

## Four Industrial Relations insights from the Maruti Suzuki Strike

By Vivek Patwardhan

The peace of the last twenty years in Industrial Relations (IR) has been ruffled by the current, bitterly fought Maruti Suzuki strike. It stands out as one of four strikes that caught the attention of the nation in the past three decades - the textile strike, the 1989 strike at Telco, now called Tata Motors, and the more recent strike at Jet Airways. The Maruti Suzuki strike has brought to the fore several issues that have

★★★★★★★★★ been silently plaguing IR over the years, of which four are of particular interest.

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### **Insight 1: Contract Labour is just indicative of larger issues**

Maruti Suzuki, like many other companies, engages over 50 per cent of its workforce as contract labour and temporary workers. This is a common practice used by employers to save on costs.

★★★★★★★★★ The problem is that in a country with great unemployment, the desire for permanent employment, particularly in a blue chip company like Maruti Suzuki, is understandably high. Post 1990, the vicissitudes of the economy forced some industrial organisations to reduce their permanent workforce, which they found extremely difficult given the legal implications and business obligations. Consequently, employers have realized that the archaic labour laws of the country are out of sync with the times and changing business environment. Another factor that predisposes organisations to use contract labour is that although the reduction of workforce or closure is allowed by law, it is only after permission is granted by the Government which often is based on political considerations not germane to the issue.

Discouraging use of contract labour indiscreetly and preventing their exploitation is necessary. It is also essential to allow employers to resize their organisations. It is becoming obvious that there is an urgent need to find out why undesirable practices are being adopted and make corrections accordingly.

In Pakistan, the permission of the Labour Court is required only if the employer is terminating the employment of more than 50 per cent of its workmen. Although this shifts the debate to the acceptable number of employees, it undoubtedly makes for a better system.

## Insight 2: The need to use a mature approach to Industrial Relations

As per reports, Maruti Suzuki did not recognise the union at its Manesar plant and the authorities did not register it. While the right of association is guaranteed by the Constitution of India, there is no concomitant right to represent at the bargaining table. In other words, it is not mandatory for the employers to bargain with a union, except in the State of Maharashtra, where the Court decides the representative status.

★★★★★★★★★★ There are many reasons why an employer would not like to bargain collectively with a union. Sometimes it has more to do with a personality than principle. At Tata Motors, the Tatas who dealt with an 'external' leader at Jamshedpur were averse to dealing with a dismissed worker whose obstinate attitude and resorting to mindless violence subsequently justified the stance taken by the company. In another instance, the Managing Director of a foundry resigned and became President of the union when the organisation refused to deal with him.

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Another reason collective bargaining is not welcome in the Indian context is that unions often have political connections. Multinational organisations operating in the country need to be sensitive to these cultural nuances.

The most mature statement on an organisation's stance on unions comes from Toyota. Their position is articulated by Jeffrey Liker and Michael Hoseus in the book *The Toyota Culture* published by Tata McGraw Hill as:

1. Managing the Toyota Way and establishing a Toyota culture is not negotiable.
2. The local management should establish a stance toward labour unions, taking into consideration local culture, laws and labour movements.
3. If the management of the company does have a union, both should recognise that the prosperity of the company is the common objective and both must use thorough communication in order to resolve any differences of opinion and build a healthy relationship of mutual trust.
4. The relationship of mutual trust can ensure the long term prosperity of the company and thereby stabilise employee lives by maintaining and improving working conditions.

Liker and Hoseus summarise that Toyota agrees with the union advocates who argue that management cannot always be counted on to be fair and consistent.

“Being heard is the foundation of the Toyota culture of continuous improvement. So, Toyota sets up mechanisms through the HR department to allow team members to be heard. We saw that even the HR department can be viewed as biased. The counter measure was to set up a separate “I” team representing a cross section of the plant to investigate employee issues.”

The Maruti Suzuki episode should force organisations to introspect on their stance on unions. The real question is not whether to deal with a union or not, it is to deal

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with which union as exemplified by OP Bhatt, Chairman of the State Bank of India, who successfully carried out several changes in the largest public sector bank in the country. In his interview by McKinsey's Quarterly he was asked, 'You also had to bring the message to the trade unions?' To which he responded, "These are important stake-holders, and I brought senior representatives from the unions and officers' associations together in a meeting similar to the management conclaves. I spent four days with 30 leaders from across the country. Some of my best advisers at the bank warned that the leaders weren't trustworthy and could be disruptive, but by being different and asking them to a conclave—like monks in a cave—I built up huge curiosity. They wanted to know what I was doing. I told them I'd sit with them, but only if they came as friends of the bank. ....The results were fantastic. They had the good of the bank as much at heart as anybody else....”

### **Insight 3: Industrial Relations requires proactive management**

The young workforce in India is marked by high aspirations and flexibility. This gives rise to an opportunity to practice and shape industrial relations proactively. Gone are the days when increasing productivity was resisted tooth and nail. There is, on the contrary, a greater appreciation of the need to increase productivity. That several organisations have productivity linked incentives for workmen in new industries around Pune is a testimony to the fact that a new era in industrial relations has arrived.

Organisations are increasingly appreciating that not just communication but a dialogue with employees is essential. It calls for willingness to empathetically understand the other point of view and act on it. This is the enlightened practice of industrial democracy.

High level of 'control' exercised by managements is an anathema to industrial democracy. The irony is that while many tools and techniques developed by Japanese industry to harness the energy and creativity of the workforce are practised by Indian industry, there is no success comparable to what Toyota achieved at the NUMMI plant in USA.

Many industrial organisations have experimented with redesigning jobs of employees to make them meaningful, and allowing greater discretion in their hands.

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Unfortunately, the press covers many stories of industrial strife and rarely any of shaping good industrial relations. Otherwise the stories of organisations like State Bank, Thermax, Asian Paints and Marico would have received greater publicity and brought forth the awareness of best practices.

In essence, 'controlling attitude,' 'Do this if you want to get that' is out; discretion, openness and alignment are in. The soul of proactively managing industrial relations is promoting trust. Research shows that increasing trust between the managers and workforce will lead to strengthening corporate governance.

#### **Insight 4: The ability to handle and resolve a conflict is a business requirement**

The golden rule in resolving conflicts is that even disagreement must be arrived at after an effort is made to understand the position of the other party. Sometimes there are irreconcilable differences. Patience must be shown to talk, negotiate and resolve the dispute.

Any party's conduct during the strife is indicative of its corporate persona, and a certain brand is created in the minds of people at large. Moreover, it also creates a mindset which employees at various levels tend to follow. It is imperative, therefore, that the leadership knowingly takes steps to resolve the dispute.

Handling conflict does not end when people return to work. It is important to make the employees feel included; if the divide between management and workforce is allowed to continue or grow it is only an invitation to another discord. Fostering an inclusive culture after a major breakdown of industrial relations is one of the toughest jobs. It takes years to build. It takes magnanimity of the parties involved to accept that in a long drawn dispute both sides need to share the blame.

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