

Case

Case Study on Strike and its Impact with Special Reference To Maruti Suzuki India Ltd.

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Abstract

In current scenario employees plays a very important role in the success of the organization. Without employees the organization can not achieve the profitability. Now a day it is very necessary to satisfy the employees, so that they can work enthusiastically. If the organization is unable to satisfy the employees, they use strike as a very powerful weapon to get their demands accepted. It generally involves quitting of work by a group of workers for the purpose of bringing the pressure on their employer so that their demands get accepted. When workers collectively cease to work in a particular industry, they are said to be on strike. But strike negatively affects the organization as well employees.

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The undertaken case study is emphasizing on the effects of strike on the Maruti Suzuki and its different constituencies (employees, government etc.) and will give the suggestions that how to overcome from the strike.

Company Background

Maruti Suzuki India Ltd (formerly Maruti Udyog Ltd) is India's largest passenger car company, accounting for over 50 per cent of the domestic car market. The company offers full range of cars from entry level Maruti 800 & Alto to stylish hatchback Ritz, A-star, Swift, Wagon R, Estilo and sedans DZire, SX4 and Sports Utility vehicle Grand Vitara. The company is a subsidiary of Suzuki Motor Corporation of Japan.

The company is engaged in the business of manufacturing, purchase and sale of motor vehicles and spare parts (automobiles). The other activities of the company include facilitation of pre-owned car sales, fleet management and car financing. They have four plants, three located at Palam Gurgaon Road, Gurgaon, Haryana and one located at Manesar Industrial Town, Gurgaon, Haryana.

The company has seven subsidiary companies, namely Maruti Insurance Business Agency Ltd, Maruti Insurance Distribution Services Ltd, Maruti Insurance Agency Solutions Ltd, Maruti Insurance Agency Network Ltd, Maruti Insurance Agency Services Ltd Maruti Insurance Agency Logistics Ltd and True Value Solutions Ltd. The first six subsidiaries are engaged in the business of selling motor insurance policies to owners of Maruti Suzuki vehicles and seventh subsidiary, True Value Solutions Ltd is engaged in the business of sale of certified pre-owned cars under the brand 'Maruti True Value'.

Maruti Suzuki India Ltd was incorporated on February 24, 1981 with the name Maruti Udyog Ltd. The company was

formed as a government company, with Suzuki as a minor partner, to make a people's car for middle class India. Over the years, the company's product range has widened, ownership has changed hands and the customer has evolved.

In October 2, 1982, the company signed the license and joint venture agreement with Suzuki Motor Corporation, Japan.

In the year 1990, the company launched India's first three-box car, Sedan. In the year 1992, Suzuki Motor Corporation, Japan increased their stake in the company to 50.

The Gurgaon Manufacturing Facility has three fully integrated manufacturing plants and is spread over 300 acres (1.2 km²). All three plants have an installed capacity of 350,000 vehicles annually but productivity improvements have enabled it to manufacture 700,000 vehicles annually. The Gurgaon facilities also manufacture 240,000 *K-Series* engines annually. The entire facility is equipped with more than 150 robots, out of which 71 have been developed in-house. The Gurgaon Facilities manufactures the 800, Alto, WagonR, Estilo, Omni, Gypsy and Eeco.

The Manesar Manufacturing Plant was inaugurated in February 2007 and is spread over 600 acres (2.4 km²). Initially it had a production capacity of 100,000 vehicles annually but this was increased to 300,000 vehicles annually in October 2008. The production capacity was further increased by 250,000 vehicles taking total production capacity to 550,000 vehicles annually. The Manesar Plant produces the A-star, Swift, Swift DZire and SX4.

Table 1: History of strikes: 7 strikes in last 16 years

Date	Duration	Workers Demand	Impact
<i>April 1995</i>	3 days	More wages	Production stopped at Gurgaon Facility
<i>March 25, 1998</i>	2 days	Local Issue of workers	Production cut at Gurgaon facility
<i>Oct 12, 2000</i>	89 days (Longest ever at Maruti)	More wages	Production stopped at Gurgaon Facility
<i>June 4, 2011</i>	13 days	To form a new independent union for Manesar Facility	Production stopped at Manesar Facility
<i>August 29, 2011</i>	33 days	Manesar Workers refuse to sign "Good Conduct Bond"	50% Production cut at Manesar Facility

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September 15,2011	2 days (Sister Power train and two wheeler Plants)	In support of striking workers from Manesar facility	Full closure of Suzuki Motor's India Operation
October 7, 2011	14 days	Restore service of 1,100 Contract workers at Manesar Plant	Full closure of Suzuki Motor's India Operation

Source: The Economic Times, 17th Oct, 2011. How Maruti Lost Connect with Its Workers.

Reasons Of Strike At Maruti Suzuki's Manesar Plant (August 29, 2011 To October 21, 2011)

Good Conduct Bond : The company is asking its workers to sign a good conduct bond before entering the factory. Whosoever does not sign, will not be allowed to get inside the factory premises and work, and hence would be deemed to be on strike. But the workers were not ready to sign the bond as they wanted some changes in the conditions of the bond. (Source: *The Economic Times, Monday, 17th Oct, 2011*)

The 7.5-Minute Tea Break: In an eight-hour work shift, workers get a 30-minute lunch break and two 7.5-minute tea breaks, according to the company spokesman. "You have to remove your safety equipment, run 150 metres to grab your tea and snack, and then run to the toilet that is about 400 metres away, and be back in seven minutes," says Shiv Kumar, general secretary of the proposed Maruti Suzuki

Employees Union. "If you are a bit late, abuses from the supervisor. In the morning, the place resembles a busy train station, with everyone grabbing tea and running to the toilet." (*Source: The Economic Times, Monday, 17th Oct, 2011*)

Working conditions between the permanent and contractual workers differ vastly: According to Shiv Kumar, president, Maruti Suzuki Employee Union who is a permanent worker, an unskilled contract worker is paid Rs 5,500 a month and a skilled contract worker (with an ITI diploma) gets Rs 7,000; a permanent worker's pay is around Rs 18,000.

In Haryana, the minimum wage of an unskilled worker is fixed at Rs 4,348. Other than salary, a contract worker is not entitled to medical benefits that a permanent worker gets, or the bus service, again which only the permanent worker can use.

Even difference exists, workers say, between the uniform of a permanent and contract worker. To become a permanent worker, a skilled worker has to work for a year as an apprentice and another three years as a trainee before he is made permanent.

Yet, there is apparently little difference in the specific nature of the job for both categories.

Labour laws were not implemented properly: Sanjay Upadhyaya, fellow at the VV Giri National Labour Institute, says that there are laws to ensure that the rights of the contract labourers are protected but they are seldom implemented.

"The labour law mandates that any company that has to employ contract labour needs to obtain a license from the labour department. The labour department can cancel the license if the rights of the contract labourers are abused. But, these laws are very rarely implemented," says Upadhyaya.

Workers demand reinstatement of casual workers:

Manesar plant workers went on a fresh strike on Friday, demanding the reinstatement of about 1,100 casual workers at the plant. The flash strike, in which the workers served no notice to the management, soon spread to the adjoining plants of the Manesar belt including Suzuki Powertrains India and Suzuki Castings. The workers are protesting the decision of the Maruti management of not allowing the casual workers to enter the plant.

The company on the other hand has said that it will be gradually absorbing the casual workers once the production will be increased at the plant. In a statement given on the issue, the company said, "This action by the workers clearly violates the agreement that they themselves had signed with the management on October 1, in the presence of Haryana Government. It is a breach of faith."

The fresh strike came as a shocker for the company management, which was planning to register about 40 percent increase in the output during the current month. The company said that it has already communicated all of its casual workers through their employers they are likely to be absorbed in the plants extended operations.

Point of view of management

Manesar Unrest a Political issue: The country's largest car maker Maruti Suzuki has termed the ongoing labour unrest at its Manesar Plant in Haryana a "Political Issue" and said it will not compromise on its principles on industrial relation. Chairman RC Bhargava said, "My understanding is that Manesar labour problem is essentially a political issue and not a problem which involves any significant demand from the workers." "We are having an unfortunate situation developing in Manesar, we are redoubling our efforts to create mutually productive and beneficial relationship with our workers." But Bhargava said that this does not mean that Maruti will compromise on its established principles on industrial relations. (*Source: The Economic Times, 9th Sep 2011*).

Disciplined working: According to the management, the basic reason behind the "Good Conduct Bond" was to maintain discipline in the factory premises. The bond says workers would follow discipline, not get involved in absenteeism, not resort to go-slow tactics, follow the production principle, and not sabotage production or indulge in activities that may hamper normal production. The management pointed out the quality and quantity of cars being produced had been deteriorating since the more than 2,000 workers called off their eleven day strike in mid-June this year.

Sources in Maruti told the daily that the number of cars produced has, on average, been 100 units fewer than the daily targets, leading to a loss of Rs 3 crore a day. "Since this indiscipline has been going on for the last 45 days of production, the total loss on account of the lower number of

cars produced is to the tune of Rs 135 crore already,” a senior executive in the company was quoted as saying by the report.

Impact of Strike

Maruti strike, production hit: This year, MSIL has seen its Manesar plant shutting for 59 days — first time in June, then in September and now in October. MSIL has lost production of almost 75,000 units due to the strike while its manufacturing of its popular K-series engine was also affected. The strike for MSIL, which has been seeing long waiting period for its popular vehicles, at a time when the festival season sales were picking up, came as a big setback. While MSIL suffered a loss of Rs.2,200 crore, including around Rs.700 crore hit that its vendors took, the government also saw huge loss in its earnings. But more than the monetary loss, it is reputation of Haryana, particularly the Gurgaon belt, as an investment destination has taken a severe hit. As a result, the strike could force MSIL to think over the proposed Gujarat plant catering to domestic demand as well, while the initial idea was to keep it exclusively for exports as the carmaker has already invested in developing infrastructure at the Mundra port in the State. (*Source: The Economic Times, 12 Oct, 2011*)

Loss of Excise Duty: A series of strikes at the country's largest carmaker Maruti Suzuki India's Manesar plant since June this year has resulted in excise revenue losses to the tune of nearly Rs 350 crore (Rs 3.50 billion) for the government. According to the industry calculations, it is estimated that per car on an average, the government is losing Rs 68,000 in the form of excise duty, thereby, resulting in a total loss of Rs 349

crore (Rs billion). The Haryana government, on the other hand, is also losing out Rs 6,000 per car on an average as sales tax, resulting in a total of Rs 30.8 crore (Rs 308 million) so far. *(Source: The Times of India, October 12, 2011)*

Maruti strike costs Rs 23.74 crore VAT loss to Haryana: Haryana excise and taxation department claims to have suffered a loss of Rs 23.74 crore on value added tax (VAT) due to the ongoing tussle between Maruti Suzuki India and its employees since four months. *(Source: The Times of India, Sep 19, 2011)*

Impact on competitors : Maruti Suzuki's tryst with strikes in the past three months have had a negative impact on India's leading carmaker. This has also helped Maruti's biggest competitor Hyundai to increase sales. Bookings at Maruti started to fall after the strike began at Manesar. The strike has helped Hyundai post an increase in bookings for the recently launched Eon small car. Hyundai has launched the Eon, a competitor of the Alto and has already reported more than 5,000 bookings. The Eon though slightly more expensive than the Alto offers more features and has a futuristic design. Further, the Eon happens to be a sibling of the i10, a small car that has impressed every one. A small car from Hyundai was always welcome and its arrival now has bolstered the Korean carmaker's image.

Due to the strike the people are apprehensive about long waiting periods. The new Swift's waiting period is now over nine months and Maruti's other models might also see a

similar situation. Hyundai, India's second best carmaker in terms of sales is now upping its ante against Maruti Suzuki. It is planning to increase its production capacity by another 40,000 units by end of next year. This will help it decrease its waiting periods. People will prefer to get themselves a car that will reach them faster than preferring to wait for a Maruti Suzuki. Hence Hyundai is in a better position to capture a higher market share.

Tata Motors, for instance, has ramped up production of the diesel variants of its Indica and indigo from 14,000 units to 20,000 units per month. Similarly, GM has ramped up production of its diesel beat to 4,500-5,000 units per month. Volkswagen has increased production of its Polo and Vento diesel to 10,000 units per month from the usual 5,000 units a month. (Source : CNBC-TV18, Wed, Oct 19, 2011)

Impact on workers

The workers have packed off their families back home to the far-flung villages of Haryana. Kumar, for instance, has sent his wife, brother and father to Hisar, 170 km away from the industrial belt of Manesar. It makes perfect sense," says Kumar. "My expenses have reduced by a third without family responsibility. I have to save every penny for there does not seem to be an end to our ongoing battle with Maruti."

Many in the Maruti workforce are also sharing room space and rent in adjoining villages like Alihar and Barse even as rationed supplies have become the order of the day. "We are

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cooking only once in a bid to save on fuel and power costs, and also to reduce consumption," says Rohit Rana, 28, a worker in the press shop where raw metal is crafted into body parts.

"Also, cheaper vegetables have replaced fruit as our regular staple. Milk and juices are also off the menu," adds Rana who explains that the long absence from the press shop has anyway killed his appetite.

Says Shiv Kumar, general secretary of the Maruti Suzuki Employees' Union, before he was arrested on Sunday along with two other union leaders, "We have lost our appetite but not hope - not when a few thousand of us are now getting the uncompromising support of almost half of the 10 lakh-strong workforces in this industrial belt." (*Source: The Economic Times, 21st Sep, 2011*).

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