

**THE IMPACT OF GLOBALISATION ON LABOUR: EVIDENCE FROM SUZUKI MOTOR'S
INDIA VENTURE**

Chattopadhyay, Utpal 

National Institute of Industrial Engineering, Mumbai, India

utuchat@gmail.com

Bhawsar, Pragya

National Institute of Industrial Engineering, Mumbai, India

pragyabhawsar.ib@gmail.com

Abstract

Globalisation is now deeply rooted in the world economy and still perceived as a double-edged sword. Though globalisation has created huge business potential, it adversely affects labour interests. The recent incidents of labour unrests at Suzuki Motor's India plants brought this debate to the forefront. Undoubtedly, globalisation has played a key role in the growth of Indian automobile industry in general and that of Suzuki Motor's India venture, in particular. But, at the same time, it is held responsible for creating an environment of labour conflicts. This paper examines various developments relating to labour troubles at Suzuki Motor's Manesar plant in India and concludes that globalisation alone can't be blamed for the fiasco. More importantly, the paper emphasizes that both labour & management of Suzuki and the Indian Government can learn a lot from the incident and take precautionary measures so that such unpleasant events do not recur in future.

Keywords: Globalisation, Automobile Industry, Suzuki Motor's India Venture, Labour Unrests

INTRODUCTION

Globalisation is now deeply rooted in the world economy. Yet it is perceived as a double-edged sword, because, on one hand, it has created huge potential for business development across world and on the other; it has made both global and local markets more competitive. It has given birth to a new global economic map. Globalisation is seen as a major driver of economic growth via international trade in goods and services and capital flows through foreign direct investments (FDIs) and portfolio investments.

But from another perspective, it is feared that globalisation adversely affects labour interests. In a globally competitive environment, the transnational corporations are relentlessly

engaged in squeezing every resource for maximizing their economic returns. In that process, though the owners of capital seem to have gained, the labourers have lost out. In spite of the presence of apex bodies like International Labour Organization (ILO), World Trade Organization (WTO), etc., failure to recognize trade unions, wage disparity, violation of health and safety norms are recurrent in various parts of the world. Advocates of human rights and labour movements argue that labour conditions have been deteriorating continuously, mainly due to firms' attempt to adjust to the competitive forces of a global economy. The most vulnerable groups are temporary/contract labourers and the workers having low or no skills. Globalisation is perceived to be a principal factor accountable for this development. The recent incidents of labour unrests at Suzuki Motor's Manesar plant in India bring forth this evil aspect of the globalisation process.

There is no doubt that globalisation has played a key role in the growth of the Indian automobile industry, in general, and the passenger vehicle segment, in particular. From only two domestic firms manufacturing a limited number of 'out of fashion' models produced with the 'discarded technology' of the developed world until 1980s, the Indian passenger car industry has leapfrogged to become the sixth largest producer of motor vehicles in the world by 2012. Further, the global auto majors from US, Europe, Japan and South Korea have significant presence in India and they jointly contribute more than three-fourths of all volumes produced in the country. Not only the Indian market is flooded with almost all models of small cars produced by the leading automakers of the world, but 'made in India' cars have also made considerable inroads into overseas market. The Suzuki Motor Corporation's entry into Indian market and subsequently its emergence as country's leading car manufacturer was largely facilitated by India's desire to join the globalisation bandwagon.

The above development, however, did not happen accidentally or overnight. It is the outcome of concerted efforts undertaken by the industry, government and others over a long period. The major spurt, however, came from the Government of India's decision in 2002 that allowed 100 percent FDI in the automobile industry through automatic route. A series of other reform measures favouring the industry have also been implemented from time to time. As a result, the Indian auto sector grew stupendously in terms of volume, quality, domestic revenue, exports etc. to emerge as a true global industry. But everything has not gone well with the globalisation. The global competition kept firms' profit margins under tremendous pressure, more so during the times of recession and economic slowdowns. The firms, in their bid to remain competitive, adopted a few measures that directly or indirectly hurt workers' interests. Thus, the labourers could not see much gain for them from globalisation, which was viewed as a phenomenon that only benefits the capitalists and consumers. Several media reports and a few independent analyses on the incident of labour unrests at (Maruti) Suzuki's plant in Manesar, India have tried to underline this ugly side of the globalisation.

This paper attempts to present various facets of the labour problems that rocked the Suzuki Motor's India venture and examine their link with the globalisation phenomenon. A holistically done analysis of the events at Manesar plant reveals that they are the outcome of actions by three key players, namely the management, workers and the government. More importantly, the paper emphasizes on the need to learn lessons from this so that such unpleasant incidents do not happen in future. The rest of the discussions of this paper are organized through eight separate sections. The second section (first being the Introduction) devotes on literature review and it is followed by discussions on global and Indian automotive industry. Labour unrests at Manesar along with the reasons behind it, has been discussed in the sixth section. The lessons to be learned from the Manesar incident have been discussed at length in the seventh section. Finally, conclusions are presented at the end.

REVIEW OF LITERATURE

In the Conflict Theory, the great philosopher from the 19th century Karl Marx emphasized that power differentiation among the social classes is the reason behind conflicts. In his view, the society is based on the capitalistic model of production. He broadly categorized the two classes as 'bourgeoisie' –the capital owners and 'proletariats'–the workers. He argued that the various interest groups will fight to gain control over each other. Under the Trustship Philosophy of M.K. Gandhi, capitalistic employers are supposed to look after the welfare of the labourers by means of development of trust. In Pluralistic Theory of industrial relations Kerr, Harbison and Myers (1973) argue that with the maturity of industrialization, labour disputes such as strikes take place in an orderly manner because of the establishment of rules and regulations. The system becomes steadier with the regulations in place.

Though there are other forms of industrial conflicts, strike is the severest of all. In an attempt to study the pattern of strikes in Korea, Bae (1993) integrated four perspectives to explain strikes. Strikes can be an outcome of political and organisational phenomenon; it could be a strategic action in the process of bargaining. Sometimes, faulty negotiations can also lead to strikes and from another perspective sudden social change like rapid industrialization and urbanisation cause differentiation in social groups and can be a root cause of protest.

Sayles (1954) called a special category of strikes as "wildcat strikes". He defined it as "wildcat is a work stoppage called by a local union without the authorization of the national union, any cession of work during a contract period is essentially the same kind of phenomenon". A wildcat strike signals the ignorance of management towards the role of workers. One of the most meaningful ways to handle wildcat strikes is by means of collective bargaining. In the context of USA, Burns (2013) argues that trade unionism has now deprived

of its objectives: of the standardization of wages across labourers and the use of strike as a tool to impact production.

Violence occurring during a strike is the worst thing to happen and therefore is not very common. According to Shyam Sunder (2012), labour alone cannot be held responsible for “industrial violence” and he saw the role of three social elements namely workers, employers and the state agencies in it. In maintaining industrial and social peace, Marinkovic (2011) emphasized that all three social partners namely the political authority; labour unions and the employers should pursue social peace as their common and individual interest. They should undertake exercises for building activities and instruments to restore social and industrial peace. With the World Trade Organization (WTO) and International Labour Organization (ILO) in place the labour standards have changed in favour of protecting labour interests and can no longer be violated to achieve comparative advantage (Samy and Dehejia, 2007). All the member nations of WTO including India have agreed to adhere to international labour standards. ILO has been working more actively towards protecting labour interests and promoting labour welfare in a rapidly globalizing world. ILO standards are divided into eight fundamental conventions (table 1) and four governance conventions (table 2). India has given official consent to four out of eight fundamental conventions of ILO and these are Forced Labour Convention 1930, Equal Remuneration Convention 1951, Abolition of Forced Labour Convention 1957 and Discrimination (Employment and Occupation) Convention 1958.

Table.1: Fundamental Conventions of ILO

-
1. Freedom of Association and Protection of Right to Organize, 1948
 2. Right to Organize and Collective Bargaining Convention, 1949
 3. Forced Labour Convention, 1930
 4. Abolition of Forced Labour Convention, 1957
 5. Minimum Age Convention, 1973
 6. Worst form of Child Labour Convention, 1999
 7. Equal Remuneration Convention, 1951
 8. Discrimination (Employment and Occupation) Convention, 1958
-

Source: International Labour Organization (2012)

Table.2: Governance Conventions of ILO

-
1. Labor Inspection Convention, 1947
 2. Employment Policy Convention, 1964
 3. Labor Inspection (Agriculture) Convention, 1969
 4. Tripartite Consultation (International Labour Standards) Convention, 1976
-

Source: International Labour Organization Organization (2012)

In the views of independent legal counsellors like Suri and Dubey (2008) laws governing labour affairs in India are quite old. Majority of these laws were framed when India was under the British rule and therefore the major objective of these laws was not to give protection to (Indian) labours but to protect the interests of colonial ruler. Ideally, these laws should have been changed to keep pace with changing needs of the time. However, economic reforms process in India has by and large bypassed the labour laws, mainly due to fear of political fallout. A few flexibilities in the laws have been introduced but they are applicable only in limited areas, such as export processing zones (EPZs) and special economic zones (SEZs) etc. These changes are too little and also too late. Existence of large number of laws along with multiple legal bodies has also added complications to proper functioning of such laws.

The governments from the developing nations try to keep their labour laws flexible in order to attract foreign capital. Such an attempt leads to division in the nationality between owners of capital and the labourers. The Multinational Corporations (MNCs) have their operations spread all around the world. More competitive an industry appears in a nation, more will be the hold of MNCs in that industry. This difference in origin makes the understanding of local level labour issues more complicated for the management. According to Bartlet and Ghosal (1989), success in today's global environment depends on corporation's ability in achieving a balance between localization and global integration. Local markets differ in terms of their social, political and economic environments. In a comparative study of decision making by MNCs in US and Japan, Kriger and Solomon (1992) found that Japanese MNCs provide more empowerment to their local subsidiaries as compared to those of US. They found that Japanese senior managers are more responsive to the local environment and rich in strategic mindset.

MNC generated cultural change is an outcome of the globalisation process. Globalisation generally refers to the process of organizing business, trade and commerce integration on a global scale. It has become an umbrella concept, close to every individual, but it creates a different impact on individuals and organizations. It covers a whole gamut of issues in it and has many facets ranging from political, cultural and social those are interlinked. Globalisation is used in several contexts as a cultural category of fear, political category of blame and an economic category of opportunity and enterprise (Ericson and Stehr, 2000). Globalisation from a firm's perspective is a process that smoothen the interface among regulatory systems of different nations (Nayak, 2011). It has also been conceptualized as the growing interconnectedness of the world as something new and unique (Held, 2002). It can be held responsible for causing volatility in the world economy. Globalisation has caused downward pressure on wages and has diminished the bargaining power of unions (Krishnan, 1996). Labour has been confronted with increasing insecurity arising out of variation in income.

Mitchell, Shaver and Yeung (1993) argue that a nation's industry becomes global when the foreign firms began to invade in it. The Indian automobile industry is considered one such industry because of its global linkages. The recent global economic crisis which originated in USA has hit hard the major automobile producing nations of the world namely US, Japan, Germany, France, China, Brazil and India. In order to deal with fluctuations in demand, hiring contract labourers as a means of cost cutting has been adopted as a major strategy in almost all the major automobile producing nations. Such an arrangement has reduced the social contract between employer and employees. The contract category of workers seems to be the worst sufferers from this.

GLOBAL AUTOMOBILE INDUSTRY

Automobile industry is often called an 'industry of industries' because of its key contribution to the industrial development of a nation. It is an industry that affects various other industries via forward and backward linkages. The automobile industry is a truly global industry with large transnational corporations having their presence spread across the globe. According to the International Organization of Motor Vehicle Manufacturers (OICA), the global automobile industry employs nine million people directly that accounts for five percent of world's total manufacturing employment. The industry also employs more than forty million people indirectly. The automobile industry is also known for spurring technological innovations that affect the mobility of the entire world population.

Though every country may have its own automotive industry, but a higher concentration of automobile production can be found only in select regions such as North America, Europe and Asia. Of late, the world has witnessed a global shift in the industry. Earlier it was dominated by developed economies but now it is being dominated by emerging nations. Asia has emerged as a leading region in the automobile manufacturing because of Japan, South Korea, China and India (Dicken, 2011).

The automobile industry functions with a constant collaboration between carmakers and suppliers. The system consists of three tiers with tier-three suppliers providing components to tier-two suppliers which make complex and large modules out of those. These modules are then directly supplied by tier-one producers to Original Equipment Manufacturers (OEMs). Many a time, these relationships take shape of mergers and acquisitions due to various external or internal environment changes. The automobile industry has witnessed a complex networks arising out of interlinkages in supply chain. Global automobile industry is faced with numerous challenges like rising cost of intermediates, increasing fuel prices, stricter environmental regulations for emission, recycling and fuel efficiency etc. The dwindling demand for automobiles due to fluctuations in business cycle is also an area of major concern for the industry. As can be seen from the table 3 that between 2005 and 2012 though the global

production of motor vehicles has increased by good numbers, it witnessed negative growth in some of the years (e.g. in 2008 and 2009).

Table 3: Global Production of Motor Vehicles (cars and commercial vehicles)

Year	Production (Numbers)	Change (%)
2005	66,482,439	3.10
2006	69,222,975	4.10
2007	73,266,061	5.80
2008	70,520,493	-3.70
2009	61,791,868	-12.40
2010	77,703,987	25.90
2011	79,989,155	3.10
2012	8,41,41,209	5.30

Source: Organisation Internationale des Constructeurs d'Automobiles (OICA) Organization (2012)

INDIAN AUTOMOTIVE INDUSTRY

The automotive industry is one among the core industries of Indian economy. It plays a pivotal role in the growth of India because of its significant linkages with large number of other industries like electronics, software industry, robotics, steel, rubber, glass and machine tools industry, etc. Meanwhile it also significantly affects the service industry more precisely insurance and finance industry. Automobile industry adds to the improvisation of infrastructure of the nation. The gross turnover of the industry in the year 2010-11 was US\$ 58,583 million (1USD=INR46). As per OICA statistics, India's share in world car production has increased from 1.7 percent in the year 2002 to 5.21 percent by the year 2012.

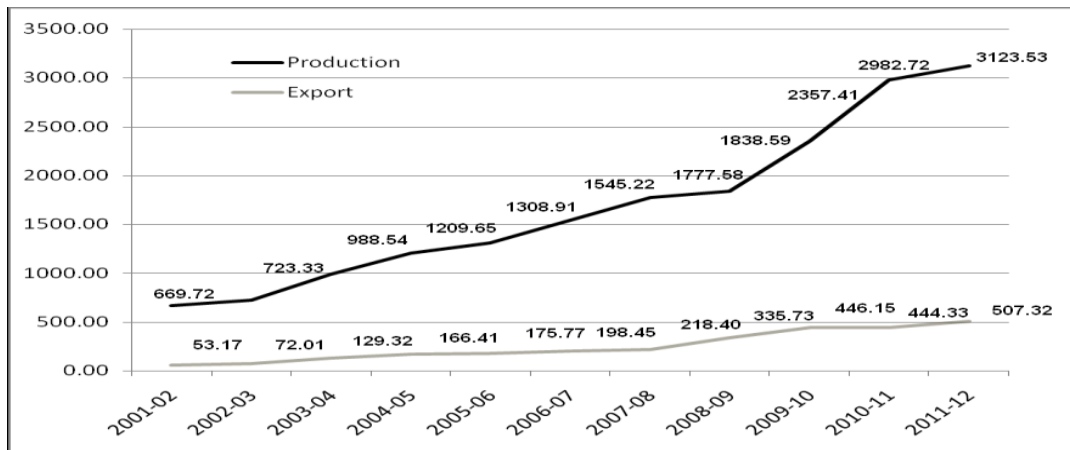
Automobile industry in India has evolved over the past five decades. Until 1970s, the Indian automobile market was controlled and protected from foreign competition. The decade of 1980 saw a new beginning, during which Government of India formed a licensing and joint venture agreement with the Japanese auto manufacturer Suzuki. This new car company completely changed the Indian auto scene by offering affordable cars to India's vast middle income population. During this phase, local content requirement was the major imposition, along with the export targets and obligations. Imports during this period were subjected to high custom duties.

Following the liberalization in 1991, India emerged as a global hub for small car manufacturing. Government of India allows 100% FDI under automatic route in this sector. The industry emerged at the global platform with the changing times from two car manufacturers (Hindustan Motors and Premier Automobiles Limited) in 1970's to approximately fifteen car majors from across the world like Hyundai, Skoda, Ford, Suzuki, Honda, Toyota Motors and

Daimler Chrysler etc. Entry mechanisms like joint venture, mergers and acquisitions and formation of subsidiaries paved the path for foreign auto players to India. At the same time, Indian automobile companies like Tata Motors, Mahindra and Mahindra etc. grew remarkably and started competing with other Indian and foreign companies. Today, automotive industry is a major manufacturing industry in India offering employment to a significantly large number of skilled and unskilled workers. It would not be an exaggeration if we say that India's target of raising her manufacturing GDP to 25% by 2025 would critically depend on how well this industry does in future.

Typically, the automotive industry consists of two major segments namely the automobile manufacturers also termed as OEMs and the auto components manufacturers. Auto component manufacturers are involved in the manufacturing of various body parts like engine parts, gear system, suspension and braking parts, electrical body part etc. that are supplied for the manufacturing of the complete vehicle. The OEMs manufacture two wheelers, three wheelers, four wheelers, passenger cars, light commercial vehicles, buses and heavy trucks. The available data from the Society of Indian Automobile Manufacturers (SIAM) indicate that India has made a rapid progress in the production of passenger vehicles (Figure 1). The Indian auto industry is a major foreign exchange earner and poised for higher exports growth. Passenger vehicles dominate the Indian automobile exports with a share of about 76 percent. Presently, out of 100 passenger vehicles manufactured in India, approximately 18 are sold in overseas market.

Figure 1. Growth in production and export of passenger vehicles in India



Note: Production and Export figures are in Thousand Numbers

Source: Chattopadhyay (2013)

SUZUKI'S INDIA VENTURE

Discussions on Indian automobile industry cannot be complete without referring to Suzuki Motor Corporation's India venture, better known today as Maruti Suzuki India Ltd (MSIL). The MSIL is

the largest passenger vehicles manufacturer of the country commanding more than 40 percent market share. But the company has a long history behind it. The MSIL was originally born in 1971 as an Indian company to produce small cars to be sold at affordable rates within Indian market. But by the year 1977 the company was liquidated, even before a single car could be rolled out of its factory located at Gurgaon near New Delhi. In 1981, the Government of India nationalized the defunct car factory and the new entity was known to be as Maruti Udyog Limited (MUL). The company (i.e. MUL) was the result of a joint venture and licensing agreement between the Indian Government and Suzuki Motor Company (now Suzuki Motor Corporation) of Japan. Suzuki became partner with 26 percent stake in the company with an option to increase it to 40 percent. Suzuki was chosen because of its expertise in manufacturing of small cars with compact engines.

MUL's first product *Maruti 800*, a small passenger car with 800 cc engine, was launched in Indian market by end of 1983. Gradually the company also inducted Jip (*Jipsy*) and van (*Omn*) in its product portfolio. MUL products started giving tough competition to Hindustan Motor's *Ambassador* and Premier Automobile Ltd.'s *Padmini Premier*. But for the next one and half decades, MUL remained the undisputed leader in the Indian passenger car market. In 1991 when liberalization of Indian economy paved the path for entry of many foreign companies into India, Suzuki seized the opportunity by increasing its stake in MUL to 50 percent. From this point onwards, MUL no longer remained a public sector company. In 2002, the government privatized MUL and Suzuki took further control of the ownership with 54.2 percent share. MUL hence became the Maruti Suzuki India Limited (MSIL) and started its journey as an Indian subsidiary of a Japanese company.

In 2007, the MSIL set up its second plant with an initial capacity of three lakh units and an investment of Rs.14, 500 million at a place called Manesar, which is not very far from its first plant at Gurgaon. Until today, MSIL is a leading automobile firm in India and it is perceived as a brand associated with the India Inc. From Suzuki's perspective also, its India venture is very critical because it alone contributes more than 42 percent of the total global volume (in 2012). Presently, Suzuki produces more cars in India than in any other location (country) including Japan (table 4).

Table 4: Suzuki's Car Production (in 2012)

Production Location (Country)	No. of Vehicles Manufactured	Country Share (%)
India	1059671	42.66
Japan	886781	35.70
China	252275	10.16
Hungary	156070	6.28
Pakistan	55241	2.22
Indonesia	52989	2.13
Thailand	20601	0.83
Total	2483721	100.00

Source: Organisation Internationale des Constructeurs d'Automobiles (OICA) Organization (2012)

MANESAR: THE LAND OF PROSPERITY OR AGITATION

Both Gurgaon and Manesar plants of MSIL fall within the state of Haryana, one of the prosperous states in northern India having a mix of both agriculture and industries. Manesar once a village has now transformed into an industrial town. Its proximity to national capital Delhi is the prime reason behind it being included in the National Capital Region (NCR). Manesar is located on National Highway (NH) No. 8 and is about 32 kms away from New Delhi's Indira Gandhi International Airport. Its reach to urban infrastructure, has led to the establishment of some institutes of national importance. Besides these, it has many factories, educational institutes and other offices of commercial importance.

Manesar is now considered as one of the top investment locations in India. Real estate prices are very high in Manesar. Leading automotive manufactures like Suzuki, Honda, Hero and Toyota, IT companies namely HCL, Agitech and many others have significant investment in the region. Manesar represents a classic case of transformation of an agricultural region into an industrialised one. The business environment at Manesar is promising and hence it keeps on attracting new investments. Although in the recent time, the place has come under poor light because of labour strikes at automotive plants.

Labour Unrests at Manesar

July 18, 2012 is the worst day in the history of labour unrests at MSIL's Manesar Plant. The agitated mob of workers apparently on the issue of slapping of a worker by the supervisor made a violent attack on the factory as well as on employees that killed a senior HR manager and injured more than hundred people. A major part of the factory was also burnt. In the follow up action, more than 90 workers were arrested by the police and many more workers were hiding with a fear of getting arrested. The plant remained closed for more than a month and the company lost about Rs 21000 million. The management sacked 500 permanent workers. The

factory was reopened on August 21, 2012 with 300 workers initially producing 150 vehicles per day under a tight security condition.

Although the above incident was the most recent and a violent one, but it was not the only instance of labour problem in the history of MSIL. In the last twelve years period i.e. from the year 2000 to 2012, labour unrest has become recurrent at the company. In September 2000, the first incident of labour unrest took place at Gurgaon plant. The issue was the change in incentive scheme of 1988, based on the cars produced and 65 percent share in the saving in labour cost (Sen, 2010). MSIL labourers were the part of Maruti Udyog Kamagar Union (MUKU) established by workers at Gurgaon Plant. MUKU opposed the changes made by the management and placed following demands: i) revision of production incentive scheme ii) implementation of pension package agreed upon in the previous wage settlement on April 1, 1996 and iii) a new wage settlement for all regular employees in place of one expired on March 31, 2000 (Das 2011, Sinha 2012). In the following month of October 2000, MSIL faced a similar agitation and strike. The reason was that the management made it compulsory for the workers to give a good conduct undertaking before starting the work. The company's daily output fell by 86 percent because of the call of boycott by workers (Sinha, 2012). The issue was raised in the Parliament and then resolved by the intervention of the Central Government during December 2000. The state government, management and workers entered into an agreement under which the management withdrew the demand for good conduct undertaking and the workers agreed to the incentive scheme drafted by the management.

In 2007, Maruti's Manesar plant became operational with initial capacity of three lakh units. After four years of successful operation at Manesar, labour relations soured and strikes started occurring almost on a regular interval. In June 2011, a thirteen-day strike took place over the formation of second trade union at Manesar. Around 800 workers went on strike. They have applied for the registration of a new Union called Maruti Suzuki Employees' Union (MSEU) to the Registrar of Trade Unions, Haryana Government. The workers wanted to keep them separate from Maruti's Gurgaon plant Union MUKU. Besides the issue of recognition of a new trade union; there was a demand to absorb contract workers on permanent basis. The Manesar factory employed a large number of workers on contract basis. The issue became troublesome when the management refused to accept their demand for separate union. The management, as it did during the 2000 strike, made it mandatory for the workers to give signed undertaking to remain distant from the formation of MSEU. Eleven employees were dismissed followed by one day wage cut. In support of the labourers, about 55 automobile workers' unions operating in the area threatened to hold similar protest. The matter was then brought to the labour court under the Industrial Disputes Act 1947. The strike resulted in a loss of production. In June 2011, sales volume also dropped significantly, marking its first decline since December 2008.

In July 2011, workers resorted to strike when five of their members were suspended from the company over the issue of assaulting a supervisor. This time the number of workers involved was less and loss of production was meagre. In the following month i.e. in August 2011, there was a 33-day standoff between management and workers, when the Manesar workers refused to sign the good conduct bond. This resulted in 50 percent cut at the Manesar facility. In October 2011, again there was a 10 days strike at Manesar plant that was supported by workers at sister units like Suzuki Power Train India Limited (SPIL) and Suzuki Motorcycle India Limited (SMIL). The main reason of the strike was demands regarding reinstatement of 1200 contract workers and taking back 44 permanent workers who were suspended earlier.

Mismatches: Possible Reasons behind Labour Unrest

It is perhaps not difficult to understand that the problem of labour unrests that occurred in the MSIL plant and other establishments in Manesar area can't be linked one or two reasons. It is perhaps the outcome of interplay of several social, political and economic issues. Since its inception, Maruti-Suzuki had a hold on the Indian market. It has been known for its excellence in designing innovative models and highly efficient production system. The company had no problem in exploiting its full production capacity and almost all management targets were achieved in time. The public image of the company was also good for its capacity in offering fuel efficient cars at affordable prices. But by the time the MSIL's Manesar plant was operational, the scene surrounding the global automobile industry has changed drastically as compared to early eighties when Suzuki made its entry into Indian market.

In 2007, MSIL was not only a leading automobile company from India but also became a key element in Suzuki's global supply chain. In a globally competitive environment, maintaining profitability of business remains a major concern, especially during rising cost conditions. Automobile manufacturing requires a decent amount of labour force and therefore hiring contract labours provides a good option to the manufacturers while tackling the problem of high production cost. On one side, contract labourers are paid lower wages than the regular workers though there may not be much difference in the type of the task performed. Unlike regular workers, contract labourers need not be paid any incentives or any other perks. Besides being economical, contract workers are preferred for their lack of psychological bonding with the firm. For companies, these types of workers provide the much needed flexibility because of the ease in hire and fire. Companies can hire them in large numbers to achieve a stiff production target during peak seasons, while during off-seasons labour deployment can be lowered as per actual requirement. According to a media report, about 40 percent of the total workforce in MSIL was from contract labourers (Goyal, 2012) and they were paid lower wages as compared to their permanent counterparts. A contract worker at MSIL earned a monthly wage of Rs 5500-8500 in comparison with a regular labour who was paid Rs 16000-24000 per month. On many

occasions the contract workers were performing the same job in the same assembly line alongside the permanent workers.

The reasons behind the labour unrest can be traced to several mismatches viz. mismatch between aspirations of young labourers and the ground realities of a newly developed industrial region, mismatch between expectations of Japanese management and the Indian workers and a mismatch between old rigid Indian laws and the modern labour rules that can fit into a rapidly changing globalized environment.

The Gurgoan-Manesar belt has been recently developed into an industrial and metropolitan area because of its proximity to New Delhi. Increased demand for real state in the area for purpose of setting up industries, malls, residential and business parks escalated the land prices over a period of time. Those people who could sell their land and/or rent out their properties turned rich, while many others who were devoid of such assets had to depend only on their labour power for living. Manesar also has a large pool of migrant workers who are hired by the local labour contractors. Not only these workers had to support their families back at home, they had the aspirations to enjoy a decent standard of living which many people from the same area were privileged to. However, wages earned by the workers, more particularly those on contract, could hardly support such a standard of living. High inflation which was unrelenting during the last two years or so made the things even worse for the workers.

Maruti-Suzuki has always been considered as a good place to work. Since beginning, Japanese culture has favourably affected it. It brought in a sense of punctuality, discipline and quest for quality among the employees, who used to take pride in the organization's culture. This is sometimes referred to as "Japanization" era in the history of Indian automobile industry. Its public sector character ensured its employees a fair amount of security and equality. But circumstances changed after ownership pattern of the company changed and Maruti-Suzuki became a Japanese company headed by a Japanese national. This led to many changes in management style and functioning of the company. Like a typical TNC, in Suzuki also the major decision-making power is rest with the head office based in Japan. This created asymmetry between understanding the affairs of home and the host nation. Feeling the heat of competition from the foreign players in India, Suzuki set higher production targets, which created pressure on the workers. Supervisors, being fully aware of management priorities, had to squeeze the workers to ensure that targets are achieved within time.

Sometimes this created tensions between the workers and the management. While production targets were attained more often than not, wages remained unrevised for long. In rush of production, up gradation of labour skills got the back seat. There was also lack of understanding by the Japanese management of local labour conditions and culture of India. The formation of workers' unions was either denied or delayed and the management tried to

forcefully enforce the signing of good conduct bond by workers in more than one occasions. In a democratic country like India, such attempts have not gone well not only among the MSIL workers but also in the media, the political class and the public at large. However, Japanese management failed to understand and resolve the issues whenever they surfaced, which led to breach of trust between workers and the management.

Most of the Indian Labour Laws in force today were enacted during the British regime. Labour laws in India have not been revised despite the policy of Liberalisation, Privatization and Globalization followed in economy since 1991. Sea changes are visible in the past and present environment. Laws framed in the past when India used to be a closed economy appear meaningless in today's context of global economy. But the State did not make required changes in the legislations for keeping them abreast with the globalized world. This mismatch is also responsible for labour unrests at MSIL. In order to avoid the stringent conditions of the extant labour laws regarding hiring and firing, the firm preferred to retain a high proportion of the labour force on a contract basis. So engaging contract labourers is a compelling option both on legal and economic grounds. The Contract Labour Act, 1970 in India provides for the registration of contractors. A Tripartite Advisory Board is appointed to take care of different forms of contract labours engaged in the production process. A constitution bench of Supreme Court of India ordered that, the contract labours cannot be absorbed automatically. On the issue of absorption of contract labours and unequal wages, the employers argue that these labourers do not undergo the same recruitment processes like regular workers. Shyam Sunder (2012) finds that contract labour system undergoes an exploitative condition under the umbrella of labour flexibility provided to the employers.

LESSONS TO BE LEARNED

The incident of labour unrest at MSIL forces us to ponder what went wrong and what could be done so that incident like this does not recur in future. This incident or any other incident of labour problem does not augur well with any party, be it the labour, industry and the state. It undoubtedly undermines the country's image in projecting a good and healthy business environment before the international community. To overcome the problem of sluggish economic growth, India is desperately looking for fresh investment, more particularly the FDI. The automobile sector is one where 100% FDI is permissible under automatic route. But labour problem of this nature will not encourage the foreign investors to invest in any industry in India including automobiles.

There is no doubt that Industry suffered on innumerable counts. The MSIL suffered huge economic losses as production remained suspended for more than a month. The factory also suffered on account of physical damages caused by mob of workers. The company's market share fell immediately after the incident. Though the firm was quick to regain its leadership

position in Indian market, its loss of image will take a longer time to repair. But the worst sufferer is the labour. They lost jobs, income and hence livelihood. Many workers were arrested by the local police and they will have to face the legal trial that might continue for years. The State Government of Haryana is also a net loser in this episode. The media projected the Haryana Government in poor light for its apparent failure to handle the crisis. The Gurgaon-Manesar belt in Haryana houses a large number of automobile and auto component industries, besides huge number of other manufacturing industries, big and small. The incident like this has sent a shock wave across the industries of the region. The government also lost revenue due to closure of production in the factory and absence of related commercial transactions outside the plant.

So, if nobody gained from this, what should be done to ensure that such a thing does not happen at all? This is only possible when all stakeholders try to review the things by keeping them in right perspective and learn from their mistakes. There are valuable lessons to be learned by each one of them viz. the employers (the MSIL), the employees (workers) and the state (The Government of Haryana/ India). These are listed below.

Lessons for Industry

It must be realized that globalization has uncertainties in-built in it and an individual firm (e.g. MSIL) can hardly do anything about it. Firms may have to engage contract labourers in the face of uncertain demand conditions. However, no rule prohibits firms to pay equal (if not higher) wages to contract labour, at least when he is performing similar job as that of a regular worker. Equal wages for equal work is a rule to be honoured always. This also helps fulfilling the ILO standard of non-discrimination. Besides equality in wage between contract workers and permanent workers, the firm must ensure that its workers receive a 'fair wage'. By fair wage we mean that it can take care of basic necessities of a worker's life at the prevailing cost of living and it maintains parity with the industry and also across employee categories in the same organization. In MSIL case it was observed that even though the firm fulfilled the minimum wages obligation, workers at MSIL received relatively less wages as compared to competing firms in the industry. As pointed out earlier, wages were not revised at regular intervals and whenever revision took place workers' gains were less as compared to other employees of the organization.

The industry must understand that both labour and capital are of great significance to organizations. They are integral part of the same production process and without labour production process will be in jeopardy. But it has been observed that, over the years the organizations spent a lot on building capital in the form of technology, infrastructure, etc., but efforts on building human capital are either missing or scanty. The immobility component in labour and their less bargaining power vis-a-vis owners of capital are among the main reasons

behind this development. In the process, organizations viewed labourers as outsiders and thus gave little attention in protecting the labour interests. In the present case also, we could see some reflection of this. The MSIL plant in Manesar is a modern plant with the latest technology. Its products bear all attributes of good quality and therefore they are highly demanded in India as well as overseas markets. In contrast, conditions of labour are not good. As mentioned above, MSIL employs a large chunk of contract workers who are paid only 'minimum' wages and live in congested houses with poor hygienic conditions. Being contract workers they get fewer opportunities for skill up gradation. After the Manesar incident the MSIL should realize that a good market performance on a sustainable basis is possible if and only if its internal customers (i.e. employees) remain happy and satisfied. Long run economic prosperity only through technological superiority and business acumen without protecting labour interests can be a thing of the past.

India is a democratic country and the Constitution of India gives every citizen certain rights like freedom of speech and expression of opinion without any fear or favour. The labour laws of the India also respect such rights at workplaces. In such a strong democratic set up, the workers' right to form associations should have not suppressed. Labourers should be given proper chance to be heard. But in MSIL case we could see that occasional attempts have been made by the management or its agents to take away such rights from the workers. The management should abstain from similar attempts in the future and must respect the rights of workers guaranteed by country's Constitution and labour laws.

Lessons for Workers

Workers and their representatives need to change their traditional mindset. They should understand and accept the realities of globalization and operation of the market mechanism through forces of demand and supply. With proper understanding of market forces, the collective bargaining process can be better resolved and they themselves should put a cap on any sort of unrealistic demands. It is only the workers who being a part of the organization can understand its internal environment like strengths and weaknesses. Their demands should be reasonable and sensitive towards the needs of the organization. We would like to quote here an example from the United States where United Auto Workers (UAW) Union after realizing the decline in demand for their products (automobiles) due to recession and cheap imports from Japan readily accepted an offer of wage reduction by the industry. They feared that any resistance to wage reduction might lead to complete collapse of the industry and permanent job losses (Carbaugh, 2004). Indian labourers can learn a lot from such an instance. The MSIL workers and their representatives can be held responsible for the turmoil at the plant. They failed to understand the priorities of the organization and behaved very rigidly in getting their

demands met. An open economy works with an open culture. The workers, particularly their leaders, need to develop an open mind while dealing with the management on labour issues.

The union leaders should be honest so that they can be trusted by both workers and the management. It was noticed that some union leaders of MSIL were persuaded to give up their demands for personal pecuniary benefits. They were dismissed from work but they got a huge compensation in return. Unions should be strong in moral values and be committed to the labour cause. As far as possible the unions may keep themselves away from outside political influences. They need to convey the management the views and voices of the workers with unity, trust, and transparency.

The workers should never indulge into any kind violence and attack on employees. In the July 2012 incident a senior HR executive lost his life. Incidence like this will substantially diminish the role of trade unions as a mechanism to protect the labour rights and the workers will have to pay a heavy price for that.

Lessons for the State

The role played by the Government (of Haryana) met with lots of criticisms from the media. It is alleged that Government tried to protect the interests of only one party which is MSIL. The request for registration of a new trade union by MSIL workers was not properly entertained and it got delayed by a considerably long period. When the labour problem broke out at the plant, the government acted with high handedness only towards the workers. The police machinery was deployed with full force for arresting the workers. Sometimes, the workers not involved with the incident were also harassed and even workers' family members were not spared.

While the government can take all required measures for maintenance of law and order and punishing guilty persons, it should not be judgmental and act in haste. It should behave like a neutral party for both management and workers. The state needs to ensure that the employer should not suppress the labour issues. Rather it is the duty of the state to bring forward such issues with complete transparency.

Government should also arrange regular safety inspection especially for works performed by contract labours as they are not trained in the same manner as that of regular workers. Government should initiate measures like vocational training programmes for skill development among contract workers. Also the State must see that standards on payment of (minimum) wages, mandatory rest periods, safety, health and hygiene are adhered to by industries.

Since most of the Indian labour laws are outdated, government must amend these to make them contemporary and also at par with industrial nations of the world. Both central and the state government must proactively work for this. In the past, there had been plenty of talks

on amending labour laws but so far it has not happened. Perhaps time has come now to undertake the required revisions in India's labour laws without further loss of time.

CONCLUSION

The stupendous growth that Indian automobile industry has experienced during the past decades can be credited to globalisation process. Even the success story of Maruti-Suzuki to become a global automobile company from its humble beginning as an Indian public sector undertaking is largely scripted by the globalisation phenomenon. Before liberalization, the automobile industry in India was an insignificant sector of the economy with only a few firms engaged in producing a limited variety of (automobile) products to cater to domestic customers, which constituted a small segment of total population. Now, India has presence of all leading automobile brands of the world like Toyota, Hyundai, Suzuki, Skoda, Ford, General Motors, Volkswagen, Honda, Nissan etc. The country has emerged as the sixth largest producer of motor vehicles globally and it is counted among the fastest growing automobile markets in the world. While individual firms and consumers have generally gained from this development, the competitive environment arising out of incessant pressure of globalisation has kept the industry on its toes.

In a bid to remain competitive, firms have tried to cut cost wherever possible. This has sometimes affected the labour interests adversely. To tackle the uncertainties of demand fluctuations and also to avoid the complexities of archaic labour laws in India, a firm like MSIL has retained a large segment of the workforce on contract basis. The contractual workers were paid lower wages even though they were performing the job of a regular worker. The contractual workers were denied incentives and other perks that permanent workers are entitled to. This created a huge discontent among the labour force. The rights of workers to form an association have been either denied or delayed, which added fuel to the fury of workers. Occasionally, the MSIL Management forced the workers to sign good conduct bonds. Practices like these did not go well not only among the workers of MSIL, but also in the Indian media and public at large. Further, workers' grievances were not redressed properly for long and it finally broke out into a violent protest like the one that occurred on 18th of July, 2012.

The unfortunate incident of labour unrests at Suzuki's Manesar plant in India raises a few doubts on the efficacy of globalisation in achieving balanced economic growth. It also brings to the limelight that managing cross-country cultural differences is very crucial in successful operation of MNCs. There is no doubt that the apparent mismatch between the culture of Japanese management and Indian workers can be held responsible for the crisis at Maruti-Suzuki. But it is not fair to blame globalisation alone for this fiasco. Globalisation like any other socio-economic phenomenon has its merits and demerits. Besides, globalisation in its current state is an unstoppable force like free-flowing stream water. Therefore, wisdom lies in taking

advantages of a global market rather than trying to distance from it, which also involves costs. The State, MSIL management and the workers can learn a lot of lessons from the incident. Further, both owners of capital and labour power must realize that each one's fortune is intertwined with the other and a long run economic prosperity can only be sustained by developing a symbiotic relationship between them. The Governments in India should now pursue labour reforms on a priority basis. The Manesar incident is a wakeup call for all.

REFERENCES

- Bae, K. (1993). A theoretical approach to industrial conflict in a rapidly industrializing country: the Korean case. *Korea Journal of Population and Development*, 22(2), 137-153.
- Bartlet, C.A. and Ghoshal, S. (1989). *Managing across borders: the transnational solution*. Harvard Business Review Press, Boston
- Burns, J. (2013). Labour's economic weapons: learning from labour history. *Labour Studies Journal*, 37(4), 337-344.
- Carbaugh, R. J. (2004). *International Economics*, Thomson.
- Chattopadhyay, U. (2013). Demystifying the growth story of Indian passenger car industry. *International Journal of trade, Economics and Finance*, 4(3), 111-118.
- Das, K.S.L. (2011). Foreign management and Indian worker's struggle. Retrieved September, 27, 2012 from <http://www.labourfile.org/Print Document.aspx?ID=712>
- Dicken, P. (2011). *Global shift: mapping the changing counters of the world economy*. The Guilford Press.
- Ericson, R.V. and Stehr, N. (2000). *Governing modern societies*, University of Toronto Press.
- Friedman, T.L. (2005). *The world is flat: a brief history of the twenty –first century*, Farrus Strauss and Giroux.
- Gandhi M.K. (n.d). The gospel of trusteeship. Retrieved May, 7, 2013 from <http://www.mkgandhi.org/momgandhi/chap53.htm>.
- Goyal, M. (2012). Four Reasons behind Maruti Suzuki's Manesar Problem Retrieved August, 9, 2012 from http://articles.economicstimes.indiatimes.com/2012-07-22/news/32777541_1_maruti-suzuki-s-manesar-maruti-s-manesar-shinzo-nakanishi .
- Held & McGrew T. (2002). *Globalization / AntiGlobalization*. Cambridge.
- International Labour Organization. (2012). Retrieved October, 10, 2012 from <http://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>
- Nayak A.KJR. (2011). Globalization: framework for perpetuation of asymmetries by traditional firm on the marginalized. *Vilakshan*, VIII (1), 1-29.
- Organisation Internationale des Constructeurs d'Automobiles.(2012). Retrieved August,8,2012 from <http://oica.net/category/production-statistics>
- Organisation Internationale des Constructeurs d'Automobiles.(2012). Retrieved August,8,2012 from <http://www.oica.net/wp-content/uploads/2013/03/suzuki-2012.pdf>
- Kerr, C, Dunlop, J.T, Harbison, F. and Myers, C.A. (1973). *Industrialism and industrial man*. Harmondsworth: Penguin
- Kruger, M.P. and Solomon, E.E. (1992). Strategic mindsets and decision-making autonomy in U.S. and Japanese MNCs. *Management International Review*, 32(4), 327-343.
- Krishnan, R. (1996). December 1995: The first revolt against globalization, *Monthly Review*, 48(1), 1-23.

Marinkovic, D.(2011) .Contribution to promoting a peaceful settlement strategy for labour disputes. Megatrend Review, 18(2), 191-216.

Marx, K. (n.d).Conflict Theory. Retrieved May, 10, 2013 from <http://www.studymode.com/essays/Karl-Marx-Conflict-Theory-96681.html>

Mitchell, W., Shaver, J.M. and Yeung, B. (1993). Performance following changes in international presence in domestic and transition industries. Journal of International Business Studies, 24 (4), 647-670.

Samy, Y. and Dehejia V.H. (2007). Trade and labour standards: s review of theory and new empirical evidence. Journal of International Trade and Economic Development, 13(2), 179-198.

Sayles, L.R. (1954) .Wildcat Strikes. Harvard Business Review, XXXII, 48-50.

Sen, R (2010). Industrial Relations: Text and Cases, Macmillan India.

Shyam Sunder K. R. (2012). Industrial violence and labour reform. Economics and Political Weekly, XLVII (41).

Sinha G.K. (2012).Changing dynamics of discriminate wage structure and independent trade union activism: a case study. AIMA Journal of Management & Research, 6 (2/4).

Suri, P.and Dubey, N. (2008). Globalization and labour laws in India. Retrieved September 26, 2012 from http://www.psalegal.com/upload/publication/assocFile/AprillIssue_1288776551.pdf .