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Unveiling the Truth

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Abstract

This case is about Maruti Suzuki's Manesar Plant episode. It gives a detailed insight into what exactly happened on the fateful day. The General Manager (Human Resource) of Maruti Suzuki was burned to death in a large scale violence activity in the Manesar Plant. The event was allegedly triggered by a disciplinary issue with an employee which led to difference of opinion between the management and workers. The workers also made several other demands like pay parity between contractual employees and permanent employees which were not heeded by the management. The opening note of the case talks about how Suzuki set its strong foot hold in India which is followed by Maruti Suzuki's Joint Venture and its pros and cons. Later, the case describes about how the cross-cultural differences between Indian Management Techniques and Japanese Management Techniques started affecting the work ethos at Maruti. The next aspect of the case is about step by step occurrence of the event. This case highlights, how a simple communication gap can lead to violence of this magnitude. When employees are not paid any heed to, when the employees are discriminated, when they are denied their basic rights, employees tend to take such drastic measures for their voices to be heard. Though Joint Ventures may sound good from an economic perspective, it becomes very challenging from socio-cultural perspective.

Keywords: Disciplinary Issue, Management, Employees, Indian Management Techniques, Japanese Management Techniques, Trade Union, HR Manager, Strike, Good conduct bond.

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India is known for the aspirations and struggles of its working class. The aim of this case is to unleash the circumstances of workers autonomy. The incidents in this case relate to the year 2011, precisely in the form of strikes in June, September and October 2011. In particular, this case is about the labor turmoil that happened at Manesar (Haryana) plant of Maruti Suzuki India Limited (MSIL). Three consequent strikes were witnessed in this plant in 2011, followed by a lock out in 2012 July after the horrendous murder of Mr. Awnish Kumar, General Manager HR MSIL. This strike and lock out resulted in a huge loss of Rs. 25 billion to MSIL. This case draws the details of every activity which led to the gruesome murder of the General Manager HR and injury to over 100 workers of Manesar plant. The information regarding some of the main points that resulted into this brutal chaos has been gathered from certain facts: the functioning of an independent union at the Manesar plant, contract workers being paid one-third the salary in comparison to their regular counterparts despite the same nature of work, stringent rules at work (regarding late entry etc.). Though the workers at Manesar plant have been given the onus of this disarray, this case tries to discuss the situations that led to such a disaster.

This is also an effort on the part of the author to point out any other reasons and factors which might have led the workers to commit such a heinous crime

Chronology:

From MTSPPL to Maruti Udyog Ltd.

Maruti Technical Services Private Limited (MTSPL) was launched on November 16, 1970. The reason cited for the MTSPL's existence, was to make available technical knowledge for the blueprint, fabrication and assembling of "a native motor car in every aspect". Sanjay Gandhi was nominated as the first Managing Director of "Maruti Limited" in June 1971 incorporated under the Company's Act. Maruti Limited went into liquidation in the year 1977. After Sanjay Gandhi's death in an air crash on 23 June 1980, Maruti Udyog Ltd. was incorporated at the behest of Indira Gandhi.

The first car was Maruti 800 whose model was based on Suzuki Alto Kei car, the only contemporary car which was available in India that time. Then competitors for Maruti were only Premier Padmini Motors and Hindustan Ambassador. Indian Government was 74% owner and Suzuki of Japan was 26% owner. In May 2007, Indian Government sold the complete 74% of shares to Indian Financial Institutions and no longer had any stake in Maruti Udyog Ltd.

Maruti Suzuki Now

A License and Joint venture agreement was signed between Maruti Udyog Ltd. And Suzuki, Japan in 1982. Initially Maruti Suzuki only imported cars. In spite of India being a closed market, Maruti had received the right to import completely built up Suzuki motors up to 40,000 in numbers wherein only 335 parts used were indigenous. This led to a feeling of discrimination and dissatisfaction among the local car manufacturers. Some players raised the issues that the Indian Market was too immature to assimilate the large production planned by Maruti Suzuki. This absorption was aligned with the lowering of the petrol tax along with excise duty in order to improve sales. In 1983, the first model of Maruti 800 was released in the Indian market. It was India's first affordable car, 796 CC hatchback and was based on the SS80 Suzuki Alto model. This was followed by a 3 cylinder Maruti Van in 1984.

Liberalization of Indian Economy

India's first contemporary Sedan car Maruti 1000 with 970 CC capacity was launched in 1989. By 1991 the 33% indigenous parts had gone up to now 65% for all the components and all the cars. Liberalization of Indian economy brought with itself competition to the same segment in which Maruti Suzuki was operating. Suzuki's stake was increased to 50% in Maruti in 1992, this was a classic case of 50-50 joint venture between Indian Government and a foreign player

Pros and Cons of Joint venture

A fiery debate was slowly cropping up between Suzuki Motor Corporation and United Front (India) coalition over the joint venture in the media until Suzuki Motor Corp gained controlling stake. This was considered as a very profitable joint venture which was close to a monopoly in the Indian Automobile market. The nature of their partnership was cited as the main reason for the success. The equity was increased from 26% to 40% in 1987 and to 50% in 1992. In 1982 both these partners had decided to nominate their respective candidate for the post of Managing Director for a total period of 5 years.

R.C. Bhargava was the first managing director. His contributions are regarded as the most important in the success of Maruti Suzuki.

Manufacturing Units

Maruti Suzuki has two manufacturing units in India, with a combined production of 14, 50,000 cars annually. Maruti Suzuki has plans to set up a third plant in Gujarat, for this purpose it has already acquired 600 acres land.

The manufacturing facility in Gurgaon has three completely incorporated manufacturing plants which is spread over 300 acres. These plants have an annual installed capacity of 350000 vehicles. The productivity enhancements have now enabled this facility to extend its manufacturing up to 900000 vehicles annually. This unit also manufactures 240000 K-series

engines annually. It also has 150 robots in place, most of which are developed in-house. Models like 800, Alto, Wagon R, Estilo, Omni, Gypsy, and Eeco are manufactured here.

The Manesar facility is spread across 600 acres about 2.4 Kms² and was inaugurated in February 2007. With an initial capacity of 100000 vehicles annually it has been increased to 300000 annually in October 2008. This capacity was further enhanced to by 250000 vehicles annually making a total production of 550000 vehicles annually. Models like A-star, Swift, Swift DZire, SX4, Ritz and Celerio are manufactured in Manesar Plant.

What Precisely Went Wrong?

The IR Policy

Since its inception in 1983, Maruti has experienced tribulations with its labor.

The hired Indian labor had willingly accepted the Japanese work culture and the mechanization in the manufacturing process. After the change in ownership in 1997, Maruti had come primarily under Government control. Thereafter a clash between Suzuki and United Front Government started brewing. This gave rise to labor unrest under the management of Indian Central Government. In the year 2000 a major issue cropped up and the employees of Maruti Suzuki went on an indefinite strike citing wage revision, incentive and pension as the major reason for this strike.

To emphasize on a revision in incentive-linked pay, the employees adopted “slowdown” in October 2000. The new elected Government proposed to sell a part of Maruti Suzuki’s stake in the form of public offering along with other Government owned companies. The employees opposed this strongly because they thought the company would lose the advantage of being subsidized by the Government along with the fear of defense in case the company chooses to remain in the control of the Government.

Employees used slowdown in October 2000, to press a revision to their incentive-linked pay. In parallel, after elections and a new central government led by NDA alliance, India pursued a disinvestments policy. Along with many other government owned companies, the new administration proposed to sell part of its stake in Maruti Suzuki in a 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 subsidized by the Government, and the rights of the union shall be better protected while the company remains in control of the government.

This confrontation regarding ownership continued through 2001. The union’s demands’ were refused by the management blaming high competition and lower margins as the reasons. Maruti Suzuki was privatized in 2002 as a result Suzuki became a majority stake holder of Maruti Udyog Limited.

The Inception of Unrest (4th June 2011)

In the Manesar plant which manufactured 1200 cars in two shifts 2000 workers struck work on 4 June 2011, from the second shift which lead to a production loss of 650 units in one day. The demand of workers was the acceptance of a new union (Maruti Suzuki Employees Union) by the management. However, MSIL declined to accept any other union. The management stated that if at all the workers wanted to form a new union, they should become a member of already existing union (Maruti Udyog Kamgar Union), which was functional at Gurgaon factory.

The Workers' Grievances

The agitated workers wanted to constitute a new union in Manesar which would uphold their rights and duties and would also enhance their standard of living.

- Discrepancy in pay of Workers and Management

Some analysts are of the view that the distribution of increasing revenues and profits among the management and labour was inappropriate, which could have also led to a feeling of inequality and discrimination in the minds of the workers. They cited the example of a senior worker in Manesar factory who had not availed any leave in the preceding year, his annual salary amounted to Rs. 280000 (in 2007), in comparison to other units of Maruti situated elsewhere.

- Contractual workers treated differently

In addition to the above the workers of MSIL's Manesar plant (casual/ contractual / workers / trainees / apprentices) were paid very low in comparison to their counterparts who were regular employees of MSIL in spite of doing equal task. This was severe breach of all the so called labor laws of our country.

- A Basic Right to form a Union declined

MSIL recognized only Maruti Udyog Kamagar Union and paid no heed to others. Certain experts were of the view that MSIL and other such MNCs overlooked the provision of the Government of India who guaranteed the basic right to association and constitution of trade unions. Right to formation of Trade Union has been endowed to the workers by the Trade Union Act of 1926. According to Trade Unions Act 1926, no State can decline the application of any member who has completed and adhered to all the stipulations of this act for constitution of a Trade Union.

- Good Conduct Bond (29th August 2011)

All the workers of Manesar factory were instructed to sign a Good Conduct Bond on 29 August 2011 before entering the factory premises. Signing of this bond meant that

workers shall not slow down the work, shall not cause any damage to any property of MSIL, and should not engage any activity which shall affect the company's normal functioning. The workers who refused to sign this bond were not permitted entry in the plant. It was also pointed out by the MSIL Management that after 13 day strike the number of cars manufactured in Manesar plant had reduced drastically.

- Atrocities by the Management (30th August 2011)

16 permanent workers and were suspended and 12 trainees were terminated on 30 August 2011 by MSIL management. 120 Industrial Training Institutes (ITI) trained workers were hired by MSIL, and regular employees were not permitted to enter the plant. 50 engineers and 290 supervisors from Gurgaon plant had been brought to Manesar plant to carry out manufacturing activity in place of its regular workers. Only about 36 workers had signed the good conduct bond by 31 August 2011. Almost 2000 workers were denied entry into the factory which lead to severe unrest in the minds of these workers.

- Sit-In strike (7th October 2011)

On 7 October 2011, 6000 workers from different plants (Suzuki Powertrain India limited and Suzuki Motorcycle India Pvt. Limited) in Gurgaon –Manesar Industrial area began a sit-in strike in their respective premises along with the 2000 dissatisfied workers of MSIL. The agitated workers demanded the permission of formation of new Trade Union at MSIL Manesar plant and reappointment of 1200 contract workers who had favored the earlier strikes at MSIL Manesar.

- Tripartite Agreement (21st October 2011)

A tripartite agreement was made between Haryana Government, MSIL workers representative and MSIL management after which the 14 day sit – in strike came to an end on 21 October 2011. This agreement called for the reappointment of 64 permanent workers, but was adamant on no reappointment of 30 additional workers who were accused of heinous crimes and who could be subjected to domestic enquiry and disciplinary actions.

- Registration of “Maruti Suzuki Workers Union” (27th February 2012)

Not having accepted defeat, the MSIL workers again applied for formation of a new trade union with new members and new set of representatives. Finally on 27 February 2012 a new trade union by the name “Maruti Suzuki Workers Union” was officially registered and created a new chapter in the history of MSIL.

- Delay in wage hike

The union (Maruti Suzuki Workers Union) was pondering on the pay settlement for the last three years. A hike in wages was promised by MSIL management in January 2012, however the management was constantly ignoring the increasing cost of living and had kept the workers waiting. The delay on the side of the management regarding wage hikes further frustrated the workers. The workers demanded a wage hike of Rs. 15000 – Rs. 16000 but the management was adamant on Rs. 10500 to Rs. 11500 only. This acted as a prime mover in the minds of the workers.

- Spat between the Supervisor and a Shift Worker

8:30 am One morning Jiyalal (Shift A worker) along with few other workers was stopped by Ramkishore Maji (Supervisor from assembly floor) who were returning from their tea break at 8:30 am directing them to not discontinue pre-shift meeting. This quarrel further took an extreme form when the supervisor Majhi hurled racist comment and abuse on Jiyalal the worker. This resulted into immediate suspension of Jiya Lal by MSIL management.

3:00 pm Shift B workers reached, shift A workers were asked to remain inside the plant by the union leaders.

3:30 pm Meeting of MSIL management and Trade union leader at company office.

5:00 pm Meeting continued, agenda being to take back Jiya Lal. Other workers continued to work. Labour Officials (Dinesh and Labour Inspector Chandrapal) joined the meeting. The MSIL officers rejected the plea of the Trade Union to take back Jiya Lal, stating that this decision rests in the hands of higher officials.

When the representatives of the new union were unable to convince the management, other workers stated doubting their caliber.

7:00 pm The meeting continued with no real progress. Workers of shift A and B gathered outside. About 100 police men were already present on the site at the time of commencement of the meeting. But the workers were very large in numbers in comparison to the police men.

- Haryana Labour Department comes into picture

The Haryana labour department had filed challan against the MSIL management in regards to violation of the agreement reached by the tri partite agreement on formation of Grievance Redressal Cell at MSIL for negotiations on such concerns.

- Upshot (21 July 2012)

Indefinite lock out was announced by MSIL, pulling the share prices of Maruti to all time low. The sudden stoppage of operations the plant resulted in revenue losses approximate Rs. 700 million per day for Maruti. To top it all the suppliers incurred a daily loss of Rs. 550 million.

- Gruesome Act

The magnitude of cruelty at MSIL Manesar crossed all barriers when General Manager Human Resource (Awneesh Kumar Dev) of MSIL was attacked, his limbs broken and his body was found charred beyond recognition. The GM HR was with the Trade Union leaders to negotiate on disciplinary matters, when he was killed with 100% burns. Armed with rods, car beams the throng quickly spread in groups within the factory attacking the MSIL management (supervisors, managers, executive) thrashing and beating them till they started bleeding profusely. They damaged the property of MSIL (offices, cars etc.). Reportedly 94 executives were hospitalized out of which 24 were seriously injured with multiple fractures and broken limbs.

Conclusion

Even though the onus of the violence on 18 July 2013 has been laid on the brawl between the worker and supervisor, the actual trigger needs to be assessed.

A Special Investigation Team (SIT) was formed by Haryana Government to probe deep into this issue. 99 workers were arrested. After a detailed investigation, the SIT would have been able to judge whether the attack on the management was pre planned, was there any influence of some outside party or was it deliberate attempt by some powerful sources in-order to wilfully hamper the growth of Haryana.

- Nonetheless, the MSIL workers held responsible the high – handedness of Maruti and its attitude towards the working of the plant.
- Another reason identified for the unrest was the adoption of Japanese Management techniques by MSIL which were stricter.
- Another reason given for the unrest was the provision of just 2 breaks of 7 minutes each in an 8 hour shift.
- Withdrawal of the bus facility to the workers.
- Half days salary deduction for late comers
- And the pressure of rolling out one car every 44 seconds.
- Use of muscle power by the Maruti Management on account of discipline in plant.

Salary of Rs. 18000 to the regular workers was considered low, especially after the locals of Gurgaon became rich overnight by selling their lands to the Government for construction of NH 8. This aspiration for higher wages was a prime cause for the differences of opinion among the workers and management.

A gradual decrease in the growth rate of Indian manufacturing sector have also had varied impact on Maruti has a hole. Cost cutting, delaying wage hikes were some of the outcomes.

Such, an erroneous act by the workers of Maruti plant at Manesar left the entire country aghast. It also raised doubts on the caliber and credibility of the IR officers to manage human resource with more sensitivity and compassion.

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