

# CHEAP HAS A HIGH PRICE

## **Responsibility problems relating to international private label products and food production in Thailand**

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**THE FULL REPORT** is available in Finnish only. It can be downloaded at [www.finnwatch.org](http://www.finnwatch.org) as of 9 am CET on 21 January 2013. The English summary focuses on the aspects of the report that are of international relevance.

**FINNWATCH** is a Finnish non-profit organisation that studies the responsibility of global business.

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## EXECUTIVE SUMMARY

**IN TIMES OF ECONOMIC STRESS** consumers often turn to less expensive items. A key trend in retail chains' price competition is developing and introducing their own private label products. This refers to goods that are produced by an external supplier but sold under the retail company's own brand. Other motivations behind private label products may relate to strengthening customer relations, developing and differentiating the company brand, increasing profit margins on products and boosting the chain's market share.

In Europe, private label items cost on average 30 percent less than similar brand products. Their share of private label goods is showing a steady increase globally. In Spain and Switzerland, for example, over 70 percent of all frozen and canned food items carry a private label. In Finland, the share is 40 percent.

From a corporate responsibility viewpoint, the production of private label items entails several challenges. As retail companies pool their resources and set up international joint procurement companies, their bargaining power vis-à-vis suppliers increases. One result of this is the weakening of the position of suppliers, especially those from developing countries. Constant search for the cheapest price may also mean that the responsibility and sustainability of production in the global South does not receive sufficient attention in the procurement process.

Other problematic aspects relating to growing purchaser power include delaying payments, demanding absolute certainty of supply (if contractual obligations are not met in full, the contract ceases to apply), buy-back requirements, dumping, conditional purchase agreements and extremely high (cosmetic) quality standards.

This report by Finnwatch, an independent Finnish non-profit research NGO focusing on global corporate responsibility issues, analyses the responsibility of the procurement process of the biggest Finnish retail chains' private label products. The chains included in the analysis are Ruokakesko, SOK, Suomen Lähikauppa and the German-based Lidl.

Except for Lidl, which to a large extent handles its international procurement through its German head unit in a centralised manner, all chains were members of large international joint procurement companies and heavily integrated into the global food market. Ruokakesko is a member of the pan-European AMS Sourcing. SOK co-owns Coop Trading through its procurement subsidiary Inex Partners together with its Nordic partners. Tuko Logistics, whose clients include Suomen Lähikauppa and Stockmann, is a part of the European EMD and United Nordic that brings together a number of Nordic retail chains.

The responsibility challenges related to the supply chain management of private label goods are illustrated through three in-depth case studies. The data was assembled through fieldwork with workers, employers and NGOs in the provinces of Samut Sakorn and Prachuap Kiri Khan in Thailand between October and December 2012.

The field research was carried out by a team managed by Andy Hall, migration expert at Mahidol University in Thailand in accordance with Finnwatch's research guidelines. Mr Hall has ten years of experience working on similar issues in Thailand.

The investigation covered two tuna companies, Unicord and Thai Union Manufacturing, as well as a pineapple processing company

called Natural Fruit. Tuna and pineapple production for international export to global consumer markets are important sources of external revenue and providers of jobs in Thailand.

However, the research confirmed, the success and prosperity of these labour intensive export sectors, too often rests on the exploitation of a mainly non-Thai migrant workforce – mostly vulnerable workers from neighbouring Myanmar. Forced labour, human trafficking, child labour, low wages and other serious violations continue to characterise the operations of some pineapple and tuna companies in Thailand, despite growing national and international criticism of such practices.

In the course of the research process it also became obvious that the responsibility practices of the Finnish retail chains included in the report, as well as those of the Netherlands-based Refresco (see below), were insufficient.

The report was produced as part of Finnwatch's Decent Work programme.

## WIDE INTERNATIONAL IMPLICATIONS

As the factories investigated also produce for other international brands, the findings of the report are of a wider relevance.

For example, Refresco, the company that supplies pineapple concentrate from the Natural Fruit factory where basic rights are grossly

violated to Finland for further processing, is a leading global player in its field with notable customers in Europe. According to some estimates, Refresco controls 20 percent of the European private label soft drink and fruit juice market, for example. In 2010 the company recorded EUR 1.22 billion in revenues. After this it has acquired several smaller companies and presently has 26 production facilities in eight European countries.

In addition to the Finnish retail chains mentioned above, Refresco's clients include Lidl, Aldi, Carrefour, Dia, Morrisons, Edeka, Rewe, Superunie, Ahold and Système U. It has the exclusive right to produce PepsiCo, Coca-Cola, Schweppes and Unilever in a number of European countries.<sup>1</sup>

Thai Union, one of the two tuna processing companies included in the report, produces such well-know international brands as John West, Petit Navire, Hyacinthe Parmentier, Mareblu and Chicken of the Sea.

## VIOLATIONS OF MIGRANTS RIGHTS ARE COMMON IN THAILAND

It is estimated that there are around 2.5 million migrant workers from Laos, Myanmar and Cambodia in Thailand, about 1–2 million of whom are registered or in the process of registration in order to receive legal documentation.<sup>2</sup> The flow of migrants to Thailand began in the late 1980s. Since then migrants from Thailand's neighbouring countries have been recruited to work in physically hard conditions

**1.** JyskeBank (2011). Refresco – A safe investment in high yield. Available at [http://jyskebank.com/wps/wcm/connect/be983cf8-f524-4779-a814-868e57057231/371001\\_20111213RefrescoOpstartsanalyse.pdf?MOD=AJPERES&CACHEID=be983cf8-f524-4779-a814-868e57057231](http://jyskebank.com/wps/wcm/connect/be983cf8-f524-4779-a814-868e57057231/371001_20111213RefrescoOpstartsanalyse.pdf?MOD=AJPERES&CACHEID=be983cf8-f524-4779-a814-868e57057231) (16 Jan 2012).

**2.** Huguet, J. W., Chamratrithirong, A., ja Richter, K. (2011). Thailand Migration Profile in Thailand Migration Report 2011, s. 9-11; U.S. Department of State, 2011 Human Rights report: Thailand, s. 54. <http://www.state.gov/j/drl/rls/hrrpt/2011/eap/186310.htm>

on fishing boats and fish factories as well as agricultural, construction and domestic work<sup>3</sup>. Over 80 percent of Thailand's migrant workers are from Myanmar<sup>4</sup>.

Migrant workers are treated as temporary workers who are granted a work permit for a few years. Irregular or undocumented migrants are punished with different penalties and sanctions<sup>5</sup>.

Thailand has signed various international human rights conventions that bind the state to protect people's wellbeing and rights. Thailand has ratified five ILO core conventions. It has not ratified conventions 87 and 98 regarding freedom of association and the right to collective bargaining or convention 111 on discrimination at workplace.<sup>6</sup> However, as a member of ILO Thailand is committed to the Fundamental Principles and Rights at Work<sup>7</sup>. The provisions on minimum wage and working time in the Thailand Labour Protection Act 1998 do not, however, apply to

agricultural or domestic workers<sup>8</sup>. In addition, migrant workers do not have the right to form their own unions, and the employers and the state object their joining existing unions<sup>9</sup>. Thailand has not ratified the UN International Convention on the Protection of the Rights of All Migrant Workers and Members of their families. The convention highlights the equal human rights of all migrant workers, including irregular migrants.<sup>10</sup>

Migrant workers have reportedly experienced violence and exploitation by the police, authorities and employers<sup>11</sup>. Irregular migrants are particularly vulnerable and they are intimidated with threats to expose them to the authorities which would lead to deportation. Child labour is believed to be common, but there are no comprehensive statistics on the topic<sup>12</sup>. Forced labour has also been reported to be commonplace<sup>13</sup>. The wellbeing of migrant workers is threatened due to inadequate health care and housing. Many migrant workers do not, for example, have access to pure water.<sup>14</sup>

**3.** Archavanitkul, K. ja Hall, A. (2011). Migrant Workers and Human Rights in a Thai Context teoksessa Thailand Migration Report 2011, s. 64.; Huguet, J. W., Chamratrithirong, A., ja Richter, K. (2011). Thailand Migration Profile teoksessa Thailand Migration Report 2011, s.9-11.

**4.** Human Rights Watch (2010). From the Tiger to the Crocodile. Abuse of Migrant Workers in Thailand, s. 19.; Huguet, J. W., Chamratrithirong, A., Richter, K. (2011) Thailand Migration Profile, Thailand Migration Report 2011, s. 11-12.

**5.** Archavanitkul, K. ja Hall, A. (2011). Migrant Workers and Human Rights in a Thai Context teoksessa Thailand Migration Report 2011, s. 68.

**6.** ILO Ratifications for Thailand [http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200\\_COUNTRY\\_ID:102843](http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102843) (7.11.2012).

**7.** ILO Declaration on Fundamental Principles and Rights at Work, kohta 2: "Declares that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions" <http://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm> (12.11.2012).

**8.** ILO TRAVAIL Database of Conditions of Work and Employment Laws <http://www.ilo.org/dyn/travail/trav-main.home> (sivustolla vierailtu 7.11.2012) ILO:n lehdistötiedote ILO Thailand welcomes new regulation to improve conditions for domestic workers. Julkaistu 6.11.2012. [http://www.ilo.org/asia/info/public/pr/WCMS\\_192615/lang--en/index.htm](http://www.ilo.org/asia/info/public/pr/WCMS_192615/lang--en/index.htm) (sivustolla vierailtu 12.11.2012).

**9.** Archavanitkul, K. ja Hall, A. (2011). Migrant Workers and Human Rights in a Thai Context teoksessa Thailand Migration Report 2011, p. 68.

**10.** UNESCO International Migration Convention <http://www.unesco.org/new/en/social-and-human-sciences/themes/international-migration/international-migration-convention/> (7.11.2012).

**11.** Human Rights Watch (2010). From the Tiger to the Crocodile. Abuse of Migrant Workers in Thailand.

**12.** Jampaklay, A. (2011), Migration and Children teoksessa Thailand Migration Report 2011, p. 99.

**13.** Human Rights Watch (2010). From the Tiger to the Crocodile. Abuse of Migrant Workers in Thailand, s. 52.; U.S. Department of State, 2011 Human Rights report: Thailand, pp. 549-50. <http://www.state.gov/j/drl/rls/hrrpt/2011/eap/186310.htm>

**14.** Migration and Thailand: Policy, Perspectives and Challenges, 2012: 27

Registered migrant workers with work permits have better opportunities to protect their rights. They are, for example, entitled to social security and health care. Nevertheless, their working conditions are in general bad and they are paid less than the legal minimum wage. In addition, changing jobs has been

made very difficult (the registration system requires the worker to identify the employer) and employers have reportedly confiscated workers' passports and work permits.<sup>15</sup> In five provinces, migrants' freedom of movement and communication is limited by decrees prohibiting cell phone and vehicle use<sup>16</sup>.

## KEY FINDINGS OF FIELD RESEARCH IN THAILAND

Below is a summary of the main findings discovered by Finnwatch at the production facilities of Thai Union Manufacturing (TUM), Unicord and Natural Fruit.

### A. FINDINGS RELATING TO THE PROCESSING OF TUNA AT THAI UNION MANUFACTURING AND UNICORD

#### Thai Union Manufacturing

Thai Union Manufacturing is a subsidiary of Thai Union Frozen Products PCL, which is Thailand's largest fish product processor and manufacturer. The factories of TUM process 400 tons of tuna daily. The factory complex in Samut Sakhon in central Thailand is the largest processing unit of tuna in Asia and provides employment to over 8,700 people.

About half of the employees are Thai citizens and the rest are migrant workers from Myanmar and Cambodia. All migrant workers interviewed for this research stated that they had been employed through the recruitment agency Thai Golden Mile Service, a TUM partner. Among the Thai workers interviewed, only two had a contract directly with TUM.

TUM processes skipjack, yellow-fin, albacore, tongol and bonito tuna. The factory delivers tuna products around the world, including the United States, EU, Japan, South America, Australia and New-Zealand. In Finland, nearly all retail chains that sell food carry TUM products.

Thai Union's international brands include John West, Petit Navire, Hyacinthe Parmentier, Mareblu and Chicken of the Sea.

#### Unicord Public Company Limited

Unicord Public Company Limited, which is part of the Sea Value group<sup>17</sup>, produces canned fish and frozen fish products for export.

<sup>15</sup>. Thaweessit, S. ja Napaumporn, B. (2011). Integration of Minorities in Thailand teoksessa Thailand Migration Report 2011 p. 141.

<sup>16</sup>. Human Rights Watch (2010). From the Tiger to the Crocodile. Abuse of Migrant Workers in Thailand. p. 28-35.

<sup>17</sup>. Sea Value Group, <http://www.seavaluegroup.com/>

There are two Unicord factories in the researched industrial area in the province of Samut Sakhon in central Thailand. Factory number two was selected for closer investigation based on contact information printed on tuna cans sold in Finnish supermarkets. There are 2,100 workers in the factory, of whom 100 (mainly in managerial duties) are of Thai nationality and 2,000 are migrant workers from Myanmar and Cambodia.

Unicord exports fish products mainly to the US market, but it also has significant exports to Europe, Canada, Middle-East, South Africa and Japan. In Finland, nearly all retail chains that sell food carry Unicord products.

### **Working is expensive for employees**

According to the interviewed workers of TUM and Unicord 2, migrant workers often have to pay very high recruitment fees (1,500–4,000 baht, about 40–100 euros) on starting their work. Original work permits had been confiscated from all of the interviewees. TUM and Unicord had given them only a copy.

On starting their work, employees receive different kind of work equipment depending on their duties, such as a t-shirt, boots, hearing protector, apron, respirator, gloves and a glass. It is the responsibility of the employees to maintain the work equipment at home without compensation and they have to buy the necessary work equipment by themselves in the future. The workers bought at their own expense, for example, t-shirts, hairnets, gloves and respirators.

### **Low wages**

All of the workers interviewed had been hired as day labourers without a regular monthly

income. All the workers in TUM factory had work contracts in their own language. Of the interviewed Unicord employees seven did not have any type of a written contract. Two of the interviewees had signed a foreign language contract that they did not understand and of which they did not have a copy.

All interviewees were paid the legal regional minimum wage. After years of employment some TUM workers had received a few baht's raise to their daily compensation. The daily wages varied between 300–305 baht. All the interviewed Unicord workers received only the minimum wage, 300 baht per month.

In addition to the basic wage, the workers earned overtime pay, which is 56 baht per hour. Working overtime was voluntary in TUM factories, but most of the workers wanted to work overtime daily as they felt that they could not survive with the basic wage only. In Unicord factories some of the employees said that working overtime was compulsory. About 1–3 hours of overtime work was done every day. Night work was compensated for 40 baht in the TUM factory. In the Unicord factory the night work compensation was 30 baht per shift.

TUM paid 2,000 baht bonuses annually around New Year's as well as smaller performance bonuses throughout the year. Workers who have been absent on only a few days receive 5,000 baht. Unicord employees received bonuses if they were not absent from work or if they reached the production targets<sup>18</sup>. The amounts of the different bonuses were in both factories about few hundred baht in a month. Annual bonus was not paid in the Unicord factory.

**18.** These bonuses were in use at least in the production line where fish was cleaned from bones and blood vessels in Unicord 2.

Deductions were made in the Unicord factory if the workers committed “serious offences”. This could refer to, for example, the possession of cigarettes or chewing betel nuts<sup>19</sup>.

The workers received six days annual leave and, in addition, they had annually about 13–15 other free days (Thailand’s public holidays, such as religious festivities). These six days of annual leave are paid according to the law of Thailand. Some of the workers of TUM, however, told that they were paid only for four days.

### **Problems with health insurances, workplace safety and organising**

The interviewed workers reported dangerous machinery in both factories in which workers’ clothes or limbs could get caught. One of the interviewed TUM workers had injured his fingers so badly that he needed hospital treatment. Two months after the accident the injury was still clearly noticeable. The company had not compensated the accident or the sick leave resulting from the accident and accused the worker of negligence. After the accident the machine was, however, adjusted in order to prevent such accidents.

Many workers said that five per cent was deducted from their wages for social security, including a health insurance card which they had not received. Some had received the card after having repeatedly asked for it from the employer. The majority of the interviewed workers did not understand the meaning of a health insurance and social security system and were not aware of the possible benefits related to, for example, child care. The workers were also dissatisfied with the fact that they had not been allowed to choose the

<sup>19</sup>. The seed of the Areca palm that is commonly used as a stimulant in Asia.

hospital they wanted for their health care treatment as the law states. The workers also told that they did not get adequate treatment from the hospital that was chosen by the employer.

The workers told that both factories informed about work safety and organized fire drills. However, most of the workers had not heard of the factory’s health committee and did not know its representatives.

There is no trade union operating in the investigated factories. Almost none of the interviewed workers even understood the concept of a trade union. A TUM worker, who was aware of trade unions, told that his employer did not accept forming them. According to this worker, a worker planning to organize the workers would be fired immediately.

### **Use of child labour**

Many of the interviewees told that both TUM and Unicord 2 employed 14–17-year-old migrants. They worked in a line where blood vessels and bones were removed from the fish. The interviewees said that the underage workers had false passports claiming that they were over 18 years of age.

Employing persons that are under 15 years of age is illegal in Thailand, and 15–17-year-olds are not allowed to do heavy work full time.

### **Harassment and discrimination of migrant workers**

Half of the interviewed workers had experienced harassment at work. The managers were ruder to migrant than Thai workers. One of the Unicord workers said that the manager reduced overtime work from employees if

they did not show him enough respect. The manager had also smacked, pinched and scratched the worker.

There were a few interpreters in the factories that should help to solve language-related problems. The workers aware of the interpreters felt, however, that the interpreters were against them and served as suppliers of work force in the factories.

According to the workers there were not enough lavatories for men in neither factory. The queues for the toilets were long. The Thai managers insulted queuing migrant workers and accused them of slowness.

## Company responses

Finnwatch met with the management of TUM to discuss the results of the worker interviews in November 2012. TUM did not let the researchers visit the factory or to record the interview.

According to TUM, there were flaws and false information in the worker interview data. The company did, however, acknowledge some problems and challenges and promised to look into them. The table below summarizes the problems that came up in worker interviews and TUM's responses.

PROBLEM INDICATED BY WORKERS	TUM'S RESPONSE
TUM pays only for four annual leave days instead of the six stated in the law.	TUM offers eight annual leave days of which it pays for six as stated in the law.
The managers of the factory supervise the workers' toilet breaks.	TUM does not have restrictions for toilet breaks.
There are under aged children working in the factory.	TUM finds it difficult to intervene as the child workers have official ID cards granted by Myanmar officials with false date of birth. TUM promises to look into possible improvements having heard the results of the investigation.
The workers pay high registration fees (national verification fee) because TUM uses a recruitment agency to hire migrant workers.	TUM looks into the possibility to reduce the registration fees that the workers have to pay.
Migrant workers experience discrimination in the factory.	All workers are treated equally and TUM does not accept discrimination.
There is not enough information about the terms and conditions of work in the collective agreement.	TUM looks into the possibility to increase information in the collective agreements. Workers can get information from the factory if they want.
Workers pay high recruitment fees.	Recruitment fees are not collected from the factory workers but TUM admits that it is hard to supervise this in practice. TUM has issued a bulletin where it has clarified the practices regarding recruitment fees. TUM punishes workers who have received recruitment fees
Workers' passports and work permits have been confiscated.	TUM has a passport storage service where the workers can voluntarily leave their passports and sign a contract for storing the passport. TUM does not force workers to hand in their passports. TUM promises to give the original work permits to all migrant workers.



PROBLEM INDICATED BY WORKERS	TUM'S RESPONSE
Workers have to pay for work equipment.	TUM cannot give more equipment to the workers due to the tax legislation (extra equipment would be regarded as taxable income). Sometimes workers misuse equipment in which case they must replace them at their own cost. TUM promises to reassess the practice.
Workers have not received their health insurance cards even though their costs are reduced from wages. The hospital chosen by the factory does not provide good treatment.	TUM does its best to provide all workers their health insurance cards as soon as possible. The delay is caused by Thai officials. TUM promises, however, to look into the problems in receiving treatment that have arisen in the interviews.
TUM does not compensate accidents according to the law.	TUM promises to look into this.
TUM prohibits the forming of worker organizations.	According to TUM no one has ever proposed worker organizations. The company has nothing against it.
Workers have not received health insurance cards despite deductions from their salaries for this purpose. The hospital chosen by TUM is not good.	TUM does its best to make sure all workers have health insurance cards as soon as possible. Delays are caused by Thai officials. Problems relating to health services will be looked into.
TUM does not compensate occupational accidents as required by the law.	TUM will look into this.
TUM prevents workers' from organising.	No one has ever proposed collective organising of the workforce. TUM has nothing against it.

The management of Unicord was also met. Unicord allowed the researchers to visit the factory but did not allow the recording of the interview.

PROBLEM REPORTED BY WORKERS	UNICORD'S RESPONSE
All workers do not have a work contract.	The parent company of Unicord has a uniform contract for all of its factories. It is possible that not all workers have received the contract. Unicord intends to rectify the situation.
There is little information about the terms and conditions of work in the collective agreement.	Unicord informs of the terms and conditions of work in the factory notice board.
The factory confiscates work permits.	Unicord promises to return work permits to all workers.
Workers have to pay for their work equipment.	Unicord offers equipment for its workers and they do not have to pay for that.
The factory reduces the salary of the workers if they commit offences. ditions of work in the collective agreement.	Unicord does not make deductions in wages for offences. Instead, it gives a written warning.
Workers have not received health insurance cards even though the costs are reduced from their wages.	Unicord does its best to provide the health insurance cards to the workers as soon as possible. The delay is caused by Thai officials. Unicord promises to look into the problems in receiving treatment that have arisen in the interviews
Some managers bully migrant workers and act in a violent manner towards them.	The factory does not tolerate discrimination or bullying. In response to Finnwatch's findings, Unicord stated in January 2013 that it had issued a warning to its managers and that it ends the employment of managers who treat employees inappropriately in the future.
There are not enough toilets for men in the factory.	Unicord promises to ensure the sufficiency of lavatories in the future. In response to Finnwatch's findings, Unicord stated in January 2013 that it had built more toilets.
There are problems in the translation services provided by the factory.	Unicord promises to look into this. In response to Finnwatch's findings, Unicord stated in January 2013 that it had instructed interpreters to assist workers who are ill in their dealings with health service providers.
Workers are not familiar with their social security rights and benefits.	Unicord has notified workers of the rights via in-factory radio and leaflets.
There are dangerous machines in the factory.	Unicord has installed protective shields that improve safety.
Workers have not had the right to choose the hospital themselves, and the quality of treatment in the hospital chosen by Unicord is poor.	Unicord recommends the best hospital to its workers.

## B. FINDINGS RELATING TO NATURAL FRUIT

The field research was conducted in the province of Prachuap Kiri Khan in November 2011 in order to assess the production circumstances of private label juices sold in Finland.

The Natural Fruit factory in question produces pineapple juice concentrate and a variety of canned pineapple products. The employees interviewed for this report worked in various departments.

There were approximately 800 workers in the factory, of whom about 100 were Thai and 700 from Myanmar. According to the interviewed workers and NGO estimates, there were some 200 irregular migrants who had come to the country without proper documentation in the factory.

The research revealed serious human rights offences and illegal activities. Finnwatch has reported the findings to the authorities of Finland, EU and Thailand, as well as several labour and human rights organisations in December 2012. The factory refused all collaboration with the research team during the field investigation and would not meet the researchers.

### “No one wants to work here”

The working conditions in the factory producing pineapple juice concentrate differed significantly from the tuna factories. For example, when the researchers asked about the factory’s practices with recruitment fees, the employees said that the factory did not collect such fees as no one wanted to work there in the first place.

The investigated factory has various ways of keeping workers in the factory. The employer had confiscated passports and work permits from most of the migrant workers

interviewed. The factory does not give back the workers’ identity papers even when specifically asked. Some of the workers get their passports back temporarily, for example, in order to visit their home country during the holidays with the condition that they leave a substantial sum (1,000 baht, 33 dollars) as a deposit to the employer. The majority of the workers were irregular migrants who had come to Thailand with the help of a smuggler and were completely dependent on the factory and its illegal collaboration with the local police.

When starting work the workers are not offered any work equipment on behalf of the employer. The workers must buy shoes for 125 baht (4.2 dollars), gloves for 35 baht (1.2 dollars), a hat for 75 baht (2.5 dollars), a t-shirt for 158 baht (5.3 dollars), an apron for 45 baht (1.5 dollars) and a hairnet for 25 baht (0.9 dollars). Some of the equipment wears out quickly and after that they have to be replaced with new ones by the workers at their own expense. In addition, the factory requires that all workers have a factory ID-card, which the workers have to buy for 20 baht (0.7 dollars).

### Illegally low wages and excessive overtime work

All the interviewed workers were paid less than the local minimum wage (240 baht per day<sup>20</sup>). The minimum wage varied from 200-230 baht. The wages differed, for example, in relation to the status of the employee: the irregular migrants were paid less than the regular migrants. The workers did not have written work contracts and no right to annual leave.

The majority of workers worked six day weeks

<sup>20</sup> The regional minimum wages were raised everywhere in Thailand for 300 baht per day in the beginning of 2013. According to the workers interviewed, Natural Fruit has said that it will not raise its minimum to the new legal minimum.

but sometimes they were made to work also on Sundays. Depending on the season, overtime hours could increase a lot. The interviewed workers told that they worked up to 5-10 hours overtime per day and that working overtime was compulsory. According to the workers it is usual that overtired workers cry, fall asleep or faint in the middle of their work. The workers cannot leave in the middle of their overtime due to illness, for example, unless they get a signed note from their boss. Otherwise they lose the whole day's pay. On the other hand, the wages were so small that many workers wanted to do overtime work in order to survive. The overtime compensation was 30–35 baht per hour. The legal overtime compensation in the region is 45 baht per hour.

The factory did not pay any bonuses.

The workers said that various unclear deductions were made from their wages. They did not get payslips and did not understand all the deductions. A few of the interviewees told that the factory deducted work permit fees endlessly if the worker did not pay attention and notify the factory when the whole work permit had been paid for. The factory also fined workers. For example, if a migrant worker spent more than 10 minutes in the toilet, half an hour's wage was deducted from the salary.

The workers were paid twice a month to a bank account opened by the company for each worker. For this the employer charged an opening fee of 200 baht (7 dollars).

When the factory does not have enough production orders it is closed and the workers are sent home in the middle of the day. The workers are not paid anything when the factory is closed. It is regularly closed from July to September during which the workers do not have any sources of income.

There is no trade union in the factory.

## **Migrant workers face discrimination and violence**

The migrant workers interviewed said that their superiors often treat migrant workers in a more uncivilized manner than Thai workers. They also face violence from guards and their superiors. The interviewed workers said that sometimes the workers were hit due to language barriers or disagreements.

The interviewed workers also said that all members of the work safety committee were Thai.

## **Dangerous working conditions**

The interviewed workers told that the temperature inside the factory was very high but there was no air conditioning. Heatstrokes and fainting were common among the workers. The factory had only two water fountains that did not have enough cold water for all.

The workers performed monotonous tasks for long hours in one position without any breaks. Strong cleaning chemicals were used in the production lines and some workers had allergic reactions from the chlorine.

According to the workers some of the factory's machines are dangerous. Three interviewees reported a case in which a worker had died from an electric shock from a machine. The family of the deceased worker had been compensated with 20-30,000 baht (670-1000 dollars), although according to the law the compensation should have been 300,000 baht (10,000 dollars). One worker told that his fellow worker had lost a finger to a machine in the factory but had not been given any compensation.

The factory did not have enough toilets for men. There were only six lavatories for hundreds of male workers.

## CONCLUSIONS

**The findings of the report are alarming and must be addressed without delay.**

It is the responsibility of Thai officials and companies to guarantee that no laws or labour right standards are violated in the production process and that working conditions are appropriate.

The customers of the Thai companies analysed in this report, as well as their other international customers, must ensure that their responsibility practices are adhered to throughout their supply chain. This calls for more rigorous monitoring and auditing, but also cooperation with the suppliers and relevant authorities.

Refresco, for example, states that it has audited the Natural Fruit factory covered in this report in 2010, 2011 and 2012, which is proof enough of inadequate monitoring standards.



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