Better Work in Central America: Assessing the Opportunities for Upgrading in Nicaragua’s Apparel Sector

Jennifer Bair
Department of Sociology, University of Colorado at Boulder

Gary Gereffi
Center on Globalization, Governance & Competitiveness, Duke University

26–28 October 2011
International Finance Corporation, Washington DC
Structure of Talk

I. The CAFTA Context: Recent Trends in the post-MFA Apparel Industry

II. Nicaragua’s Textile and Apparel Value Chain

III. Key Findings: Opportunities and Obstacles for Upgrading

IV. Recommendations for Better Work Nicaragua

Better Work in Central America
J. Bair and G. Gereffi
Jennifer.bair@colorado.edu
I. The CAFTA Context:
U.S. Apparel Imports from Major Suppliers, 1990-2009

Better Work in Central America
J. Bair and G. Gereffi
Jennifer.bair@colorado.edu
I. The CAFTA Context:
U.S. Apparel Imports from CAFTA Region, 1995-2009

Better Work in Central America
J. Bair and G. Gereffi
Jennifer.bair@colorado.edu
II. Nicaragua’s Textile and Apparel Value Chain

- In 2010, 65 apparel factories in Nicaragua employing 53,000 workers represented
  - 46% of the number of establishments in EPZ sector
  - 72% of employment in EPZ sector
  - Between summer 2010 and summer 2011, number of apparel jobs grew from 53,000 to 65,000
  - Exports have increased 16% between 2006 (year CAFTA went into effect in Nicaragua) and 2010

- Strong presence of U.S. and Korean firms; Absence of domestically-owned apparel factories in EPZ sector

- Key products are knit shirts, boys’ and men’s cotton trousers

- Reputation for “basic products” but small number of firms making high value-added garments, such as uniforms for professional sports teams, career wear and lingerie
II. Nicaragua’s Textile and Apparel Value Chain: Key Actors and Relationships

United States

U.S. Buyers

U.S. Government

ILO Better Work

United States

Nicaragua

Alpha Textil

U.S. Tex. Mills

Woven A

Knit A

Local Stakeholders

Industry inc. ANITEC

Unions

Gov’t inc. CNZF

Mexico

CAFTA-DR

Honduras

Argentina

Textile Import

Textile Manufacturer

Apparel Factory

Apparel Export

Mexican mills

US Tex.

Alpha TexFl

ICELA

Local Stakeholders

Industry inc. ANITEC

Unions

Gov’t inc. CNZF

ILO Better Work

Textile Import

Textile Manufacturer

Apparel Factory

Apparel Export
III. Key Findings: Opportunities and Obstacles to Upgrading

- Total of 54 interviews conducted by authors during research trips made in fall 2010 and summer 2011
  - 32 were with companies (of which 27 were apparel mfrs.)
  - 12 with government agencies and other stakeholders

1. Nicaragua’s strengths include positive record of labor compliance and robust institutional environment
   - Tripartite Agreement signed in March 2009
   - Tripartite Commission established in January 2010 to institutionalize dialogue and cooperation among stakeholders
   - But skepticism among factories about benefits of Better Work
III. Key Findings cont.: Opportunities and Obstacles to Upgrading

2. Textile is weak link in Nicaragua’s value chain
   - No local textile production although govt. courting investment
   - Makes Nicaragua heavily dependent on TPLs set to expire in 2014
   - Creates difficulties for manufacturers because compliance with TPL plus one-to-one rule not always in their control
   - Climate of anxiety and uncertainty prevails, as government pursues possible extension of TPLs

3. Full package capabilities limited
   - Some companies are adding pre- and post-production activities
   - Training varies widely and government program (INATEC) underutilized
   - Turnover high, especially among knit firms

Better Work in Central America
J. Bair and G. Gereffi
Jennifer.bair@colorado.edu
IV. Recommendations for Better Work Nicaragua

1. Nicaragua presents important opportunities for Better Work to pursue “second generation compliance issues” given comparatively bright prospects for social dialogue.

2. Tackling these issues will require root cause analysis, including possible role of buyer purchasing practices as a factor in non-compliance.

   - Must have commitment and meaningful participation from both sourcing and CSR staff.
   - Addressing question of incentives: What do brands/buyers get from participating? Why should local factories participate, particularly those not producing for the brands targeted by Better Work?

3. Need for high quality advisory services, possibly developed in cooperation with existing institutions such as INATEC to help ensure sustainability of gains post-Better Work.