

# BRIEFING PAPER

## THE WALMART EFFECT:

Child and Worker Rights Violations at Narong Seafood, Thailand's Model Shrimp Processing Factory.

### NARONG SEAFOOD AGAINST ANY FORM OF CHILD LABOUR, FORCED LABOUR AND HUMAN TRAFFICKING

Narong Seafood Company Limited

TRADE**Talk**

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**ECD police praises Narong Seafood for leadership and fair trade:** Pol. Col. Chainarong Charoenchainao (2nd right), Deputy Commander, Economic Crime Division, presented the Good Corporate Citizen Award to Arthon Pibulthansapana (centre), Deputy MD, Narong Seafood, for strong leadership and fair trade practices. Also seen are Suwannee Sirivajchapun (1st left), Federation of Thai Industries Board Member, Burtoon Wongpeelashote (2nd left), Thai Chamber of Commerce, and Michael Mudd, Secretary General, Open Computing Alliance.

*Narong Seafood webpage screenshot.*

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## INTRODUCTION

Each year Thailand's shrimp industry exports hundreds of thousands of tons of shrimp, (worth roughly USD 1.5 billion) to the United States(1), its largest export market. The shrimp are raised on farms, peeled, cooked, processed and packaged by a low-paid workforce that is made up almost entirely of migrant workers from Burma, Cambodia and Laos. Many of these workers are trafficked into the country by labor brokers and are often subjected to labor exploitation

and debt bondage. Horrible working conditions, including under and non-payment of wages, violations of minimum wage laws, long overtime hours, dangerous and unsanitary working conditions and the systematic denial of freedom of association and collective bargaining rights are common. Since Thailand has not ratified core ILO conventions, migrant workers have no legal right to freedom of association. Worse still, instances of forced and child labor are known

to be widespread in the industry.

Although some observers argue that conditions in the large shrimp processing factories have improved, this briefing paper indicates inhumane working conditions and human rights violations continue to be a problem at even the most reputable factories. More specifically, this brief documents a number of serious violations of Thai law and international human rights standards at Narong Seafood, a model company and longtime supplier to Walmart. Violations at Narong's principle shrimp processing facility in Samutsakorn, Thailand include utilizing underage workers, nonpayment of wages, charging workers excessive fees for work permits, and an ineffective auditing regime.

In recent years, problems in the industry have received considerable international attention. In 2008, AFL-CIO's Solidarity Centre published *The True Cost of Shrimp*, a report focused on exposing the exploitative conditions faced by shrimp processing workers. Shortly after, the Thai Government and the Thai Frozen Foods Association (TFFA) implemented a variety of reforms to strengthen the monitoring of processing factories and the enforcement of labor and occupational health & safety standards. Shrimp producers exporting to the US must meet the TFFA's membership criteria as well as the standards established by the Global Aquaculture Alliance's Best Aquaculture Practices (BAP) certification system. BAP is organized by the trade group Global Aquaculture Alliance which includes producers, importers, retailers and restaurant chains.(2)

Acknowledging the well-documented problems of food quality, environmental degradation, and labor rights violations endemic to the global aquaculture industry, Walmart joined BAP. Unfortunately, recent incidents at Phatthana Seafood (Songkhla Province), a supplier to Walmart and other US retailers and restaurants raise questions about the effectiveness of the industry's reform initiatives. In April 2012, Human Rights Watch reported on a strike at a Walmart seafood processing factory in Thailand's southern province of Songkhla; the factory, owned by



*Wal-Mart private label shrimp supplied by Narong Seafood.*



a Bangkok-based company called Phatthana Seafood Co., Ltd, is one of Walmart's largest shrimp suppliers. According to HRW, though the workers went on strike due to wage issues, many of Phatthana's migrant workers found themselves in conditions amounting to debt bondage due to excessive recruitment and other fees.(6)

Although BAP standards primarily focus on food quality and environmental issues, its standards do contain language on the treatment of workers.(3) BAP standards for treatment of workers include specific language concerning minimum wage, use of underage workers, forced labor, and human trafficking.(4)

BAP audits, as with the audits Walmart conducts to verify compliance with its 'Standards for Suppliers', are not subject to public review or verification by outside organizations. Contrary to Walmart's claims that third-party audits are unannounced after the initial audit, our research indicates that Narong managers knew about inspections in advance and adjusted to be in compliance.(5) Furthermore, audits never occurred during the night shift. That the problems at Narong went unnoticed by auditors demonstrates the shortcomings of the BAP and Walmart auditing regimes.

Walmart aims to provide 'everyday low prices' to consumers, however this focus often comes at the expense of workers in the shrimp industry as well as workers in the company's broader global supply chain. Walmart is not the only buyer of Thai shrimp, however, due to its size has a large impact on all aspects of the industry. As a global grocer, Walmart is more than twice as large as its two closest competitors (Tesco and Carrefour). In the United States, Walmart is the largest retailer of food controlling 25% of the total US food market(7) and the largest buyer of imported farm-raised shrimp in the US.(8)

These findings support the prevalent criticism

that corporate self-monitoring fails to address serious labor and human rights violations in the global supply chains of companies like Walmart. They are also relevant for those in the environmental and food safety communities who rely on the same set of standards and audits to determine the sustainability of global aquaculture.

**BAP Certified Farms**  
Written by Administrator

**BAP HOME**  
BAP Home  
Registered Buyers  
Founding Supporters  
Prospective CB Information  
BAP Auditor Course Info

**BAP FACILITIES**  
4 Star Production Groups  
3 Star Production Groups  
2 Star Production Groups  
Certified Processing Plants  
Certified Repacking Plants  
Certified Farms  
Certified Hatcheries  
Certified Feed Mills

**BAP CERTIFICATION**  
Facility Certification Process  
Application Forms  
Traceability

**INFORMATION**  
Technical Guidelines  
Complaints, Appeals & Disputes

**LOGIN FORM**  
Username  
Password  
 Remember me  
  
[Lost Password?](#)

**SEARCH**  
search...

**CERTIFIED FARMS**

BAP No.	Facility	Certified Until	Certified For
F10360	Yunnan Mojiang Sinanjiang Reservoir Tilapia Farm Mojiang County, Yunnan, China	Mar 25, 2014	Tilapia
F10352	Hai Viet Joint Stock Company - Khanh Hoa Branch Cam Ranh City, Khanh Hoa Province, Vietnam	Mar 14, 2014	Shrimp
F10350	Asvini IOM Farm Group 1 Andhra Pradesh CH. Narasimharaju CH. Satyanarayana Varma Raju	Apr 1, 2014	Shrimp
F10348	SP Enterprises Iskapalli, Andhra Pradesh, India	Mar 22, 2014	Shrimp
F10346	Charoen Pokhland Foods Public Co., Ltd. - Sawee 1 Farm Sawee, Chumphon, Thailand	Mar 15, 2014	Shrimp
F10344	Aquapool Good Fortune Cold Storage IOM Farm Group 1 Ranong, Thailand TSM 6 Phang-nga, Thailand TSM 14	Feb 12, 2014	Shrimp
F10343	TSM 18 SukSamran, Ranong, Thailand	Feb 12, 2014	Shrimp
F10341	Aquacorporacion de El Salvador S.A. de C.V. Suchitloto, Cuzcatlan, El Salvador	Feb 26, 2014	Tilapia
F10340	Zhanjiang Allied Pacific Aquaculture Co., Ltd. - DongNan Farm Zhanjiang, Guangdong, China	Jan 31, 2014	Shrimp
F10339	Xinyi Wanja Agriculture Dev. Co., Ltd. Shangwen Reservoir Farm Xinyi City, Guangdong Province, China	Jan 11, 2014	Shrimp
F10337	Zhanjiang Universal Seafood Corp. - Nayu Farm Zhanjiang, Guangdong, China	Feb 19, 2014	Shrimp

**Certifying Best Practices for Responsible Aquaculture**  
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Above and below. Screenshots of Narong Factory's Best Aquaculture Alliance certification.

## NARONG FACTORY OVERVIEW

**Company Name:** Narong Seafood Company, Ltd.

**Head Office Address:** 5/4-6 Moo 4, Seatakit Rd.,  
T.Nadee A.Muang, Samutsakorn 74000 Thailand

**Main Factory Address:** Same as above

**Tel:** +66 34 424605(424669)

**Fax:** (+66) 34 423910

**Web:** [www.narongseafood.co.th](http://www.narongseafood.co.th)

**Email:** [arthon@narongseafood.co.th](mailto:arthon@narongseafood.co.th)

**Products:** Processed shrimp, fish, squid and cuttlefish

**Managing Director:** Mr.Viroj Limsnit

**Number of Employees:** Roughly 2000 (until March 2013),

**Employee Nationality:** Myanmar



*National Fish & Seafood Inc. shrimp supplied by Narong Seafood and sold by Walmart.*

## RESEARCH METHODOLOGY

US Customs data confirms that Narong Seafood Company Ltd. is a longtime supplier of shrimp to Walmart. The data indicates that Walmart received more than 1,300 containers of shrimp from Narong since 2007. This amounts to more than 23 thousand tons or more than 4.6 million pounds.(9)

In February and March 2013, Thai-based researchers working with the International Labor Rights Forum (ILRF) and Warehouse Workers United (WWU) conducted a series of interviews with workers employed at Narong Seafood's main factory in Samutsakorn. In all, the ILRF and WWU conducted six in-depth interviews (4-5 hours each) and numerous other interviews with workers regarding conditions at the factory.

## FINDINGS

### A. Underage Workers

In Thailand the minimum legal age at which a person can work is 15 years old. The employment of workers under the age of 18 must be reported to the labor inspector within 15 days of employment. Workers under the age of 18 are prohibited from working in dangerous and hazardous jobs, and from working overtime, on holidays and between the hours of 10:00pm and 6:00am.(10)

Workers interviewed at Narong reported that until the factory began to experience a slowdown in production due to disease at supplier shrimp farms (see below) there were roughly 20 underage workers at the factory. According to interviewees, most underage workers reported to work during the night shift (8:00pm to 4:00am) along with the one hundred to two hundred undocumented migrant workers employed at the factory. Once the slowdown began,

many of the underage workers left the factory along with many adult workers.

## **B. Ineffective Audits**

Interviewees reported problems with factory inspections conducted by international buyers, auditors and Thai Labor Ministry officials. According to interviewees, most underage and undocumented workers work the night shift so as to avoid detection by inspectors. Interviewees reported that auditors and buyers visit the factory two or three times a year. On the days visits are scheduled managers instruct underage workers who work during the day not to come to work. Interviewees indicated that inspections were never unannounced. Although we could find no claims by BAP that its inspections were supposed to be unannounced, a problem in and of itself, Walmart claims that all audits following the initial audit are unannounced and a Sam's Club seafood buyer claimed that they visit shrimp farms and processing facilities twice a year.(11)

One worker reported that the auditors, "just look around the factory and speak mostly to the management." Workers also reported that managers selected the workers to be interviewed by auditors or Labor Ministry officials and instructed them on how to answer questions. One interviewee said that workers do "not dare to tell the true situation at the factory." Workers also reported that on days monitors visited the factory, workers were told by management to "wear [their] uniform[s] neatly" and "work more slowly and systematically than on other days."

## **C. Falsified documents and excessive fees**

Interviewees reported between one hundred and two hundred undocumented migrant workers employed at the factory until the recent industry-wide slowdown. As far back as 2009, workers reported that management instructed undocumented employees to apply for work permits directly to management. Workers paid THB 4000-5000 (USD 137-171) to management, but some were given fake permits, created by replacing the picture on an old permit with one of the worker. Later, these workers were told

they could apply for passports by paying another THB 4500 (USD 155) to management and submitting their worker permits. Many of the workers' passport application were rejected, but their money was not returned to them. Today, the minimum wage in Thailand is THB 300/day (USD 10) but in 2009 the minimum wage was significantly lower, around THB 215 so these fees were a heavy burden for workers who might have to work an entire month to pay them off. (12)

In early 2013, it became possible for migrant workers in Thailand to apply for passports without first having work permits. According to interviewees, Narong management charged THB 7000-7500 (USD 239-256) to process passport applications although the actual cost is only THB 3500 (USD 119).

Interviewees also report having paid roughly THB 4000 (USD 136) for uniforms and equipment when they first began working at the factory.

## **D. Wage violations**

In March 2013, Narong Seafood began experiencing a dramatic slowdown in production due to the widespread impact of early mortality syndrome (EMS), a shrimp disease, which has reduced shrimp production by as much as 30% in Thailand. Workers report working as little as a single day or half day per week since the slowdown began. Additionally, workers report that their earnings have dropped from THB 7000-8000 (USD 239-273) every 15 days to only THB 1000 (USD 34) every 15 days.

According to Thai labor law, in the case of a temporary suspension of part or all of a business, the employer must pay employees at least seventy-five percent of the daily wages they received before the suspension.(13) Workers report that Narong Seafood management is violating this provision by only paying workers for the time they work. For this reason, many workers (both adult and underage) have left the factory to search for other employment. Some say they plan to wait until April to see if the situation improves.

# CONCLUSIONS/RECOMMENDATIONS

This brief raises questions about working conditions at Narong Seafood and more importantly about the industry's ability to self-monitor when the incentives to exploit workers are so strong.

The case of Narong seafood casts serious doubt on the effectiveness of the auditing programs of the Global Aquaculture Alliance and Walmart. If workers are not empowered to address violations, if factory owners can evade detection with impunity, if audits are unannounced and never occur at night how can we trust that this system can protect workers, consumer health or environmental sustainability

While it is easy to blame factory owners or the Government of Thailand for not protecting migrant workers, that is only half the story. Companies like Walmart wield tremendous power in the global marketplace--Walmart's annual revenue, exceeds Thailand's GDP by some USD 77 billion. As the largest buyer of shrimp, Walmart is able to exert powerful

downward pressure on the price it pays. This pressure inevitably leads to workers' rights violations as factory owners are forced to cut corners and evade Walmart's own self-monitoring system.

In spite of these findings, we call on Walmart to NOT drop Narong as a supplier. Dismissing Narong as a supplier would hurt workers at the facility and do little to address wider problems in the industry. Instead, we call on Walmart to work with labor and human rights activists in Thailand to ensure the rights of the workers who produce shrimp for Walmart in Thailand are respected.

## Endnotes

1. <http://www.mcc.cmu.ac.th/agbus/isam/poster/shrimp.PDF>
2. See *The True Cost of Shrimp* [http://www.solidaritycenter.org/files/pubs\\_True\\_Cost\\_of\\_Shrimp.pdf](http://www.solidaritycenter.org/files/pubs_True_Cost_of_Shrimp.pdf) and *Suspicious Shrimp* <http://www.foodandwaterwatch.org/reports/suspicious-shrimp/>
3. Annex 2 GAA BAP: Social Responsibility Management Component
4. <http://www.gaalliance.org/cmsAdmin/uploads/bap-procplant-413.pdf>
5. <http://corporate.walmart.com/global-responsibility/ethical-sourcing/audit-process>
6. <http://www.hrw.org/news/2012/09/17/walmarts-human-trafficking-problem>
7. <http://www.alternet.org/food/walmarts-death-grip-groceries-making-life-worse-millions-people-hard-times-usa>
8. <http://online.wsj.com/article/SB118523019620675464.html>
9. Figures are for gross tonnage.
10. Labor Protection Act, B.E. 2541 [1998], Chapter 4: Employment of Child Labor).
11. [http://graphics.samsclub.com/images/FENT\\_shrimp\\_feature.pdf](http://graphics.samsclub.com/images/FENT_shrimp_feature.pdf)

### **About International Labor Rights Forum**

International Labor Rights Forum is an advocacy organization dedicated to achieving just and humane treatment for workers worldwide.

[www.LaborRights.org](http://www.LaborRights.org)

### **About Warehouse Workers United (WWU)**

Warehouse Workers United is an organization committed to improving the quality of life and jobs for warehouse workers in Southern California's Inland Empire. WWU engages with workers around the world who work in the supply chains of large global retailers.

[www.warehouseworkersunited.org](http://www.warehouseworkersunited.org)