Industrial Relations And Multinational Companies In Indian Economic Development.

Dr.D.Thirupathaiah

Lecturer in Economics, Dept of Economics, SKRBR COLLEGE Narasaraopet,

Andhra Pradesh, India.

Abstract

Multinational companies (MNCs), at the forefront of globalization, have grown to almost 150,000 worldwide employing 120 million people (UNCTAD 2012). 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 2013). 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 2013) 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.

Key Words: Multinational companies (MNCs),

Introduction

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 2014. 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 19th October 2013 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.

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 suddenly 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 2013). Disputes in the first half of 2009 were 30% higher than the previous year's.

Honda

The problems in the auto-belt in Haryana date much earlier, from 2012 in fact. On 25th July 2012, 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"

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-President, 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 manhandled. Production was halted for 30 minutes.

Honda's Chinese factory near Shanghai, suffered a strike on 7th June 2010, less than a week after it settled an earlier dispute by offering a 24% pay rise

Maruti Suzuki India

Maruti-Suzuki workers went on strike first on 12th October 2011 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. 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 disciplinary action. The deadlock continued for 90 days. Finally on 9th January 2011, 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 2010-11 confrontation did not die down or get resolved.

In August, 20012, 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 3rd 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.

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.

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"

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 . 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.

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, 16th 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 16th 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'.

Nokia

Nokia India workers, at its plant in the Telecom Special Economic Zone (SEZ) in Sriperumbudur, Tamil Nadu, went on strike on 20th 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

Production at Nokia's factory was hit again after workers began another strike on 13th July 2010 demanding higher pay (Business Standard, 14th 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 15th 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

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 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.

Even though a wage agreement was signed on 23rd July (de facto recognition) 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.

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

Mitsubishi

MCC PTA India Corporation Private Ltd (MCPI), a subsidiary of Mitsusbishi 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, 10th 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 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'

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.

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 812% 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)

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 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.

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 '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, although 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.

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. 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:

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.

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

References

1. Das, Subesh (2013): "Japanese Multinationals in India", extracted from unpublished paper by ex-Labour Secretary , West Bengal Government Economic Times Bureau (2013), Nokia Workers on Strike after talks fail, 15 Jul. (accessed on 10th Nov. 2013)

2. Financial Express (2013), Updated: 'Nokia Strike : Stalemate continues', Jan 22 accessed on 10th Nov. 2013 Hayden, Annette (2009), "Internationalization and HR Restructuring in MNCs--'Unpacking' the Concept of Convergence,"

3. Sen, Ratna (2012), Industrial Relations: Text and Cases, Macmillan India

4. Saini, Debi, S. (2012), "HMSI", Vision, MDI, Oct Dec

5. The Economist (2013), "The Next China", July 31st-6th August

6. The Economist (2013), June 12th-18th, 'When China Runs out of Workers'

7. The Economic Times, New Delhi (21/10/11), "Stir Brings Gurgaon Auto Belt to a Halt"

8. The Economic Times (5/5/12), 'Suzuki raises Maruti stake, fuels talks of full control

9. The Economic Times (29/7/12), 'Hyundai Motors employee strike enters 2nd day'

10. The Times of India, 10th Feb 2012