

Improved Employee Relations Boost Latin American Firms

By Lorin Kavanaugh-Ulku



Employees like this woman in Nicaragua are enjoying better workplace relations with their colleagues and supervisors as a result of a USAID program that helps company leaders become better managers.

Morale among the factory employees was low. Their productivity was declining and the company was struggling to stay competitive.

An anonymous survey determined what Jorge Duarte Diaz, the manager of this jeans manufacturing firm in Managua, Nicaragua, already knew – workers felt disconnected from the management team and from the leadership’s decision-making process.

The company needed to change – and soon – if it was going to survive. “We had many problems and we were struggling,” said Duarte Diaz. “Communication between the workers and managers was the biggest problem.”

In an effort to save his company and stabilize employee relations, Duarte Diaz participated in the CIMCAW (Continuous Improvement in the Central American Workplace) labor standards training program.

Since 2004, the CIMCAW Alliance, a USAID-supported initiative, has been helping local Central American apparel suppliers in Nicaragua and the Dominican Republic create a better workplace and is now expanding to Guatemala and Honduras. CIMCAW has also been working with Labor Ministry inspectors in El Salvador and is pushing to work at the factory level there. The improved atmosphere in turn will help them meet the demand for high-quality apparel, produced under internationally acceptable working conditions, for brands such as Limited Brands, Timberland, Gap, and more recently – Wal-Mart.

In the target countries, local NGOs provide training for managers and workers to identify and resolve gaps in compliance issues such as forced overtime, improper health

and safety practices, communication, and maternity leave. In so doing, factories aim to become compliant with their respective national legislation and the International Labor Organization's Core Labor Standards, and to increase worker morale and productivity.

CIMCAW is also helping raise labor standards – one goal of the Central American Free Trade Agreement – Dominican Republic (CAFTA-DR) – by emphasizing worker empowerment and the importance of trade unions in growing their industrial base.

“The CAFTA-DR Free Trade Agreement opens the door to new markets for Nicaragua,” said Alex Dickie, USAID/Nicaragua mission director. “The goal of this alliance is to help increase the productivity and competitiveness of Nicaragua's enterprises to take advantage of the opportunities of CAFTA-DR. These businesses can play a catalytic role in their communities by creating jobs and being a role model.”

For Duarte Diaz's company, the training addressed issues such as freedom of association, gender discrimination, employee rights and obligations, and child labor. Workers and managers determined that to become more competitive and attractive to U.S. apparel companies, employers needed to create an open-door policy where employees had access to all levels of management.

The company will develop a series of indicators to track new policies and measure productivity, turnover rates, new client orders, and quality of life for workers. It also established a communication program with the union and set up a suggestion box.

“The trainings were very important for worker empowerment and initiative, as well as building trust between workers and managers,” said Duarte Diaz. Without the training, “the factory would still be searching for solutions to its problems and struggling to improve competitiveness.”

So far, the \$3.7 million alliance, implemented by Development Alternatives Inc., has trained and disseminated information to an estimated 40,000 people from the private sector, unions, NGOs, and multinational brands. By September 2008, when the CIMCAW Alliance expires, alliance members expect to have reached over **50,000** workers directly and indirectly through the training program.