



A Case Study About Worker Unrests in Indian Automobile Industry

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Abstract

How powerful and pervasive the workers protest in this era is! This mania is now one of the top of the agenda of the Indian automobile industry. True to say, being a democratic nation India is suffering from various kind of worker strike, unrest since her birth. Especially those quick developing industries are suffering from it a lot. A great deal of experiment is going on right this moment in the industry by the top management of automobile industries how to reduce it or escape from it. Primarily this paper will explore the recent strikes in Indian automobile industry then research on it about its characteristics and finally will try to build up an efficient model to cope against it, which will demonstrate a profound relationship between workforce and authority.

Key words: Indian automobile industry; Workers unrest; Motivation; Expectancy theory

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INTRODUCTION

India, known as the biggest democracy in the planet

has been suffering from various types of worker strike as a long tradition. Indian manufacturing industries are regularly suffering from various kinds of strikes, unrests and work slow-down. This article focuses on Indian automobile sector related strikes in recent years. Indian automobile sector is enjoying a super-fast development at an increasing rate of 33.9% per year. Automobile industry is currently contributing about 5% of the total GDP of India. India's current GDP is about USD 650 billion and is expected to grow to USD 1,390 billion by 2016. According to the Society of Indian Automobile Manufacturers (SIAM), annual car sales are projected to increase up to 5 million vehicles by 2015 and more than 9 million by 2020. All these information is telling that how important automobile industry for the development of India is. Thus stability to their production unit is not only very important for the particular company but also plays a pivotal role in the GDP of the country.

1. PRESENT SCENARIOS OF AUTOMOBILE WORKERS

The industry has attained a turnover of more than USD 35 billion and provides direct and indirect employment to over 13 million people. Currently, India's increasing per capita disposable income which is expected to rise by 106 % (one of the fastest among BRICS countries) by 2015 and rapid growth in exports is playing a major role to the rise and competitiveness of the industry sector. Which definitely shows a positive rise in employment and urbanization as a result a great number of people will come out from poverty line, which is in fact a development goal of the nation. Of course the working class people will also enjoy the fruit of this development.

The scenario of the daily life of an Indian automobile sector laborer is totally different if you compare pre 1991 to post 1991. The 13 million employee who are related with Indian automobile industry are consist of both local

and migrated workers. In India migrated workers are mostly from less developed states of south east, eastern and northern-Himalayan states. Most of them (skilled, half-skilled and unskilled) are not uneducated but their education level is not very high though. These workers can be divided into two groups, one who work for the automobile company on the contract basis while the others are permanent workers.

Although India is developing at a great speed there are a lot of people in India who lives below the poverty line. Most of the migrated workers are from poverty affected zones and are the only earning member of the family. Financial soundness of the total family deeply depends on the only earning member's shoulder. That's why they are highly sensitive about job, financial security.

Workers union is a very common phenomenon in the Indian industrial sector. They are supposed to work together with top management in order to welfare of ordinary/common workers. As a democratic country India also ensures the right to form union for all the common workers. In rapid growing Indian automobile sector worker unrest backed by union is also a very common phenomenon. This article will show these facts and related reasons.

2. OBJECTIVES AND SCOPE

The objective of this paper is to highlight the practice of protesting such as strike, unrest and work slow-down in Indian automobile industry. At the same time, to identify the challenges to overcome or solve it. Thus this paper will also try to find out some processes or practices that will help the companies to build up more efficient and professional relationship with the workers. Hopefully enough, from the findings of this study, organizations in this sector will be able to find an effective guideline in configuring their scheme for attaining competitive advantage that will be effective for both the short and long term.

3. METHODOLOGIES

For this study both the primary and secondary data and information have been used. Primary information has been collected through interview and document analysis whereas secondary data and information have been collected from internet, newspaper, magazines, existing literature, etc. Personal observation has been a key source for data validity and reliability mostly.

4. RECENT STRIKES/UNRESTS

Now let us look at the recent scenario of worker unrest in automobile industry. Indian automobile industry, in recent two years (May, 2009-June, 2011) experienced several strikes and unrests. Let's have a brief view on the whole

scenario:

4.1 May, 2009

A strike took place at the Mahindra and Mahindra's (M&M) plant in Nashik (who produces vehicle model Xylo, Bolero and Scorpio there). As the two week long strike goes on, the production of two CV item (Xylo and Scorpio) was totally stopped. Notably these two items are on their peak (the sales record on April was one of the best ever for them) at that time and kept a great number of customers waiting endlessly who have booked them earlier. On 19th May, the M& M strike was called off by the workers union at the Nashik plant. It was due to the Chief Security Officer having a tete-a-tete with a union leader.

There's another strike at the Hyundai Motors India Ltd. (HMIL) plant near Chennai. Which affect seriously their best selling items such as i20. The management had openly warned the strikers, that a part of i20 production will shift to Europe to keep up with the demands and export commitments. This strike also keeps the customer waiting for a long time for their desired models.

4.2 October, 2009

A strike took place at two wheeler giant, Honda Motorcycles and Scooters Ltd (HMSL), whose factory is located near Gurgaon, Haryana. The employees willingly start slow-down and the production is down by some nearly 50%. They are working but doing things slowly. That was the festival season in India and especially at this time automobile manufacturers record the most growth during the twelve month span. As a result, HMSL bikes and scooters had long waiting lists in most showrooms, around the country.

4.3 November, 2009

This time strike news once again from Hyundai Motors India Ltd. (HMIL), Tamil Nadu. HMIL is the one who suffered from strike mostly among all the automobile manufacturers in India. They have just overcome from their April strike which has affected their best selling i20 and within six months they face another.

4.4 December, 2009

As they were not efficient to solve the November issue, their top management got a clear-cut threat of a violent strike once again. A section of its workers belonging to an unrecognized union at its Chennai plant have threatened to go on strike from December 5. "Hyundai Motor India has received a faxed communication unrecognized union stating that they (will) resort to direct action from December 5," the company said in a statement in printed media.

4.5 April, 2010

Honda (Honda Sael cars India Ltd.) had the same problem (work slowdown) which cause a dramatic low sale. Because of the slowdown their supply to the dealers was

hugely decreased causing a reportedly 50% month on month decrease in sales of hot-sale model Honda City and Honda Civic. The media was talking of the workmen being less motivated and hence predicted that the quality of cars will suffer.

4.6 May, 2010

This time strike and work slowdown took place at Exide's Haryana plant. The output of Hero Honda (HH) was severely affected and later for some time they had to sell bikes without batteries. Honda Motorcycles and Scooters Ltd. (HMSL) have said that it will import batteries from China to make up for the shortfall.

4.7 June, 2010

Once again the strike hits HMIL. The strike has affected production at the Hyundai Motors plant in Sriperimbudur, Tamil Nadu, where some 10,000 workers are employed. The Sriperimbudur plant produces about 2000 cars a day. Workers' main demand regarding the reinstatement of 67 workers who were red listed by the company mainly for discipline matters (viz. November strike 2009), whom the union wants to be reinstated. The management was acting tough. So the production has come to a halt.

4.8 November, 2010

Demanding hike in wages, nearly 800 workers at the Halol unit of General Motors India went on a strike, forcing the company to stop production. The strike has raised questions about the company's plan to start production in three shifts from existing two shifts. "The company has been giving us assurances about hike in salary for the last one year. But we have realized that we are being taken for a ride by the management. When it comes to publicity, they call themselves a multinational company but our salaries are less than half of what other automobile companies are paying to their employees. We are protesting in a systematic manner," said a protesting worker.

4.9 March, 2011

This is the time for Ford. The factory located Marimallai Nagar, near Chennai- 4600 employees at the Marmalai Nagar plant had given a 15 day strike notice on 7/3/2011 for their strike effective 22/03/2011. The demands include recognition of the union, discontinuing the system of leave period treatment of workers, whenever there is a maintenance shutdown and lastly demand for no extra working time to compensate for the 10 minute tea break. The strike hits while Ford India were grabbing Indian automobile market by their 60000 unit sales by a single model Ford Figo (known as the car of the year 2011) which they produce at the above factory.

4.10 March-April, 2011

Within four months of the previous strike GM plant, Halol, Gujarat faces another strike. GM India employs 1,600 people at its Halol plant of which 1,000 are permanent

workers. The striking workers have formed a new union under Indian National Trade Union Congress (INTUC) and have alleged that they were subjected to excess workload. The workers alleged they were facing health hazards and the company has violated Provident Fund (PF) Act, gratuity norms and rules of Industrial Safety and Health Act. The company has termed the strike illegal. The employees also protest transfer of some employees to dealerships from the plant. They also opposed a long term wage agreement which the management has wanted. The strike hits GM India while they have decided to enter in commercial vehicle market with their Chinese partner Shanghai Automotive Industry Corporation (SAIC).

4.11 June, 2011

This is the time for Maruti Suzuki India Ltd. (MSIL) their plant at Manesar, is suffering a production cut because of a strike that has started there. The company has sacked 11 employees (including 8 office bearers of an unrecognized union) which have now got the nod from the Haryana Labor Commissioner. On that day about 200 workers struck work from the second shift. There is no sign of an immediate breakthrough. The workers are demanding the recognition of a new union "Maruti Suzuki Employees Union" along with retention of casual laborers. At present there is one union "Maruti Udyog Kamgar Union" which is mainly dominated by the workers from its Gurgaon facility. The Manesar workers said that, their issues are different from those of the Gurgaon plant.

This plant manufactures the A Star, Swift, DZire and the SX4. These are the best selling MSIL models. The strike attacks the plant while the company has decided to run fuel-efficient diesel models in order to boost their selling. Currently the Swift and DZire diesel variants have waiting times of 3-4 months, the SX4 diesel has a one and a half month waiting time. The A Star is a top favorite for the export market which is likely to be impacted. So the strike obviously has long term effect also on the whole marketing process of those upcoming special models.

5. THINGS THAT HAVE INDIRECT RELATION TO STRIKE

A weak industry is vulnerable to the strike and hardly can overcome on the other hand a strong industry can even be affected by strike and eventually become a weak industry. A moderate strike can end up with a violent result if the related environment also disfavors the company. For instance we can say about steel price hiking, customers sentiment, government tax system, oil/crude oil price hike can make the process miserable.

India has a well-developed tax structure. The power to levy taxes and duties are distributed among the three tiers of Government. The cost structure of the industry is fairly traditional, but the profitability of motor vehicle manufacturers has been rising over the past five years.

Major players, like Tata Motors and Maruti Suzuki India Ltd. (MSIL) have material cost of about 80% but are recording profits after tax of about 6% to 11%.

End customers are very important to ensure the survival of the Motor Vehicle Manufacturing industry. Economic downturns and other events can affect the expenditure decision of households. When customers are not happy or optimistic about the future of the economy, they will tend to postpone expenditure until times are better. In 2008-09, customer sentiment is expected to fall, which will have a brunt on the augmentation in demand of cars.

Steel is a major input used when manufacturing a motor vehicle. Rises in the price of steel puts cost pressures on manufacturers, which often leads to a fall in profitability. Over the past five years, the price of steel has been rising rapidly. These rises in price eventually pass from the manufacturers to the end customers. The price of oil and petrol affect the driving habits of consumers and the type of car they buy. Over the past five years, the price of petrol has been influenced the buying decision of motorists, who are switching more to fuel efficient options. These include cars that run on liquefied petroleum gas (LPG), diesel, electric and small cars that achieve better mileage. The trucking sector has also been struggling with the rise in the price of fuel, which has put enormous pressures on their costs.

6. REASONS BEHIND THE STRIKE

From those above fact it is clearly visible that in most of the cases, it is worker/employees union who is leading the strike. In some particular cases while there is already a central union exists the local worker-leaders starts another union on the banner of the particular area/facility. If the top management refuses to recognize it, workers use it as a catalyst to the strike. Sometime they choose a good time when the company is highly vulnerable, such as when the sale is high/peak or at the launching of new models, etc. According to ILO, there is a growing unrest especially among MNCs and this has been more so in some sectors than others. Some of the major motivating factors have been demand for wage hikes, reinstatement of dismissed workers and demand for recognition of labor unions. In some specific case the new union tries to bypass the old or existing/recognized union. We can put up Hyundai motors case in this regard which has a facility at Tamil Nadu. The worst thing in Tamil Nadu is that each political party has its own union and even in a union here they have polls to select which faction will run the union. When unions are supposed to represent workers, politicians use it as an agenda.

In Maruti Suzuki India Ltd. (MSIL) case, let us look back in 1984, when they have just started production at Gurgaon, the Japanese management philosophy and culture along with their indigenous TQM was a great

success. Therein, all workers right from the lowest rung to the Chairman and MD would wear the same grey uniform and go to the same canteen. The Managers and workers would be free to discuss issues. Any worker finding fault anywhere in the assembly line had the power to ring the alarm bell and the production would stop. The concept of "Ringiseido" provides the chance for equal ranking managers or employees in the company to partake in an individual's idea. but their recent strike was about the recognition of a new union-that focuses the idea the workers are still not motivated enough or the management was not able to balance their shadow equally to all of their facilities.

The next point about the classification of workers, while it is common to divide them into two groups (permanent basis and contract basis). A contract worker is typically hired through a labor contractor to work in a factory. Contract workers are indirect employees hired for specific work for a given duration. They are not on the payroll of the company. They are paid by the labor contractor. Employers argue this system gives them the flexibility which standard labor laws don't allow. Economists point out that unions' insistence on rigid labor laws are unfair to employees who don't get benefits like on-job training when recruited by labor contractors. Labor unions current solution seems to be turning the clock back and agitate for full unionization. There is a small core of permanent workers, but a substantial number of workers are now contractual hires. The resulting fragmentation has made it difficult to form unions. Maruti Suzuki India Ltd. (MSIL) for instance, has 85% contract labor. According to news reports, the proportion of contractual labor in Nokia is 50%, and that in Ford is 75%.

Finally, we can even put the spotlight on the management system too; sometime they are not professional enough to motivate the workers. Even there are some incidents where the management is accused to be the catalyst of the unrest. For instance we can focus on May, 2009 Mahindra and Mahindra (M&M) incident where top management was in to point of no return with a union leader. While the unrest starts for the job security, safety or salary related issues the top management has a huge scope to control the total process.

The top management also has to be very cautious at the peak time of selling, in India especially at the time of union budget, at the time of festival or just at the time of launching a hot-cake model. As this is the most vulnerable time for any company and if a strike attacks the manufacturing process it will directly impact on the selling process, which will cause an immense loss to the company.

7. RECOMMENDATIONS

From those above reasons we may find out that the main and ultimate reason behind any kind of worker unrest

is communication gap between top management and workers. If the workers are motivated enough we can easily escape this circumstance and lead the company into success. In this connection we may focus on Victor Vroom's expectancy theory, which deals with motivation and management and shows a path how managers can secure a highly motivated workforce. The theory widely known as "VIE" (Valence, Instrumentality, and Expectancy) is based on an objective of maximizing pleasure and minimizing pain. The model is,

$$\text{Motivation} = \text{Valence} \times \text{Expectancy (Instrumentality)} \quad (1)$$

Thus we can expand this formula according to our practical problem so that we could find a better fit for solving the worker unrest problem in Indian automobile industry, which will be divided into some specific stages with special tasks. Firstly the top management has to find out which rewards the workers/employees want or which rewards present highest value to them, that is what we call 'Valence'. Secondly, managers have to create instrumentality, which means the managers or foremen must convince the employees about the accomplishments of the given task or goal and will generate the rewards valued by the employees. Finally, managers must ensure that the employees have the perfect condition and necessary capabilities to accomplish the given task, which will help the workers to grow self confidence among them about reaching the goal and thus get rewarded. The total process flow-chart would be,

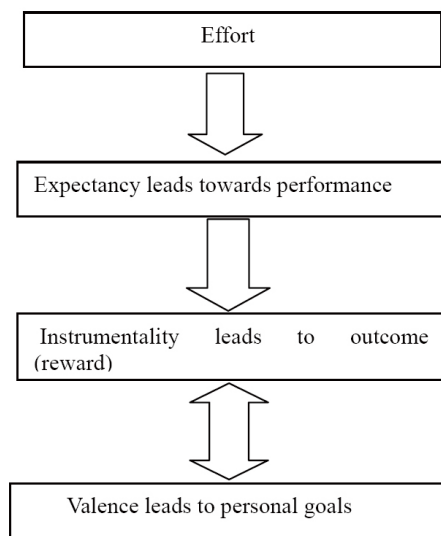


Figure 1
Expanded Expectancy Theory

8. SUMMING UP

As the number of middle class people are raising at a rapid speed the market of small size automobile in India

will also rise too. On commercial vehicle segment, government's scheme to the infrastructure development also helps a lot to shine that special segment. Moreover Indian automobile market has a bright future. That's why almost all the world leading automobile manufacturer has started their facilities inside India. India herself is a business hub in south Asia, where 22% of the world's total population lives and 10% of the world's wealth located. Thus shows enormous scope to prosperity to the key automobile players who can cope against the unavoidable circumstances such as work slow-down, worker unrest and strike.

A strong company which is financially sound and having a great market share is not vulnerable to any kind of threat, for instance we can say about Tata motors and Maruti Suzuki India Ltd. (MSIL)-they have relatively suffered less strike/unrest/production slow-down than any other companies. India's largest automobile company (Tata motors) is the market leader in Commercial vehicle segment having more than 65% market share. While Maruti Suzuki India Ltd. (MSIL) is the market leader in passenger car segment having a 48.78% market share.

Thus brings some points to the conclusion that obviously there is some efficiency factors that top management would find fruitful and at the same time will help the company to make the workers feel privileged. Efficiency factors that can play vital roles can be point out as; labor productivity, labor flexibility, capital efficiency, resource availability, establishment of export markets, Successful industrial relations policy, ethical and tactical industrial relations, understanding implications from Government policies, etc.

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