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INSTITUTO AMERICANO PARA EL DESARROLLO DEL SINDICALISMO LIBRE
NICARAGUA

Tel. Guaymas No. 1. 5 cuadros
Al Sur y media al Oeste.
Apartado Postal No. 9090
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8/68

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FREELAN 11P

AIRGRAM

DEPARTMENT OF STATE

PD-AAB-099-C1

UNCLASSIFIED
Classification

For each address check one ACTION

X

FROM: Managua

SUBJECT: NONCAPITAL PROJECT PAPER (PROP)

REFERENCE:

COUNTRY: NICARAGUA

Project No. 524-15-490-054

Revision No. 1

Project Title: FREE LABOR DEVELOPMENT

U.S. Obligation Span: ¹⁹⁶⁴ FY-1972 through FY-1978

Physical Implementation Span: ¹⁹⁶⁴ FY-1972 through FY-1979

Gross life-of-project financial requirements:

U.S. Dollars.....	2,470,400
	\$1,888,400
U.S. owned local currency.....	--
Cooperating country cash contribution	--
Other donor.....	--

Total: 2,470,400
\$1,888,400

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Drafted by /AGoldstein/HCordova	Office DEVPLN	Approved by: OD: wHaynes
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and other Clearances

L/LABOR: JBriggs

3/1/71

OD: CBJohnson

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B. Summary Description

United States assistance to Nicaragua is intended to promote the economic and social development of the people of Nicaragua. The vast majority of these people are workers. This project is essential because it is aimed at providing the means to workers to contribute to their own social and economic well-being. No matter what the magnitude of United States aid to Nicaragua might be, any such program would have to be characterized as a failure if it did not benefit the majority of the people of the country. Unless workers are organized and strong, they will either have a very small share in any economic development which takes place or none at all. The broad goal to be achieved by this project is to create a strong, free, democratic and responsible labor movement in Nicaragua. This should have the effect of bringing about a more equitable distribution of income, thus creating an adequate internal market and increased productivity. The social aspect, although it cannot be quantified, is of equal importance. The success of this project would result in the acquisition of what has been termed "human dignity" by a large number of people who at present are in no position to possess it.

There is no minimum level of output which would serve as a base for continued United States participation. Taking place as it does within a social context, output is subject to a wide range of fluctuation. Progress made since the beginning of this project in 1964 in-

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dicates that it will continue to forge ahead.

Inputs have been forthcoming and are expected to continue to be so from USAID, AIFLD/W and AIFLD/N, the contractor, as well as from AIFLD's Regional Central American Program, which is financed by ROCAF; from the AFL-CIO and a number of its member unions, from democratic international trade union organizations; from U.S. companies and educational institutions; from the Nicaraguan Government and from certain Nicaraguan employer organizations.

C. Setting or Environment

The broad policy goal is to create a strong, free, democratic and responsible labor movement in Nicaragua capable of winning economic and social advance for its thus far vastly under-privileged working class.

Although AIFLD has made progress in this area, Nicaraguan trade unions generally are still weak, their leadership is still undertrained and most unions are relatively ineffective. Thus, a major goal is to train a highly capable cadre of democratically oriented union leadership.

Wage and salary rates for industrial, farm and clerical workers are extremely low. For example, the highest legal minimum wage area in Nicaragua is Managua, where semi-skilled industrial workers are supposed to be paid at least 1.50 cordobas per hour, or about 21 and 1/2 U.S. cents. Frequently, employers do not even comply with minimum

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wage legislation. Rural workers are generally paid subsistence or below-subsistence wages. In general, monetary wages have declined slightly during the past 3 years while prices have risen sharply. The result has been a substantial drop in workers' real income.

Worker educational level is extremely low. There is a high percentage of illiteracy, particularly in rural areas, and the estimated formal education level of trade union members is 3 years of primary school. This educational deficiency is largely responsible for the lack of interest in and awareness of the importance of union-sponsored social welfare services to promote union growth. Dues payments are exiguous, owing to low income levels and lack of interest in the union because of its failure to provide sufficient services.

Labor legislation is, on paper, adequate. However, the Ministry of Labor has the lowest budget of all Nicaraguan ministries and enforcement of such legislation is minimal.

The exploitation of labor in Nicaragua is historically endemic. Although a small minority of Nicaraguan government officials are aware of the advantages implicit in a strong, free, democratic and responsible trade union movement, most such officials are anti-union. This is also true in the case of employers. Since the majority of unions are weak, most workers seek redress directly from the Labor Ministry; ^{and,} for the reasons pointed out above, they generally do not obtain it.

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Although the level of skills in Nicaraguan work force is extremely low, very little is being done to raise it. Union participation in skills-upgrading is virtually non-existent. Thus, although the industrial and services sectors are growing more rapidly than others in the economy, the combination of the low skills level, lack of education and poor health (much of which can be attributed to dietary deficiencies which have their origin in inadequate income) severely limit productivity.

Although Nicaragua's GNP will probably rise at a rate of about 5 percent over the next 5 to 10 years, the economy is heavily dependent on primary sector exports. Income is very unevenly distributed, with most wealth being held by very small percentage of the population; a small middle class has a barely adequate standard of living but the majority of the population, consisting of workers or sub-employed or unemployed workers, has hopelessly inadequate purchasing power. Thus, consumers to support mass production for a national market do not exist in sufficient quantity in many areas. Although unemployment and sub-employment data do not exist, the rates for both are known to be extremely high.

Population growth in Nicaragua has been variously estimated at between 3.1 and 3.8 percent. Projecting the mean of 3.45 percent from the present population estimate of 2.1 million, the population will have reached about 3 million by the end of 1980. For a number

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of reasons, including rapidly rising agricultural productivity, there is a strong movement of workers from rural to urban areas. If the problems mentioned above are not attacked vigorously, this trend could have seriously adverse social consequences.

D. Strategy

The broad strategy will flow from AIFLD Directive No. 3000.14, "Program Directives of the American Institute for Free Labor Development." The preparation of these strategy papers was recommended by the American Technical Assistance Corporation (ATAC), which was contracted by USAID/W to analyze AIFLD operations and to make recommendations to improve AIFLD efficiency and AIFLD/AID relationships. These directives cover: (1) Agrarian Union Development Services; (2) Economic Integration; (3) Education; (4) Family Planning; (5) Housing; (6) Manpower Development; (7) Regional Organization; (8) Research; (9) Social Projects; (10) Technical Assistance; (11) Community Services; and (12) Credit Institutions.

Each year AIFLD field offices submit to AIFLD/W a Country Labor Plan, which represents a 2-year tactical approach to the solution of specific problems, outlining methods to achieve specific project objectives. These plans are reviewed by AIFLD/W personnel with AIFLD Country Program Directors at their annual meeting; the final

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product is reviewed by the AIFLD Board of Trustees and is then submitted to USAID/W and USAID Missions abroad. This procedure ensures a consistent and logical policy on a regional basis.

In the future these plans will be prepared in accordance with the AIFLD manual, "Preparing a Country Labor Plan," which was prepared with the assistance of ATAC and issued in January 1971.

Strong, responsible, democratic and free trade unions in Nicaragua would, for reasons mentioned above, make a direct contribution to increase production and to a more equitable distribution of income in Nicaragua; their development would improve the economic well-being of the majority of Nicaragua's population, its workers, and, partially because of this improvement and partially because of other factors which would flow from the approach outlined in AIFLD Directive 3000.14, would raise their social status and their ability to participate effectively and constructively in Nicaraguan political life. The role of the United States Government in promoting such change should make a definite contribution to better ~~US~~-Nicaraguan relations.

From the U.S. commercial point of view, higher wages ~~and salaries~~ in Nicaragua should tend to avoid future problems in commercial relations between the two countries which could arise from a comparative advantage in the production of Nicaraguan products solely attributable to drastically lower labor costs.

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Support and opposition within Nicaragua to the broad goal being treated here has been mentioned above. AIFLD's approach toward obtaining the cooperation of supporting groups and toward changing the attitude of opposing groups to one of support has been covered in detail in quarterly reports submitted to USAID by AIFLD/N. These problems must necessarily be dealt with, in many instances, on an ad hoc basis. Examples of this approach are the success AIFLD has had in recent years in changing the position of the Ministry of Labor from one of relatively reluctant cooperation or outright opposition to one of enthusiastic cooperation; AIFLD's success in having created a truly national democratic trade union central body, the Consejo de Unificación Sindical (CUS), now about 3,500 strong and affiliated with CTCA, the Central American Regional Organization of the Organización Regional Interamericana de Trabajadores (ORIT), and with ORIT itself; the cooperation it has obtained from INCAE (the Instituto Centroamericano de Administración de Empresas) -- part of the Harvard Business School -- and with INDE, the Instituto Nicaragüense de Desarrollo. The relationship and cooperation between AIFLD/N and the AIFLD Regional Program for Central America, with its Instituto de Estudios Sindicales Centroamericano (IESCA), has also been of great value in realizing our objectives in Nicaragua and has helped win support at the trade union level for Central America integration. Other support has been and will continue to be forthcoming from the international trade secretariats and from certain unions in the United

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States involved in the Union-to-Union Program. AIFLD/N has cooperated and will continue to cooperate closely with the Human Resources Division of USAID/N. Last, but by no means least, are AIFLD's Washington staff, including its Front Royal and Georgetown University educational programs, and the full support of the AFL-CIO of AIFLD's operations.

E. Planned Targets, Results and Outputs

The situation, as a result of AIFLD activities, has improved substantially. Improvement has been much more rapid from August 30, 1968, when the original Prop was written, than the improvement described in that document. When AIFLD began operations in Nicaragua in 1964, a free and democratic trade union movement did not exist. CUS is such a movement and, although it was formed as recently as December 1969, it now counts with some trade union leaders who can hold their own with the better trade union leaders of other Latin American countries.

This project is engaged in an attempt to change deep-rooted cultural patterns, -- a necessarily slow process and not subject to quantitative or qualitative prediction. Both quantitative and qualitative evaluation of progress can be made, however, and AIFLD, working along lines traced by ATAC, is in a position to do this.

The situation at the end should be what Rostov terms one of "take-off." The free and democratic Nicaraguan trade union movement

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should have acquired the tools to enable it to defend capably the interests of its members without more than the usual amount of international trade union cooperation. It should have acquired sufficient momentum so as to increase the number of its adherents and the services it can provide for them, and to continue to obtain Labor's "fair share" at the bargaining table.

F. Course of Action

More intensive and broader use of the methods outlined in AIFLD Directive No. 3000.14 will have to be made. Education, although of great importance, is only one of the tools to be used in obtaining our objectives. Although AIFLD has provided basic trade union education for some 8,000 trade unionists and intermediate and advanced education for a much smaller number, it must be borne in mind that the organization of trade unions in this country is still in its infancy. AIFLD should continue to orient its education program so as to support the organizing efforts of already viable free and democratic trade unions; in the future, much greater emphasis must also be placed on higher level education for trade unionists. The point that education is only one of the tools employed by AIFLD to realize the broad goal stated in the first paragraph under "Setting or Environment" cannot be over-emphasized.

Two of the most important problems to be solved are the wide-

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spread prejudice in the Nicaraguan Government and among Nicaraguan employers against trade unions of any sort. The number of problems which remains to be solved and their magnitude call for greatly increased inputs in order to realize this project's broad goal. p 21

In the past, AIFLD's research input has not been adequate. Research should include original research in order to identify and quantify relevant economic and social factors affecting the achievement of project objectives. ATAC evaluation techniques should be used to assess past progress and determine the direction of future programs. Attention should also be given to building into the Nicaraguan trade union movement research competence which will permit it to evaluate accurately its own position, for use at the collective bargaining table and for the assumption of its rightful role in Nicaraguan political life and in Central American economic and social integration.

HSW/dbe

March 4, 1971