Thailand's Shrimp and Seafood Industry:
An Overview of Primary Processing in Samut Sakhon Province

From December 2011 to July 2012, the **ILO-IPEC Combating the Worst Forms of Child Labour in Shrimp and Seafood Processing Areas in Thailand** project supported researchers from Dhurakij Pundit University Research Center, in collaboration with Department of Fisheries (DOF) and the Thai Frozen Foods Association (TFFA), to survey primary processing facilities in Samut Sakhon, a province south of Bangkok. The key objective of this survey was to understand more about the shrimp and seafood primary processing industry, with particular attention to:

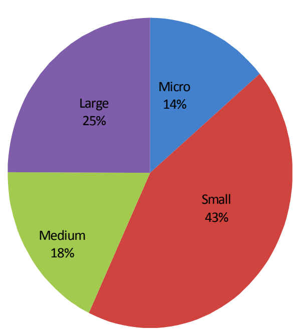
- Supply chain linkages
- Employment characteristics and wages
- Registration and inspection information

Researchers identified 582 and profiled 512 enterprises in 18 sub-districts of Samut Sakhon, and interviewed enterprise-level managers, and also conducted focus groups discussions with community members; local and provincial officials; and village and community leaders.

GOAL

Conduct an enterprise-level survey to collect information about business relationships and practices in the shrimp and seafood industry to help inform improvement of policies and practices of government agencies, producers' associations and labour groups with regard to addressing labour conditions.

Industry Composition

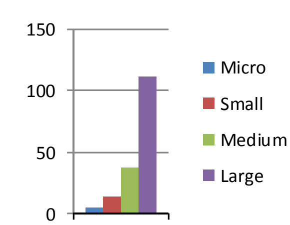


Profile of the industry

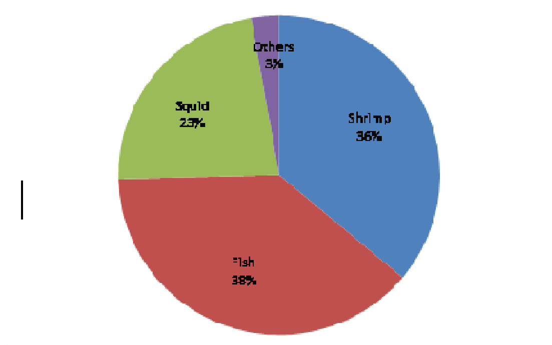
The survey found that over half of the industry was composed of micro-enterprises (less than 6 workers) and small enterprises, with no more than 25 workers. The smallest of these averaged only about 4 workers, who worked in small, home-based processing. The vast majority of these "sheds" generally source their raw materials from a central market, engage in primary processing such as peeling or deveining, and almost without exception sell the processed products in local markets for domestic consumption. Their operating capacity ranges from 0.6-0.8 tonnes of shrimp per day. For small enterprises, this rises to a range of 0.7-1 tonnes of shrimp per day.

Medium (26-50 workers) and large (more than 50 workers) enterprises range from a minimum of 26 workers to a maximum of over 300, and can process up to an average maximum of 6.75 tonnes of shrimp per day. Small sizes of shrimp mainly go to domestic market. Many have established relationships with factories that supply shrimp and buy the processed products; between 50-80% of the production of large enterprises, for example, goes to export factories for further processing. For non-shrimp processing, micro and small enterprises tend to supply more to domestic, while medium, and large enterprises supply significantly higher proportions to the exporting markets.

Average employment, by enterprise size



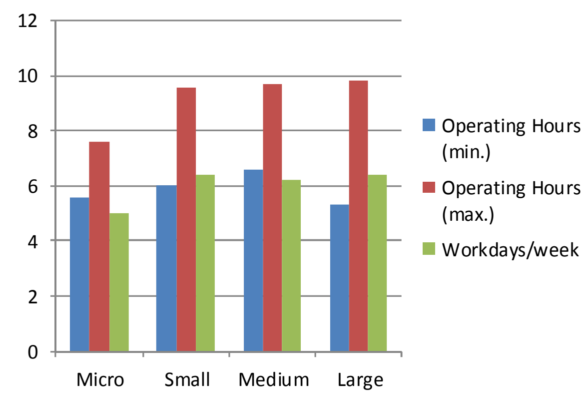
Industry Output, by product



Job Stability and Hours of Work

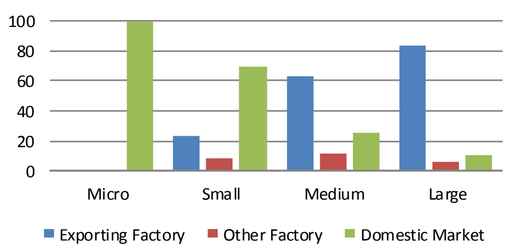
Shrimp processing, micro-enterprises have shorter workdays and report working fewer days per week, while small enterprises tend to resemble more closely medium- and large-scale enterprises in this regard.

Average distribution of operating hours per day, and operating days per week, by enterprise size

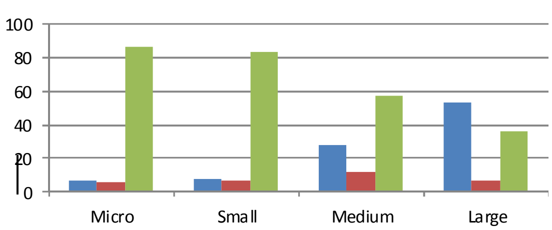


Shrimp processing makes up only about a third of the total industry output (36%). The remaining 64% is composed of fish, squid, and other seafood which is more likely to end up in domestic markets.

Destination of processed shrimp by enterprise size (%)



Destination of non-shrimp products by enterprise size (%)

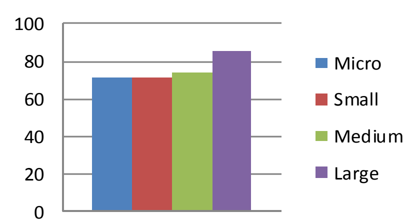


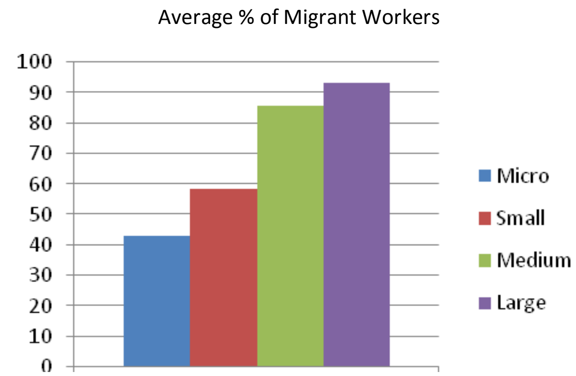
For shrimp processing enterprises, nearly 90% of large enterprises have a sub-contracting relationship with a factory, while only 55% of large non-shrimp enterprises—and virtually no micro- or small enterprises, regardless of product—are in reported supply chain relationships with a factory. This sub-contracting relationship, results typically to better prices, and relatively constant levels of production. It also can act as a proxy for better registration and quality control, as the shrimp and seafood produced for export are subject to various certification, safety, and health schemes.

Some of this differentiation can be attributed to the family-based or non-formal nature of work in micro-enterprises and the small number of workers (less than 6). Additionally, compared to medium- and large enterprises, micro- and small enterprises, who often rely on intermediates for their supplies, are more subject to volatility of the markets and seasonal changes. Therefore it is much harder for these enterprises to operate regularly.

However, in terms of volatility, large enterprises have the largest gap in terms of minimum and maximum hours—over four hours. This can most likely be explained by their responsiveness to buyer orders and their use of temporary workforce.

Average % temporary workers, by enterprise size





Most enterprises have a consistent proportion of temporary workers at around 70%. These workers are most often on the production line, while permanent workers have positions at the administrative or supervisory level. Large enterprises (which have relatively small numbers of management) have a higher proportion of temporary workers, at about 85%.

Migrant workers make up over half of all workers in small, medium, and large enterprises. In micro-enterprises, again because of their family- or home-based nature, they represent a smaller, but nonetheless significant portion of workers (42%).

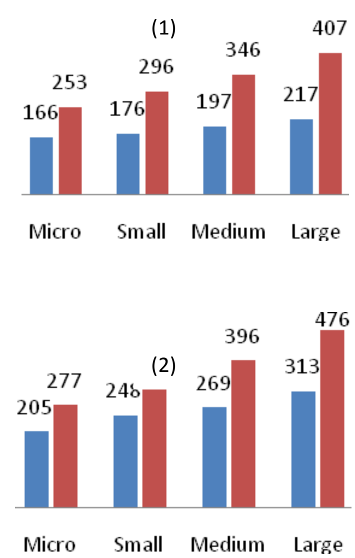
Migrants with permanent positions usually work as interpreters or supervisors, but the proportion of permanent migrant workers only exceeds 50% in one case—medium-size enterprises that process non-shrimp products. Among temporary workers, migrant workers are the majority in all cases except in shrimp-processing micro-enterprises (where they make up just over 1/3 of the temporary workforce). In large enterprises, regardless of the type of production, the migrant, temporary workforce hovers at 95%.

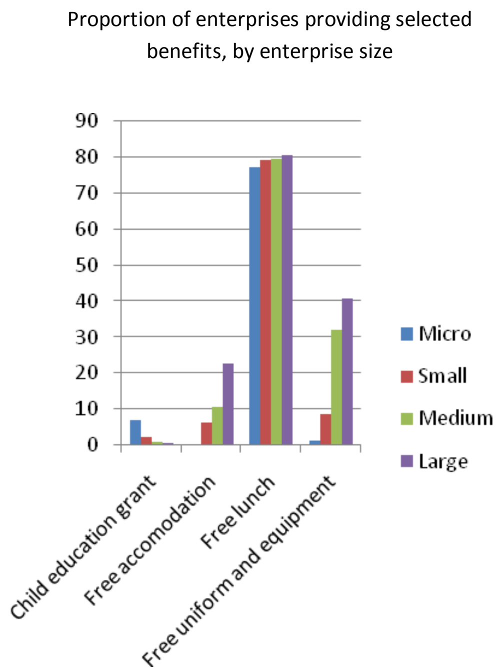
Wages and welfare provision

The Thai government instituted a daily minimum wage in Samut Sakhon and five other industrial Provinces from 1 April 2012 of 300 baht, which should include all workers, regardless of employment or migrant status. The survey was initiated late March 2012 before the minimum wage became effective and at the time of the survey the minimum wage was 215 baht. As seen in the graphs below, the average minimum and maximum wages for permanent and temporary workers can exceed this standard, and the average pay increases as the size of an enterprise increases.

However, in some cases—especially for temporary workers in micro- and small enterprises— the average maximum wage can fall below 300 baht per day. While the average maximum wage in large enterprises is much higher than the legal minimum (at 407 baht per day), the average minimum is just half that, at 217 baht, creating a large relative payment gap.

Average minimum and maximum daily wages in THB, for (1) temporary and (2) permanent workers, by enterprise size





According to interviews, this is related to seasonal variations and the amount of supply the enterprise can procure. The difference between maximum average wages of temporary and permanent workers in micro-enterprises is only 24 baht. In large enterprises, the difference is 69 baht. Among temporary workers, the potential gains of moving from a micro-enterprise to a large enterprise could be significant—a 150 baht, or nearly 60%, increase.

In part, this is related to payment determination. Most temporary workers receive payment based on the quantity of product they produce. An average of 78% of enterprises paid their workers this way, which can give workers the opportunity to earn more than the minimum wage. As large enterprises have steadier supplies of raw materials and demand from buying factories, this can explain the higher levels of income in large enterprises. Twenty-seven per cent of temporary workers in large enterprises were paid a fixed daily wage.

Finally, many enterprises offer in-kind or additional non-monetary benefits. It appears that free lunch is relatively standard across the industry, with 80% of all enterprises offering it to their workers regardless of size. Micro-enterprises are the only ones to provide education grants for children; it may be that this supports extended family members who are workers, but more research is necessary to understand this finding. Provision of uniform and equipment, however, is concentrated in medium and large enterprises, where 32% and 41% of enterprises, respectively, provide these materials. It is likely that enterprises that have more supply chain linkages and greater propensity to supply for export provide uniforms and equipment as part of a standardization process, and with an eye to registration and inspection by relevant authorities. On the other hand, 53 of 70 microenterprises (76%) and 125 of 216 small enterprises (58%) reported not registering with any authority. This proportion decreases to 5% of large enterprises.

Qualitative Interviews

Focus group discussions raised a number of concerns held about the impact of the industry on the community. On the one hand, it was acknowledged that the presence of the industry had also some positive impacts, such as increased tax revenues to improve local infrastructure, and driving demand for local services in other sectors (e.g. materials, equipment and services). Interviewees noted that the shrimp and seafood processing industry had environmental impacts—water pollution and run-off, improper solid waste disposal, and resulted into declining property values. Concerns about the impact of high numbers of migrant workers in the community, on public infrastructure, such as schools and hospitals were also evoked. The focus group discussions outlined ways of addressing these challenges, including through social mobilization, advocacy to clean up environmental practices and through government investment in law enforcement and health care.

RECOMMENDATIONS

Based on this survey, what recommendations can be made about industry improvement, public policy, or labour conditions in the shrimp and seafood processing areas of Samut Sakhon?

- **Create industry-wide policies that will enable higher value and better access to markets for small producers.** Much of the current focus is on shrimp processing, since this sector is high-value, export-driven, and often faces question about its labour practices (including forced labour, child labour, and treatment of migrant workers). However, new initiatives could have positive benefits on, for example, squid and fish processors, especially given the proportion of the industry these products occupy at the primary processing level.

- **Assist micro- and small enterprises in moving up the value chain towards more formalized and systematic business practices.** Because of their size and informal status, these enterprises are often not formally regulated, in law or in practice. Helping their businesses work better can help them address challenges with regard to productivity, supply, low wages, and labour shortages, and contribute significantly to decent employment for both Thai and migrants in these communities. Improving regulation will also help in prevention of child labour and in addressing other labour conditions.

- **Promote a legal framework and awareness of labour rights that will enable Thai and migrant workers to exercise their fundamental rights at work.** Because many of the workers in the primary processing are migrants, changes to migration policy and better protection of migrant workers will importantly improve migrant workers enjoyment of rights, and also positively affect labour supply for employers.

- **Encourage industry, labour groups and community members to take an active role together in tackling some of the challenges concerning worker welfare and the industry's impact on the community.** This could include working with government to ensure that all workers and their family members are registered and have access to social protection schemes, schooling and health services for their children; working with community-based and workers' groups to address challenges of social cohesion; and addressing environmental issues together for greening of the industry and for improved quality of life.

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