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# Caring for hands, not workers

Labour conditions in Siam Sempermed factory, Thailand



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

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# 1. Semperit gloves used in Finnish hospitals

An Austrian company, Semperit, is one of the world's leading hospital glove manufacturers. Semperit nitrile and natural rubber gloves are produced in Thailand in factories co-owned by Semperit alongside Sri Trang Group (Thailand). Semperit and Sri Trang Group's factory complex, consisting of three separate factories, is called Siam Sempermed and is located on the outskirts of Hat Yai city, Songkhla province in Southern Thailand. Siam Sempermed is situated in a rubber industry area amongst many rubber plantations and rubber product factories. US based Kimberly Clark, also producing rubber gloves, is situated in the immediate surrounds of Siam Sempermed factory compound.

Siam Sempermed's other smaller Thai factory is situated in Surat Thani province, North of Songkhla Province but still in Southern Thailand. This particular factory is not studied in this report. According to Semperit, 70 % of its workers work in Asia, mostly in Thailand.<sup>1</sup>

Semperit gloves are marketed in Finland by One Med Oy and are used in several Finnish medical care districts across the country. In 2014, Semperit gloves were used in Southwest Finland, South Karelia, Kainuu, Länsi-Pohja, Satakunta and Lapland hospital districts, amongst others.

In research concerning natural rubber gloves published by Finnwatch in 2012, One Med assured that its subcontractors were following strict ethical codes that demand, for instance, respect for human rights and all the ILO core conventions.<sup>2</sup>

According to this new field research carried out by Finnwatch however, it seems that these ideals are not being followed in the Siam Sempermed factory complex in Thailand.



1 Semperit, <http://www.semperitgroup.com/en/about-us/sustainable-company-management/fair-working-conditions/> (visited on 21.3.2014)

2 Finnwatch, Lapsityövoimaa ja vaarallisia kemikaa-leja, available at (only in Finnish): <http://finnwatch.org/images/finnwatch%20luonnonkumi%20web.pdf>

## 2. Semperit turned a deaf ear to whistleblowers

Finnwatch was informed about poor working conditions at Siam Sempermed complex at the end of 2013. Finnwatch speedily contacted Semperit and informed about the reported labour rights violations, urging the company to investigate serious claims made against Siam Sempermed.

Semperit replied to Finnwatch's communication but was mostly interested in who had been in contact with workers or conducted workplace interviews and whether the factory had given permission for such interviews. Semperit did not provide Finnwatch information on how they were going to react to the serious allegations made against Siam Sempermed.

At the end of January 2014, local researchers assisting Finnwatch reported that there had been no improvements in Siam Sempermed's labour conditions. Since no progress was evident from non-public dialogue, Finnwatch decided to conduct further field research into factory conditions.

During field research in January 2014, 18 workers were interviewed by Finnwatch's local researcher. All interviews were recorded and other related evidence of labour conditions including workers' ID cards, pictures

from inside the factory and documents from the factory notice board were also gathered together. All interviewed workers were migrant workers from Myanmar who worked in Siam Sempermed's packing department in tasks that involved straightening out and then placing rubber gloves into boxes.

Besides Semperit's own labels, Sempercure and Semperguard gloves, Siam Sempermed factory also produces and packs Marigold, Sensicare, Nova and Fitguard branded gloves.

The field research gave strong indications that international labour rights as well as domestic Thai laws were being violated in the Siam Sempermed factory.

Semperit's comments to the Finnwatch report have been presented at the end of this report in Chapter 4. Finnwatch has also published Semperit's official statement in full in Annex 1. Semperit has denied all field research results and answered in only short sentences to some of the findings. According to Semperit, the information gathered in worker interviews is based on "speculation and hearsay". The company actively objected to the publishing of Finnwatch's research on labour conditions at the Siam Sempermed factory complex.



*Siam Sempermed factory in Thailand, Hat Yai city.*



### 3. Minimum salaries are not being paid and workers are forced to work over time

The field research commissioned by Finnwatch discovered that workers in Siam Sempermed packing department were forced to work excessive hours and were unable to influence their daily working hours.

Work at Siam Sempermed is conducted in three shifts and excessive working time was reported to be a problem in all shifts. The packing department workers working in the morning shift reported, for example, that in order to meet their daily production targets, they started working at 4.30 am daily. However, they were not allowed to swipe their ID cards until the official starting time of around 7am.

Apparently dialogue between Finnwatch and Semperit has had "results" as interviewed workers later told Finnwatch's local researcher that the factory management has begun to deny them access to the factory before 6am each day. At the same time however, the workers were told that those who do not meet 8 hour production targets will be fired in April 2014.

Workers' ID cards are confiscated by supervisors who keep them until production targets are met. According to interviewees from, for example, the morning shift, workers may leave the factory around 6pm daily. If a worker leaves the factory without swiping his or her ID-card, the income for the whole of one day is lost.

According to interviewed workers, strict targets were implemented and increased in 2013 after the domestic minimum wage rose to 300 baht per day across the whole of Thailand. In an official complaint to local authorities, some Siam Sempermed workers stated that they were forced to pack 14 boxes of gloves before they were able to leave the work. Workers who demanded overtime payments were fired.

According to interviewed workers, targets laid down by the factory vary between

different kinds of gloves and box sizes. In one box there are at least tens of smaller glove cartons.

In addition, it was reported that Siam Sempermed workers were prohibited from taking legally required breaks. According to Thai law, a worker should have a break of at least one hour during eight hours of daily work. In addition, there should be at least a 20 minute break before starting over time that lasts for two or more hours. As it became evident during the field research, workers in Siam Sempermed are unable to take these required breaks and instead during their 13-hour work day have only one lunch break which often lasts less than half an hour due to workers hurrying to eat and get back to work to fulfill their work targets.

Accordingly, workers salary varied from 300 to 400 baht (7–9 euros) for a 13-hour day. Instead of the minimum wage in Thailand (300 baht per 8-hour day) and an official over time payment (56 baht per hour), workers at Siam Sempermed are paid in piece meal rates. However, interviewed workers stated that they did not understand the principles and amounts behind these piece meal rates as they were not clearly announced or explained to them.

During the field research, workers in Siam Sempermed did not receive any personal payslips or work contracts. Salaries were announced on the factory's board but the amounts given on the board differed from the amounts paid into workers' bank accounts. Apparently salaries announced on the factory board do not include deductions for accommodation and documents.

After Finnwatch informed Semperit about fieldwork findings, workers were told to sign a working contract in Burmese language. Finnwatch received a copy of such contract recently and it showed wrong dates of signatures (for instance, the year 2011). Apparently, wrong dates have been inserted

into a contract of employment so that it looks like the contract was signed at the beginning of employment. However, the daily wage in a 2011 dated contract received by Finnwatch was 300 baht, the legal minimum wage only since the beginning of year 2013.

It was reported that workers are not allowed to have annual holidays and, in addition, national holidays are often prohibited.

Interviewed workers stated that workers did not receive double payment required by law when working during a national holiday.

Several workers also reported that Siam Sempermed did not pay salary during sick leave periods. Salaries were also left unpaid even when a worker had a sick leave certificate from a hospital. Furthermore, some workers reported that supervisors did not allow sick workers to return home in the middle of a working day.

As a result of all these pressures, only a few interviewed workers had visited outside Siam Sempermed factory area during the last year. This was due to the unfair and long working hours and the prohibition of holiday leave. In essence, a worker from the factory packing department is practically restricted to stay in the factory area day in and day out. Workers participating in this field research informed Finnwatch researchers that they were exhausted and that they were in desperate need of a holiday and shorter working days.

### **3.1 UNLAWFUL TERMINATION OF EMPLOYMENT**

According to interviewed workers, Siam Sempermed is undertaking unlawful employment termination and has been dismissing unlawfully a significant number of migrant workers frequently. Dismissed employees have not received official severance payments guaranteed under domestic law. In addition, it was reported that workers are being dismissed without a lawful reason. For instance, workers were recently dismissed for taking a day off during a national holiday.

Furthermore, workers participating in this field research reported that Siam Sempermed did not provide dismissed workers with a so called bay jeng awk certificate, hence making it difficult for them to obtain a new work placement. This certificate is an official resignation letter which is needed by migrant workers in order to acquire new employment legally.

Some workers unlawfully dismissed from Siam Sempermed filed a complaint with Thai labour protection officials in December 2013. However, the complaint was rejected by the Songkhla labour protection office in February 2014. The labour protection office ruled that since the workers had signed a resignation letter, they were not entitled to any compensation. The office further stated that it was insignificant that the migrant workers had not even understood the content of the resignation letter that was written in a language they did not understand.

Workers' complaint to the officials also reported unlawful salaries and working hours in Siam Sempermed but the authorities didn't investigate these issues properly. Due to language and financial restraints, it would be extremely difficult for migrant workers to appeal this decision to the Songkhla labour court and hence the dismissal remains unchallenged.

It was suggested by interviewed packing department workers that one of the main reasons for unlawful employment dismissals was a desire by human resource officials to obtain a high recruitment fee paid by new migrant workers when applying for work at the factory. The recruitment fee currently charged to new workers at Siam Sempermed is approximately 9,000 baht (200 euros) and all new migrant workers must pay it in order to get a job at the factory.

Salaries are announced in a very complex way. Sums paid to workers' bank accounts do not match the figures announced on the factory board.





*Workers informed Finnwatch researchers that they were exhausted and in desperate need of a holiday and shorter working days.*

a living without having to do unreasonably long working hours or work night shifts or in dangerous conditions.

Instead of engaging on such challenges of young workers, Semperit simply repeated their position that the factory does not hire workers under 18 years of age.

### **3.4 DISCRIMINATION AGAINST MIGRANT WORKERS**

Discrimination against migrant workers is a general problem in Thailand. Not surprisingly, interviewees participating in this field research stated that the management of Siam Sempermed and its supervisors were also discriminating against migrant workers on a regular basis. Accordingly, Thai workers were reportedly being paid properly for hours they worked whereas migrant workers regularly received unlawfully low payments due to piece meal rates. Most Thai workers were, however, working as supervisors in the factory.

Further examples of discrimination against migrant workers were also reported. For instance, Siam Sempermed workers expressed their dissatisfaction with translators provided by the factory. It was alleged that the translators were

unqualified and this resulted in ongoing misunderstandings. This, in turn, led to workers being unaware of their rights. Interviewees informed Finnwatch researchers that the working conditions in the factory were not explained to them at all, or if explained, the explanation was done in an incomprehensible way. Information about working hours, over time hours, piece meal rates and salaries were generally announced only in Thai language making it impossible for non-Thai speakers to understand the information.

Additionally, many of the interviewed packing department workers reported that they were completely unaware of health and safety regulations as well as regarding the presence of a factory welfare committees. It was suggested that even if migrant workers found out about an existing welfare committee, they were most probably prohibited from joining it.

### **3.5 WALKING HOME IS DANGEROUS**

The field research commissioned by Finnwatch also suggested that both female and male workers were facing frequent violent attacks on their way to and from work. These attacks include apparently

several rapes and attempted abductions. The attacks occurred especially at late night and in the early morning when workers had to go to work in darkness to meet production targets imposed on them. According to workers, local gangs were behind the attacks.

Siam Sempermed factory is situated next to one of the main roads leading to Malaysia, where serious traffic accidents are common. Workers walk or bike to work dangerously on the shoulder of the road and no transportation is provided by the company, particularly from accommodation.

Workers suggested that Siam Sempermed's management could improve safety of its workers when travelling to and from work by providing safe transportation.

### 3.6 TAMPERING AUDITS

Finally, field research discovered that the management of Siam Sempermed was systematically trying to influence audit reports. All the workers interviewed during this research stated that Siam Sempermed's staff and management were training factory workers to answer 'correctly' when speaking with visitors and auditors.

Workers are requested to lie about break times, holiday payments and sick leave coverage. Furthermore, interviewed workers told Finnwatch researchers that auditors and visitors rarely spoke to workers anyway when visiting the factory on quick tours.

*Siam Sempermed factory is situated next to one of the main roads leading to Malaysia, where serious traffic accidents are common.*



## 4. Siam Sempermed reactions to Finnwatch findings

As mentioned in chapter 1, Semperit reacted slowly to Finnwatch findings. More meaningful dialogue began only after Finnwatch informed Semperit in February 2014 that its fieldwork research findings would be published.

Semperit's attitude towards the findings was rather defensive and the company told Finnwatch that the Siam Sempermed factory had never violated local laws during over 20 years of activity.

Violations of local labour laws are common in Thailand and different types of misunderstandings, corruption and unlawful activities have been found in every prior study Finnwatch has conducted in Thai factories in a number of different sectors. Unionisation levels in Thailand are minimal, Thailand has not ratified all ILO core conventions and governance priority conventions whilst abuse of vulnerable migrant workers is systematic and common.

The fact that Semperit has not heard of any such misbehaviour inside its Siam Sempermed factory does not, according to Finnwatch, mean that there are no problems in the factory. Instead, it implies that the factory's appeal mechanisms and responsibility monitoring systems are lacking in quality.

Semperit told Finnwatch that a BSCI-auditing was conducted in the factory in March 2013. According to the company, the audit did not reveal any unlawful practices and that the few non-compliance comments regarding international labour rights standards were 'minor'. In its official statement to Finnwatch Semperit claims that "external audits have underlined the proper manner in which we deal with our employees as well as our compliance with all prevailing regulations in Thailand. However, Semperit refused to give Finnwatch the auditing report and refused even to reveal the auditing results in numbers. The auditing reports of BSCI are not

public making it impossible to confirm these claims made by Semperit.

Semperit asked Finnwatch to postpone the publishing of this report until May 2014 so that the company could prove its compliance in another BSCI-audit. Finnwatch had no reason to accept this request as the company had been informed about challenges in the Siam Sempermed factory already in December 2013. According to Finnwatch, Semperit cannot only rely on seldom third party audits when issues concerning working conditions are taking place in their own factories.

Semperit didn't reply to Finnwatch findings in detail and settled to comment on some of the findings only in a few sentences. For Finnwatch, it seems that Semperit office in Austria does not have expertise in corporate social responsibility issues whilst they also seem to have no direct control on working conditions in their joint venture factory in Thailand, Siam Sempermed.

As Finnwatch and Semperit views on the working conditions in Siam Sempermed factory in Thailand are very different, Finnwatch has published Semperit's statement in full at the end of this report (see Annex 1).

Finnwatch asked Business Social Compliance Initiative BSCI to comment on Siam Sempermed's alleged audit results. In its statement to Finnwatch BSCI stated that "(Semperit) statement does not reflect the findings gathered through the BSCI audits and therefore puts the credibility of BSCI in question". BSCI also continued that "should the producer not correct the above mention statement, the BSCI secretariat will need to clarify the information about the audit results and related corrective actions with the relevant stakeholder".<sup>3</sup>

3 BSCI, Veronica Rubio, email to Finnwatch at 25th of March 2014

## 5. Recommendations

### FOR SEMPERIT AND SIAM SEMPERMED

- Semperit should hire personnel that has expertise on corporate social responsibility issues. Semperit should make sure that it can monitor working conditions in its joint venture factory, Siam Sempermed, which is situated in a high risk labour violations country such as Thailand.
- Semperit should commit to international responsibility standards and include responsibility as part of the company strategy and policies.
- Production targets for workers in Siam Sempermed factory in Thailand should be abandoned. All factory workers should receive a daily wage and overtime compensation as required by domestic Thai law. All workers paid unlawfully low wages/ overtime payment need to be compensated with proper interest rate for past periods during which they were not paid in compliance with the law.
- Annual leave should be compensated at Siam Sempermed factory and days off provided to workers. Workers should also have paid leave on national holidays.
- All work permits and work permit original receipts should be returned to workers.
- All workers should have salary slips printed in Thai and in their own languages. Salary slips should state clearly on what basis the salary has been paid.
- Siam Sempermed should organise safe transportation for factory workers from the factory to their accommodation areas and back.

### FOR PUBLIC BUYERS IN FINLAND

- Purchasing Semperit gloves should not be stopped. Instead public buyers, in cooperation with One Med Oy, should ensure labour conditions at Siam Sempermed are corrected.
- Public buyers in Finland should always use social responsibility criteria when buying goods from risk countries where violations of labour rights are common. Responsibility criteria should be monitored throughout the contract period.
- When public procurement law in Finland is updated, usage of social responsibility criteria should be made compulsory.
- More recommendations regarding responsibility practises of Finnish public buyers can be found in Finnwatch's report Alkuperä tuntematon – Sosiaalinen kestävyys kuntien julkisissa hankinnoissa<sup>4</sup> (2013, available only in Finnish).

<sup>4</sup> Report available at: <http://finnwatch.org/images/kuntahankinnatweb.pdf>



## Annex 1

Finnwatch ry  
Mrs. Sonja Vartiala  
Toiminnanjohtaja  
Pääskylänrinne 7 B 62  
00550 Helsinki  
Finland

Vienna, March 21, 2014

**Subject: Siam Sempermed Thailand**

Dear Mrs. Vartiala,

To begin with, we would like to clearly emphasize that we fully support the efforts of Finnwatch to promote fair working conditions. We are also committed to ensuring a safe and fair working environment for all our employees. For this reason, we launched our own "Best place to work" campaign.

That is why we would like to take this opportunity to present our views on the findings of Finnwatch with respect to our 50% joint venture company Siam Sempermed. At the same time we would like to question whether it is fair to publish a report which, in many cases, draws upon unconfirmed speculation or information based on hearsay. Moreover, these supposed facts could be largely refuted in advance or corresponding improvement measures have already been initiated.

As announced, our partner in Thailand, a large publicly listed company, is responsible for the management of the factory workers in accordance with our joint venture agreement. We confronted the local management with the results of 18 interviews with workers which Finnwatch had conveyed to us on February 7, 2014. Our management immediately reviewed the situation and assured us that Siam Sempermed complies with all labour regulations, and neither exploits its employees nor makes use of child labour. This is consistent with our own experience in more than 25 years of cooperation. Therefore, we would like to strictly reject the accusations contained in the Finnwatch report.

Moreover, external audits have underlined the proper manner in which we deal with our employees as well as our compliance with all prevailing labour regulations in Thailand. These audits are regularly carried out by independent institutions as well as by international customers.

We would like to briefly discuss the main criticisms contained in the Finnwatch report:

**1. Semperit turned a deaf ear on whistleblowers**

We attach great importance to the well-being and fair treatment of our employees. Unfortunately, there were misunderstandings in our communications with Finnwatch at the beginning. For this reason, your enquiries were first received by the responsible managers at Sempermed on February 7, 2014. After becoming aware of the alleged grievances, Sempermed immediately began to evaluate the situation.

**2. Minimum salaries are not being paid and workers forced to work over time**

Siam Sempermed adheres to all valid labour regulations in Thailand.

**3. Illegal termination of employment**

Siam Sempermed complies with all labour regulations pertaining to the termination of employment relationships without exception. This includes issuing the bay jeng awk certificate.

**4. Illegal work permit and accommodation deductions from salaries**

Siam Sempermed organises all the required working papers on behalf of its foreign employees (e.g. work and residence permits and their extensions). Before employees sign their employment contracts, the specific costs to be borne by them due to administrative procedures and dealings with public authorities are disclosed. Employees are only charged the costs which they expressly approved.

It is important to note that the original documents have always remained in the possession of the employees. The only exception is the time it takes for these administrative procedures to be completed. These documents are then returned to the employees together with the working papers, a fact which is confirmed by the employees in writing. No passports, working papers, ID cards or similar documents have been confiscated by the company.

**5. Children working with false passports in the factory?**

Siam Sempermed pursues a strict policy against child labour. No individuals are employed or hired under the age of 18. The related controls are very strict. The suspicion voiced in the Finnwatch report that people aged 15-17 can work in the company by having forged documents is based on speculation. In spite of intensive scrutiny, there was no evidence whatsoever to corroborate these suspicions. In other words, child labour at Siam Sempermed can be ruled out.



**6. Discrimination against migrant workers**

Discrimination is not tolerated at Siam Sempermed. In addition, employees have the opportunity to anonymously point out alleged violations by making use of a "complaint box". They can also speak to a trusted third party or contact the human resources department.

**7. Walking home is dangerous**

Siam Sempermed condemns any kind of violence against its employees, and does everything in its power to ensure a secure environment both on the company premises and outside the plant grounds. A special security system has been installed within our facilities between the workplaces and dwellings. Moreover, the paths are well-lit. Any and all attacks of which we are aware which take place outside the premises are reported to the police or the responsible public authorities.

**8. Tampering audits**

Siam Sempermed does not impose any rules or guidelines upon its employees in terms of how they speak or what they say to visitors, whether customers or audit institutions. Siam Sempermed firmly rejects the accusation that the company incites its employees to tell lies.

To summarise our comments, the criticisms voiced in the Finnwatch report are not in accordance with the facts. However, we are grateful for any suggestions as to how we can improve, and will resolutely implement constructive proposals. For example, the Finnwatch report showed that there are apparently misunderstandings and communication problems with our employees, especially those from Myanmar. It seems that they were not sufficiently informed in all areas. Initial steps have been taken, for example carrying out training in the national language. We intend to expand such activities in the future.

We are open to maintaining a constructive dialogue with Finnwatch. We would like to invite Finnwatch to work together with us to develop specific proposals as to which areas we can work on to further improve the situation of our employees in Thailand.

Best regards,



Clemens Eichler  
Head of Segment Sempermed



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