




ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY



LABOUR MARKET PROFILE

2015

NICARAGUA



Danish Trade Union Development Agency's
Analytical Unit
Copenhagen, Denmark



PREFACE

The Danish Trade Union Development Agency (DTDA) presents this Labour Market Profile as a yearly updated report that provides an overview of the labour market's situation.

This country profile presents the recent main developments and is not an in-depth analysis. Nevertheless, it shows a wide range of data in a reader-friendly style. Certain key findings of this report can be found on the Executive Summary.

The report is divided in 11 thematic sections, which includes trade unions, employers' organizations, tripartite structures, national labour legislation, violations of trade union rights, working conditions, situation of the workforce (with subsections such as unemployment, sectoral employment, migration, informal economy, child labour, gender, and youth), education (with subsection vocational training), social protection, general economic performance, and trade. Additionally, the reader may find, an appendix including a list of the ratified ILO Conventions.

As indicated, the report is driven by statistical data selection from international databanks, surveys and reports (e.g. the International Labour Organization (ILO), the International Trade Union Confederation (ITUC), the World Bank, WageIndicator Foundation, the Africa Labour Research & Educational Institute (ALREI), etc.) as well as national statistical institutions and ministries, and others. Moreover, narrative inputs are collected from international news sources (e.g. The Economist, the British Broadcasting Corporation (BBC), LabourStart, The Guardian, etc.) together with local sources such as trade unions centers, NGOs, local news, the DTDA's Sub-Regional Office, among others.

This report also collects references from several indexes, e.g. Global Rights Index, Doing Business Index,

the Governance Indicators, and the Human Development Index. The indexes' methodologies and the data quality can be followed by the sources websites.

All sources, indicators and/or narrative inputs that are used are available by links through footnotes.

It is noteworthy to highlight that although most of the statistical data is available, there were some problems with availability and reliability of the data. In particular, the data collection of trade union membership, Collective Bargaining Agreements (CBAs), women's trade union membership and *occupational health and safety (OHS) committees* are a challenge. Therefore, used data from these abovementioned indicators should be interpreted with some reservations.

ACKNOWLEDGMENT

This Labour Market Profile is prepared by the DTDA's Analytical Unit in Copenhagen with support from our Sub-Region Office in Latin America. In addition, a consultancy with field visits by John Koldegaard - and in collaborate with local partners - was implemented to improve data collection of trade union issues.

All other labour market profiles of the countries where DTDA operates are available at our website: <http://www.ulandssekretariatet.dk/content/landeanalyser>

Should you have questions about the profiles you can contact Kasper Andersen (kan@dttda.dk), Manager of the Analytical Unit.

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Nicaragua

Labour Market Profile

EXECUTIVE SUMMARY

Albeit the freedom of association and the right to collective bargaining are generally respected in Nicaragua, the government often intervenes based on politically motivated interests. In addition, employers are often interfering in the functioning of workers' organizations and committed other violations related to freedom of association and collective bargaining.

The governance environment has experienced some small improvements in recent years, but the control of corruption remains weak. The country has been called as a "bright spot" with its relatively high economic growth per capita. Although the country is one of the poorest countries in the Latin America and the Caribbean (LAC), the number of working poor is falling. However, the income inequality is still present.

The business milieu continues to be cumbersome on many aspects to make it easier of doing business. The labour productivity has a low growth due to underperforming economic growth and a stalled employment rate. This can change, though. The government hopes that one of the world's biggest mega-projects, the trans-oceanic Nicaraguan Canal, could create massive employment and economic growth. However, it has so far been delayed until 2016.

Nicaragua is attempting to find a balance between global competitiveness and equity for workers. Based on macroeconomic and open trade policies, there have been some structural changes along the way. Especially the industry sector's share of GDP is increasing, which is most likely to be followed by higher employment increases.

The average real minimum wage is rising, including in dollarized terms. The higher real average wage growth has basically stayed flat and is decreasing fast in US\$ terms, closing a gap with the real minimum wage. This is, to some extent, in contrast with the evolution of the higher middle-class segment.

The employment rate in Nicaragua is similar to other countries in the Central America. Women have a low employment rate and hold a high inactivity rate on the labour market. Often they are kept in traditionally household roles due to a cultural *machismo*. But women

with participation in firm ownership do have a quite high rate in comparison with the LAC's average.

The country has moreover a quite young population. This segment is ill-equipped to face the labour market's 21st century challenges. There have been high increases of enrolment in the education system on both primary and secondary education. The vocational training has not followed this trend, though; and is placed quite below the LACs average. On the same token, occupational training programs are basically not reaching the low educated workers.

This report shows that the employment in the informal economy is on a fast rise which absorbs nearly 4 out of 5 workers. This is reflected by a significant shift in employment in the 2000s from the agricultural sector to the service sector, and only marginally to the industry sector. In addition, the formal sector is simply unable to create sufficient decent jobs just as the labour market regulations do not create incentives to register micro-enterprises and employment.

In recent years the unemployment rate has been close to 6 percent. In like manner, youth unemployment rate reached 10 percent and has experienced a declining share of unemployment in total employment. Due to the lack of job opportunities in the formal sector has driven a rough 20 percent of Nicaraguans to migrate and seek work in other countries.

Tripartite dialogue has improved labour stability in a normally volatile sector. The trade union density of the workforce is estimated at 19 percent. A large share of waged workers is covered by collective bargaining agreements. Still many workers are still operating in vulnerable employment where they are not covered by CBAs.

Albeit there has been an increase in membership of the National Institute of Social Security (INSS), there are still vast health coverage gaps. This has been related to legal and political constraints of extending social insurance to workers in the informal economy just as many of those workers are not aware or with knowledge about the pension systems.



COUNTRY MAP



Source: The CIA World Factbook



TABLE OF CONTENTS

PREFACE	II
ACKNOWLEDGMENT	II
Labour Market Profile.....	iii
EXECUTIVE SUMMARY	III
COUNTRY MAP	IV
TRADE UNIONS	1
EMPLOYERS' ORGANISATION	3
CENTRAL TRIPARTITE STRUCTURES	3
NATIONAL LABOUR LEGISLATION	3
TRADE UNION RIGHTS VIOLATIONS	4
WORKING CONDITIONS	5
WORKFORCE	6
Unemployment and Underemployment.....	7
Sectoral Employment.....	8
Migration	9
Informal Economy	9
Child Labour.....	10
Gender.....	11
Youth	11
EDUCATION	12
Vocational Training.....	13
SOCIAL PROTECTION	14
GENERAL ECONOMIC PERFORMANCE	15
TRADE	18
Trade Agreements	19
Export Processing Zones (EPZs)	19
APPENDIX: ADDITIONAL DATA	20
Trade Unions in Nicaragua, 2015	20
Ratified ILO Conventions in Nicaragua	21
REFERENCES	22



Tables

Table 1: Status of trade unions in Nicaragua, 2015	1
Table 2: Trade Union Centres in Nicaragua, 2015	2
Table 3: ILO Complaints Procedure in Nicaragua.....	5
Table 4: Wages and earnings.....	5
Table 5: Working Conditions in Nicaragua	6
Table 6: Employment rates	6
Table 7: Inactivity rate in Nicaragua, 2015.....	7
Table 8: Comparative average growth of GDP per capita, Employment and the working age population (WAP) in Nicaragua, 2004-2013	7
Table 9: Unemployment and underemployment in Nicaragua, 2015	7
Table 10: Employment (2010) & GDP share per sector (2013), Sector & Gender distribution.....	8
Table 11: Migration Facts.....	9
Table 12: Employment in the informal economy, 2010.....	9
Table 13: Status of working children.....	10
Table 14: Highest level attained and years of schooling in the population.....	12
Table 15: Status of Vocational Training in Nicaragua	13
Table 16: Most difficult skill to find when filling vacancies	14
Table 17: Public spending on social protection schemes.....	15
Table 18: Benefits, coverage and contributions to pension schemes, 2011	15
Table 19: General Economic Performance Key Facts, 2014	16
Table 20: Status of Working Poor, 2001-2009.....	16
Table 21: Nicaragua's Governance Indicators	17
Table 22: Ease of Doing Business in Nicaragua.....	17
Table 23: Trade and Foreign Direct Investment, 2014	18
Table 24: Trade Unions in Nicaragua, 2015	20
Table 25: Ratified ILO Conventions in Nicaragua.....	21

Figures

Figure 1: Real wage trends in Nicaragua	5
Figure 2: Employment and inactivity trends in Nicaragua, 2006-2015.....	6
Figure 3: Labour productivity	7
Figure 4: Unemployment trend in Nicaragua and the Central America (CA).....	8
Figure 5: Status in employment in Nicaragua, 2000-2010	8
Figure 6: Nicaragua's sector share	9
Figure 7: Trend of employment in the informal economy in Nicaragua, 2000-2010, %.....	10
Figure 8: Women in management and ownership in Nicaragua (2010).....	11
Figure 9: Trend of youth unemployment in Nicaragua 1991-2013, per sexes.....	11
Figure 10: Workers who received occupational training 2009, by education level.....	12
Figure 11: Enrolment in Primary, Secondary and Tertiary schools	13
Figure 12: Ratio of pupils in vocational student to all pupils in secondary education, 2000-2011	14
Figure 13: INSS insurance coverage trend, 2006-2014	14
Figure 14: Health-care expenditure not financed by private household's out-of-pocket payments, 1995-2011	15
Figure 15: GDP per capita growth, 2000-2014	16
Figure 16: GDP per Capita (PPP) and GINI Index	16
Figure 17: Status of middle-class trend	17
Figure 18: Inflation trend, 2000-2014, %.....	17
Figure 19: Gross Fixed Capital Formation.....	17
Figure 20: Export, Import and Foreign Direct Investment (FDI), 2000-2014.....	18
Figure 21: Main products share of exports (2013).....	18
Figure 22: Main export markets (2013).....	18



TRADE UNIONS

Organized labour in Nicaragua was developed during struggles in the nineteenth century between Conservatives and Liberals, Somoza dynasty dictator regime (1936-1979), and interference from outside interests.¹ The trade union movement boomed in 1979 after the fall of the Somoza regime. Today, it is estimated that around 1,312 active trade unions are operating in the country. In the Export Processing Zones (EPZ) companies there are 51 trade unions. Most labour unions are allied with political parties.

It is estimated that close to 509,000 workers are members of trade unions in Nicaragua. It equals a trade union density at 19 percent of the workforce, which is slightly lower than the Latin America's average at 21 percent.² This density is much higher among waged workers that were measured at 43 percent. It is noteworthy to mention that half (51 percent) of trade union members are women (Table 1).

Table 1: Status of trade unions in Nicaragua, 2015³

Number of trade unions	1,312
Dues (standard)	N/A
Members of trade unions *)	509,000
Trade union members share of labour force	19 %
Trade union members to waged workers	43 %
Women member share of trade unions (FNT)	51 %
Members of affiliated trade unions from the informal economy (CSTCP)	62,000
Number of CBAs	298
Workers covered by CBAs **)	60,000
Share of waged workers covered by CBA **)	5.0 %
Labour force	2,734,000
*) This amount of members of trade unions is underestimated since it lacks a full data set of all Nicaragua's trade unions membership (see also Table 24). Thus, the calculations of trade union members' shares are likewise underestimated.	
**) Based on the limitations of data availability, the share of workers covered by CBAs is also underestimated.	

Based on research, 298 of Collective Bargaining Agreements (CBAs) were registered by the National Workers Front (FNT); 35 CBAs are in EPZs. Based on the limitations of data availability, the CBAs coverage is estimated at 5.0 percent of the workforce. Some breakthroughs have been noted: 1) After twenty-three working sessions and tough negotiations among employer's representatives and trade unions, a new

collective agreement covering 800 workers in the Nicaraguan banana industry was signed in March 2012. It could be interpreted as a success since the last agreements was more than 20 years ago. 2) In September 2014, the ITF-affiliated Nicaraguan dock workers' federation (FSTPS), which represents ten unions, has successfully negotiated the inclusion of a clause on HIV/AIDS in its new collective bargaining agreement (CBA) with a national port company. A CBA cannot exceed two years and is renewed automatically if neither party requests its revision. By law several unions may coexist at any one enterprise, and the law permits management to sign separate collective bargaining agreements with each union.⁴

According to the U.S. Country Reports on Human Rights Practices in Nicaragua, freedom of association and the right to collective bargaining are generally respected. On the other hand, it was noted that the government often intervenes based on politically motivated interests. There also continues to be reported that the government interferes in union activities in the public sector, including illegal dissolution of unions and firing of workers not associated with the ruling Sandinista National Liberation Front (FSLN).

Labour union dues in Nicaragua are divided in 3 levels: the worker/employee pay a fee to the Union, and the union a fee to the federation and the federation a fee to the trade union centre/confederation. The fees are different from one union to another union, and the same for federations and union centre/confederation. The fee that most pay to their union is about one percent of their basic salary. For some public sector employees, the employers hold back the union fee in the salary and send this directly to the union/federation or confederation. Many union centers receive very small fees from their affiliates. In the non-formal sector, the workers' pay symbolic fees, when they work.

Nicaragua has about 30 trade union centres; 26 of them are now coordinating in the initiative *Mesa Unidad Sindical Nicaragua* (MUSIN), where trade union centres with relations to FSLN and trade union centres with relation to the Liberal Party come together and coordinate and negotiate for example the minimum wage. Only four trade union centres are not participating: the *Central Sandinista de Trabajadores – José Benito Escobar* (CST-Roberto Gonzales), the *Central de Acción y Unificación Sindical* (CAUS), the *Central de Trabajadores de Nicaragua Autónoma* (CTN-A), and the *Confederación General del Trabajo (independiente)* (CGT-I).



Based on the limitations of data availability, Table 2 shows an overview of eight trade union centres' membership. Without a doubt the FNT is the largest organization.

Table 2: Trade Union Centres in Nicaragua, 2015

Trade Union Centre	Total Members
FNT Frente Nacional de los Trabajadores *) **)	274,500
CPT-I Confederación General del Trabajo (independiente)	60,000
CTN-A Central de Trabajadores de Nicaragua Autónoma	30,000
CUS Confederación de Unificación Sindical *) **)	30,000
CAUS Central de Acción y Unificación Sindical	6,000
CST Central Sandinista de Trabajadores – Roberto Gonzales *)	15,000
CTN Central de Trabajadores de Nicaragua *)	25,410
CUT Confederación Unidad de Trabajadores **)	42,000
*) Affiliated organizations to the International Trade Union Confederation (ITUC).	
**) In coordination with MUSIN.	

National Workers Front (FNT)⁵

FNT is the largest trade union centre. It has ten affiliated trade union federations, which is outlined below. These organizations have approximately 275,000 members, distributed with 41 percent in the public sector and 59 percent in private sector. It has been estimated that the organization had a membership growth at 1 percent in absolute terms in the period 2013/14 to 2015.

Federations and Confederations Affiliated to FNT

Public Sector Union (UNE)⁶

UNE has represented public sector workers in Nicaragua since its formation in 1978. Its membership drastically decreased from 1990 in part because of the privatization of previously publicly owned services and in part because of attacks on unions carried out by successive right wing governments since 1990. After the FSLN won the elections again in 2006 and up till now UNE has increased their membership to 38,000.

Industrial and Manufacturing Union & the Free Trade Zones (CST-JBE)⁷

The CST-JBE is affiliated with FNT and represents workers in the industrial and manufacturing sectors. CST-JBE has around 30,000 members organized in 23 federations and 150 trade unions. Around 15,000 members are women, who mostly work in the *maquilas*. CST has close ties to the Sandinista FSLN party.

Health Workers Union (FETSALUD)⁸

FETSALUD is affiliated with FTF and organizes doctors, nurses, administrative staff, auxiliary workers and others in the health sector. FETSALUD represents 28,000 health workers, including both medical and non-medical staff; and 80% members are women.

Administrative workers in the Universities (FESITUN)

Federation for administrative workers in the Universities operate with an estimated 3,500 affiliated.

Confederation for people working in non-formal economy (CSTCP-FNT)

This is one of the new confederations affiliated to FNT and with about 62,000 affiliates. CSTCP is now the biggest organization affiliated to FNT.

Teachers Union (CGTEN-ANDEN)⁹

ANDEN is the biggest teaching unions in Nicaragua, representing the majority primary and secondary school teachers.

University Lecturers Union (FEPDES)¹⁰

FEPDES is affiliated with FTF and was created in April 1990 and recognized as a Federation in 2001. The FEPDES has an estimated 3,000 members.

Confederation for workers in the agro-industrial sector (CNTAI)

Confederation organizing workers in the agro-industrial sector with about 18,000 workers affiliated and several CBAs negotiated. They are very present on the Atlantic Coast of Nicaragua. It is one of the new confederations affiliated to FNT.

Association for Farm Workers (ATC)

This Association for Farm Workers has returned to FNT recently, and it is one of the biggest organizations in FNT. ATC was affiliated to FNT when it was established first time.

Confederation for Unions of Fishermen (CSTMLRS)

This is a recently founded Confederation for fishermen, with about 12,000 workers affiliated and many are working in cooperatives. CSTMLRS organize not only fishermen but also people working with growing shrimps and people selling fish.

Based on collected data, Table 24 gives an updated view of the FNT's affiliated trade union membership and some of the other most important trade union centres and federations in Nicaragua.



EMPLOYERS' ORGANISATION

High Council of Private Enterprise (COSEP)¹¹

COSEP (*Consejo Superior de la Empresa Privada*) is the main employers' organisation. Its mission is to foster economic and social policies and to ensure free enterprise, respect for private property and strengthening business in order to contribute to progress in Nicaragua through its leadership, the active participation of its members and its interaction with the various stakeholders. COSEP is governed by a Board of Directors, and is run by an Executive Committee and has a workforce commission.

COSEP has 18 affiliated organisations – mainly chambers of commerce. COSEP conducts CSR activities, publishes a "Legislative and Economic Reports" newsletter every second month has received development aid from DANIDA, among others.

In July 2015 COSEP protested against Customs offices continuing to hamper trade and generating delays in the transit of goods to the region. This organization claimed that they had received complaints from companies in the industrial sector over charges in dollars and forms in English, which is illegal.

Notable other employer organisations are the Nicaraguan Association for Textiles and Apparel Industry (ANITEC), and the Federation of Nicaraguan Chamber of Commerce in Free Private Zones (FCNZFP).

CENTRAL TRIPARTITE STRUCTURES

Mediation and Arbitration

Labour disputes are governed by the Labour Code.¹² First a dispute is submitted to the Ministry of Labour (MITRAB), and is attempted to be solved under direct settlement between employers and workers. Then a conciliator appointed by MITRAB will attempt to settle the dispute. If conciliation fails, a strike may be initiated or the dispute may if the parties agree, be referred to arbitration, by an Arbitration Tribunal presided by a representative from MITRAB, and one representative each from workers and employers.

With some exceptions the government effectively enforces laws and often sought to foster resolution of labour conflicts through informal negotiations rather than formal administrative or judicial processes. Although the law establishes a labour court arbitration process, long wait times and lengthy, complicated

procedures detrimentally affected the court's deliberations.

Based on the latest information available, 98 percent of labour disputes cases resolved out of court resulted in a ruling favorable to the worker. There were reported 1,060 labour disputes in the courts over the first half of 2012. Labour and human rights organizations continue to allege that rulings are often unfavorable to workers. The International Labour Organization (ILO) has also noted that MITRAB imposes fines in only 0.8 percent of cases. Also according to some labour organizations, penalties are not sufficient to deter violations, especially in the informal sector.¹³

Bi/tripartite organs

- National Council for Social Economic Planning
- Local Power Cabinets
- National Commission on the Occupational Health and Safety of the Workers and Workplace Hygiene
- National Minimum Wage Commission
- Higher Work Council
- Social Security Council
- National Health Council
- National Education Council
- National Fishing Council
- National INATEC Council
- National Airport Council
- National Lottery Council
- Tripartite National Commission for Export Processing Zones

NATIONAL LABOUR LEGISLATION

Constitution¹⁴

The Constitution from 1987 was last amended in 2014 paving the way for third consecutive terms of Presidency as well as scraped the minimum required votes for election and allows the president to issue decrees with force of law.

The constitution recognizes the right to work, worker participation at workplaces, equal pay for equal work, minimum social benefits and wage, occupational safety and health, eight hour workday, rest, holidays, job stability, job security and paid maternity leave. It also prohibits child labour and recognises the right to strike, freedom of association and collective bargaining. Workers have the right to participate in development and implementation of economic plans.



Código del Trabajo¹⁵

The Labour Law from 1996 regulates individual and collective labour relations, working hours, breaks, leave, wages occupational safety and health, and special working conditions.

Código del Reglamento de Asociaciones Sindicales¹⁶

The Trade Union Law from 1997 outlines the forms of membership and geographical levels. Basic trade union rights are guaranteed and workers have the right to form and join the trade union of their choice as well as to bargain collectively. The International Trade Union Confederation (ITUC) has argued that some problematic areas exist in the law, e.g. while union leaders have protected status, this is limited to nine executive members per union and three branch members. The fines for interfering in trade union affairs are not sufficiently dissuasive.¹⁷

Código Procesal del Trabajo y de la Seguridad Social¹⁸

The law on processes of labour and social security came into force in May 2013. This law establishes specialised labour courts, and judicial mediators are appointed whose role it is to mediate labour disputes orally in the first instance, thereby reducing the amount of labour disputes which can take years to solve.¹⁹

The Assembly resumed in 2015 the discussion of a bill which seeks to regulate the processes of outsourcing and subcontracting personnel by companies in the country.

Several other labour legislations exist, which regulates and sets standards and restrictions for the labour market.²⁰

The International Trade Union Confederation (ITUC) registered very few observations of the legislation, some of them are: i) obligation to observe an excessive quorum or to obtain an excessive majority in a ballot to call a strike; and ii) authorities' or employers' power to unilaterally prohibit, limit, suspend or cease a strike action.²¹

TRADE UNION RIGHTS VIOLATIONS

ITUC has not yet ranked Nicaragua on the Global Rights Index. In the period 2014-2015, the organization has registered only one case. It was

related to Pepsi's distributor sacked 70 workers for forming a union.²² In November 2014, workers at the related company formed a union in Managua. Just 24 hours after, the company fired 70 members and leaders. The MITRAB inspected the plant, verified the mass dismissals, confirmed the violation of basic rights and ordered the company to reinstate the illegally dismissed workers. During negotiations the company proposed to reinstate only 45 of the dismissed workers, leaving out the 25 activists who organized the union. The Ministry upheld the reinstatement order, though.

According to the U.S. Country Reports on Human Rights Practices²³, employers are interfering in the functioning of workers' organizations and committed other violations related to freedom of association and collective bargaining. Among others, labour leaders noted employers routinely violated collective bargaining agreements and labor laws with impunity.

The sources have also raised attention that many employers in the formal sector continued to blacklist or fire union members and did not reinstate them. Many of these cases did not reach the court system or a mediation process led by MITRAB. Moreover, employers often delay severance payments to fired workers - especially public sector employees - or omitted the payments altogether. Employers also avoided legal penalties by organizing employer-led unions that lacked independence and frequently using contract workers to replace striking employees. There were reports party dues were automatically deducted from paychecks.²⁴

According to labour leaders, CBAs and labor laws have been routinely violated by employers with impunity. They have argued that the fines for antiunion discrimination are not severe enough to prevent abuses. Also several cases with state workers were processed by the Central American Court of Justice, ruling in favor for the employees. None had been reinstated or received severance payment, despite the favorable ruling.

The ILO's Committee on Freedom of Association has registered a total 67 complaints (Table 3). There is one confidential, active case that was registered in November 2015. A remaining follow-up case was filed by the Administrative Workers' and Teachers' Union of the Ministry of Education (SINTRADOC) in December 2011. It has reference to transfer and subsequent dismissal of three trade union officials by the Ministry of Education on the pretext of restructuring. The



Government was requested to keep the Committee informed of any rulings handed down with respect to the transfer and subsequent dismissal of the trade union officials. Follow-up information was received from Governments in March 2015.

Table 3: ILO Complaints Procedure in Nicaragua²⁵

Freedom of Association cases (2015)	
Active	1
Follow-up	1
Closed	65

WORKING CONDITIONS

The minimum wage is set two times per year for ten different economic formal sectors. The lowest minimum wage was set in September 2015 at C\$3,187 (US\$113) for agriculture and the highest at C\$7,133 (US\$261) for construction, finance and insurance sectors. The minimum wage has steadily increased by 14 percent on a yearly average since 2000. However, Nicaragua has a quite unofficially dollarized economy and the Córdoba is essentially a second-rate currency. Thus, the real minimum wage in US\$ terms has followed the increasing trend, but much slower than the national currency's (Table 4 & Figure 1).

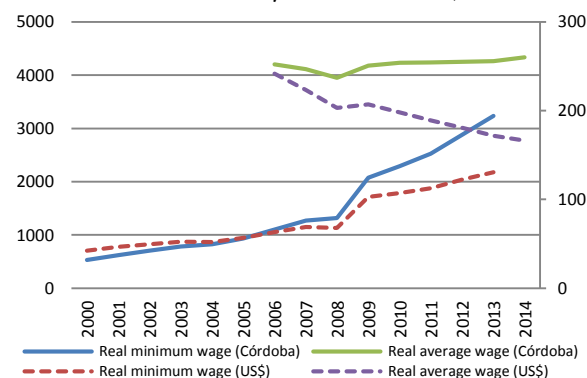
Table 4: Wages and earnings²⁶
Monthly average, median and legal minimum wages

	Current Córdoba	2011 US\$
Average wage (2014)	8,306	304
Mean wage (2013)	7,463	289
Minimum wage (average, September 2015- February 2016)	5,160	198
Wage in EPZ	4,193	156
Real average wage (2014)	4,335	158
Growth of real mean wage (average) (2006-2013)	-1.3 %	
Growth of real minimum wage (% change, average) (2000-2013)	14 %	

The growth of real average wage has basically not increased on Córdoba terms, which explains that the

dollarized economy has deeply negatively affected the paychecks' value when buying commodities.

Figure 1: Real wage trends in Nicaragua²⁷
2000-2013, Córdoba and US\$



The minimum wage increases have moved many working poor out of poverty.²⁸ To point out, the minimum cost of living is C\$6,664 per month (US\$256). Thus, the minimum wage is below the cost of living. Also in terms of minimum wages' averages in Central America, Nicaragua's remains much lower than the others.

Based on the limitations of data availability, there was basically no salaried worker gender gap in 2000, but it had widened by 18 percent in 2010. This can be associated to a drop of women salaried workers by 20 percent out of total employed from 2000 to 2010, while men decreased less by 4.3 percent.

The National Assembly voted in 2012 to broaden rights ensuring decent work for domestic workers, including expanding union rights, reducing the length of the workday, and assuring social security benefits. However, the legislation has so far not entered into force.

From January to October 2013, MITRAB reported a total of 2,496 labor inspections in workplaces considered hazardous. A recent assessment of 20 factories showed no evidence of child labour and forced labour. However, this Labour Market Profile's section of Child Labour shows that child employment still is prevalent.

The most common areas of non-compliance in the areas of national labour law are in the categories of Occupational Safety and Health, and Contracts and Human Resources. Regarding Freedom of Association, the implementation of clauses in collective bargaining



agreements was the area in which there are the highest levels of non-compliance.²⁹

MIRAB increased its number of labour inspectors from 90 to 97 in 2014; i.e. 1 per 27,584 workers in the workforce. The ILO recommends 1 inspector per 40,000 workers in less developed countries and 1 per 20,000 workers in transition economies.³⁰

It has also been registered that legal limitations on hours-worked often are ignored by employers who claim that workers readily volunteer for extra-hours for additional pay. Violations of wage and hour regulations are common and generally not investigated in the large informal sector, particularly in street sales, domestic work, and agriculture. Compulsory overtime is reported in the private security sector where guards often are required to work excessive shifts without relief.³¹

Table 5 below gives a short view of the working conditions in Nicaragua.

Table 5: Working Conditions in Nicaragua³²

Normal Weekly Hour Limit	48 hours
Overtime Limit	3 hours per day and 9 hours per week
Max. Weekly Hours Limit	57 hours
Min. Mandatory Overtime premium/time off in Lieu of Overtime Wages	100% increase; overtime cannot be compensated by time off if unilaterally ordered by the employer
Min. Annual Leave	10 days
Duration of Maternity Leave Benefits	12 weeks
Amount of Maternity Leave Benefits	100 %
Source of Maternity Leave Benefits	Mixed (60% social insurance, 40% employer)

WORKFORCE

Nicaragua has a population of 5.9 million people and a workforce of 2.7 million workers. The country is young and the population projections are stable. This does not expect a massive 'youth bulge' entering the labor force or a rapid aging process with a shrinking workforce to cope with the costs of supporting an increasing share of elderly people. Women have considerably lower

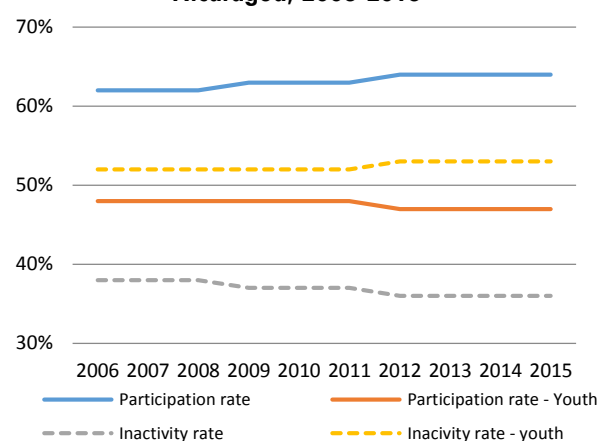
employment rates than men (Table 6). The overall employment rate is on an average close to the Central American's.

**Table 6: Employment rates³³
2015, Age and Sex distribution**

Sex	Age	Employment rate
Men & women	Total	15+ 50 %
	Youth	15-24 42 %
	Adult	25+ 67 %
Men	Total	15+ 76 %
	Youth	15-24 57 %
	Adult	25+ 83 %
Women	Total	15+ 46 %
	Youth	15-24 27 %
	Adult	25+ 53 %

The employment rate experienced an increasing trend from 62 percent in 2006 to 64 percent in 2015. The youth employment rate trend decreased slightly from 48 percent to 47 percent during the same period (Figure 2). **Henvisningskilde ikke fundet.**

Figure 2: Employment and inactivity trends in Nicaragua, 2006-2015³⁴



The inactivity rate is a measure of the proportion of a country's working-age population that is not engaged actively in the labour market, either by working or looking for work. By the same token, Nicaragua has a relatively high inactivity rate: One out of three (36 percent) of the working age population (WAP, 15+) and one out of two (53 percent) of the youth population (15-24 years old) are inactive (do not work, neither



study) on the labour market; and with deep gaps between men and women (Table 7).

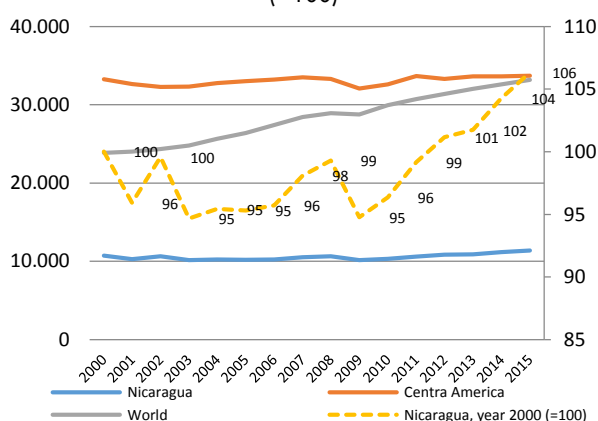
Table 7: Inactivity rate in Nicaragua, 2015³⁵

	Total	Men	Women
Inactivity rate	36 %	20 %	51 %
Inactivity rate, youth	53 %	38 %	69 %

The labour productivity experienced a negative growth during the 2000s, but it has slowly started to increase in the 2010s (Figure 3). It remains far below the Central America's average. The growth in the labour productivity in recent years is related to an increasing industrialization. Also the capital formation and the foreign direct investments have boosted the economy with investments and the labour productivity growth (see also the sections: General Economic Performance & Trade).

Figure 3: Labour productivity³⁶

2000-2015, Output per unit of labour input based on GDP constant 2011 international US\$ in Purchasing Power Parity; and Nicaragua's labour productivity indexed year 2000 (=100)



Based on estimations, the labour productivity growth over the period 2004-2013 was low at 0.1 percent per year on average (Table 8). This could be interpreted as a flat employment growth. The economic growth per capita has been lower than the employment and the working age population (WAP) trends, except the GDP vs. WAP ratio (0.3 percent) in 2004-2008. This indicates that the growth of GDP per capita is mainly due to labour productivity not employment increases. During the period 2009-2013, the GDP per capita relatively to employment and WAP fell faster than the period 2004-2008, which was related to the global financial crisis during 2008-2009. The positive employment rate relative to WAP turned into a

negative average trend in the period 2009-2013, which is related to more workers moving towards self-employment.³⁷

Table 8: Comparative average growth of GDP per capita, Employment and the working age population (WAP) in Nicaragua, 2004-2013

	2004-2008	2009-2013	2004-2013
GDP / Employment	-0.1 %	-0.8 %	-0.4 %
GDP / WAP	0.3 %	-1.0 %	-0.4 %
Employment / WAP	0.4 %	-0.2 %	0.1 %

Note: The columns above reflect: i) GDP per capita/employment equals GDP per worker (i.e. labour productivity); ii) GDP/WAP equals GDP per capita; and iii) employment/WAP equals the employment rate (ratio of workers to working-age population (15+)).

Unemployment and Underemployment

Unemployment in Nicaragua was estimated in 2015 at 7.2 percent and youth unemployment at 10 percent. The latter is especially among urban educated youth. This is slightly higher than the Central America's averages that were estimated at 4.5 and 9.0 percent, respectively.

Table 9: Unemployment and underemployment in Nicaragua³⁸, 2015

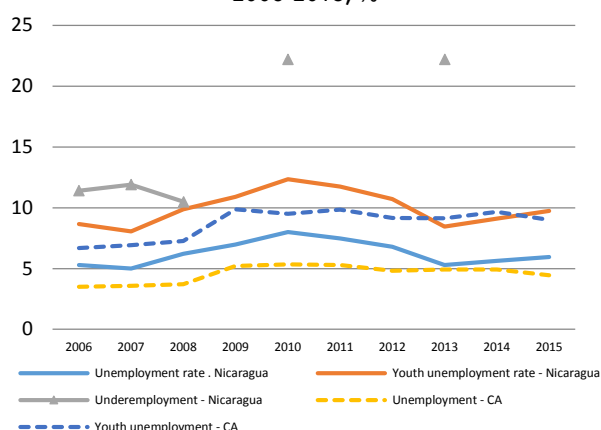
	Total	Men	Women
Unemployment	6.0 %	5.9 %	6.1 %
Unemployment youth	9.7 %	8.5 %	12 %
Urban youth Unemployment rate (2010)	16 %	15 %	16 %
Underemployment (2013)	22 %	16 %	30 %

Indicators of underemployment, also known as 'hidden' unemployment, which indicate who involuntary work less than they desire out of total employment, are high. It was estimated at 22 percent in 2013, and was significantly higher among women.

When unemployment is not an option where a person can survive, work of some sort has to be found, often casual and informal work. Unemployment should therefore be understood first, in relation to the strength of social safety nets, second, to the prevalence of informal employment, and third, how much of informal employment is underemployment due to few formal employment possibilities.³⁹



Figure 4: Unemployment trend in Nicaragua and the Central America (CA)⁴⁰
2006-2015, %



The higher minimum wages along an economic downturn and impact of a so-called FFF (Food-Fuel-Financial) crisis that started in 2007-08, triggered many workers lost their jobs in the private sector or went into unpaid family work. A smaller proportion found work in the public sector.

Sectoral Employment

It is estimated that 32 percent of workers are operating in the agricultural sector and with a majority of men. Men are also more present in the sectors: construction, mining and transport, but these only employ smaller segments (Table 10).

Table 10: Employment (2010)⁴¹ & GDP share per sector (2013)⁴², Sector & Gender distribution

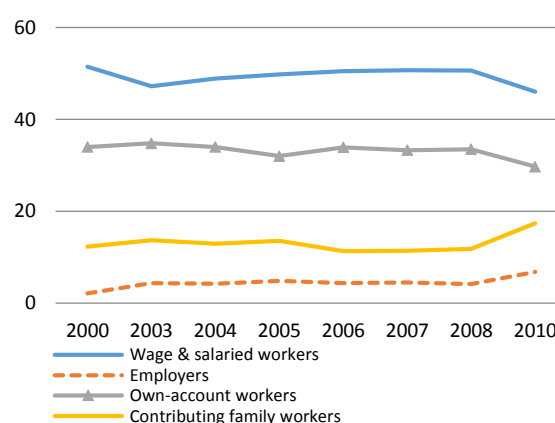
Sector	Men	Women	GDP share
Mining & quarrying	9,775	1,089	2.8 %
Manufacturing	144,757	154,557	17 %
Electricity, gas & water	11,658	2,130	2.4 %
Construction	101,396	1,587	5.3 %
Trade, hotels & restaurants	256,512	382,809	13 %
Transport, storage and communications	89,080	8,708	5.9 %
Financing, insurance, real estate & business services	56,407	24,425	10 %
Community, social & personal services	176,180	333,885	19 %
Others	N/A	N/A	9.0 %
Agriculture	670,952	163,294	15 %

One out of two workers (51%) is employed in the service sector. The sector has been declining in contribution to the GDP (Figure 6), but not in share of employed. It suggested a drop in the productivity of this sector.

Many employed women tend to work outside of agriculture, especially in Trade, Hotels and Restaurants as well as Community, Social and Personal Services.

There has been a little shift in the distribution of occupations towards the contributing family workers at the expense of the wage & salaries workers and slightly also the own-account workers in the end of the 2000s (Figure 5). This indicates that the growth of self-employment is due to a shortage of salaried, formal jobs. Moreover, the jobs have shifted towards more educated workers.⁴³ The shortage of formal jobs could be changed if the transoceanic canal project is being realized (see also the section: General Economic Performance). In addition, based on the limitations of data availability in terms of the status of employment in the 2010s, the growing industrialization process in Nicaragua suggests that the declining wage & salaried workers is most likely to rebound and on an increasing trend (see also Figure 6).

Figure 5: Status in employment in Nicaragua, 2000-2010



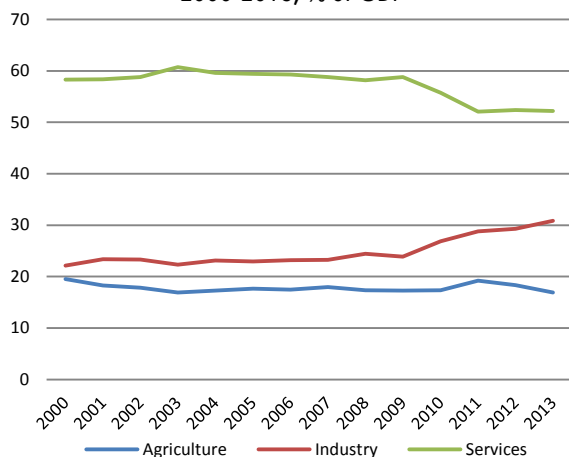
Based on national surveys, formal employment has reached 500,000 workers. Since the workforce is estimated at 2.7 million persons, this still explains that a large segment of workers operate in the informal economy as well as an indication of 'exclusion' and 'exit' factors of the labour market (see also the section: Informal Economy).

In terms of the sectors' share of GDP have experienced some changes since 2010, i.e. services and agriculture have decreased while the industry sector increased (Figure 6). As mentioned, this could make some change



in the sectoral employment. On the other hand, the industry sector is more capital intensive which could curb this sector's employment growth.

Figure 6: Nicaragua's sector share⁴⁴
2000-2013, % of GDP



Migration

With a remittance receiver rate of 9.7 percent to GDP, Nicaragua receives much more remittances than the LAC's average. It makes Nicaragua one of the top remittance receiving countries in the world.⁴⁵ The net migration rate in period 2008-2012 was calculated at 1 out of every 243 inhabitants in the country, which is higher than the LAC's average (Table 11). The trend is on a decreasing rate, i.e. the previous Labour Market Profile 2013 reported a net migration at 1 out of 141 inhabitants (2006-2010).

Table 11: Migration Facts⁴⁶

Net migration (2008-2012)	Nicaragua	- 120,000
Net migration to average population per year (2008-2012)	Nicaragua	- 1 : 243 Inhabitants
	LAC	- 1 : 956 Inhabitants
Personal transfers i.e. remittances received, % of GDP (2012)	Nicaragua	9.7 %
	LAC	1.1 %
<i>Note: Net migration is the net total of migrants during the period, i.e. the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens.</i>		

There are estimations that nearly 20 percent of the population has migrated abroad. The top three destinations are: Costa Rica, the United States, and Spain.⁴⁷ Based on estimations, 400,000 Nicaraguans

work in Costa Rica, mainly in the agricultural sector. Many of them are illegal migrants, and therefore prone to be paid lower wages than the minimum wage and not receive mandatory health insurance and pension. Most families now have one parent away from the household.⁴⁸

The two trade union centres, FNT and ANEP from Nicaragua and Costa Rica, respectively, have started cooperation to improve migrant workers conditions.⁴⁹

Lack of decent work opportunities, unemployment and underemployment are the main reason for migrants leaving Nicaragua.⁵⁰ Migrants tend to be young and unskilled, and there are also many temporary migrants, mainly to neighbouring Costa Rica, but also increasingly to El Salvador, Panama, and Guatemala. A tightened U.S. immigration policy has increased emigration to neighbouring countries. The large exodus of Nicaraguan labour migrants also has had a social impact.

A new migration law is being discussed in Parliament to reflect the current migration management reality and strengthen the protection of Nicaraguans abroad.⁵¹

A rural-to-urban migration in Nicaragua is in progress to support the rising urban industrial sector growth. This was an impact of an increased focus on foreign investment that promoted a shift away from small-businesses.

Informal Economy

An insufficient enforcement of labour law is widely prominent in the informal economy in Nicaragua. The informal employment makes up around 81 percent of total employment in the non-agricultural sector (Table 12). This 'sector' absorbs mostly workers in street sales, agriculture and ranching, transportation, domestic labour, fishing, and minor construction. Nicaragua's informal economy is larger than the LAC's average. It is also noteworthy that the informal economy is on a rise (Figure 7).

Table 12: Employment in the informal economy⁵², 2010

Total informal employed in non-agricultural employment	Nicaragua	81 %
	LAC	50 %
Employment in the informal sector in non-agricultural employment	Nicaragua	58 %
	LAC	32 %

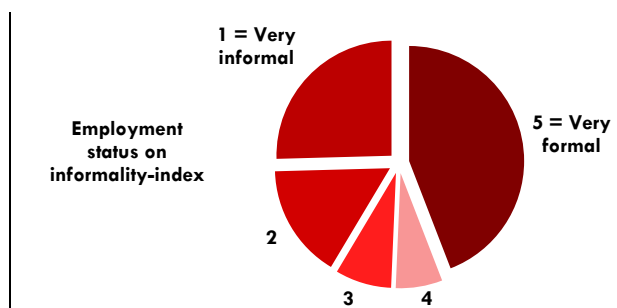
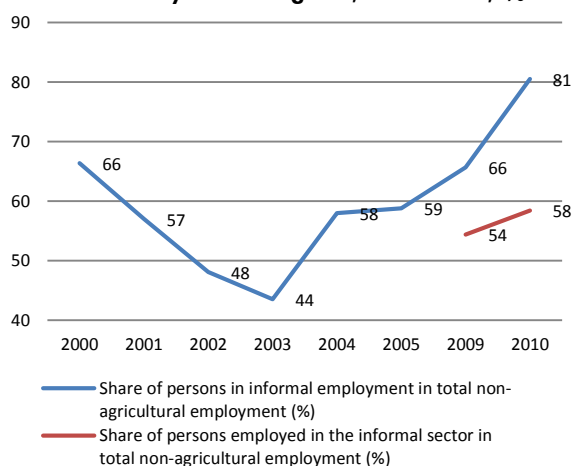


Figure 7: Trend of employment in the informal economy in Nicaragua⁵³, 2000-2010, %



Another indication are the type of employment, which are often informal: i) own-account workers, who make up 30 percent of the employed; and ii) contributing family workers who make up 17 percent (see also Figure 5). Around 15 percent of employment in the informal economy as a percentage of non-agricultural employment is outside the informal economy. Informal employment is an important source of employment.

The trade unions movement has opened up an access for affiliated organizations from the informal economy. For example, the Confederation of Informal Sector Workers (CSTCP) is an association affiliated to FNT. Its membership has increased significantly from 50,000 in 2012 to an estimated 62,000 in 2015 (Table 24).

A survey by WageIndicator.org conducted in 2012⁵⁴ rated workers on an informality scale from 1-5, with 1 being workers not entitled to social benefits, who do not contribute to social security and with no contract. It shows 44 percent in the most informal category and 25 percent in the most formal. This is more formal than a similar survey of neighbouring Honduras (Table 12).

The survey also showed that the informality index correlates the wage level as well as how likely a

worker is to be paid above the minimum wage level. With only 22 percent in the most informal category paid above the minimum wage level. There is no clear correlation between age and informality, and young workers are only slightly more likely to work informally.

Child Labour

According to the most recent survey on child labour in Nicaragua, 13 percent of children were engaged in child labour, slightly higher than the average for the LAC's average (Table 13). The rate of children in employment fell slightly from 12 percent 2000 to 10 percent in 2005, which coincided with an increase in school attendance (see also the section: Education).

Children are more likely to be engaged in child labour in rural areas (19%) than urban (7%). Boys (21%) are also much more likely than girls (4%). Children are also more likely to work the older they are, as 10% of children aged 7-14 and 36% of children aged 15-17 are employed.

Most children aged 7-14 work as unpaid helpers (85 percent) many are also waged workers (14%). The average working week for children who only work is 38.5 hours, children who also go to school work an average of 20.8 hours.

Table 13: Status of working children⁵⁵
Proportion of all children in age group

Region	Age	Type	Proportion
Nicaragua (2005)	7-14	Children in employment	10 %
	5-17	Child Labour	13 %
	14-17	Hazardous work	27 %
LAC (2008)	5-17	Children in employment	13 %
		Child labourers	10 %
		Hazardous work	6.7 %

Note: Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.

Children tend to work in forestry, fishing, coffee plantations, and subsistence farms. Hazards in agriculture included sun exposure, extreme temperatures, pesticides and chemicals. Hazards in fishing included polluted water and dangerous ocean conditions.⁵⁶



It was registered in 2014 that the Government has trained 6,082 officials on child labour issues. Despite the Government's plans to combat child labour, they have not been fully implemented. In addition, enforcement of labour laws is inadequate just as government programs are insufficient to reach the numbers of children engaged in the worst forms of child labor.⁵⁷

Due to the scope and severity of child labour in the country, the number of inspections conducted is not considered sufficient. Government officials and child labour experts have reported that child labour inspections throughout the country and those in agricultural areas in particular, are limited due to resource and personnel constraints.⁵⁸

In 2014 Nicaragua signed up to the ILO's "road map", which aims to eradicate the worst forms of child labour by 2016, and all child labour by 2020, i.e. the last country in the region to do so.

Gender

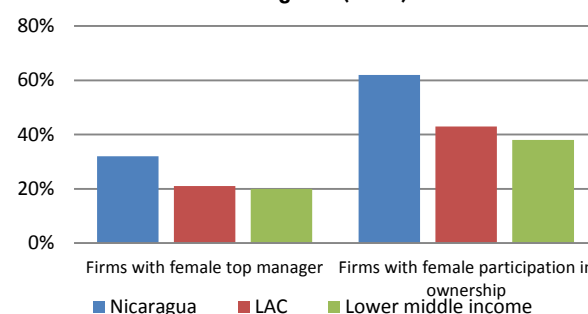
Nicaragua has a framework of laws to support and guarantee women's rights. But to curb the gender inequality remains a deep cultural challenge. As previously mentioned, women have considerably lower employment rates as men. Instead women are largely in charge of labour intensive tasks for maintaining the household while more males are wage earners. These household tasks receive little cultural respect and being valued.

As noted elsewhere in this report: women are only slightly more likely than men to be affected by unemployment, but the gap is more present in the youth unemployment. Women are twice as likely to be affected by underemployment. Fewer women work in agriculture and are prone to find employment in manufacturing, commerce, education health, and domestic work. Boys are more than five times more likely as girls to be engaged in child labour. Women have lower levels of education; however, more girls enrol into schools than boys.

The large trade union centre FNT has a policy of promoting 50 percent women participation in trade union leadership and covers around 55 percent of members who are women. Additionally, it promotes the implementation of the Equal Opportunity Law from 2008.⁵⁹

An Enterprise Survey reported that as many as 62 percent of firms (cover small, medium, and large companies) had women participation in ownership compared to 42 percent of the LAC's average (Figure 8). Around 33 percent of full time employees were women, higher than the LAC's average which was estimated at 21 percent.

Figure 8: Women in management and ownership in Nicaragua⁶⁰ (2010)

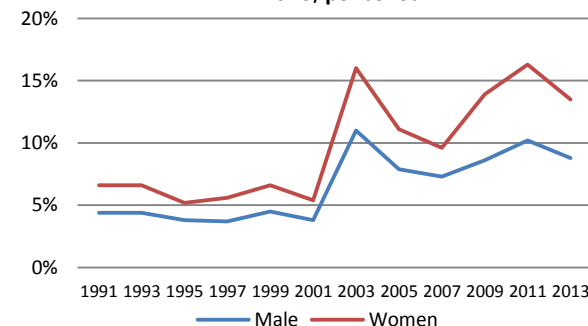


Youth

The Government established a National Plan of Youth Employment (2012-2016) and expanded its Youth Employment and Migration program to protect working adolescents and increase their employment opportunities.⁶¹ The youth labour force participation rate (15-24 years old) is 48 percent of the total participation, which equals 605,000 workers.

The share of youth unemployed in total unemployed increased fast in the beginning in the 2000s, but is started to decrease in 2003, but has been stable at around 34-36 percent since 2007. The youth unemployment increased in 2007, which was related to the global financial crisis in 2007-2008. Figure 9 illustrates that there has been a swelling gender gap between men and women's youth unemployment rates since 2003.

Figure 9: Trend of youth unemployment in Nicaragua⁶² 1991-2013, per sexes



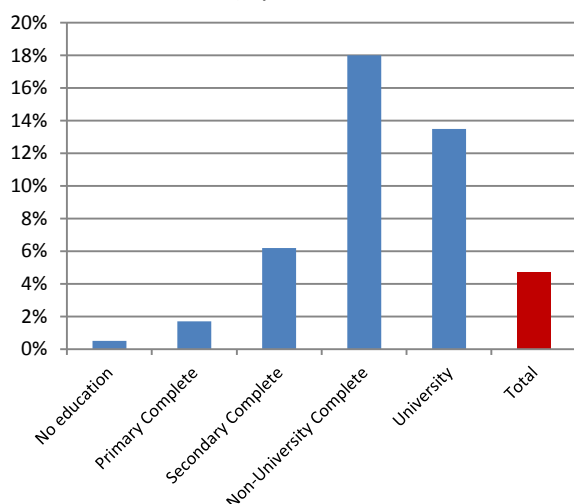


If this youth segment is divided, youth unemployment is assessed as significantly higher among educated youth. This was driven mostly by the alarming unemployment of those with tertiary education: around 30 percent, half of which have been unemployed for over a year. This is even more worrisome given the fact that a large proportion of unemployed youth end up dropping out of the workforce or turning to self-employment in the growing informal economy. Studies have noted that the slow change in the productive structure of the economy, combined with a growing supply of educated workers, may be causing an imbalance in the labour market, where unskilled workers mostly turn to self-employment, mainly in agriculture, whereas skilled workers lack sufficient job opportunities, creating an oversupply of skilled workers and driving down skilled wages.⁶³

A 2011 survey⁶⁴ estimated that more than 62 percent of young Nicaraguans are optimistic about their future despite high levels of unemployment, poverty, and violence. It can be noted that assessments have raised concerns of the high youth density in the Caribbean Coast, which is characterized by multiple risk factors that contribute to an acute level of vulnerability. Among others, there is disintegration of family and community ties, school abandonment, unemployment and bleak prospects for a job, and the weak presence of state institutions.⁶⁵

The structure of training programs for workers are prioritizing who at least have completed secondary education, while out-of-school youth receive only marginal support, e.g. only 1.7 percent of workers with primary education received any training in the last 12 months (Figure 10).

Figure 10: Workers who received occupational training⁶⁶
2009, by education level



These results also demonstrated by a breakdown of training received by sector. For example, higher value added sectors such as financial services and transport tends to provide more training. However, information is insufficient to conclude whether the coverage of training is insufficient or whether there are gaps in the relevance and quality of training that could be reducing the potential positive impact of training on worker productivity.

EDUCATION

Table 14 below demonstrates the educational attainment of all Nicaraguans above 25 year and therefore gives a glimpse of human capital in the labour force. First of all it shows that there are limited gaps between men and women, except in terms of completing primary education, which is higher among women.

Table 14: Highest level attained and years of schooling in the population⁶⁷
2010, Age group 25+, Men and Women

Highest Level Attained	Men	Women
No Schooling	23 %	24 %
Primary	Begun	39 %
	Completed	6 %
Secondary	Begun	27 %
	Completed	13 %
Tertiary	Begun	11 %
	Completed	11 %
Average year of total schooling	5.8 years	6.1 years

Note: Primary, secondary and tertiary is the internationally defined distinction of education. In Denmark these corresponds to grundskole, gymnasium & university.

Nicaragua's education is unequally spread between the 61 percent of the population who have either no schooling or have not completed primary school. When looking at the various levels of education by other statistical data, women hold at least or higher levels of school enrolment on all levels (see also Figure 11).

In Nicaragua, schooling is mandatory until the age of 12. It is noteworthy that the country has experienced a fast increase on the enrolment in primary education in the last decade. It is now similar to the LAC's average. However, the enrolment rates on the secondary and

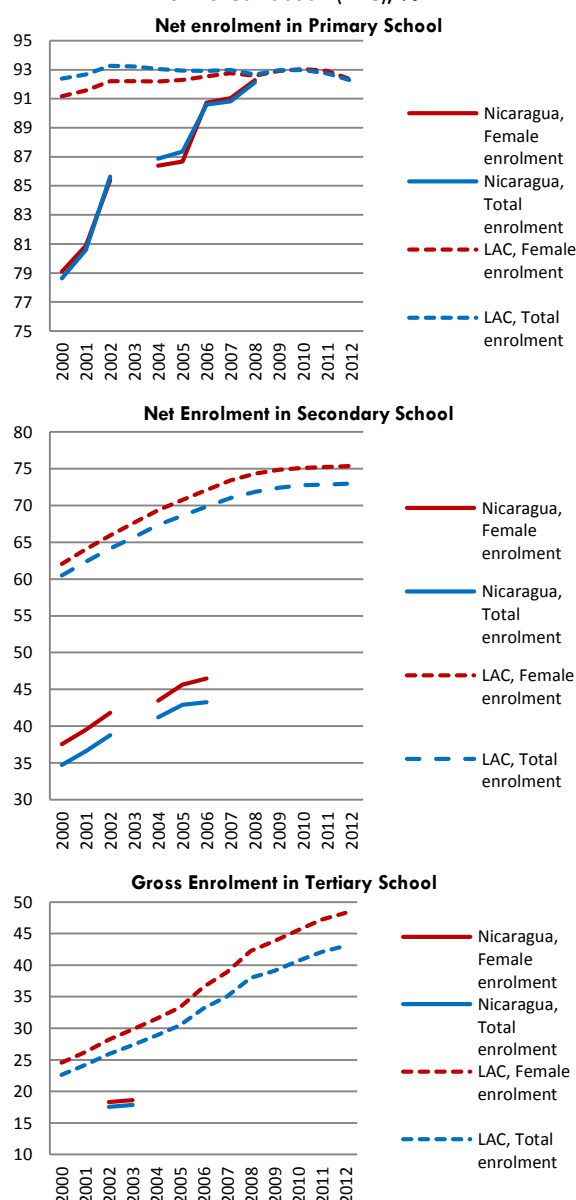


tertiary education levels are still far below the region's average (Figure 11).

Other estimations suggest that 500,000 Nicaraguan children aged three to 17 who are not in the education system are living in rural areas, and are associated with poor, indigenous or disabled characteristics.

Figure 11: Enrolment in Primary, Secondary and Tertiary schools⁶⁸

2000-2012, Total and Women, Nicaragua and Latin America & the Caribbean (LAC), %



Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%.

According to the latest year for which survey data is available, only 72 percent of children finished primary school in 2009. This low figure hides even bigger inequalities as only 65 percent of children from the poorest 20 percent of families completed primary school compared to 98 percent from the richest homes.

Other national survey data suggested that gains in years of education have been limited. For example, in 2009 the 20-25 year-old group had only half-a-year more of education than the 25-30 year-old group, a small gain for a 5-year period, considering the young age group. Moreover, with the 20 years-old group, 75 percent has finished primary education and only 50 percent has completed the first cycle of secondary education. Thus, this places Nicaragua behind Costa Rica, Panama, El Salvador, and comparatively at a similar level to Honduras. Equally important Nicaraguan youth are ill-equipped to face the demands in terms of skills of the labor market in the 21st century.⁶⁹

Vocational Training

Nicaragua has a lower share of students in vocational training out of students in secondary education, and also compared to the population of 15-24 year olds (Table 15). This can be a problem to curb the youth unemployment since vocational training often gives easily employable skills.

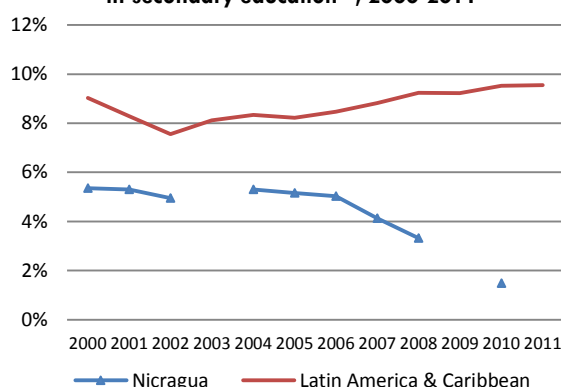
Table 15: Status of Vocational Training in Nicaragua⁷⁰

Pupils in vocational training (2010)	Nicaragua	6,880
Pupils in vocational training, women	Nicaragua	60 %
	LAC	53 %
Ratio of pupils in vocational student to all pupils in secondary education	Nicaragua	3.5 %
	LAC	9.3 %
Ratio of pupils in vocational training out of 15-24 year olds	Nicaragua	1.3 %
	LAC	5.2 %

The vocational training trend demonstrates that there is a continuing declining rate compared and contrasted with the LAC's average trend (Figure 12). This is also related to the increasing enrolment in secondary education in Nicaragua. On the other hand, it indicates that the vocational training is not prioritized. It is noteworthy to mention that there are more women in vocational training than men.



Figure 12: Ratio of pupils in vocational student to all pupils in secondary education⁷¹, 2000-2011



Based on a more broader interpretation of vocational training, the *Instituto Nacional Tecnológico* (INATEC) projected that close to 140,000 persons would receive training courses in 2010.

Around 47 percent of formal firms are offering formal training.⁷² Moreover, among firms that have unfilled vacancies, more than 61 percent of them find that social skills such as communication skills are the most difficult to find in a candidate. This is in contrast to 52 percent in the rest of Central America. It is less a problem in Nicaragua in terms of technical skills which appears to be relatively low (Table 16). However, it is somewhat in divergence with the low vocational training rates in Nicaragua.

Table 16: Most difficult skill to find when filling vacancies⁷³

	Social Skills	Technical Skills
Nicaragua	61 %	39 %
Rest of Central America	52 %	48 %
Total	52 %	48 %

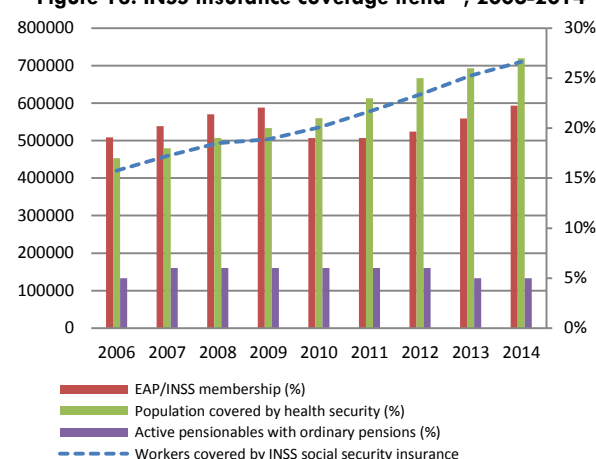
An impact evaluation of interventions aimed at increasing the income capacity of the poor through vocational training, micro-finance or business grants in Nicaragua, showed that poorest households were more likely to enter programs and received higher profits in non-agricultural self-employment, while less poor households assigned to the training had higher non-agricultural wages. The vocational training didn't lead to wage increases of the poorest. It questions benefits and impact of courses.⁷⁴

SOCIAL PROTECTION

Reforms to Nicaragua's Social Security system were approved by the National Assembly in January 2014. The retirement age will remain at 60 years old and workers' contributions will remain the same, with a requirement to pay into the system for 14-years in order to qualify for entitlement to a pension. The reforms initiate that employers contribute will gradually increase from the current 16 percent to 19 percent in 2017.⁷⁵

The National Institute of Social Security (INSS) is the main provider of social security. Data from INSS have demonstrated that workers covered by the social security scheme increased steadily in the period 2006-2014 in absolute terms (Table 14).

Figure 13: INSS insurance coverage trend⁷⁶, 2006-2014



INSS has three schemes: i) *Riesgos Profesionales* (RP) covers professional risks and work injury; ii) *Invalidez, Vejez y Muerte* (IVM) provides invalidity, old-age and survivor pensions, and iii) *Enfermedad y Maternidad* (Integral) provides medical, sickness and maternity benefits.⁷⁷ Employers pay 16 percent of the salary to the Integral and 10 percent to IVM and RP. Workers pay 6.3 percent of the salary to Integral and 4.3 percent to IVM and RP. Integral and IVM are open for voluntary coverage for self-employed for respectively 18 percent and 10 percent of declared earnings.⁷⁸

The health social protection coverage is still quite low and estimated at 12 percent of the population. It is far below the LAC's average that has been assessed at 82 percent of the population. However, the trend in government expenditure in health has experienced a growth at 3.5 percent per year (Table 17).



Table 17: Public spending on social protection schemes⁷⁹

Public social protection expenditure, excl. health	Córdoba	4.8 billion
	US\$	236 million
	% of GDP	2.9 %
	per capita	41 US\$
	% of government expenditure ⁸⁰	36 %
Public health care	% of GDP	4.1 %
Health social protection coverage	% of population	12 %
Trends in government expenditure in health	% changes per year (2007-2011)	3.5 %

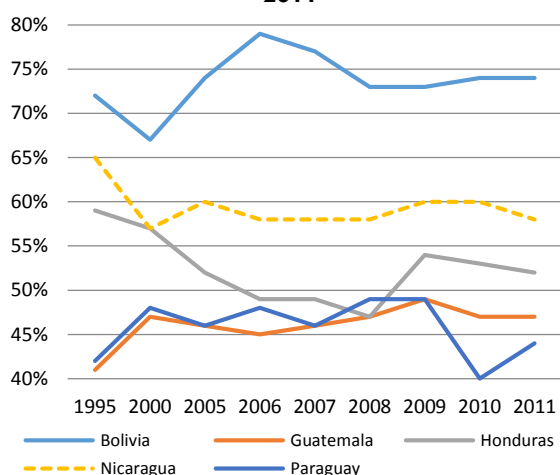
Also the old age coverage of an old-age pension is also very low at 24 percent, and, again, far below the LAC's average that was set at 56 percent (Table 18).

Table 18: Benefits, coverage and contributions to pension schemes, 2011⁸¹

Social benefits for the active age	% of GDP	0.5 %
Pensionable age receiving an old age pension (60+)	Proportion of total	24 %
Active contributors to an old pension scheme	15-64 years	14 %

Other data illustrate that the growth of health-care expenditure not financed by private household's out-of-pocket payments has so far not rebounded the trend from the beginning of the 2010s (Figure 14).

Figure 14: Health-care expenditure not financed by private household's out-of-pocket payments, 1995-2011



The non-contributory Social Protection Network (RPS) provides conditional cash transfers. RPS transfers US\$9.2 per household per month, US\$21 per year for school materials, US\$18.7 per month to support health and US\$4.6 per year subsidy to school per child covered. The conditions are that children must enrol and attend school, as well as attend health check-ups.⁸²

There are some legal and political constraints of extending social insurance to the informal economy workers, but there are possibilities for private sector actors to take on the role of agent and/or provider of social and health insurance. Many workers from the informal economy do often not have knowledge about the pension systems and/or the costs were crucial determinants of signing up for health insurance. When they are offered voluntary insurance schemes, they enroll fast, mostly in public institutions. An evaluation showed that insurance did not result in increased overall service utilization, but in a switching to health clinics for the insured from other facilities not covered by the insurance program. It was concluded that the subsidized insurance significantly reduced enrollees' out-of-pocket health expenditures. On the other hand, once subsidies for the premium expired, the insurance program experienced a low retention rate.⁸³

GENERAL ECONOMIC PERFORMANCE

Nicaragua is one of the least developed countries in the Latin America. But the country has been called a "bright spot" in Central America due to a relatively higher economic growth in recent years. This has opened the possibility of a shift from a more crisis control situation to a more long-term, and even pioneering strategies to fight poverty, particularly in remote rural communities.⁸⁴

One of the biggest economic initiatives is a 170-mile, inter-oceanic canal that has been interpreted by the government as a symbol of progress in the country. The government has estimated that this mega-project will raise the GDP growth up to 12-15 percent annually in coming years and create jobs for 50,000 workers in construction and indirectly 200,000 for the operation of the canal. Preliminary work is in process with investments in land surveys and routes identified; and negotiations begun with landholders. However, secrecy is still creates uncertainties of the project, whose ramifications are vast. Moreover, critical questions remain on the impact of the canal, e.g. if the main investor, which is a Chinese billionaire, can raise at least



US\$40-50 billion; when China is more present in the U.S. “backyard”; influx of thousands of Chinese workers; and environmental consequences.⁸⁵ The canal construction has been delayed until the end of 2016.

According to the accessible data, the economic growth per capita has been on a volatile trend in Nicaragua and the region. This has, among others, been related to the global financial crisis in 2007-2008. This growth has been hovering above the LAC’s average in recent years (Table 19 & Figure 15).

Agriculture, construction, forestry, fishing and mining are driving economic growth. There has been a concern of an increased use of industrial chemicals in mining and in Free Trade Zones (see also the sub-section: Export Procession Zones). This is especially because of the lack of controls and the irresponsible attitude of many companies.⁸⁶ On the demand side, there are private consumption, exports and government spending promoting the growth.

Table 19: General Economic Performance Key Facts, 2014⁸⁷

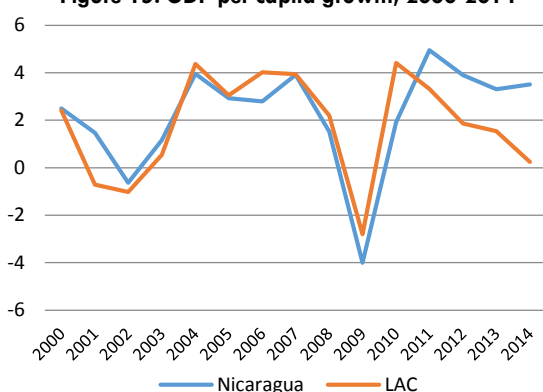
GDP	11.9 billion US\$
GDP Real Growth	4.7%
Doing Business *	125 of 189 countries
HDI (2014) **	0.631 125 of 188 countries
Gini Index ***	40.5 59 of 144 countries

* A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to the start-up and operation of a local firm.⁸⁸ The ranking is from 2015.

** The Human Development Index (HDI) measures the average of a long and healthy life, access to knowledge and a decent standard of living.

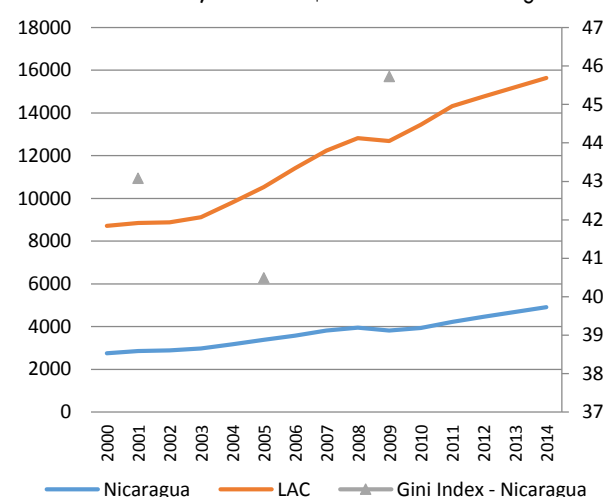
*** In terms of the Gini Index's ranking, the first country has the highest inequality, while the number 144 has the highest income distribution equality.

Figure 15: GDP per capita growth, 2000-2014



Nicaragua has a high income inequality: The Gini Index estimated 46 in 2009 and placed the country as number 59 out of 144 countries (Table 19). This inequality is also demonstrated by the growth of GDP per capita measured in Purchasing Power Parity (PPP). The latter is well below the LAC’s average and the gap is projected to widen (Figure 16).

Figure 16: GDP per Capita (PPP) and GINI Index⁸⁹
2000-2014, current US\$ & GINI Index ranking



The working poor in Nicaragua have been on a fast decreasing trend, but it continues to be much more present than the LAC’s average (**Fejl! Henvisningskilde ikke fundet.**). Due to the higher economic growth per capita during the 2010s, so far, it is very possible that the share of working poor has continued to drop.

Table 20: Status of Working Poor, 2001-2009⁹⁰

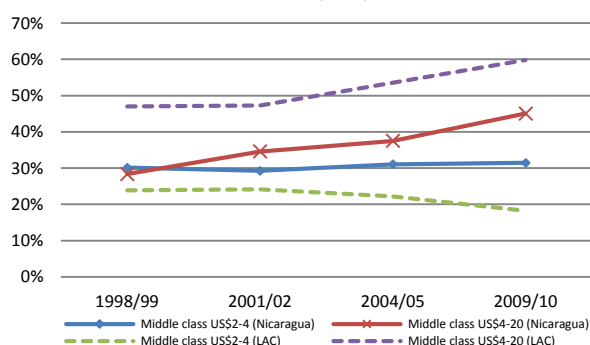
	Share of workers in total employment	
	1.9 US\$ a day	3.1 US\$ a day
Nicaragua (2001)	14 %	36 %
Nicaragua (2009)	9.3 %	20 %
LAC (2001)	9.0 %	20 %
LAC (2009)	4.5 %	11 %

Note: Working poor measures employed people living for less than US\$1.9 and US\$3.1 a day, as proportion of total employment in that group.

On a different angle, Nicaragua has a higher rate of lower middle-class in comparison with the LAC’s average, while the upper middle-class is lower than the regional average. The former has basically not been on an increase while the latter is increasing steady (Figure 17).

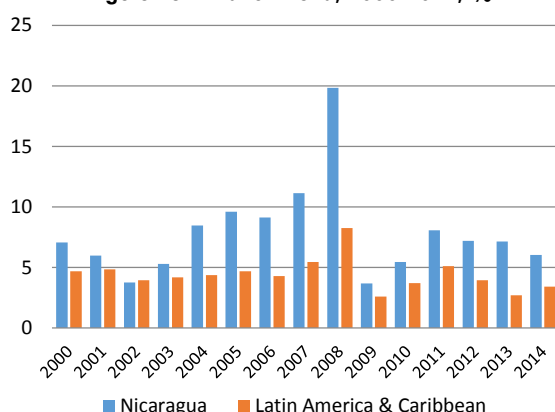


Figure 17: Status of middle-class trend⁹¹
1998-2010, Nicaragua and the Latin America and the Caribbean (LAC), %



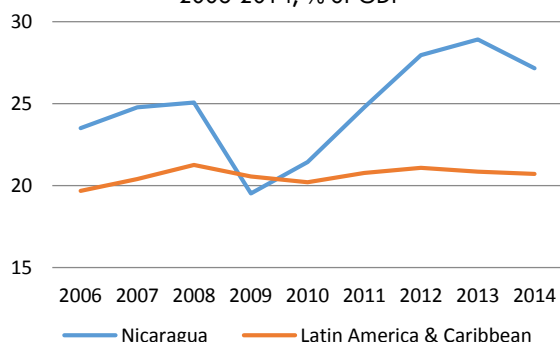
Overall, the food inflation in Nicaragua averaged 10 percent from 2005 until 2016, reaching an all-time high of 35 percent in August of 2008, and a record low of -8.7 percent in December of 2009. Now the inflation has been stable, below ten percentages since 2009, and slightly higher than the LAC's average (Figure 18).

Figure 18: Inflation trend, 2000-2014, %



As already mentioned, the country is dependent on remittances. Development aid also remains important for the economy.⁹² The fixed capital formation is higher than the LAC's average, but with a declining slump due to less private investment during the past years.

Figure 19: Gross Fixed Capital Formation
2006-2014, % of GDP



Based on the Governance Indicators, Nicaragua has experienced some improvements, especially the Rule of Law and the Political Stability. The Government Effectiveness and the Control of Corruption are still placed by low rankings. It is also registered that the latter indicator experienced a declining trend (Table 21).

Table 21: Nicaragua's Governance Indicators⁹³
2009-2014

Indicator	2009	2014	Change
Voice & Accountability	-0.45 / 34%	-0.37 / 36%	↑
Political Stability	-0.33 / 34%	-0.05 / 44%	↑
Government Effectiveness	-0.95 / 18%	-0.83 / 19%	↑
Regulatory Quality	-0.41 / 38%	-0.38 / 39%	↑
Rule of Law	-0.79 / 23%	-0.67 / 29%	↑
Control of Corruption	-0.73 / 25%	-0.88 / 19%	↓

Note: The Governance Indicators score from -2.5 to 2.5 while the percentiles rank from 0 (lowest) to 100 (highest).⁹⁴

On the Doing Business Index, Nicaragua was ranked at 125 out of 189 countries in 2015/16; which is low in the region. Out of the ten indicators, the country's highest ranking is Trading Across Borders (81 out of 189 countries) followed by Enforcing Contracts (94) and Getting Electricity (94). Most other indicators have significant lower rankings, e.g. Dealing with Construction Permits (168) and Paying Taxes (165). No significant improvements have been registered (Table 22).

Table 22: Ease of Doing Business in Nicaragua⁹⁵

Topics	2016	2015	Change
Starting a Business	123	119	↓ -4
Dealing with Construction Permits	168	164	↓ -4
Getting Electricity	94	90	↓ -4
Registering Property	147	147	No change
Getting Credit	97	90	↓ -7
Protecting Investors	150	149	↓ -1
Paying Taxes	165	163	↓ -2
Trading Across Borders	81	80	↓ -1
Enforcing Contracts	94	94	No change
Resolving Insolvency	103	104	↑ 1

Doing Business 2015 indicators are ranking from 1 (top) to 189 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business



Topics	2016	2015	Change
surroundings that matter to firms and investors that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.			
Note: This Index has been controversial due to flawed data, especially in terms of labour market flexibility and undervalued paying taxes. However, the table can still be used as indicative measurement with reservations. ⁹⁶			

TRADE

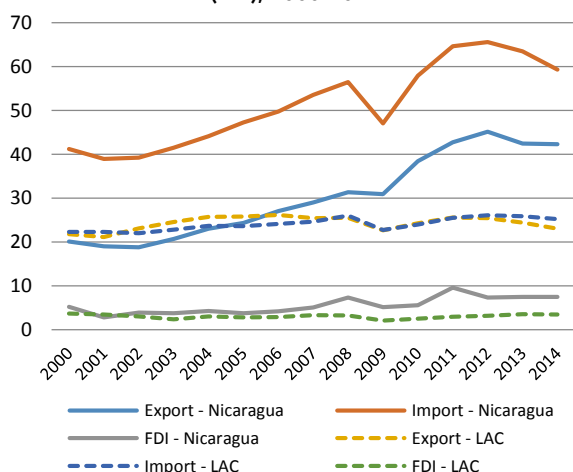
Trade is a prominent part of Nicaragua's economy, with an export at 42 percent and an import at 59 percent of GDP in 2014. Thus, a significant trade imbalance is present. Foreign Direct Investment (FDI) flows are also at a high rate at 6.6 percent of GDP. Overall, the external trade is more dominating the Nicaraguan economy than the LAC's averages (Table 23).

Although the FDI has benefitted by an attractive investment policy, it has not a sufficient impact on the rest of the economy. Sources have argued that high returns on FDI and low domestic investment are indicating that investors still have little confidence in the country.⁹⁷

Table 23: Trade and Foreign Direct Investment⁹⁸, 2014

Exports	5.0 billion US\$ 42 % of GDP
Imports	7.0 billion US\$ 59 % of GDP
FDI Flow (average 2010-2014)	779 million US\$ 6.6 % of GDP
FDI Stock	N/A

Figure 20: Export, Import and Foreign Direct Investment (FDI), 2000-2014⁹⁹



A dynamic exports sector contributed positively to GDP growth, especially agriculture and agro-processed products. And the export sector is relatively well diversified, making it less vulnerable to changes in global demands. The export productions have a composition of skill requirements that make it difficult for skilled labour to be used in other sectors.¹⁰⁰ The exports have mainly boomed due to a rise in commodity prices, not in productivity.

Figure 21: Main products share of exports (2013)¹⁰¹

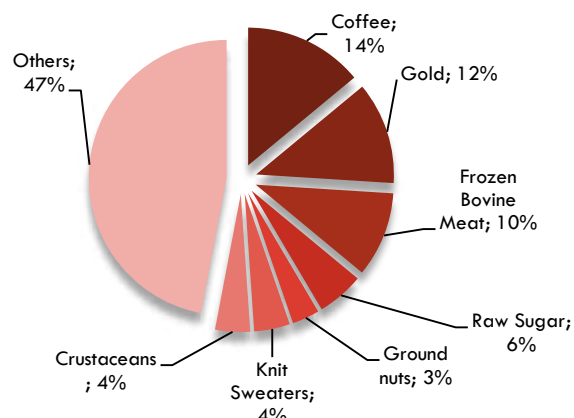
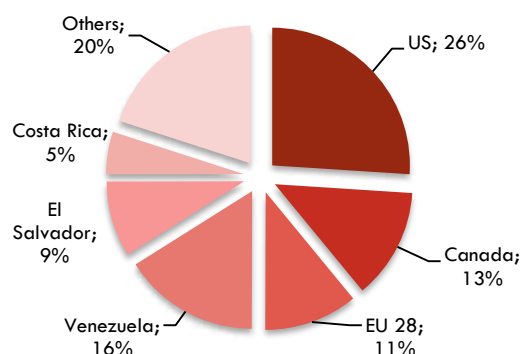


Figure 22: Main export markets (2013)¹⁰²



Many export goods have been steadily increasing since a coffee crisis of 2001, driven largely by fast-growing exports of manufactured goods and processed agricultural products. According to Figure 21, Nicaraguan exports are still dominated by agricultural products such as coffee, meat, and sugar. Among those, products with higher value added (e.g. sugar, meat, other processed agricultural products) have experienced the fastest growth (12 percent, per year), whereas exports of raw agricultural goods (e.g. coffee, peanuts, fish and shellfish) have grown very slowly (1.9 percent, per year), although they still represent the largest share of export products. Exports of manufactured products in general have also grown very rapidly (15 percent, per year), led by chemical



exports, which grew on average at 21 percent per year since 2001. Nevertheless, the share of manufactured goods' exports remains very low relative to agricultural products.¹⁰³

Trade Agreements

Nicaragua has bilateral trade agreements with Costa Rica, Mexico, Panama and Taiwan, and is also negotiating trade agreements with Canada and Chile.

The country is also part of the Central American Integration System, which includes the Central American Common Market (CACM), and has a Consultative Committee involving labour and works to harmonise education systems.¹⁰⁴

Nicaragua is member of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which was initiated in 2002. It is an agreement between the United States and Central American states, with the goal of setting up a free trade area. It requires the two countries to uphold the four core ILO labour standards, as well as acceptable conditions of work, in a manner that does not affect trade. It sets up a monitoring mechanism.¹⁰⁵ CAFTA has been controversial in the United States, for not making enough labour and environmental requirements,¹⁰⁶ while in the Central American countries liberalize state owned enterprises and opening markets to subsidized U.S. agricultural products.¹⁰⁷ Nicaragua's exports to the U.S. have grown 75 percent over the past six years and fostered a US\$1 billion-plus trade surplus with the U.S., which in large part to CAFTA.

Nicaragua benefits from European Union's (EU) unilateral Generalised Scheme of Preferences (GSP+) special incentive arrangement, which allows duty and quota free access for most products. To be granted and continue to be granted GSP+, a country must ratify and effectively implement conventions within human rights, environmental and the eight ILO Core Conventions. The EU will examine each beneficiary every second year.¹⁰⁸ As of August 1, 2013, the EU and Honduras, Nicaragua and Panama started applying the trade part of an Association Agreement signed in 2012. The agreement will open up markets and create a stable business and investment relation.¹⁰⁹

Along with five other Central American countries, Nicaragua has entered an Association Agreement with

the EU. The Association Agreement is to strengthen regional integration between the Central American countries including cooperation, harmonisation and improvement of labour market. In return, the EU will provide trade benefits.¹¹⁰

Export Processing Zones (EPZs)

Nicaragua's first EPZs were established in 1991, though there had been minor free zones since the 1970s.¹¹¹ Today, there are registered about 174 companies in the EPZ, out of which 75 companies are in the textile sector. In total 213,000 work in the EPZ companies and out of them 109,000 are in the textile manufacturing companies. The latter segment is covered by a tri-partite agreement signed with the government in December 2014, this means that they are also covered by the social security INSS.¹¹² Around 35 CBAs have been signed and are active in the EPZs.

A tripartite agreement on the EPZ was reached in December 2012 between the Government; the trade unions (CST, CST-JBE, CUS, and CUT) and the employer organisations (ANITEC and FCNZFP). The point of the agreement is wage increases of 8 percent, for 4 consecutive years 2014-2017 as well as health and safety, and professional training.¹¹³

EPZs operate with a 60-hour workweek, including overtime. The sustainability of the EPZs tax-free model is based on low-skilled and low-paid labour, which is below estimated costs of living. This neither contributes to state revenues - apart from employees' income tax and social security payments - nor generates spillovers to the rest of the economy.

It is illegal for employers to restrict unions, but dismissals due to union activities are still common. Anecdotal evidence suggests that EPZ workers in Nicaragua are denied the legally mandated minimum wage under the current government. In fact, low pay and violations of labour law have characterized Nicaraguan EPZs.

As already demonstrated in this report, the wage is low in comparable with industries outside the EPZs (Table 4). There has also been a hostile social dialogue at times within the EPZs. It is noteworthy that women in the EPZs have played an important role in Nicaraguan labour struggles.¹¹⁴



APPENDIX: ADDITIONAL DATA

Table 24: Trade Unions in Nicaragua, 2015¹¹⁵
Members and Collective Bargaining Agreements (CBA)

Trade Union / Trade Union Centre	National affiliation/ coordination	Total Members	Women Members	No. of CBAs
FNT Frente Nacional de los Trabajadores *)	MUSIN	274,500	55 %	298
CGTEN-ANDEN Confederación General de los Trabajadores de la Educación de Nicaragua	FNT	40,000	-	1
FETSALUD Federación de Trabajadores de Salud	FNT	28,000	80 %	1
UNE Unión Nacional de Empleados del Sector Público	FNT	38,000	-	1
FESITUN Federación de Trabajadores Administrativos de las Universidades	FNT	3,500	-	1
FEPPDES-ATD Federación de Profesores y Docentes de la Educación Superior	FNT	3,000	-	1
CSTCP Confederación Sindical de Trabajadores por Cuenta Propia **)	FNT	62,000	-	-
CNTAI Confederación de Trabajadores de la Agroindustria	FNT	18,000	-	-
CSTMLRS Confederación de Sindicatos de Trabajadores del Mar, Lagos, Ríos y Similares	FNT	12,000	-	-
CST-JBE Central Sandinista de Trabajadores – José Benito Escobar	FNT	30,000	-	-
ATC Asociación de Trabajadores del Campo	FNT	42,000	-	-
Other trade union centres/federations				
CPT-I Confederación General del Trabajo (independiente)	-	60,000	-	-
CTN-A Central de Trabajadores de Nicaragua Autónoma	-	30,000	-	-
CUS Confederación de Unificación Sindical *)	MUSIN	30,000	-	-
CPT-I Confederación General del Trabajo (independiente)	MUSIN	-	-	-
CAUS Central de Acción y Unificación Sindical	-	6,000	-	-
CST Central Sandinista de Trabajadores – Roberto Gonzales *)	-	15,000	30 %	-
CTN Central de Trabajadores de Nicaragua *)	-	25,410	-	-
CUSa Confederación de Unidad Sindical Autónoma	MUSIN	-	-	-
CUT Confederación Unidad de Trabajadores	MUSIN	42,000	60 %	-
<p><i>Note: Based on the limitations of data availability, this table covers not all trade unions and centres.</i></p> <p><i>*) Affiliated organizations to the International Trade Union Confederation (ITUC).</i></p> <p><i>**) This organization operates in the informal economy and association affiliated to FNT.</i></p>				



Table 25: Ratified ILO Conventions in Nicaragua¹¹⁶

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1967
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1967
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1934
	C105 - Abolition of Forced Labour Convention, 1957	1967
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1981
	C182 - Worst Forms of Child Labour Convention, 1999	2000
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1967
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1967
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	Not ratified
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	1981
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1981
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1934
Elimination of child labour and protection of children and young persons	C077 - Medical Examination of Young Persons (Industry) Convention, 1946	1976
	C078 - Medical Examination of Young Persons (Non-Industrial Occupations) Convention, 1946	1976
Wages	C095 - Protection of Wages Convention, 1949	1976
	C131 - Minimum Wage Fixing Convention, 1970	1976
Occupational Safety and Health	C115 - Radiation Protection Convention, 1960	1981
	C139 - Occupational Cancer Convention, 1974	1981
Industrial relations	C135 - Workers' Representatives Convention, 1971	1981
Vocational guidance and training	C140 - Paid Educational Leave Convention, 1974	1981
	C142 - Human Resources Development Convention, 1975	1977
Freedom of association (agriculture)	C141 - Rural Workers' Organisations Convention, 1975	1981
Seafarers	C146 - Seafarers' Annual Leave with Pay Convention, 1976	1981
	MLC – Maritime Labour Convention, 2006	2013
Indigenous and tribal peoples	C169 - Indigenous and Tribal Peoples Convention, 1989	2010
Specific categories of workers	C110 - Plantations Convention, 1958	1981
	C189 - Domestic Workers Convention, 2011	2013
<p>Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.</p> <p>Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market.</p> <p>In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.</p>		



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