



**BetterWork**  
Nicaragua

# Garment Industry 3rd Compliance Synthesis Report

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November 2016



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## Executive summary

The Better Work Nicaragua programme, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) aims to expand decent work opportunities in the textile and apparel sector in Nicaragua and improve the industry's competitiveness by advancing compliance with Nicaraguan Labour law, and the principles of the declaration on Fundamental Principles and Rights at Work of the ILO. It does so by conducting independent assessments of apparel factories, identifying areas where there are gaps in compliance, and offering advisory services and training to address those gaps and to work towards improvement. Better Work Nicaragua conducted the first pilot factory assessments in October 2011, and began formal assessments in February 2012.

The Better Work enterprise assessment consists of four on-site person days, and includes Management, union and worker interviews, document reviews and factory observations. The data collected indicates levels of compliance with labour standards in eight clusters: four based on ILO core labour standards regarding Child Labour, Forced Labour, Discrimination and Freedom of Association and Collective Bargaining; and four based on national law regarding working conditions: Compensation, Contracts and Human Resources, Occupational Safety and Health (OSH), and Working Time. The goal of the assessment is to establish a performance base by which factories can collaborate with Better Work Nicaragua and with participating buyers to make improvements.

At least once a year, Better Work produces public synthesis reports of factory assessments for each Country Programme. The goal of these reports is to provide information for all programme's stakeholders regarding working conditions in participating factories. Independent research commissioned by Better Work provides evidence that public reporting significantly contributes to continuous improvement in compliance.

The first baseline Compliance Synthesis Report by Better Work Nicaragua was published in August 2013. It covered the findings from assessments carried out in the first 20 factories enrolled in the programme. Currently in Nicaragua 24 factories are working with the Better Work Programme, however, this third Compliance Synthesis reports reflects the findings of Better Work Nicaragua's assessment of 21 factories, covering the period from April 2015 to April 2016. This is due to the implementation of an improved service model consisting in providing advisory prior the compliance assessments.

The factories included in this report employ 40,776 workers, of which 52% are women. The Better Work Nicaragua programme is currently covering 60% of the



companies in the industry and over 70% of the total workforce in the apparel manufacturing industry.

This third Compliance Synthesis Report reflects an overall improvement in compliance.

Highlighted in the results of the assessments are the following findings:

- ◆ **Child Labour:** No evidence was found
- ◆ **Forced Labour:** No evidence was found
- ◆ **Discrimination:** No evidence was found

**Freedom of Association and Collective Bargaining:** Three factories failed to implement their existing CBAs. Two of them didn't provide uniforms to workers and one factory failed to provide a copy of its existing CBA to the workers.. One issue of interference was reported in one factory.

**Compensation:** Social Security and Other Benefits and Wage Information, Use and Deduction are the areas of this cluster with the highest level of non-compliance, reaching 29%.

**Contracts and Human Resources:** Compliance in this cluster shows substantial improvements since the previous reports. While all factories continue to comply with all contracting procedures, only three factories failed to implement employment contracts with the correct job descriptions and/or salary information.

**Occupational Safety and Health:** This is the area where the most and highest levels of non-compliance continue to be found, particularly in OSH Management Systems, Working Environment, Health Services and Chemicals and Hazardous Substances.

**Working Time:** Compliance in this cluster shows substantial improvements since the previous reports. Only four factories failed to comply with the weakly overtime limit, mainly during high production peaks. The Local Ministry of Labour, for these cases is entitled to provide special authorizations but factories failed to provide these documents during the assessments.

The programme works with the factories to address these findings through advisory services, meetings with the Performance Improvement Consultative Committee (PICC), and training at all levels.



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## Section I: Introduction and Methodology

### Introduction

The Better Work Programme, a partnership between the International Labour Organization and the International Financial Corporation (IFC) has worked with national and international stakeholders to design Better Work Nicaragua, which was launched in July 2010 and began in-country operations in February 2011. It was established as a cooperative agreement between the Nicaraguan government and the US Department of Labour, which is the principal donor.

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.

At the factory level, the programme provides support for the formation of the Performance Improvement Consultative Committee (PICC) to work on areas identified in the assessment report in a framework of dialogue. In unionized factories, the PICC includes representatives from all unions in the factory. In factories without unions, worker representatives are selected according to guidelines discussed in the social partners who form 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 (CST, CST-JBE, CUS and CUT).

In addition to the in-factory work, Better Work Nicaragua also supports activities with national constituents to strengthen their participation in the programme and their role in sustaining continuous improvements of working conditions. Better Work Nicaragua has been coordinating with the Ministry of Labour to strengthen the skills of labour inspectors. The programme has also supported the development of a capacity-building initiative for union leaders, including leaders at the grass-roots factory level. Recently Better Work Nicaragua has developed an online forum for all supervisors that have trained so they can be in a safe network where they can also share their experiences or ask help in any particular case.



The programme also sponsors an annual Buyers' Forum to promote brand support for the programme, share knowledge, and have access to information on the context and industry actors in Nicaragua, and to encourage brands to increase their commitment to the Nicaraguan apparel manufacturing industry. In July 2014, representatives from 9 brands, together with national stakeholders, participated in Better Work Nicaragua's fifth annual Buyers' Forum, which included discussions on the state of the industry and its prospects after the end of the Trade Preference Levels granted to Nicaragua's textile and apparel industry until December 2014.

## Institutional Context

For the past ten years, Nicaragua's apparel industry has benefitted from Trade Preference Levels (TPLs) granted under the Central American Free Trade Agreement (DR-CAFTA) with the United States. Under these trade preferences, Nicaragua was able to export tariff-free a quantity of specific types of garments with flexible "rules of origin", i.e. exempted from the requirement that garments manufactured in Nicaragua destined to the US market be made with fabric from the DR-CAFTA region. This allowed Nicaraguan companies to use lower-cost fabrics from other regions of the world, and still benefit from duty-free entry into the US market.

The benefits of TPLs expired on December 31st 2014. Although the industry suffered a decrease of 5% in the first period of 2015, currently the apparel sector shows an important growth of 7%. Some companies in Nicaragua are either producing their own fabric or buying from regional suppliers, while other factories have made new alliances with other factories and/or international brands. This is helping the industry to develop in a steady pace even in the absence of the tariff preference levels.

The industry has also sustained its competitiveness on the stability and predictability of minimum wage increases. A series of tripartite agreements that were signed by representatives of government, employers' and workers' organizations between 2008 and 2012, established fixed annual increases of the minimum wage for workers in export-oriented Free Trade Zones, as well as other benefits such as the creation of workplace-based commissariats to provide food baskets at subsidized prices, and government and private sector commitments to initiatives for the construction of low-cost housing. The latest agreement, signed in December 2012, established minimum wage increases of 8% a year, every year from 2014 until 2017<sup>1</sup>. The minimum wage for workers in this sector has increased 16% since the end of 2014.

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<sup>1</sup> In other economic sectors outside of the Free Trade Zones, the law requires minimum wage tripartite negotiations every six months.



In January the Government of Nicaragua released its “Good Governance Plan” for the year 2016, establishing as one of its priorities to increase OSH and labour inspections at all levels, to be more effective in the protection of labour rights and conditions.

The overall economic situation in Nicaragua shows stability and progress. According to official figures of the Central Bank of Nicaragua, at the end of 2015, formal employment grew 10.4%, higher than the reported percentage growth of previous years.

Throughout the years the government of Nicaragua has been seeking the best strategy to promote and protect investments in Nicaragua. Part of the strategy of promotion, development and protection of investments in the country has been the creation of specialized agencies to carry out this task, such as ProNicaragua.

In 2015 the legal framework of the agency ProNicaragua was strengthened with the approval of the Law number 915, to establish the agency and the Presidential Delegation for the Promotion of Investments, Exports and Foreign Trade Facilitation. At the same time the law number 917 was approved, “Law of Free Zones”. Both laws have the objectives of keeping and attracting foreign investment.

## Better Work Methodology

Better Work carries out factory assessments to monitor compliance with international core labour standards and national labour law. Following an assessment, a detailed report is shared with the factory. An aggregated industry-level report is issued at least once a year. In its factory and industry-level reports, Better Work highlights non-compliance findings. The aim of the report is to help factories easily identify areas in need of improvement. Collecting and reporting these data over time will help factories demonstrate their commitment to improving working conditions.

Better Work organizes reporting into eight areas, or clusters, of labour standards. Four of the clusters cover fundamental rights at work and four cover basic conditions at work. Each of the eight clusters is divided into its key components, known as “compliance points.” The tool used to assess compliance (Compliance Assessment Tool) was consulted and endorsed by the members of the Project Advisory Committee.

**Core labour standards:** Adopted in 1998, the ILO Declaration on Fundamental Principles and Rights at Work commits member states to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation. The relevant ILO Conventions from which



the 1998 Declaration derives—29, 87, 98, 105, 100, 111, 138, and 182—provide the framework for assessing non-compliance in the core labour standards clusters across all Better Work country programmes.

**Working Conditions:** The four other clusters assess conditions at work, including compensation, contracts and human resources, occupational safety and health, and working time. The compliance points covered in these clusters are largely consistent across countries; however each compliance point contains specific questions that may vary from country to country due to differences in national legislation. National legislation is used as a reference point even if it is not in accordance with the international conventions that have been ratified by the country. In countries where national law either fails to address or lacks clarity around a relevant issue regarding conditions at work, Better Work establishes a benchmark based on international standards and good practices.

Nicaragua has ratified sixty-one ILO conventions, including the eight core conventions.

The detailed list of compliance points appears in the table below.

	Compliance Clusters		Compliance Points
Core Labour Standards	1	Child Labour	1. Child Labourers 2. Documentation and Protection of Young Workers 3. Hazardous Work and Other Worst Forms
	2	Discrimination	4. Race and Origin 5. Religion and Political Opinion 6. Gender 7. Other Grounds
	3	Forced Labour	8. Coercion 9. Bonded Labour 10. Forced Labour and Overtime 11. Prison Labour
	4	Freedom of Association and Collective Bargaining	12. Freedom to Associate 13. Union Operations 14. Interference and Discrimination 15. Collective Bargaining 16. Strikes
Working Conditions	5	Compensation	17. Minimum wages/Piece rate 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. Dialogue, 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 these in individual factory reports. The non-compliance rate is reported for each subcategory, or compliance point, within a cluster. A compliance point is reported to be non-compliant if even one question within it is found in non-compliance.

In public synthesis reports, Better Work calculates the average non-compliance rates for all participating factories in each of these same sub-categories. For example, an average non-compliance rate of 100% means that all participating factories were found to have at least one non-compliance in that point.

While it is a strict indicator, the non-compliance rate is useful for Better Work to aggregate and compare data across countries. However, this number is not sufficient to fully describe the context and specific issues that enterprise advisors have observed during their assessment. For this reason, tables presenting non-compliance findings at the question level are also presented in Section II with the title of In Focus Tables. These tables allow the reader to fully appreciate both the context and the specific challenges in compliance identified in factory assessments.

## Note on the factories represented in this report

This report reflects the findings of Better Work Nicaragua's assessment of 21 factories, covering the period from February 2015-January 2016. Of these factories, 18 were assessed more than once by Better Work Nicaragua. Four factories have been assessed twice, 7 had been assessed three times, and 7 had been assessed four times.



The synthesis reports present a snapshot of the non-compliance situation in the industry based on the participating factories at the time of the assessment. As factories are assessed once per year, in some cases the data included in the synthesis reports is older than 6 months, and may not reflect improvements and progress made since then.

## **Limitations in the Assessment Process**

The assessments carried out by Better Work follow a thorough checklist of approximately 280 questions covering the above-mentioned labour standards. Information is gathered through a variety of sources and techniques, including document reviews, observations on the factory floor, and interviews with managers, workers and union representatives. The detailed factory assessment reports are based solely on what was observed, investigated and analysed during the performance of the actual assessment. Before the reports become official, factories are given seven days to provide feedback that may in some cases impact the final report language.

Freedom of association is an area that can be difficult to assess. In a multiple-union context, allegations of unequal treatment, discrimination and interference directed towards newly forming or existing unions can be difficult to verify. Better Work Nicaragua has dealt with this challenge by strengthening the expertise of its team in Industrial Relations working with the Better Work Global programme to develop tools and methodologies and by working with local stakeholders at both the sector level and the factory level to strengthen social dialogue.



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## Section II: Findings

### Average Non-Compliance Rates

Chart 1 provides an overview of average non-compliance rates for factories covered in this report. Key findings are provided below, followed by a section with additional details.

#### I. IN THE AREAS OF CORE LABOUR STANDARDS:

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1. Child Labour: No evidence of non-compliance was found.
2. Discrimination: No evidence of non-compliance was found.
3. Forced Labour: No evidence of non-compliance was found.
4. Freedom of Association and Collective Bargaining: The highest non-compliance rate for this cluster was 14% in collective bargaining, since 3 factories were not able to fully implement one of the provisions in their existing CBA.

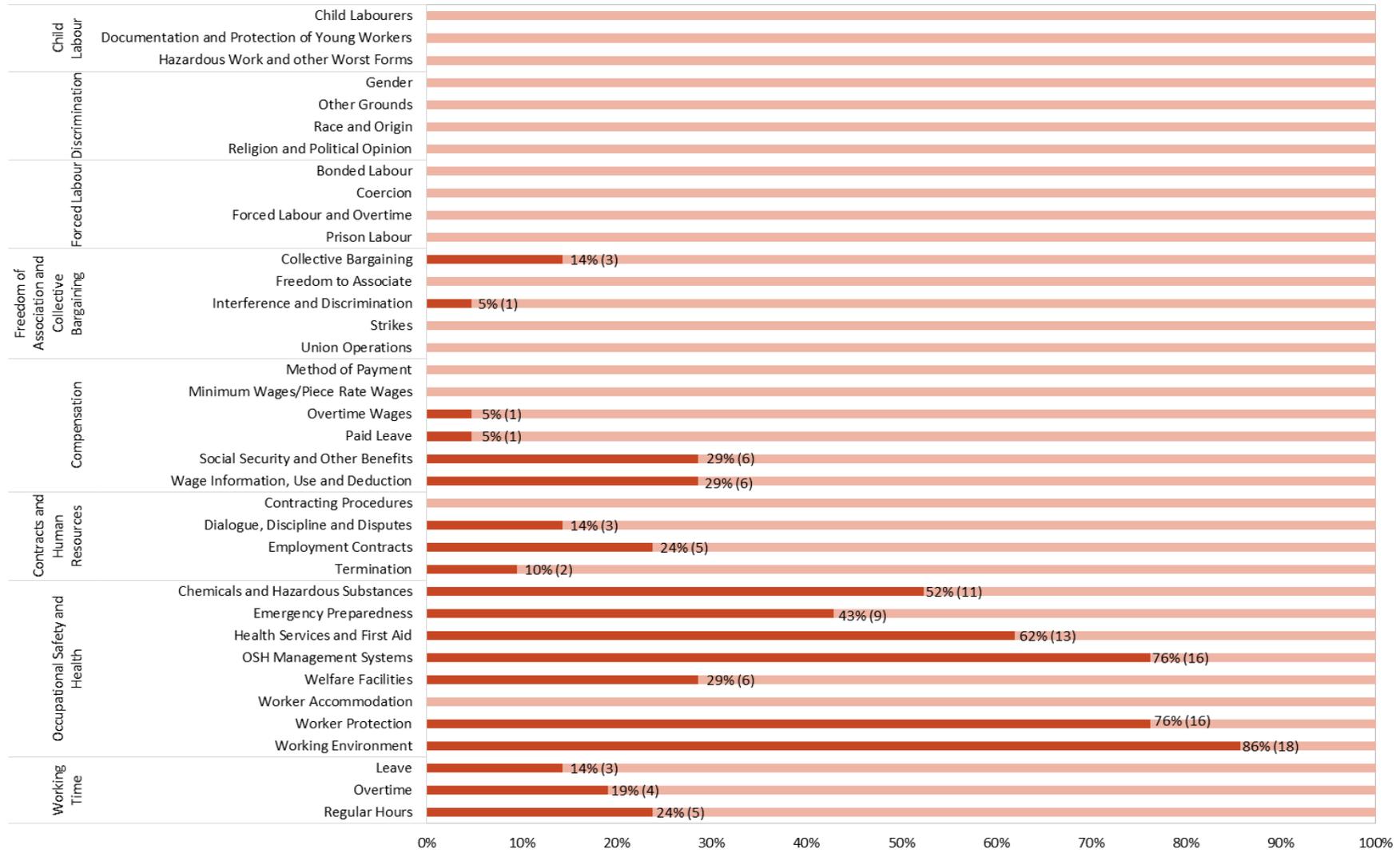
#### II. IN THE AREAS OF WORKING CONDITIONS (NATIONAL LABOUR LAW):

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5. Compensation: Social Security and Other Benefits and Wage Information, Use and Deduction, are the areas of this cluster with the highest level of non-compliance reaching 29%.
6. Contracts and Human Resources: The area with the highest rate of non-compliance was Employment Contracts, with 5 factories non-compliant, representing a 24% non-compliance rate.
7. Occupational Safety and Health: This cluster shows great improvement since last year, however, the working environment is still an issue. 86% of the factories fail to comply in at least one of the working environment requirements.
8. Working Time: Under this Cluster, Compliance Points for Overtime and Regular Hours have at least 4 factories that were found to have workers working over the legal limit, reaching 24% as its maximum of non-compliance rate.



Chart 1: Average non-compliance rates





## Detailed Findings

This section describes the level of non-compliance across participating factories for each sub-section (Compliance Point) within each of the eight categories and, through the In Focus Tables; it presents detailed findings at the question level.

### 1. CORE LABOUR STANDARDS

#### A. CHILD LABOUR

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

#### B. DISCRIMINATION

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There was no evidence found of non-compliance for Discrimination.

#### C. FORCED LABOUR

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

#### D. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

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The highest non-compliance rate for this cluster was 14% in collective bargaining, since 3 factories were not able to fully implement one of the provisions in their existing CBA. One issue of interference was reported in one factory, reflected on sanctioning a union representative.

### 2. WORKING CONDITIONS

#### E. COMPENSATION

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#### In Focus 1 Social Security and Other Benefits

<i>Question</i>	<i># factories out of compliance</i>
Does the employer comply with requirements to collect and forward workers' contributions to social insurance funds?	5
Does the employer pay 2% of the gross payroll to INATEC?	6
Does the employer pay the correct percentage of workers' total wages to the Nicaraguan Social Security Institute?	6



Does the employer pay workers a 13th month of wages?	0
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### In Focus 2: Wage Information, Use and Benefits

<i>Question</i>	<i># factories out of compliance</i>
Does the employer keep only one accurate payroll record?	5
Does the employer properly inform workers about wage payments and deductions?	5
Has the employer made any unauthorized deductions from wages?	0

Workers from all factories are receiving their salaries and the 13<sup>th</sup> month the correct way, however, five factories are still keeping double booking. At the same time, not keeping a single payroll may also reflect incomplete legal deductions for Social Security or INATEC (Technology Institute). Most of the factories are deducting and paying these deductions the correct way, but some are just including deductions based on the minimum wage and not the total salary earned which includes cash overtime and production commissions and incentives.

## F. CONTRACTS AND HUMAN RESOURCES

### In Focus 3 Employment Contracts

<i>Question</i>	<i># factories out of compliance</i>
Do all persons who perform work for the factory, both on the premises and offsite, have a contract?	0
Do the employment contracts comply with other legal requirements?	0
Do the employment contracts specify the terms and conditions of employment relation?	4



Do the internal by-laws comply with legal requirements?	1
Do workers know and understand the terms and conditions of their employment?	0

All factories have employment contracts but some of these contracts do not specify terms or conditions of employment. Four factories failed in demonstrating their employment contracts specify the terms and conditions of employment, and in some occasions this is because they do not update old employment contracts.

#### In Focus 4 Dialogue, Discipline and Disputes

<i>Question</i>	<i># factories out of compliance</i>
Do the disciplinary measures comply with the company's by-laws approved by the Ministry of Labor?	0
Have any workers been bullied, harassed, or subjected to humiliating treatment?	3

In three factories some interviewed workers of different lines are not satisfied with the way supervisors give instructions to them. In some occasions these workers feel abused and harassed by their direct supervisors.

#### G. OCCUPATIONAL SAFETY AND HEALTH

##### In Focus 5 Working Environment

<i>Question</i>	<i># factories out of compliance</i>
Are the noise levels acceptable?	16
Is the temperature and ventilation acceptable?	9
Is the workplace adequately lit?	2
Is the workplace clean and tidy?	1



This area of compliance has improved in recent years, but 16 factories are still having problems with noise levels over legal limits at the work place. Noise is often reduced with protective equipment, however workers do not consistently use this equipment. Ventilation is another issue that needs further improvement.

### In Focus 6 Worker Protection

<i>Question</i>	<i># factories out of compliance</i>
Are appropriate safety warnings posted in the workplace?	1
Are electrical wires, switches and plugs properly installed, grounded, and maintained?	1
Are proper guards installed and maintained on all dangerous moving parts of machines and equipment?	0
Are workers effectively trained and encouraged to properly use the personal protective equipment and machines?	2
Do steam generating machine operators have valid licenses?	1
Does the employer comply with ergonomic requirements?	15
Does the employer provide workers with all necessary personal protective clothing and equipment?	14

Personal Protective Equipment and Ergonomics are still big issues that factories have. This year 15 factories failed to show proper ergonomic requirements for its workers, and 14 factories failed to prove they are providing enough protective equipment to all workers in areas that need protection.

In most of the cases of non-compliance with the ergonomic requirements, the factories are providing equipment and chairs for workers, however, the chairs and other accessories such as pads, do not comply with the National OSH law requirements.



### In Focus 7 OSH Management Systems

<i>Question</i>	<i># factories out of compliance</i>
Does the employer have an OSH license?	2
Does the employer have updated OSH technical organizational regulations (TOR) that are approved by the Ministry of Labor?	1
Does the employer record and investigate work-related accidents and illnesses, and indicate the technical recommendations necessary to prevent them?	5
Does the employer record work-related accidents and illnesses?	0
Does the employer report both accidents and non-occurrences to the Ministry of Labor?	1
Does the factory require contractors and sub-contractors to comply with OSH standards?	3
Does the steam generator comply with legal requirements?	3
Has the employer designated a person exclusively devoted to OSH promotion, prevention and protection?	1
Has the employer done an initial industrial hygiene risk assessment, a risk map, and annual risk assessments?	12
Has the employer elaborated an OSH training program?	0
Has the employer set up a joint worker/management OSH committee?	1

Twelve factories were found non-compliant for not conducting initial risk assessments, risk map, and annual risk assessments. The lack of expertise and follow up in this area are some of the reasons for non-compliance. In some cases factories have risk maps but not properly elaborated or have not been posted as stated in the law.



### In Focus 8 Health Services and First Aid

<i>Question</i>	<i># factories out of compliance</i>
Does the employer address safety and health risks to pregnant or nursing workers?	1
Does the employer comply with legal requirements regarding medical checks for workers?	12
Does the employer comply with requirements on HIV/AIDS?	2
Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/supplies in the workplace?	4
Has the employer provided first-aid training for workers?	0

Twelve factories were found non-compliant regarding medical checks for workers. In most of the cases factories are conducting these medical checks for workers every year as stated in the local law. However, the number of medical examinations is lower than the total number of workers, showing that they are carried out only among a portion of the total workforce.

### In Focus 9 Chemicals and Hazardous Substances

<i>Question</i>	<i># factories out of compliance</i>
Are chemicals and hazardous substances properly labelled?	10
Are chemicals and hazardous substances properly stored?	1
Does the employer have chemical safety data sheets for the hazardous chemicals used in the workplace?	5
Does the employer keep an inventory of chemicals and hazardous substances used in the workplace?	2
Does the employer provide adequate washing facilities and cleansing materials in the event of exposure to hazardous chemicals?	1



Does the employer provide information on the chemicals and hazardous substances used in the workplace to the Ministry of Labour?	4
Has the employer effectively trained workers who work with chemicals and hazardous substances?	0
Has the employer taken action to, prevent and limit workers' exposure to chemicals and hazardous substances?	1

Properly labelling substances continues to be an issue. This year 10 factories failed to comply, and in most of the cases this is because they did not label properly secondary containers, or did not have the right and legal specifications in the containers. Without the right names and specifications, no specific measures can be determined for protection or acting in emergency cases.

## H. WORKING TIME

### In Focus 10 Overtime

<i>Question</i>	<i># factories out of compliance</i>
Does the employer obtain prior authorization to work overtime from the Ministry of Labor when required?	2
Is overtime limited to three hours per day and nine hours per week?	4
Is overtime voluntary?	0

### In Focus 11 Regular Hours

<i>Question</i>	<i># factories out of compliance</i>
Do regular daily or weekly working hours exceed the legal limit?	1
Do the working time records reflect the hours actually worked?	4



Does the employer provide a weekly rest day after six consecutive days of work?	2
Does the employer provide required daily break periods?	0

In 4 factories the time records did not reflect the hours actually worked. In most of the cases overtime or work in rest days was hidden from records and/or paid in cash to workers. The legal overtime limit for a week period according to the Labour Law of Nicaragua is nine hours. During the assessment period, one factory failed to comply with the law, having workers exceeding the legal overtime limits for a consecutive six month period.

## Compliance Effort

Compliance effort relates to the changes in non-compliance for each compliance point between factories' current assessment and their previous one. Compliance effort refers only to the factories that were registered with Better Work Nicaragua in both cycles. It must be noted that, as the compliance effort is an aggregate indicator for all factories that have been assessed at least twice by Better Work Nicaragua, it is sensitive to simultaneous changes in non-compliance. For example, if a factory moves from being non-compliant to compliant and another factory that had no non-compliance findings now is non-compliant in the same compliance point, the two would level each other out with no change in compliance effort. In Chart 2, one can see the number of percentage points' difference in the non-compliance rates between the two reporting periods.

Among the 18 factories included in the current reporting period that have been assessed more than once, 14 factories improved their performance on the number of non-compliances. And 3 factories had higher number of non-compliances in this period than in the previous one. One factory experienced no change.

Most changes in aggregate non-compliance rates from the baseline were small and represent a change in the compliance status of a single factory. The most significant areas of change in aggregate compliance are listed below. These most significant changes all represent a positive effort toward greater compliance.

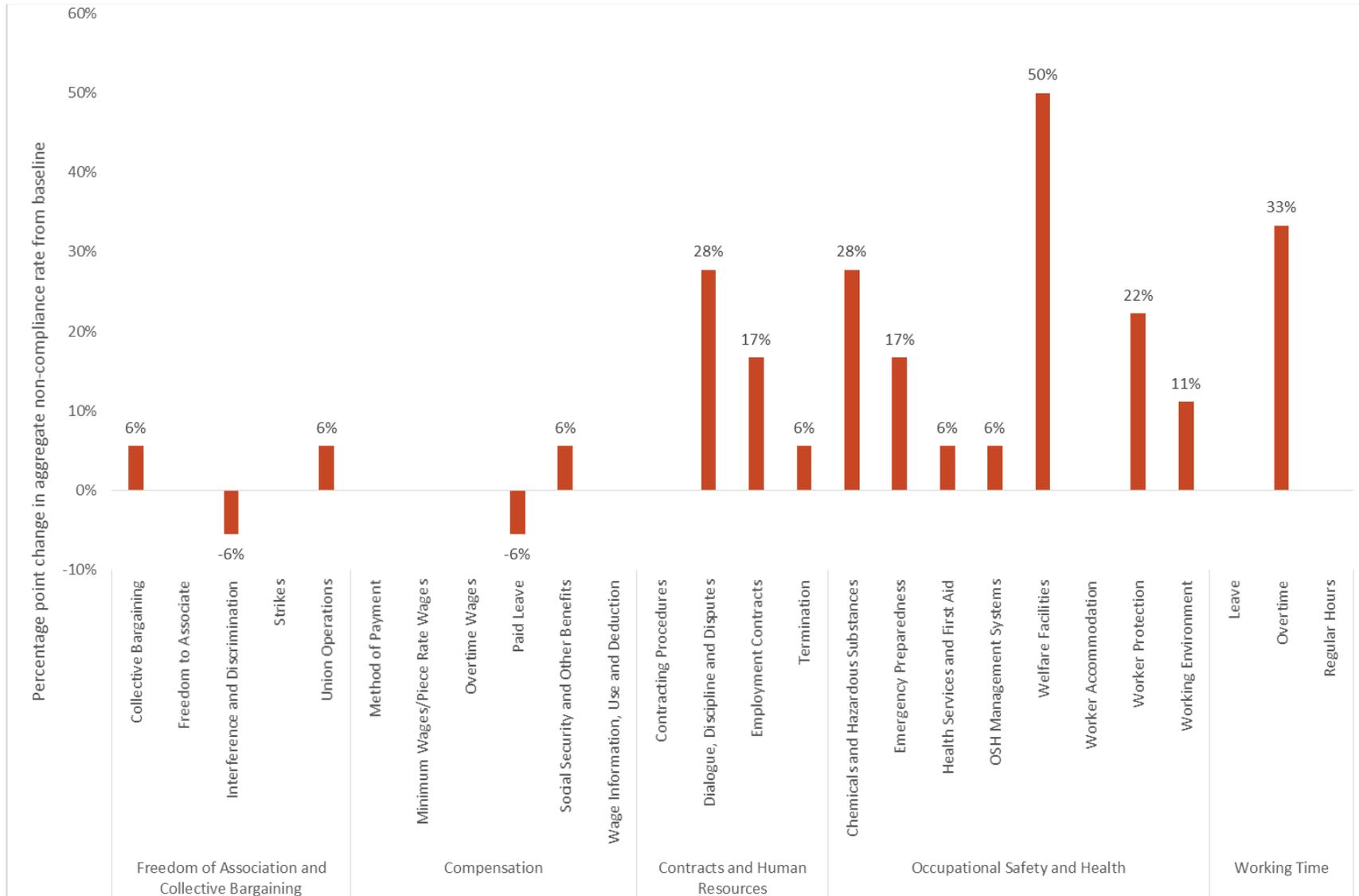
- ◆ **Welfare Facilities.** The Welfare Facilities compliance point represents the largest collective improvement in compliance – 50 percentage points – since the prior assessment, among the subset of factories assessed twice. Whereas 72% of factories were initially non-compliance in this area, which covers such workplace issues as access to safe water and adequate toilet facilities, only 22% of factories were non-compliant in their latest assessment.



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- ◆ Overtime. Only two factories were found out of compliance with overtime regulations in their latest assessment, down from eight factories initially. This represents a collective improvement of 33 percentage points.
  - ◆ Dialogue, Discipline and Disputes. Collectively the factories included in this effort analysis have improved their compliance record in Dialogue, Discipline, and Disputes by 27 percentage points.
  - ◆ Chemical and Hazardous Substances: In the period analysed, there was also a 27 percentage point increase in compliance in the area of Chemical and Hazardous Substances. The most frequently cited non-compliance question in this cluster relates to the labelling of such hazardous material.



Chart 1 : Compliance Effort





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## Section III: Conclusions

### Conclusions and Next Steps

Better Work Nicaragua is currently working with 24 factories of the textile and apparel industry representing over 60% of the total textile and apparel factories in the country. This compliance synthesis reports includes 21 factories due to the implementation of a new and improved service model consisting on providing advisory services prior any compliance assessment. This report provides a window through which to discern trends in the current state of working conditions in the apparel industry in Nicaragua. It also reflects improvements made in factories since the programme's inception, as well the areas that warrant further attention as opportunities for improvement.

Among the key findings and conclusions of this report are:

- ◆ As in the baseline report, there were no findings of Child Labour or Forced Labour.
- ◆ Despite notable improvements, the area of Occupational Safety and Health continues to pose challenges, with the highest rates of non-compliance of all compliance clusters. The areas of worker protection and working environment are two main areas that merit attention. Nicaragua has a robust labour legislation regarding workplace safety and health, as well as multi-institutional mandates to monitor and enforce it. Better Work Nicaragua will continue to coordinate efforts with the relevant government institutions to maintain focus and attention to these areas, particularly in awareness-raising and training. Better Work Nicaragua's upcoming focus on Management Systems – both in assessment with the inclusion of new management systems questions in the Compliance Assessment Tool, and in advisory and training – will help strengthen management and workers' capacity to address these OSH issues in sustainable ways. The programme has already developed and implemented a training tool for management to investigate accidents properly. It has also developed training modules to address issues such as road safety, identified by Better Work Nicaragua as one of the most frequent causes of accidents in the trajectory to and from the factory. Better Work Nicaragua will also continue to roll out training in factories on Fire Safety and Emergency Preparedness.
- ◆ While there were improvements in employment contracts, more than a third of the factories assessed still needed to specify correctly the terms and conditions of employment. This is particularly the case for specifying remuneration and making clear how the portion wages corresponding to incentives are defined. By and large, incentives are still not clearly defined



and understood by workers. In some cases, rather than functioning as rewards for efficiency and greater productivity, incentives are assigned at the discretion of supervisors or middle management, and granted or denied as disciplinary measures. This is an area that Better Work Nicaragua has placed much focus, to understand better practices for incentives.

- ◆ The area of Working Time has emerged in this reporting cycle as an area that merits attention, as there has been an increase in non-compliance, particularly regarding excessive overtime. The percentage of factories exceeding the legal limit of three hours per day and nine hours per week (53%) has risen since the previous report. This is an issue that warrants more attention and root-cause analysis – including buyers' role – as to the factors contributing to this trend.

Better Work Nicaragua will continue to work on the issue of verbal abuse, through training of supervisors and middle management on soft skills related to better personnel management, instructions, and disciplinary procedures and practices. It has also developed and adapted materials for training on prevention and dealing with cases of sexual harassment, an issue that is difficult to detect through two-day assessments. Better Work Nicaragua's materials and training on this issue focus on awareness of what is and what isn't sexual harassment, on prevention, and on the importance of proper mechanisms and procedures for addressing the issue in the work place.

Better Work Nicaragua has made important strides supporting factories in addressing the findings, through training and advisory services, including the formulation of Improvement Plans, tracking progress through Progress Reports, and training workers and managers to address these issues in the Performance Improvement Consultative Committees (PICCs). PICCs are fully functioning in 20 factories, and 4 are in formation. The PICCs have served to encourage management and workers to focus on compliance issues in a framework of dialogue. This has been particularly helpful in factories with multiple unions, by facilitating spaces to address common interests regardless of union differences.

Finally, in addition to in-factory work, Better Work Nicaragua has also focused efforts to strengthen relations to social partners to address and sustain compliance in broader, institutional capacities. It has developed and supported training for Ministry of Labor inspectors, particularly regarding inspection techniques. It has supported a capacity-building program for trade union leaders, that includes grass-roots leadership so that they can engage proactively in the programme; and it will be engaging the employers' association in discussing and designing strategies for the sector in a post-TPL context.



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The apparel industry in Nicaragua will be facing important challenges this year and in the near future. The Better Work programme will continue to work with factories as well as with its social partners, so that they can address those challenges and ensure that the industry remains committed to decent standards of work.



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## Annexes

### Annex A: Factories covered in this report

1. AALFS UNO, S.A.
2. ANNIC, LLC
3. DASOLTEX, S.A
4. EINS, S.A
5. FLYING NEEDLE, S.A
6. FORMOSA TEXTIL (NICA), S.A
7. Gildan Activewear Rivas, S.A
8. GILDAN ACTIVEWEAR
9. GRACE FASHION INDUSTRY S.A
10. HANDSOME NICA, S.A.
11. HANSAE NANDASMO
12. HANSAE-NIQUINOHOMO
13. ISTMO TEXTIL NICARAGUA, S.A
14. Kaltex Argus S.A
15. New Holland Apparel Nicaragua
16. RooHing Co. (Nicaragua) S.A
17. SAE-A TECNOTEX, S.A
18. SERATEX NICARAGUA, S.A
19. TEXNICA, S.A
20. TEXTILE UNLIMITED, S.A
21. TEXTILES VALIDOS INTL., S.A.
22. UNIFIRST NICARAGUA, S.A
23. USLC APPAREL, S.A
24. WELLS APPAREL DE NICARAGUA S.A

### Annex B: Buyers participating in Better Work Nicaragua (this reporting period)

1. Gap Inc.
2. Levi Strauss
3. Target
4. Walmart
5. Adidas
6. Fishman & Tobin
7. Sears
8. Patagonia
9. Talbots



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10. Underarmour
  11. The Children's Place
  12. Kohl's