

# Labour Unrest at Manesar Plant of Maruti Suzuki in 2012, 18th July

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**Abstract-** Maruti Suzuki India Ltd. Is India's leading and largest passenger car manufacturer which according for nearly 50% of total industrial sales. The company has produced and sold over 7.5 million vehicles in India and exported over 5 lac unit to Europe and in other countries. In year 2011 Maruti Suzuki rolled out its 1 crore cars and in year 2010 it has been ranked India's most trusted brand in automobile sector. Maruti Suzuki received awards as the manufacturer of the year 2012 in "Car Dekho" awards 2012. But last 18<sup>th</sup> July 2012, Maruti Suzuki face industrial unrest in his Manesar plant. Which lead to the murder of Senior HR executive and extensive damage of property.

The first objective of this paper to evaluate the reasons of this dispute, background of industrial relation and change took place in the management of Maruti Udyog Limited and secondary objective is to highlight the future implication of the unpleasant which took place at Maruti Udyog limited.

**Index Terms-** Labour management relation, Maruti Manesar, Industrial disputes.

## I. A BRIEF HISTORY OF INDUSTRIAL RELATION AT MARUTI UDYOG LIMITED

Since its founding in 1983 Maruti Udyog Limited has experienced problem with its labour force. The labour locating hired accepted the Japanese work culture and the modern manufacturing process. In 1997 there was a change in ownership, and Maruti come under government control. Thereafter conflict between the United Front Government and Suzuki started. In 2000 a major industrial relation issue began and employees of Maruti went on an indefinite strike, demanding among other things, major revisions to their wages, incentives and pension.

In October 2000 the workers start slowdown to press the management, on this year after election new central government led by NDA and NDA promote pursuant to disinvestments policy. Along with much other government owned companies, the new administration proposed the sell a part of its stake in Maruti Suzuki in public offering. The worker's union opposed this sell-off plan on the grounds that the company will lose a major business advantage of being subsidised by the government and the union has better protection while the company remains in control of the government. The cold was continue between the management and company authority company pay does not accept any demands of labour union due to the increased competition and lower profit margins in automobile company.

The central government prevailed and privatize Maruti in 2002, Suzuki become the majority owner of Maruti Udyog Limited.

In late 2011 on dearly labour unrest stated in the Manesar plant with Sonu Gujjer former President of the unrecognised Maruti Suzuki employee union demanding to establish an alternative labour union due to alignment of large section of worker with an existing union.

## Maruti Manesar violence 18 July 2012

The company has faced several incidents of employee protest, but never of such scale and violence the incidents Maruti Manesar violence July 2012 is the worst ever for Suzuki, since the company began operation in India in 1983.

On 18 July 2012, Wednesday on 3.30 pm Maruti Manesar plant was hit by violence workers at one of its auto factory. They attacked on supervisors and started a fire that killed a company official and injured 100 managers, including two Japanese expatriates. The violent mob also injured nine policemen.

The company's HR General manager Mr. Avinash Kumar Dev had both arms and legs broken by his attackers, unable to leave the building that was set ablaze and was charred to death.

This violence effect not only Maruti but also the industrial hub of NCR, loss due to this violence is 500 crore damage to Manesar plant, 75 crore Maruti's daily losses and 102 suspect arrested so far.

## Impact on company situations

1. Operations stopped for a month.
2. Loss estimated to be over Rs. 1,500 crore.
3. Fear of insecurity to the employees and their families.
4. Maruti Udyog changed his recruitment policy.
5. Goodwill ..... it is major loss of company.

## REASONS OF MARUTI VIOLENCE:-

There are several factors have come into play in the labour unrest some of the followings are:-

### **1. Less of Indian connect**

In 2007 to important changes happened in Maruti one Shinzo Nakanishi the current MD of Maruti Suzuki took over the reins current MD of Maruti Suzuki Jagdish Khattar. RC Bhargava who was a director, was made chairmen. Two Maruti and the Indian Maruti are also become increasingly important of Suzuki Motors. On till date Maruti contributed more than half of the parent's profits.

As Maruti's contribution to Suzuki has increased, the latter's tendency to control Indian operations has increased. It has an India chairmen but Bhargava is 78 years old. It does have many senior Indian executives who have been lifters at Maruti. Insiders who will speak on the condition of anonymity say the Japanese voice counts and often tends to dominate crucial decisions.

Indian and Japanese are far different there discipline, punctuality, employee connect are very different. They are some major points that are can't make connect with Indians.

## 2. Leaner Meaner Pressure

The challenges of running manufacturing outfits have surged. In the manufacturing industries cost and wages have increased but in other hand sales are poor and volatile. In this situation doing business is difficult and doing profitable business is more difficult, so each and every company trying to find out way to bring cost down and improving productivity. Most have recruit contract labour to bring in flexibility and reduce cost. In Maruti Manaser plant 40% workers hired on contract basis and their salary half of the permanent worker. Maruti is among the better pay masters. Amid all this competitive intensity in the market place for Maruti has never been as severe. Bring a volume player the only way for it to survive and flourish is to churn out more and more cars. All this translate into the relentless pressure to improve to productivity and margin at all level. Work pressure is very high in Maruti Manaser plant because this plant manufactures two top selling model's Swift and Dezire.

## 3. Young and Restless Workers

In Haryana, young blue-collar workers have been dramatic change around them. Now Gurgaon has become a commercial hub. Overnight people have become rich and their lives have transformed simply because they made a killing selling their land. They are less tolerant and fairly aggressive in their expectations and how they want to achieve it.

Sonu Gujjar, 27 years the leader of the labour unrest at Maruti. He is known as commando Sonu. He was too is ready to face the consequence. Unlike the older generation trade union leaders who looked for solutions through confrontation. Gujjar does not adopt an adversarial tone perhaps aware of the pitfalls of old style trade union functioning in a modern work environment. During the initial stages of the strike which started from small congregation at community centres and public parks, he has balanced his speeches and did not paint the management as an enemy.

## 4. Return of the Red Flag

From its peak in the 1980's Trade union have been on a decline in India. Trade union bodies across the boards from CITU to ALTUC – have been seeing a steady decline over the years. It does not help that a large percentage of workers in Indian factories are foot-loose contract workers.

Over 90% of the Indians are employed in the unorganised sector where the trade union have been finding it difficult to make inroads. They have made many effect to spread their network among white collar workers like BPO employees, but with little success. Expectedly, they are tapping into every possible opportunity they can get to grow their base. Their involvement in Maruti's labour unrest signals that.

## 5. Lack of Connectivity and Active Communication between Management and Workers

As explained above the Japanese industrial culture does not have any alternative in the lines of what took place of Manaser.

The management was clue less about the extent to which a section of workers were enraged. That means, there was no inkling of such a degree of discontent with the management.

## 6. Lack of intelligence and information.

Though the management was aware of those ring leaders and instigators, it did not have any concrete and actionable information about the intentions of the striking workers to kill and burn. It is evident that the action of breaking an executives limbs and leaving him to burn to death was a murder and it certainly was not an accident. Normally, such crimes are planned and within the group of several workers with criminal intentions, such plans are discussed. The management did not have any mechanism to collect informal information through its network of informants.

7. Workers, both permanent and contracted feel that they are not being given their due share of the huge profits Maruti Udyog is making with the highest market share in the car industry. Though the automobile industry in India is said to be in a temporary recession, the car industry is seeing an unprecedented growth in the last few years and for over 28 years, Maruti has been the market leader. The profits and balance sheets are in public domain. An educated and aware worker is also aware that his salary and allowances have not risen in proportion to the rise in profits of the company. They have been expressing this feeling for several years and there have been salary rises but never in the kind of scale and proportion which the workers were demanding. On the day of starting the strike, average Maruti Udyog, Manesar worker was still one of the best paid automotive factory worker in India, but not paid in proportion to what the management was earning through them.

## Implication of the unpleasant incident which took few of the implication of this labour unrest are as under

i) Investor in labour intensive sectors will demand a protective and clear policy environment from the Indian government before entering into India.

ii) There is no place for physical violence and criminal act anywhere in running on industry. Assurance of exemplary punishment will be sought by the management for the workers caught in the act. In effect this will increase the distance between the management and the labour union even further.

iii) Given the state of Indian labour was which are highly biased towards the worker there will be pressure on the government to modify and tweak the laws in accordance with the need of their time. Labour union in the manufacturing sector have always been politically oriented and when the political orientation is absent then political leader and parties trying to hold the trade union since it is not against the law for workers to affiliate themselves to political parties, creation of multiple union.

iv) Other State governments have played a major role in creating a friendly environment for a business. Now each and every company try to move to shift base or start new venture on those states they have not history of any industrial dispute Maruti management also interested to this direction shift in plant Gurgaon to Gujarat.

**Change took place by the management after Manaser unrest**

2012		2014
900 (P) 1800 (C)	<b>No. Of Workers</b>	1011 (P) 600 (T)
No Paid Leave	<b>Leave</b>	4 Days in Three Months
Rs. 17,000/- (P) + Rs. 50,000/- (PA)	<b>Pay</b>	Rs. 25000/- (P)
2 tea breaks 7.5 minutes each  Lunch break 30 minutes	<b>Breaks</b>	No Change
8.45 hours	<b>Working Hours</b>	No Change

P – Permanent, C – Causal, T – Temporary

**Other necessary change done after the event**

1. Hiring contract workers through company HR and not through a contractor.
2. Reopened the plant with 300 workers.
3. Fresh recruitment of permanent workers.
4. Terminate the services of 500 permanent (Include / involved in violence)

**PERMANENT SOLUTION**

FACILITY	PERMANENT	CONTRACT	APPRENTICES
Gurgaon	3,000	4,000	700
Manaser	2,000 + 1,000*	-	600
Manaser (Before July' 2012 violence )	1,528	1,869	NA

Numbers are approximate, \* temporary  
Sources : Company, industry

**II. CONCLUSION**

The main reason / cause Manaser dispute is lack communication of management and workers. The management and the union leaders are busy overtime to blame each. The management has strongly denied that there was an HR problem or has to do anything with the poor wages and the working conditions and claimed that both the issues in era being sorted out on the other hand the workers are blaming the management for various issue like lower wages, poor working condition, poor working environment and misbehaviour by superior etc. The Japanese companies have a history o paying poor wages even in their country.

There same labour unrest in recent year in Japanese companies and reasons are these disputes in bad working conditions and poor wages. Further Japanese companies have faced labour unrest in much other country and second major reason of this disputes is contract workers. These companies are routinely following the policy of recruiting contract labour which came very cheap, work culture is the third most important reason of this dispute Japanese companies believes that “only the Japanese can manage the Japanese companies even in overseas”.

“Japanese management lacks international outlooks Japanese do not want to manage their business operation in overseas in any new special way”. Group culture another common method of decision making process in Japanese company is Japanese subsidiaries in overseas.

These clashes with the individual decision making processes which is a common management practice in Indian and several European companies group decision is time consuming and requires approval from their head quarters

It is not clear what went wrong in the Manaser plant as the investigation is still in progress. In this incident everyone blaming each other i.e. stake holder, workers and the government.

In India is the general experience that the trade union leaders are arrogant, blackmail the management and behave like militants mainly because of their political affiliations. The need to the hour is to include professional approach in trade union so that the industrial relation remain cordial, industrial can work smoothly and prosper and management should make every effort has to be made to understand the nuances of the alien work cultures and local worker force should be trained in that direction. It is top management responsibility to ensure that he use the services of experts from the field of cross culture management where is need.

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