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HRM in context: Labour unrest in the automobile industry in India*

2014 Strike in Bangalore

Toyota's twin plants at Bidadi, Bangalore remained shut for 36 days in 2014 owing to a workers' strike for a wage hike. More than 4,000 members of the trade union went on strike as they demanded a rise in wages, holidays, and housing. The union also demanded the automaker to reinstate 30 employees who were suspended on charges of causing disruption to work. While the plants partially continued to work with 700–800 contract labourers, there was a 40 per cent decrease in production capacity. With its two plants with installed capacity to produce 310,000 units annually, Toyota was the fifth largest automaker in India. The unionised employees called off their strike after the state government intervened and directed the management and the union to restore normalcy and harmony in operations.

2010 Strike in Tamil Nadu

In the aftermath of the economic liberalisation initiated in India in 1991, the Indian State of Tamil Nadu attracted enormous investment into automobile and accessories manufacturing. However, by 2000, investors and manufacturers had become quite worried about repeated labour unrest, which was also impeding future investment in the state.

Hyundai, the second largest car maker in the country, was facing a similar situation. In May 2010, Hyundai employees threatened a sit-in strike after the company refused to reinstate 35 employees who had been dismissed for alleged misconduct. According to media reports, the company was not able to meet the agreed deadline to reinstate the dismissed workers. The company had been making frantic efforts for a possible settlement with the dismissed employees, offering them certain financial compensation as a part of the settlement. Hyundai had faced at least two strikes in the preceding year. In April 2009, employees went on strike for 18 days after the company laid off 65 workers. Then again, in July 2009, employees went on strike protesting a wage agreement that had allegedly been signed by a minority union (or the pocket union).

However, Hyundai was not the only company suffering as a result of labour unrest. In May 2009, workers at MRF struck work for several months, demanding recognition of their union. In September 2009, a senior official at Pricol was killed in workers' unrest in the auto-ancillary hub of Coimbatore, which resulted in a work closure lasting more than a month.

According to Abdul Majeed, an auto sector expert at PWC, labour laws were to be blamed: "Our labour laws need an amendment. No one wins when it comes to dealing with

* Professor Jawad Syed (Lahore University of Management Sciences) wrote this mini case as a basis for class discussion rather than to serve as an endorsement, source of primary data, or illustration of effective or ineffective management. It has been adapted from: Syed, J. (2017). Context-specific human resource management. In Syed, J., & Kramar, R. (eds.) *Human Resource Management: A global and critical perspective*, pp.3-24. Basingstoke: Palgrave Macmillan.

labour. There has to be a give and take to some level amongst everyone. But our labour laws are the biggest of problems.”

The labour laws in India required large companies to seek prior permission from state governments before laying off workers or hiring workers on contract. The laws were blamed by managers for encouraging workers to go on frequent strikes. With India positioning itself as the hub of small car production, there was a concern that such labour unrest might not send the right message to international investors.

Questions:

1. In the light of these examples, is it correct to blame laws in India for encouraging workers to strike?
2. Is it okay for a government authority to intervene for industrial peace and operational normalcy?
3. Is it always possible to reconcile the ethical and business implications of labour laws?