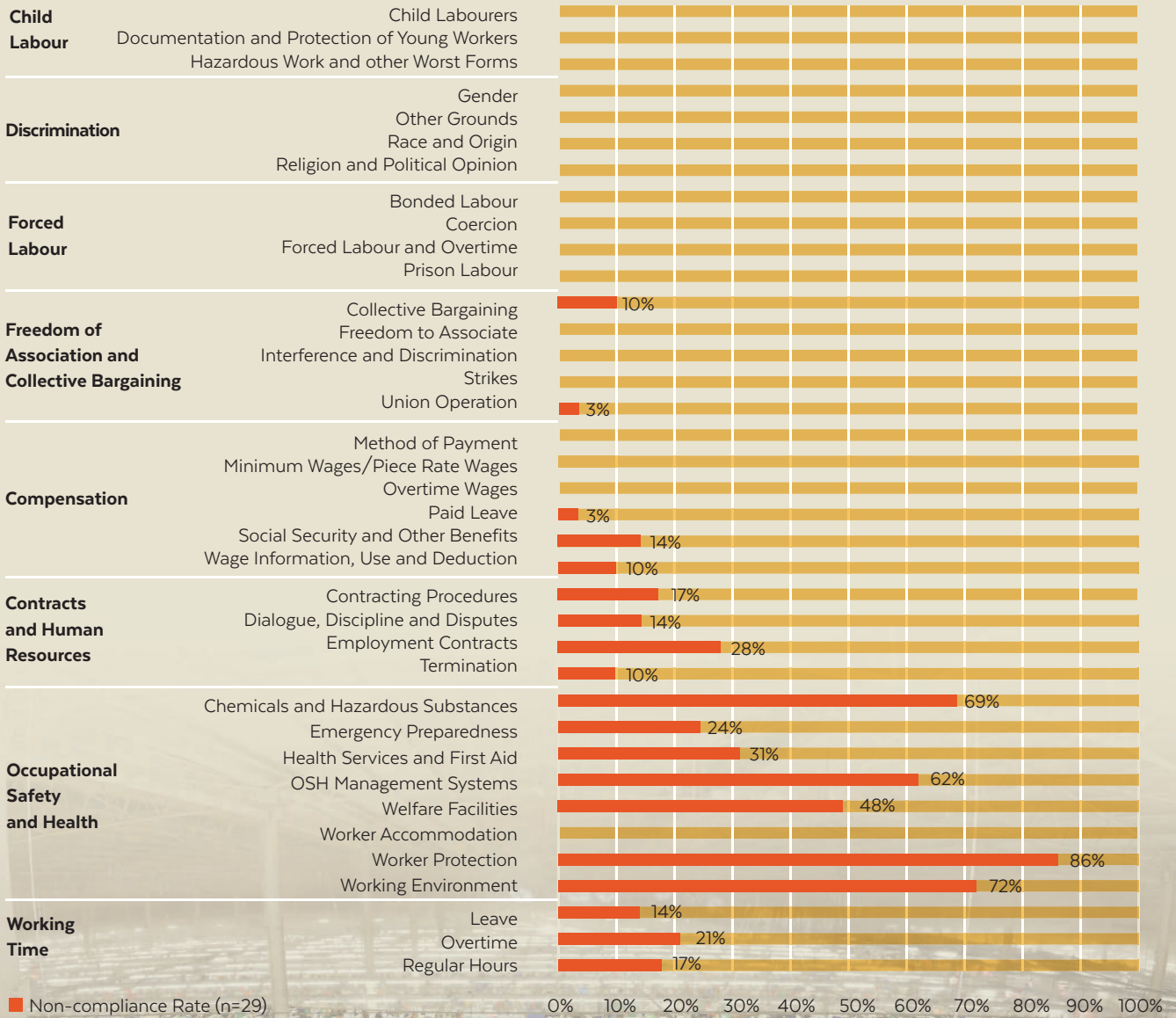


FIGURE 15. NON-COMPLIANCE RATE BY COMPLIANCE POINT



DETAILED FINDINGS

Child labour

There was no evidence found of non-compliance for Child Labour.

Discrimination

There was no evidence found of non-compliance in Compliance Points in the Discrimination Cluster.

Forced labour

There was no evidence found of non-compliance for Forced Labour.

Freedom of association and collective bargaining

Better Work Nicaragua found no non-compliances in the Freedom of Association, Interference and Discrimination, Strikes, or Union Operations Compliance Points.

COLLECTIVE BARGAINING

One factory was found to not consult with the union when required by the collective bargaining agreement.

Three factories (10 percent of factories) failed to implement all provisions of the collective agreement in force.

Compensation

Better Work Nicaragua found no non-compliances in the Method of Payment, Minimum Wages/Piece Rate Wages or Overtime Wages compliance points.

Non-compliances in the Compensation cluster are concentrated in Wage Information, Use and Deduction (10 percent non-compliant factories) and Social Security and Other Benefits (14 percent of factories non-compliant).

PAID LEAVE

One factory was non-compliant in the Paid Leave compliance point due to its inability to pay workers correctly for annual leave.

SOCIAL SECURITY AND OTHER BENEFITS

One factory was out of compliance in the Social Security and Other Benefits compliance point due to its inability to pay workers a 13th month of wages. The National labour law states that all workers should receive a 13th month salary every 12 months of continuous work or its equivalent in case the continuous work is less than 12 months.

Two factories (10 percent) were non-compliant with paying 2% of the gross payroll to INATEC, which is similar to an education fund used for specific trainings and certifications for workers.

Four factories (14 percent) were in non-compliance with accurately sending 18.5% percent of workers' total wages the Nicaraguan Social Security Institute.

Four factories (14 percent) factories did not completely meet the requirements for collecting and forwarding workers' contributions to social insurance funds.

WAGE INFORMATION, USE AND DEDUCTION

Three factories (18 percent) were in non-compliance with keeping one accurate payroll record. Accurate time records are essential in assessing if workers are properly compensated and to ensure suitable working hours, which, in Nicaragua, vary according to the shift.

Three factories (18 percent) did not properly inform workers about wage payments and deductions. This is often due to inadequate systems to inform all workers about payments and other related matters. While, in some instances, management posted information about payments and deductions directly in the workplace, workers were not aware of bonus compensations and social security contributions during interviews.

MINIMUM WAGES/PIECE RATE WAGES

One factory was non-compliant in the Minimum Wage compliance point due to its inability to pay at least minimum wage for temporary and probationary workers.

Contracts and human resources

The non-compliance rates in the Compensation Contracts and Human Resources Cluster are 14 percent for Dialogue, Discipline, 28 percent for Dispute and Employment Contracts, 10 percent for Termination; and 17 percent in the Contracting Procedures compliance point.

CONTRACTING PROCEDURES

During the assessment period, five factories (17 percent) were found non-compliance with the legal requirements for sub-contracted and/or non-production workers in the areas of compensation, contracts, OSH, or working time.

DIALOGUE, DISCIPLINE AND DISPUTES

In one factory, the disciplinary measures did not comply with the company's by-laws approved by the Ministry of Labor.

In three factories (18 percent), workers reported being victims of bullying, harassment, or humiliating treatment. To address this issue, Better Work Nicaragua has been working closely with factory managers and union representatives to avoid all types of abuses, particularly through the provision of the Supervisory Skills training programme.

EMPLOYMENT CONTRACTS

Two factories (12 percent) did not ensure that all persons performing work for the factory, both on the premise and offsite, had a contract. No matter the position held in the factory, all workers are entitled by the law to have a contract, which may differ based on time, activity or position.

Seven factories (24 percent) did not properly specify the terms and conditions of employment relations. Despite all workers are entitled to receive a copy of their contract which must contain a full and detailed description of the activities to be performed during the employment relation, some factories did not specify with clarity these activities. In some instances, the activities specified were not congruent with the contract.

One factory did not ensure that all workers knew or understood the terms and conditions of their employment.

In one factory, not all employment contracts were in compliance with other legal requirements.

TERMINATION

Three factories (10 percent) were not providing workers with adequate severance payments, which should account for workers' total salary (including production incentives).

Occupational safety and health

Non-compliances under the OSH cluster are mainly concentrated within Health Services and First Aid (31 percent), OSH Management Systems (62 percent), Worker Protection (86 percent), and Welfare Facilities (48 percent), while no non-compliances were found in the compliance point for Worker Accommodation.

CHEMICALS AND HAZARDOUS SUBSTANCES

During the assessment period, seventeen factories (59 percent) were found in non-compliance with the requirements of the National Law because they did not properly label chemicals and hazardous substances, while two factories (7 percent) did not store hazardous substances properly.

Eight factories (28 percent) did adequately specify the safety data sheets for chemicals, while one did not keep an inventory of chemicals and hazardous substances in use.

Three factories (10 percent) did not provide adequate

information on the chemicals and hazardous substances they used to the Ministry of Labour.

In four factories (14 percent), washing facilities and cleansing materials were inadequate in the event of exposure to hazardous chemicals.

In terms of prevention of occupational safety and health hazards, five factories (17 percent) failed to take action to prevent and limit workers' exposure to chemicals and hazardous substances, while three factories (10 percent) did not effectively train all workers handling chemicals and hazardous substances.

EMERGENCY PREPAREDNESS

One factory failed to train an appropriate number of workers to use the fire-fighting equipment, while four factories (14 percent) did not elaborate, nor implemented an emergency plan.

In four factories (14 percent), not all emergency exits were adequately marked.

One factory failed to provide adequate fire-fighting equipment during the assessment.

HEALTH SERVICES AND FIRST AID

The main area of non-compliance is with the legal requirements for medical checks for workers in six factories (21 percent).

Four factories (14 percent) did not ensure that there were sufficient readily accessible first aid supplies, while one factory failed to provide first-aid training to all workers.

Three factories (10 percent) did not comply with all requirements on HIV/AIDS.

One factory did not ensure adequate protection from safety and health risks to pregnant or nursing workers.

OSH MANAGEMENT SYSTEMS

Eight factories (28 percent) did not fully comply with the legal requirements for the investigation of work-re-

lated accidents and injuries.

Ten factories (34 percent) were found in non-compliance with the initial industrial hygiene risk assessment, risk map, or annual risk assessment.

Four factories (14 percent) did not designate a person exclusively devoted to OSH promotion, prevention and protection, while two factories (7 percent) failed to set up a joint worker/management OSH committee.

Three factories (10 percent) did not have an OSH license, and three failed to elaborate an OSH training programme.

One factory failed to update the OSH technical organizational regulations (TOR) approved by the Ministry of Labor, while three factories (10 percent) were found in non-compliance with the reporting requirements for accidents to the Ministry of Labor.

With respect to contractors and subcontractors, four factories (14 percent) did not require compliance with OSH standards.

One factory did not properly record work-related accidents and illnesses, while in three factories (10 percent) the steam generator was found in non-compliance with the legal requirements.

WELFARE FACILITIES

The main reason for non-compliance is due to inadequate accessible toilets in eleven factories (38 percent) and to inadequate hand washing facilities and/or soap in three factories (10 percent).

Four factories (14 percent) failed to provide workers with all required personal storage lockers and dressing rooms, while two factories (7 percent) did not ensure adequate kitchen and dining areas. Two factories did not have all required facilities.

WORKER PROTECTION

Fifteen factories (52 percent) were out of compliance with the ergonomic requirements.

According to the national legislation, factories should

provide workers with suitable personal protective equipment. Workers should also be instructed on how to correctly use the personal protective equipment and know how to detect and report any faults. In fifteen factories (52 percent), however, workers were not provided with all necessary personal protective clothing and equipment, while in three factories (10 percent) workers were not effectively trained or encouraged to use it.

Similarly, three factories (10 percent) failed to install and maintain proper guards on all dangerous machines and equipment.

In five factories (17 percent), steam generating machines operators did have valid licenses, while in three factories (10 percent) safety warnings were inadequate.

WORKING ENVIRONMENT

Noise levels and illumination were out of compliance in sixteen and fifteen factories respectively (55 and 52 percent), while eleven factories (38 percent) did not ensure adequate temperature and ventilation levels.

Two factories (7 percent) were not found to be adequately clean during the assessment.

Working time

The non-compliances in the Working Time cluster are 21 percent for Overtime, 17 percent for Regular Hours, and 14 percent for Leave.

LEAVE

Non-compliance under Leave is attributable to issues related to gender equality. One factory did not provide workers with breastfeeding periods, while four factories (14 percent) did not provide the required time off for paternity leave.

REGULAR HOURS

Four factories (14 percent) recorded working times that did not reflect the hours actually worked by workers.

Two factories (7 percent) failed to provide a weekly rest day after six consecutive days of work.

OVERTIME

Four factories (14 percent) failed to provide documentation to prove their authorization for overtime work from the Ministry of Labour, which is granted by the Ministry under extreme circumstances.

Finally, six factories (21 percent) did not limit overtime to three hours per day and nine hours per week.

Annex B:

Factories Covered in this Report

AALFS UNO, S.A.

ANNIC II, S.A

BRANDS OF THE WORLD IN AMERICA, S.A (BWA)
Modulo I

CHOI SHIN NICARAGUA, S.A.

DASOLTEX, S.A

EINS, S.A

Finos Textiles, S.A

Gildan Activewear Rivas II, S.A

GILDAN ACTIVEWEAR SAN MARCOS II, S. A

GRACE FASHION NICARAGUA S.A

HANDSOME NICA, S.A.

HANSAE INTERNACIONAL, S.A (MOD 2, 3, 5)

HANSAE INTERNATIONAL S.A MODULO 1 (MASAYA)

ISTMO TEXTILES, SOCIEDAD ANONIMA

JJ SERIGRAFIA, S.A

Kaltex Argus S.A

New Holland Apparel Nicaragua

Roo Hsing Co. Nicaragua S.A.

SAE-A TECHNOTEX, S.A

SAM KWANG, S.A

SERATEX NICARAGUA, S.A

Sharon Nicaragua, S.A

STAHL S NS Y CIA. LTDA.

Texnica Internacional S.A

TEXTILE UNLIMITED, S.A

Textiles Youm Kwang, S.A

UNIFIRST NICARAGUA, S.A

UNIVERSAL DESIGN NICARAGUA, S.A

USLC APPAREL, S.A

WELLS APPAREL DE NICARAGUA, S.A

Woojoo Textil Nicaragua, S.A

Annex C:

List of Participating Buyers

Disney Worldwide Services

GAP Inc.

Global Brands Group

Levi Strauss & Co

Li & Fung Trading Ltd.

NIKE Inc.

PVH Corp.

Talbots Inc.

Target Corporation

The Children's Place

New Balance Athletics Inc.

Annex D:

Methodology and Limitations

This report draws from Better Work compliance assessment data and impact assessment survey data collected by independent research teams directly from workers and managers. Merging these two sources of data provides opportunities to understand the experiences, work history and perceptions of individuals in the sector, as well as broader dynamics of the industry.

IMPACT ASSESSMENT DATA

The impact assessment of Better Work has been commissioned to Tufts University. One of the strategies adopted to isolate the impact of the programme on workers' lives and factory profitability involved conducting surveys among workers and managers after varying periods of their factories' exposure to Better Work services.

Establishing a causal relationship between Better Work assessments, advisory services and training requires that there be some variation in the exposure to Better Work among otherwise similar firms. While it was not possible to randomly assign factories to the Better Work programme, the timing of assessments is, to some degree, random, since they are unannounced and occurring at an interval between 10 and 14 months. One way to observe factory level impacts of Better Work is to simply look at the change in indicators by assessment cycle. The impact assessment, however, was also designed to pick up the effect of the degree of exposure to Better Work services: in the period after its Better Work assessment, the factory engages in a year-long cycle with Better Work receiving advisory services, industry seminars and training.

At a particular moment, usually shortly after a factory enrolled in the Better Work programme, an initial impact assessment survey would take place. Thirty workers and four managers were selected at random to participate. After an initial impact assessment survey, a random assignment process would determine the interval of time that would elapse before the facto-

ry would participate in a follow-up impact assessment data collection. The time that elapses between the assessment and the data collection is a measure of the dose of Better Work "treatment". The analysis of the difference made by the length of service provision helps researchers identify whether the improvements measured during assessments are being sustained or if they diminish over time.

FACTORY ASSESSMENT DATA

Better Work conducts factory assessments to monitor compliance with core International Labour Standards and the national labour law. Assessment reports highlight non-compliance findings, which are then used to help factories identify areas in need of improvement.

Collecting and reporting these data over time help factories demonstrate their commitment to improving working conditions. Better Work organizes reporting into eight clusters. The first four clusters comprise the core labour standards – Child Labour, Discrimination, Forced Labour, and Freedom of Association and Collective Bargaining.

These standards protect the fundamental rights at work under the ILO's 8 Core International Labour Conventions, and International Labour Standards are used as a baseline for compliance in these four clusters. The remaining clusters – Compensation, Contracts and Human Resources, Occupational Safety and Health, and Working Time – fall under Working Conditions. The compliance points for these areas incorporate differences in national legislation depending on the country of operation. Better Work establishes a benchmark based on international standards and good practices in areas where national laws do not cover or sufficiently address an issue regarding working conditions. The eight clusters are then divided into cluster points (CP), and each CP includes a number of questions, which may vary by country.

	COMPLIANCE CLUSTERS	COMPLIANCE POINTS
Core Labour Standards	1 Child Labour	1. Child Labourers 2. Unconditional Worst Forms 3. Hazardous Work 4. Documentation and Protection of Young Workers
	2 Discrimination	5. Race and Origin 6. Religion and Political Opinion 7. Gender 8. Other Grounds
	3 Forced Labour	9. Coercion 10. Bonded Labour 11. Forced Labour and Overtime 12. Prison Labour
	4 Freedom of Association and Collective Bargaining	13. Union Operations 14. Interference and Discrimination 15. Collective Bargaining 16. Strikes
Working Conditions	5 Compensation	17. Minimum wages 18. Overtime wages 19. Premium Pay 20. Method of Payment 21. Wage Information, Use and Deduction 22. Paid Leave 23. Social Security and Other Benefits
	6 Contracts and Human Resources	24. Employment Contracts 25. Contracting Procedures 26. Termination 27. Discipline and Disputes
	7 Occupational Safety and Health	28. OSH Management Systems 29. Chemicals and Hazardous Substances 30. Worker Protection 31. Working Environment 32. Health Services and First Aid 33. Welfare Facilities 34. Worker Accommodation 35. Emergency Preparedness
	8 Working Time	36. Regular Hours 37. Overtime 38. Leave

Calculating non-compliance

Better Work calculates non-compliance rates for each factory and reports them in individual factory reports. The non-compliance rate is reported for each CP, and a CP is reported as non-compliant if one or more of its questions show evidence of non-compliance. In annual reports, Better Work uses the average compliance rates across all participating factories within the reporting period. For instance, an average non-compliance rate of 100 percent under a question indicates that all participating factories had violations in that area.

LIMITATIONS

Limitations of better work assessment

Detailed factory assessment reports are based solely on what is observed, investigated and analysed during assessment visits. Before the reports become official, factories are given five working days to provide feedback and clarifications, which in some cases impact the language in the final report. Certain issues remain difficult to assess and verify independently. For instance, sexual harassment is difficult to identify during a factory assessment visit. It is generally considered a sensitive issue and is likely to be underreported. The

low literacy level of a large percentage of workers can also affect the integrity of documentation related to workers' consent for overtime work, storing personal documents, disciplinary procedures and employment rights. To overcome such limitations to some extent, information provided by workers and management are crosschecked through representative interview samples and various documents maintained at the factory.

Limitations of calculating non-compliance

The binary 'yes or no' structure of the answers to compliance limits the ability of Better Work to numerically present the severity of non-compliance and is not conducive to capturing the 'levels of non-compliance'. For example, a factory may significantly improve in a particular area but may still not qualify as compliant. While an aggregate and strict indicator, the non-compliance rate is useful for Better Work to compare data across countries and have a general idea of areas of non-compliance in the industry. It is often beyond the capacity of such numbers to fully capture the specific issues observed during factory assessments. Accordingly, it is important to examine the Clusters and CPs in further details to create a more comprehensive understanding of the industry and the overall non-compliance rates.

Annex E:

Factory Count by Assessment Cycle

Year	Cycle 1	Cycle 2	Cycle 3	Cycle 4	Cycle 5	Cycle 6	Cycle 7	Total
2011	1	0	0	0	0	0	0	1
2012	12	0	0	0	0	0	0	12
2013	12	10	0	0	0	0	0	22
2014	5	12	6	0	0	0	0	23
2015	3	4	8	6	0	0	0	21
2016	1	0	7	8	6	0	0	22
2017	2	2	0	6	7	6	0	23
2018	6	1	1	1	3	4	2	18
Total	42	29	22	21	16	10	2	142

END NOTES

- 1 The Central Sandinista de Trabajadores (CST), the Central Sandinista de Trabajadores Jose Benito Escobar (CST-JBE), the Confederación de Unidad Sindical (CUS), and the Central Unitaria de Trabajadores (CUT).
- 2 UNDP data, 2018.
- 3 Banco Central de Nicaragua, 2018.
- 4 Bair, Jennifer, and Gary Gereffi. "Towards Better Work in Central America: Nicaragua and the CAFTA Context." In *Towards Better Work*, 251-75. *Advances in Labour Studies*. Palgrave Macmillan, London, 2014. https://doi.org/10.1057/9781137377548_12.
- 5 Exports are in billions of real (2017) U.S. dollars. Sources: O'Brien and Associates International and CNZF.
- 6 Bair & Gereffi.
- 7 Details on the methodology and limitations are discussed in Annex D.
- 8 Worker-level facts and figures draw primarily from independent research by Tufts University available at go.betterwork.org/impact.



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