

# Multinationals & Industrial Relations in India

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*The first decade of the 21<sup>st</sup> century witnessed a series of conflicts in renowned transnationals as well as their ancillaries in India. Although nearly all these corporations have been characterized by excellent technical capabilities, reached great heights in efficiency, and attained excellence in several areas, they are facing serious problems in their relations with their employees and unions (where present), especially as worldwide recession tightened its grip on the businesses. These conflicts indicate considerable similarities in the issues leading to conflicts as well as management responses to them and raise several questions about their understanding of the industrial law, culture and practices in India and other countries. There are also dissimilarities and unique features among them. This paper presents an analysis of the common and uncommon patterns.*

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## **Introduction**

Multinational companies (MNCs), at the forefront of globalization, have grown to almost 80,000 worldwide employing 55 million people (UNCTAD 2008). Although the recent worldwide financial crisis slowed the pace of growth, it is unlikely to stall the process, facilitated by the developments in information, communication and transportation technologies (Stanton et al 2009). Convergence theorists suggest that the logic of technology and markets are superseding varying national cultures towards universally applicable 'best practice' managerial techniques, for example, the implementation of a range of specific employment practices identified with so-called High-Performance Work Systems. Divergence thesis argues that management systems will continue to reflect the 'footprint' of their national institutional environment. McGraw and Harley (Hayden 2009) concluded that in Australia 'there is a pronounced divergence in the HR practices of overseas workplaces when compared with locals.' We need therefore to look at what is happening in India in recent years in industrial relations practices in MNCs and try to fit these into a pattern.

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The last few years have seen a sharp surge in worker protests in multinational companies across India. In Tamil Nadu, workers at Hyundai, MRF, and Nokia went on protest strikes. It is not just blue collar workers who have been aggressively asserting their rights or protesting and striking. In the private Indian owned sector, pilots of India's biggest airlines like Jet Airways (some foreign shareholding) went on strike on separate occasions during 2009. Engineers and other employees of Air India (government owned) went on strike for 3 days in May 2010. In Pune, multinational companies such as Cummins Generator Technologies, Cummins India, Bosche Chassis Systems, Brembo India, lost periods of work ranging from 20 to 85 days. Other companies affected included Pricol in Coimbatore. Gurgaon and Manesar near Delhi, the home of the automobile industry, have seen large scale unrest not only in the large multinationals but in many of the subsidiaries. The death of a worker on 19<sup>th</sup> October 2009 at Rico Auto and injuries to 30 others, led to a major backlash from the firm's striking workers and the All India Trade Union Congress (AITUC) (The Economic Times 21/10/09).

Although not coordinated or for the same reasons, some are related to the downturn. For instance, many companies which had paid overtime and incentives for several years of frenzied growth sud-

denly became cost conscious and demanded higher productivity without bonuses (constituting 30-40% of pay). Differences in pay between workers who got small annual increases in salary and managers who got much greater increases also caused a grouse. Other issues involved absorption of contract labour, trade union recognition, inter-union rivalry.

The situation is not peculiar to India. In China, the strikes, stoppages and suicides afflicting foreign factories on China's coast in recent years, have shaken the populist image of the country's workers as docile, diligent and dirt cheap (*The Economist* July-August 2010). Disputes in the first half of 2009 were 30% higher than the previous year's. Guangdong had 36 strikes between May 25<sup>th</sup> and July 12<sup>th</sup> 2010. The new labour law introduced in Jan 2008 gave workers more contractual rights. Honda workers, better educated and trained than usual, complained that workers' wages were disproportionately lower than that of the Japanese managers. A component maker (gears in Atsumitec) got workers to return from strike only with a pay hike of 47%.

### **Honda**

The problems in the auto-belt in Haryana date much earlier, from 2005 in fact. On 25<sup>th</sup> July 2005, about 300 to 700 workers of Honda Motorcycles and Scooters India (HMSI) were reported injured in a clash with Haryana police. About 3000 workers were protesting a lockout of their factory and the dismissal

of some colleagues. Trouble broke out when the workers, staging a protest march, were confronted by police. On being held back, the workers injured a deputy superintendent of police and set fire to the SDM's vehicle. This acted as a trigger for the police to unleash massive retaliatory violence. Incensed Haryana policemen went berserk and thrashed the agitating workers. Chief minister Bhupinder Singh Hooda ordered an inquiry into the police action, although it was termed by Gurgaon deputy commissioner, as "operations conducted within the boundaries of law" (Sen 2010).

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Interestingly, HMSI took the stance of injured innocence, saying it had nothing to do with the unfortunate incident which had taken place outside the factory. But the workers were almost always in fear of management because they had to sign movement sheets for visits to the toilet or for drinking water, accept shift choice without change, receive threats of termination in case of less than expected performance, and stay back each day to complete the production target. The last straw proved to be the behaviour of a Japanese Vice-Presi-

dent, Production, who kicked one worker and pushed off the turban of another. Although he had to apologise and was sent back to Japan, these led the workers to get together and make a list of 50 demands for substantially higher wages, allowances and facilities. The management offered Rs 3000 increase per month per worker. The workers refused to accept the offer and started to set up a union. The management tried to discourage and suppress the process. Workers were called individually and advised against joining the union. The company then lobbied with the Haryana Government not to allow unionisation and the registrar actually turned their application down. As the workers' agitation continued the management took the extreme step of dismissing several activists. Production was affected substantially. The movement picked up strength and a manager was gheraoed and even man-handled. Production was halted for 30 minutes.

The incident was followed by further worker demonstrations, visits by MPs to the injured workers in hospital, a flash strike by the local Bar Association, and support from unions of public sector banks and the public works department. However, in 4 days, the workers of HMSI reached an agreement with the management in the presence of Haryana Chief Minister who, congratulated the workers and said, "The episode was politically-motivated. ....We will ensure congenial environment in the industry." The pact stated that the striking workers would resume duty and not make any new demand for one year. The labour union

would remain. Workers would get full salary for May and June, though after June 27, the principle of “no work, no pay”, instituted by the Supreme Court, would be implemented. Injured workers, not able to resume work immediately, would be given paid leave. The 50-odd suspended workers would be reinstated along with the four dismissed union leaders, though the company could transfer them to any department, except manufacturing. The dismissed employees would also give a “separate assurance letter” to the management, and an undertaking that they would not engage in any act of indiscipline, before joining duty.

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In April 2004, HMSI had set up a Works Committee under the ID Act with 15 workers and 5 managers in addition to the Canteen, Transport, Health and Sports Committees. But all worker members were nominated by the management. The company magazine covered its own achievements and activities and included employee awards on quality, safety, training programmes, safe driving of two-wheelers. There was no column for employee letters or expression. The only employee-related news concerned marriages, births, deaths. In November 2004 the company announced gifts of Rs 600 for Diwali and this appeared to be the starting point of the unrest and later agitations, according to one

researcher (Saini 2005). HMSI suffered problems later as well and the union became affiliated to the AITUC.

Honda’s Chinese factory near Shanghai, suffered a strike on 7<sup>th</sup> June 2010, less than a week after it settled an earlier dispute by offering a 24% pay rise (*The Economist*, June 12 –18, 2010).

### **Maruti Suzuki India**

Maruti-Suzuki workers went on strike first on 12<sup>th</sup> October 2000 when nearly 4,700 employees of Maruti Suzuki (MSIL), formerly Maruti Udyog Limited boycotted work, protesting the company’s demand for an undertaking from them (Sen 2010). Daily output was cut by 86% as the company forbade entry to workers not signing the undertaking. The MU Employees’ Union treasurer said that signing it would have meant losing their fundamental rights. It was also a protest against the management’s decision to link bonus and incentives to productivity and efficiency. The primary concern of the management was that production should not stop on account of the agitation. Workers from suppliers were roped in to do the work and along with supervisors and managers, Maruti got the plant started within a week’s time. There was also indirect (political) pressure from the BJP Government on the Union and the issue came up for discussion in Parliament. The management meanwhile agreed to drop insistence on individual workers to furnish a good conduct undertaking, but sought certain safeguards, and stipulated that the law would take its own course in regard to disci-

plinary action. The deadlock continued for 90 days. Finally on 9<sup>th</sup> January 2001, the strike broke on the management's terms. The Union had to accept the new terms on production linked incentives and bonus. The face saver was that no undertaking had to be given. However, the 2000-01 confrontation did not die down or get resolved.

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Post 1991, Maruti had initially lost its dominant 85% market share in India to new competitors like Hyundai, Daewoo and Tata Motors. But it groped back to over 50% share in a few years by introducing new models regularly. The company was held up as a model employer, paying high wages and using several Japanese management techniques for integrating employees into the production process. Several initiatives to improve production and shop floor working through cost cutting were also launched. In 2002, Suzuki took its shareholding to 54.2%, and the government exited the venture entirely by March 2004. The company operationalised another plant and diesel engine production centre in Manesar, Haryana. The Indian MD was replaced by a Japanese MD. Suzuki Motors Corporation decided to expand production capacity of its plant in Gurgaon from the existing 4.5 to 6.0 lakh units and thanked Chief Minister Chautala for all the support extended to

the company. They also dangled the carrot of other investments by several Japanese companies in Haryana because of its progressive industrial policy.

In August, 2005, the Maruti Udyog Employees Union (MUEU) sought the Prime Minister Dr Manmohan Singh's intervention to resolve several issues with Suzuki management since the Suzuki management had summarily dismissed 24 Union activists without holding any enquiry, another 36 after ex-parte enquiry, and 32 more for not signing the improper and illegal undertakings imposed by the management. Twenty-six were charge-sheeted and "compelled" to take VRS, while hundreds of other employees also took VRS, not exactly voluntary. The Union also alleged that Maruti Udyog had replaced over 2000 permanent employees with contract workers, following the October 2000 dispute. The PM met them on 3<sup>rd</sup> August and voiced apprehension in taking up the issue, as the echo of the labour trouble at Honda's facility had barely died down.

A Maruti spokesperson said the company's Union (formed by ex-employees of the company) had long since been de-recognised and therefore was not representative of the workers. The workmen had been notified that only those workers could enter the factory who gave an undertaking in writing that they would not indulge in any activity which adversely affected the production and discipline and that "workmen who do not give the undertaking would be deemed to be on illegal strike. In terms of the contract of employment the workmen are duty-

bound to adhere to norms of discipline and give normal output". Suzuki, which had already increased production from 5,50,000 in 2005-06 to nearly 8,00,000 in 2008-09, decided to step up capacity further to one million per annum by 2009, earmarking Rs 9000 crores investment for 2008-2011. Exports had also risen significantly (The Economic Times 5/5/09).

### **Bosche**

The Bosche Group, India, manufactures world-class hydraulic brake systems for 2- wheelers, 3-wheelers, passenger cars, utility vehicles, light commercial vehicles and agriculture tractors. The corporate office is located at Pune, and various modern manufacturing plants at Chakan, Jalgaon, Manesar (Haryana) and Sitarganj, Uttarkhand. The group employs about 15,817 countrywide and registered consolidated sales of Rs. 50,087 million in 2005-06 (Bosche Website). The company claims that its regular employees are paid above average salaries. However, this does not appear to stem the tide of strikes at its various units in India.

The Mico Bosch Labour Union (MBLU), Jaipur Plant, went on an indefinite strike from November 10, 2008, (Bosche Press Release, 21/1/09), even though a four year wage agreement with the Union was valid till 31.05.09. After repeated appeals by the management failed to end the strike, management raised a dispute with the Rajasthan Labour Department and claimed that the Union resorted to violent means to prevent movement of vehicles to the plant and

scuttled the production process. The timing of the strike synchronized with a continuous market decline for the Automobile Industry. On December 5, 2008, the Labour Department, vide its Order under section 10 (3) of Industrial Disputes Act 1947 prohibited the strike by MBLU and ordered all striking employees to report for work immediately. A fresh Memorandum of Settlement was signed, the indefinite lock out was lifted and workmen associates were allowed to return to their duties with effect from 21.1.2009.

Established in 1982, Robert Bosch India Chassis Systems Ltd (RBIC), Pune, is a wholly owned subsidiary (stake of 95.87%) of the Bosch Group in India, employing about 2020 personnel (Bosche website). The Union was established after Bosch Chassis Systems took over the plant in 2006. On July 18<sup>th</sup>, 2009, workers at this plant went on strike demanding pay rise as agreed to earlier and equal pay for equal work. 'Precariously employed' workers such as trainees and non-permanent employees earned only 25 - 30 % of regular wages. The strike was led by Bosch Chassis Systems Kamgar Sanghatana (BCSKS) and supported by the International Metalworkers Federation affiliates in the region (IMF website), despite a 3-year agreement signed on November 3, 2007, giving average wage rise of around 60 per cent and stipulated rises for each year. At that time Bosch had informed the Union that the two wheeler brake unit was being handed over to Brembo, an Italian company, and that 50 workers were to be transferred to the new company. The workers had protested and signed an agreement with Bosch and

Brembo, only after a clause was included stating that, in the event of closure or relocation of Brembo, the transferred workers would be re-employed by Bosch.

After Brembo failed to implement wage rises in 2008 and 2009 and Bosch in 2009, and the Union's General Secretary was suspended, the Union served a notice of 'stoppage of work'. But instead of negotiating with the Union, company management lodged a complaint against the Union with the local Industrial Tribunal, which, however ruled that the strike was not illegal. The IMF Regional Representative felt that "The success of the struggle will have far reaching benefits... (on) wages, working and service conditions of precarious workers and trainees, ...for Bosch ...and the Pune region and strengthen the efforts of unions to tackle the widespread use of precarious workers by the companies" (IMF 2009).

On March 8, 2010, Bosch Limited, Bangalore declared a 'Lock Out' at its Naganathapura Plant. The decision was taken (ostensibly for safety) because workmen associates of the plant resorted to physical intimidation of managers and officers of the plant during their agitation. After the wage settlement had expired in Dec. 2008, a new Charter of Demands was submitted by the recognized Union of the plant, Mico Karmikara Sangha – Naganathapura (MKS-N), on 29.07.2009, demanding substantial increase in wages, enhanced medical facilities for family members etc. The average cost to company (CTC) of a workman associate at the plant was claimed to be about Rs. 37,000 p.m (Bosche

Press Release March, 2010). During the 14 sessions of negotiations, the company offered revision of wages equal to what was offered in the last negotiations, substantial improvements in hospitalization facilities and transfer of around 45 indirect workmen to direct production areas, without reaching conclusion. MKS-N resorted to a Go Slow and subsequent Tool Down from Feb. 2010 which continued till 6.3.2010. Revenue loss for the plant was claimed at Rs. 60.4 million in the month of February, 2010.

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Management requested its managers and officers to man the assembly lines for three Sundays, in order to partially make up the shortfall in production and claimed that office bearers of MKS-N physically intimidated and threatened the managers when they were entering office. Thereafter the MKS-N declared a Tool Down from 8.3.2010 onwards.

### **Cummins**

Cummins India Limited (CIL) is a 51 percent subsidiary of Cummins Inc. USA, the world's largest independent diesel engine designer and manufacturer. Set up in 1962 in India, it is a leading manufacturer of diesel engines with a range from

205 hp to 2365 hp, serving the power generation, industrial and automotive markets and those for gas and dual fuel engines. The company's values include integrity, innovation, delivering superior results, corporate responsibility, diversity, and global involvement (Cummins India Website). This is in contrast with the labour relations practices.

The company informed BSE that the production associates at the company's Kothrud plant in Pune had started an agitation demanding re-opening of a six month old wage agreement, signed under conciliation. The workers had held a massive demonstration outside the Dahanukar Colony facility on September 14, 2009 bringing all operations of the company to a standstill and thereafter resorted to an illegal strike from September 15. Other plants continued to be operational (*Business Standard*, 16<sup>th</sup> Sept 2010). The company vice president said a tripartite agreement had been signed, mentioning details about wages, incentives and so on but that members of the Union Committee had been violating the agreement by refusing to perform on the shop floor. On Sept 16<sup>th</sup> the management issued suspension notices to the 11-member Committee of the Kirloskar Cummins Employees' Union (KCEU). The workers refused to accept the notices and staged a dharna. The treasurer of the Union, claimed that the company had not paid incentives of around Rs 12,000 for the last three months to any of its workers, and that the 11 office bearers of the Union had been working without salary for the last two months. The management sought a written undertaking from the

KCEU that the workers would not resort to any violent measures and maintain a secure work environment on the company premises. Workers did not give the undertaking, since Union leaders said this was an unfair demand, which would make the Union 'teeth-less'. However, talks between the Union Committee and the management continued on 17<sup>th</sup>. There was a complete lock-out the next day and the KCEU approached the Labour Commissioner on 19<sup>th</sup>, requesting his intervention to solve the issue.

But the stalemate continued since no one from the company turned up for the meeting. The company confirmed that they were not very keen to restart operations unless the Union Committee signed the undertaking (*Business Standard*, 16<sup>th</sup> Sept 2010). The company claimed that the Labour Commissioner had directed the workers to join work and that an enquiry would be conducted against the 11 Union Committee members for resorting to violence during the strike. They would remain suspended. The Union said they had assured the Labour Commissioner that the workers would continue the agitation without creating any violent situation. The strike continued for more than two months and it was only on 20<sup>th</sup> November that workers resumed regular duties. Cummins India duly informed BSE about this. Shares of the company had declined 0.87% (Reuters, Fri Nov 20, 2009).

### **Nokia**

Nokia India workers, at its plant in the Telecom Special Economic Zone

(SEZ) in Sriperumbudur, Tamil Nadu, went on strike on 20<sup>th</sup> Jan, 2010, after 35 employees were suspended. The following day another 20 employees were suspended according to Nokia India Employees Progressive Union (NIEPU) (IANS website). This strike too was part of a series starting in 2009. The Nokia Union is an affiliate of the Labour Progressive Front (LPF), labour wing of the ruling DMK Party. According to the Union, the immediate cause of the strike was the transfer of an employee from one job to another. A Union official observed that the human resource manager was curt and threatened employees with suspension orders. The protests spiralled and Nokia suspended 35 employees, defending the move by saying that “Every company has certain codes and values, the violation of which cannot be brooked,” and accusing the suspended employees of “acts of serious misconduct” (IANS website). About 1,200 staff joined the strike although the NIEPU claimed that about 2,000 staff went on strike (*Times of India*, 10<sup>th</sup> February, 2009).

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Nokia raised a dispute with the Labour Department the next day. But the employees refused to end their agitation despite being asked by the Labour Commissioner’s office to resume duty. The Commissioner’s advisory included also directions to the management to sort out the row by January 25<sup>th</sup>. Nokia said it was talking with its workforce and

hoped that the matter would be resolved quickly. The Nokia campus houses its assembly plant and also their suppliers Foxconn, Wintek, Salcomp, Laird and Perlos. This plant can churn out around 500,000 mobile phones a day and has the highest productivity among all Nokia plants across the world (IANS website). Nokia has about 8,000 staff at the facility, including around 3,700 permanent workers (some went on strike), around 2,000 trainees and 1,000 contract workers. The total number of workers in the SEZ, including that of the suppliers is about 30,000.

Production at Nokia’s factory was hit again after workers began another strike on 13<sup>th</sup> July 2010 demanding higher pay (*Business Standard*, 14<sup>th</sup> July 2010). Nokia did not comment on the strike or report production loss, but said in a statement that a long-term wage settlement was being discussed and that the wage deal offered was among the highest in the region in similar industries. The strike was called off late on 15<sup>th</sup> night, following tripartite talks. The Nokia management revoked the suspension of 60 workers. The Union agreed to the terms after TN Labour Minister, TM Anbarasan (*Financial Express*, Jan 22, 2010). However, some employees were still not ready on the ground that the wages offered were too low. Nokia had said in April that mobile handset production at the India plant had crossed 350 million handsets over its four years of operations (Economic Times Bureau, 15 Jul, 2010]

A research centre (SOMO) felt that the unionization of Nokia has been a remarkable event in the mobile manufac-

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turing industry. Nokia's workforce in South India had formed a union after a resoundingly successful strike in August 2009. The attempt to improve employment conditions in the leading company in the mobile phone market globally and nationally, would have tremendous implications for industrial relations within the whole industry employing around 4.4 million people (primarily manufacturing) at present and expected to rise to 27.8 million in 2020. The research, based on extensive interviews, indicates that decent employment is still an elusive concept in mobile manufacturing. The research included 100 Nokia workers of all kinds and collaboration with 'Penn Thozilalargal Sangham' (PTS) (Women Workers' Organisation), which is active in the area (100 women from Nokia are members), and with Corporate Accountability Desk (CAD), Chennai, an activist group researching corporates. 'Precarious employment' in the form of temporary, contract, probationary and apprentice jobs, appeared to be the norm.

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### Hyundai

A 17-day strike starting 20th April

2009, at Hyundai Motors India Ltd's [HMIL] Sriperumbudur in Tamil Nadu, ended after management and employees reached a settlement when the management agreed to recall some of the suspended workers. The work boycott, resulting in a fall of 4-5% in daily production at the plant, was called off on the fourth day of a hunger strike by some workers at the Office of the Labour Commissioner in Chennai. A Hyundai spokesman said that a settlement had been reached and the management would recall 20 of the 75 suspended workers. The Union is affiliated to the Centre of Indian Trade Unions (CITU) in Chennai, which backed the strike (libcom.org)

One of the main demands that the management recognise the Employees' Union, had not been conceded, according to the president of CITU Tamil Nadu arm. He said that the company used to give increments every three years. The previous wage structure ended on March 31, 2009, and the new one was to come into force on April 1. The demands included an increase in the minimum wage, which was Rs 8,000, and explanations for dismissing 65 workers and suspending another 34 (libcom.org).

But the Chennai plant was closed again for a few days in July 2009, after another stand-off with the Union over recognition and reinstatement of workers. A fresh agreement was signed on 28<sup>th</sup> July with the Union through the intervention of the state Labour Minister, T.N. Anbrarasan (*Economic Times*, 29/7/09). Even though a wage agreement was signed on 23<sup>rd</sup> July (de facto recog-

nitition) it was not accepted by many of the workers and agitations continued. Management conceded the Union's request to bring 9 workers who had been transferred outside Chennai, back to the city by the end of 2009. However, they would not be returned to the main plant but to the subsidiaries. Also out of the 80 workers dismissed earlier on disciplinary grounds, a maximum of 20 would be reinstated. The company also revoked the punitive actions taken over the last two years against members of the Union in the form of wage cuts, withholding of bonus, gifts, gold coin etc. The State Government acted tough also, since the management had reneged on several of its commitments made earlier.

The Hyundai Motor India is the group's largest overseas production base and is fully owned by the parent group. The integrated unit at Irungattukottai, 30 kilometers from Chennai was built in record time with an initial investment of more than Rs. 2500 crores. Incorporated in May 1996, it can roll out 120,000 cars and 130,000 engine transmission units per annum, with almost 85% localized content, to be increased further. The first pilot Santro was ready in a record-breaking 17 months with 70% localized content. Hyundai brought in 14 Korean companies and helped them set up base in India for sourcing components. The total vendor base consists of 60 companies located at the plant site itself (livemint.com)

Incidentally, the company's main Czech plant and the ancillaries, faced a series of wildcat work stoppages in De-

cember 2009 – January 2010, in regions affected by long term high levels of unemployment, ranging from 10 to 17%. The common aspect was also the acute reaction of the bosses, either sacking activists or threatening dismissal and legal charges. (libcom.org).

### **Mitsubishi Chemicals**

MCC PTA India Corporation Private Ltd (MCPI), a subsidiary of Mitsubishi Chemicals Corporation (MCC), one of the world's top ten chemical companies, was established in 1997 in Haldia, West Bengal. Construction was completed quickly and production started in April 2000 with a capacity of 350,000 tonnes per annum. Expansion with an investment of Rs 1665 crores led to a second plant (capacity 8 lakh tonnes) being commissioned in mid-2009 and the total capacity increased to 11.5 lakh tones at Haldia, with an expected turnover of \$ 900 million by end-2010 (*Times of India*, 10<sup>th</sup> Feb 2009].

As part of the 'core-periphery model' (Das 2006) of Japanese management, the regular skilled employees and the unskilled non-regular employees formed two distinct groups. The latter were unionized (common practice in most large enterprises in the local area) and agreements (with earned and sick leave, festival holidays, annual bonus, statutory HRA and retrenchment benefits) were signed with them, although they earn much less than regular workers. Eleven elected operators' representatives (one member for every 20 operators) meet managers formally in a Department Rep-

representatives' Committee for raising employment issues. But when it came to unionization, MCPI tried 'to build and sustain a strong, manager-driven corporate culture and such strategies that help to build cooperative relations with the employees and avoid unionisation or union substitution'. Apparently, 'there was an attempt at unionisation but failed due to lack of support according to management' (Das 2006).

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Despite this strategy, there has been simmering tension among the MCPI unions following the victories of the Trinamool Congress in Panchayat and Lok Sabha elections during 2008 and 2009. The Nationalist Contractors Union (contract workers of Mitsubishi, owing allegiance to Mamata Banerjee's union wing, INTTUC) raised several issues relating to the contract workers' pay discrepancies with permanent workers, non-lucrative incentive schemes, reduction in bonus, etc. Agitations before the gates were followed by dharnas, and a reported whole night gherao of the HR head. The CITU Union did not protest. Work was disrupted again at the plant on 7<sup>th</sup> December 2009, demanding permanent jobs for 150 casual workers and a raise for the rest. Mitsubishi has about 513 permanent employees and around 600 casual staff. The Union blocked the

Mitsubishi gates, disrupting work through the day and causing extreme worry to its Japanese management. The GM (HR) said: "not a single employee could enter the premises. Around noon, some of the workers associated with the production division were allowed entry. Because of that, there was some work in the processing unit... but there was little or no work in the loading, unloading and despatch sections. There was no one to man the canteen and the guards too, joined the Cease-Work" (<http://www.ilovekolkata.in>).

At Haldia Petrochemicals next door, CITU had demanded a 300 per cent hike for contract workers and gained a 100% increase in wages after a major strike earlier. The siege at Mitsubishi was lifted late on 8th following the management's written assurance to look into their demands. Work resumed from the night shift.

It is interesting that MCPI did not hesitate in setting up one of its largest plants abroad, in West Bengal, knowing its long history of militant unionism and leftist government. Obviously it relied on its strategy of centralization of decisions and the manning of 'all key posts by Japanese managers from its main establishments'. In line with its 'competitive strategy, its main objective in HR has been to formulate, develop and maintain unique work culture in tune with harmonious industrial relations with committed employees involved in world class manufacturing. Work practices include Total Quality Management (TQM), Just-in-Time(JIT), Kaizen and 5S and Total

Productive Maintenance (TPM, covering the entire life of all equipments)' (Das 2006).

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In MCPI, educated, highly skilled employees enjoy regular terms of employment and are recruited through stringent selection procedures. Relations with them are based on 'skill or knowledge based pay, elaborate communication and complaint procedure, and team work'. More than half of them are in the officer category and 'even the receptionist is designated as Executive-Secretary. There are no clerical workers. The remaining are operators (selected from local ITIs, science colleges and polytechnics) classified into five categories with the basic pay of the highest category being double that of the basic pay of the lowest category'. In general, wage levels are 'much higher' than locally prevailing rates but are not linked to seniority or bargained annually. In addition all of them go through extensive training, ranging from work practices to fire fighting. In 2002-03 'all unskilled and non-core jobs in MCPI were done by 388 contractor workers' (only 313 permanent employees including 106 executives). Even though Contractors' workmen got double the statutory rates, their wages were lower by 40% than the lowest wage in the regular category. Contractors got 8-12% of the total workers' wages as

agency fee. But 'contract workmen were not restricted to unskilled jobs'. For example in the Instrumentation Department, 3 skilled technicians were under a contractor. These and other skilled contractors' workmen, like crane operators and welders got about 50% more wages than the lowest category workers (housekeeping, gardener, office boy) (Das 2006).

### **Conclusion**

One finds several indications of convergence in MNC operations in India. However, although technical excellence is demonstrated in these companies, there cannot be conclusions about 'best practices' since many of the managerial actions have led to poor employee relations. The converging trends are:

1. The location of strikes and unrest have shifted to newer industrial areas like Gurgaon, Manesar, Pune, Jaipur, Chennai, Bangalore, away from the traditional hotbeds of union militancy like Bengal or Ahmedabad, as well as to fast-growing, modern industries like automobiles, auto ancillaries, telecom equipment, etc. away from traditional industries or areas of veteran unionism.
2. Some of the unrest is related to the recession of 2007-08, but several started much earlier and have continued even after the recession has

**Many of them are in fact related to the issue of union recognition or managerial aversion towards unions.**

eased significantly. Many of them are in fact related to the issue of union recognition or managerial aversion towards unions. In the mobile phone industry, SOMO contends that the overall policy of the companies seems to be the strategy of creating a 'reserve army of cheap labour' in the area, available whenever required and vulnerable to retrenchment at will. The insistence on hiring a very young workforce, mostly women, preference for workers who are recruited from far-off towns and villages over local youth, intolerance of any attempts to form associations or unions, and keeping wages at a subsistence level, all point to this approach. An earlier report quoting workers in mobile companies stated, 'There are no trade unions in any of the factories of the workers we met.... (and that) managers reportedly said that there is no need for unions' (SOMO :Corporate Geography 2009). Among managements the perception is that outsiders are creating trouble for political reasons.

**Labour flexibility is a dominant concern for management in all the cases, and has led to increasing use of non-regular workers.**

3. Many are related to global competition, and manpower utilization techniques consistent with high tech productivity and production. Labour flexibility is a dominant concern for management in all the cases, and has led to increasing use of non-regular workers. Das (2006) reminds that
4. 'different types of employment contracts exist even in Japan including non-regular employees ... part-time and temporary workers engaged directly by the company and contract workers who are registered with a third party'. The non-regulars are 'growing in proportion crossing one third of total employment in 1997'.
4. A lot of the problems relate to managerial styles – summary suspensions and dismissals, pay cuts, intolerance for any interference in their own production plans, insistence on written undertakings of good conduct - and a poor understanding of industrial relations in South Asia and their political linkages. There are several examples of pseudo-participative systems where committees are formed but workers have little or no influence on decision-making. Several Indian companies use Japanese managerial and work practices like teamwork, total employee involvement, Kaizen, 5-S, suggestion systems and rewards, among which are Jayashree textiles, Ingersol-Rand, Alstom Power, Infar India and Hindustan Unilever. But in all of these, unions are involved in the schemes and in their introduction.
5. Workers are resorting to violence and are hitting back at management over perceived injustices. Management also have amply demonstrated insensitivity to workers' sentiments and perceptions. This is particularly true of the Haryana cases, but also indicated in others. About the unions involved it can be concluded that, al-

though the left unions (AITUC, CITU) are active in several cases, regional unions affiliated to ruling groups are equally active. While some degree of political adventurism has contributed to union muscle-flexing, the MNCs do not appear to have learnt that this is part of the Indian IR scenario.

**Management also have amply demonstrated insensitivity to workers sentiments and perceptions.**

6. Although Collective Bargaining is being used, it is often failing to resolve prickly issues and workers are demanding reopening of negotiations within 6 months to one year.
7. There is also a demonstrated inability on the part of the multinationals (except MCPI) to handle conflicts bilaterally and they are taking recourse to the state Industrial Relations machinery or government ministers. The MNCs are taking advantage of states' support for industrialization and suppression of unions, as in Haryana. But such recourse is also inviting politicization. Interestingly, while the multinationals have not always exhibited sensitivity to Indian labour concerns they have not been backward in taking advantage of the adversities in the Indian labour market. For instance, the use of contract and casual labour, the payment of significantly lower wages for some sections of labour, the proneness of state governments to overlook many aspects of labour rights in the interests

of investment, are areas where multinationals have shown considerable alacrity.

Some of these cases also indicate some degree of divergence as well. While Maruti's confrontation with its workers over the issue of production and remuneration changes was triggered by the competition created by globalization, the manner in which it dealt with the problem indicated very close resemblance with Honda's handling of its union. Its strategy was characterized by:

- close links with the industry-friendly state government
- ability to read the central government's favourable stance, regardless of the political affiliation (neither NDA nor UPA governments intervened on behalf of the workers)
- introducing changes in the employment structure (from permanent to contract)
- de-recognition of the union

These characteristics ensure that 'employment and work practices are more similar to the host country than that found in joint ventures' or in the operating country. In terms of international human resource strategies this is a good example of the global vs local issue in managing subsidiaries. This may hold true of other Japanese companies operating in India as well (328 as of June 2006).

MCPI's union avoidance strategy has been fine-tuned for the location it is in and till now appears to have been rea-

sonably successful. However, there appear to be chinks in its armour, and the fact that this has not been replicated in other MNCs across India, indicates the delicacy of the strategy.

Nokia had tried to avoid unions

The Haryana Government's solicitousness for industries' concerns has also provoked unions to enlarge company disputes into industry-wide movements.

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