

# CEC Working Paper

## Documentation of Labour Rights Violations in India: *A Case Study of Automobile Sector*

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2000

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# CHAPTER I: INTRODUCTION

## Background

The automobile industry is a core sector in India. From the days of the Ambassador car to the swanky new aerodynamic cars that we see today, from the staid Tata trucks to the new Volvo trucks and buses, automobiles in India have come a long way. Not only a large number of world manufacturers have set up production bases in India, but also a large number of foreign companies are collaborating with Indian auto-component suppliers and vendors. These new manufacturers have also brought with them the latest production techniques and new management practices. It would be worthwhile to know the impact of new management practices on the working condition of workers in the automobile manufacturing firms as well as in their large number of auto-component suppliers.

Top decision-makers of big companies feel that the voluntary retirement scheme (VRS) is the only option for those who want to reduce flab in terms of the workforce. They are investing huge amounts in modernisation of production plants, and thereafter will normally require only about one-third of the existing workforce. The point is that globalisation is affecting the automobile industry, and with reference to an industry that has undergone such tremendous change the world over from being labour-intensive to capital-intensive, the implications of change will be of great concern for the study of labour rights in a labour-surplus country like India.

Why labour rights, when there is a plethora of laws to deal with probably 'every conceivable' labour rights violation in India, one might ask? Counter-questions to such an approach are aplenty. Do these labour laws actually imply that all labour rights violations are punished? If these labour laws lead to punishment of the erring employers, are these being enforced and maintained by the employers? In a hypothetical situation, even if all of the above are true, are the existing labour laws adequate to address the needs of workers in a changing scenario of new trade conditionalities/pacts and new management and labour practices, also known as human resource management? Thorough ratification of some of the ILO conventions by India is very important to ensure the achievement of the underlying objectives. Further, to actually achieve these objectives, effective methods of implementation, monitoring and control are also required. About 92 per cent of the Indian workforce is in the informal and unorganised sectors, and the violation of labour rights is almost endemic in the country. This 92 per cent is not covered by international labour rights or, in reality, even by the plethora of national labour laws.

While looking at the labour rights scenario in automotive sector, it becomes imperative to arrive at a theoretical basis for defining labour rights that will effectively deal with the changed conditions of trade and production in the era of liberalisation/globalisation – where the reality of a 'one-market world' cannot be belittled. Then, we would have to have an ideal theoretical base that incorporates all elements that the new trade/labour/management practices are bringing about.

On June 18, 1998, International Labour Organization (ILO) adopted the *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up* in Geneva, thereby taking up the challenges of globalisation. It is often seen that harmonising of labour rights across countries becomes difficult since different countries are at different stages of economic development. Nevertheless, the ILO has arrived at some fundamental principles

and rights at work that are considered to be universally acceptable. These are:

- Freedom of association and the effective recognition of the right to collective bargaining (ILO Convention 87 and 98)
- The elimination of all forms of forced or compulsory labour (ILO Convention 29 and 105)
- The effective abolition of child labour (ILO Convention 138) The elimination of discrimination in respect of employment and occupation (ILO Convention 100)

Social justice is essential to universal and lasting peace, and this has been one of the tenets on which the ILO was founded. Economic growth is essential, but not sufficient to ensure equity, social progress and the eradication of poverty. Thus, to maintain the link between social progress and economic growth, the guarantee of fundamental principles and rights at work is of particular significance, as it enables the persons concerned to claim freely, and on the basis of equality and opportunity, their fair share of the wealth that they have helped to create, and also to achieve their human potential to the fullest.

In addition to the ILO-defined principles and rights, the government of India has laid down a plethora of laws to safeguard the working conditions of Indian workers. Some legislations of relevance are:

- The Industrial Disputes Act (1947), which covers unfair labour practices
- The Contract Labour Act (1970), which seeks to regulate the employment of contract labour and provides for its abolition in certain circumstances
- The Minimum Wages Act (1948), which ensures minimum wages to workers
- The Factories Act (1948), which provides for the health, safety, welfare and other aspects of workers in factories
- The Equal Remuneration Act (1976), which provides for the payment of equal remuneration to men and women workers, and for the prevention of discrimination, on the grounds of gender, against women in the matter of employment
- The Trade Unions Act (1926), which provides for the registration of trade unions and, in certain aspects, defines the law related to registered trade unions.

In the area of social security, employees state insurance (ESI), payment of wages, bonus, gratuity, and pension, and maternity benefits are some of the areas that the government has looked into.

Labour organisations have affirmed the principle of universality of labour rights – that labour rights are **‘inalienable human rights at the workplace which no industrial establishment or state can tamper with’**.

Nevertheless, with the government executing policies aimed at integrating the Indian economy into the global economy, violations of the rights of workers have been further aggravated. A consequence is export-oriented production in addition to new

management/production practices such as:

- Parallel production
- Outsourcing
- Lease license manufacturing
- Franchising
- Employment of contingent workforce
- Shifting workforce from contract of employment/work to contract for work, etc.

All these have led to an increase in the number of contract, home-based and unorganised workers at all levels. As a result, it is becoming easier to violate labour laws and/or to render the laws ineffective.

### **Purpose of Paper**

This paper will try to examine selectively the circumstances of labour rights violation in the automobile sector in India, in the contemporary age of globalisation and liberalisation. Within the broad parameters of labour process and labour rights, this paper will also discuss the situation of job permanency, unionisation efforts, and industrial relations in auto sector, as also the overall situation of wage and working conditions, social security, and welfare measures available to the workers in this sector.

### **Scope and Limitations of the Research**

This research is an effort to document labour rights violation in the automobile sector in India. The reason for selecting the automobile sector for the study of this issue is that it is a core sector, and one that has undergone a metamorphosis with the advent of new business and manufacturing practices in the light of liberalisation and globalisation. Also, in this sector a sizeable number of the workforce is involved in production activities, and they are normally at the receiving end of unfair labour practices. Thus, it assumes immense significance for research and study.

The technical limitation of this paper has also been recognised, since the automobile sector is vast, and documenting violation of labour rights for the entire sector needs gigantic effort and considerable time and resources. In view of this, the study has been narrowed down to Ashok Leyland (foreign ownership – Hinduja Group), Maruti Udyog Limited (a joint venture between government of India and Japan-based Suzuki), Tata Engineering and Locomotive Company (TELCO; Indian-owned), and some of their ancillaries and suppliers. Zeroing on to these three companies and their suppliers was a conscious decision, as they have been established auto players in India. Geographically, the survey of the study is limited to the cities and towns where main production plants of these companies are located. These are mainly Chennai, Gurgaon, and Pune, and their satellite towns.

It cannot be said that the number of surveyed workers (190) is a representative sample as it is not even a fraction of the total direct employees in the automobile sector, which is about

200,000 (the sector provides indirect employment to about 10 million people). Selection of employees for the survey was difficult from the point of gaining access to them and the factories where they worked; so, researchers had to rely on the help of trade unionists, personal acquaintances not only in management and unions but also in other professions (for instance, labour lawyers), academicians and researchers, political and social activists, and so on. From time to time, we were also directly approaching the workers, unions and management, with and without success in getting their cooperation. Therefore, wherever we had contact and cooperation, we conducted the survey without any choice. However, despite all the limitations, the generated data may be very useful because it reflects general trends in working conditions in the automobile industry.

### **Research Questions**

This paper tries to address the following questions:

- What is the labour situation in automobile sector?
- What are the factors that have negative impact for labourers in this sector?
- How are these factors violating their rights, and what is the nature of these violations?

### **Methodology and Source of Data**

This study is largely based on collection of primary data. We prepared semi-structured questionnaires and administered these to workers and management in the national capital region (NCR), Chennai (including Ennore, Trivattur, Ambatur and Guindy), and Pune (including Chinchwar, Kane, Akudi-Nigudi, Pimpri and Bhosri). Total administered questionnaires are 190: 61 in Chennai, 56 in Pune, and 73 in NCR. Apart from the structured questionnaires, we also had informal discussions with trade unionists, researchers, management consultants as well as consultant of workers' union (new phenomenon in the age of globalisation), social and political persons, and government officials in the concerned geographical areas. This study has also used primary and secondary data available from various sources including the internet.

The study has adopted a correlation and an analytical perspective. The data was clubbed into three segments – whole data as one segment, large- and medium-scale industry as second segment (because most of the time these two are together in general situations), and small-scale industry (SSI) and tiny sector as third segment due to the same reason as in the second. However, in the data analysis these segments have not been treated as watertight because sometimes the medium scale is with SSI and tiny sector as well. We have, thus, explained the data according to the relevant situation.



## **CHAPTER II: THEORETICAL AND CONCEPTUAL FRAMEWORK**

### **Conceptualising Neo-liberalism, Marketism, Flexibility and Labour Market**

This is the age of the dominance of the neo-liberal ideology, which mainly serves the interest of the developed world and transnational companies (TNC) by adopting various mechanisms and extracting much more resources from the developing countries. Every dominant emerging trend coins (or uses extensively) slogans and catchwords, and so has the neo-liberal ideology, with 'monetarism', 'no-nonsense', 'supply side', 'structural adjustment', 'labour discipline', 'new realism', and 'rationalisation of production and workforce'. In the contemporary world, these words are instrumental in justifying belt-tightening at the bottom and luxury-consumption expansion at the top. Since the 1980s, in India these tactics have had some success in reducing the bargaining power and in the growth of organised labour, thus leading to denial of labour rights. In another way, this situation has also increased income inequality and worsened the economic and social status of the working class. (Das, 1997: 4) It would be useful to discuss some of the ideological aspects of neo-liberalism which are not only influencing the contemporary world, but also leaving tremendous impact on the condition of Indian working class in general, and workers in the automobile sector in particular.

#### **2.1 Notion of Statism vs Market Capitalism**

In this notion of neo-liberalism, it is presumed that the state is an inefficient allocator of economic resources, and that it is inevitably and hopelessly wasteful, corrupt and incompetent in economic affairs. The proponents of economic liberalisation advocate the withdrawal of the state from the working of the economy, so that the market can be allowed to allocate resources efficiently through an unfettered private sector. (Janicke, 1990: 31) The essence of market liberalism is the proposition that the bulk of economic activity is best conducted within institutions of market capitalism, in a regime of private property and contractual liberty. (Das, 1997: 4)

In this model, the private sector is to be the engine of growth, and the crowding out of this sector by the state is anathema. The state is viewed as distortive, and the traditional use of subsidies and price controls has supposedly produced unreal and artificial economies. "The theory treats with undue levity and suspicious silence, in many instances of the market failure. Essentially, the withdrawal of the state from the economic scene of action to a bare facilitative to allow the 'invisible hand of the market' to guide the economy, with the private sector at the helm, is at the heart of the espoused new-liberal ethos. At best, government should be limited, with the state restricting itself to setting the framework of market capitalism." (Minott, 1996)

Since adjustment programmes are the main instruments of neo-liberal ideology, through which its objectives are being materialised in many developing countries (India is one of them), it would be useful to discuss the basic tenets of this policy.

#### **2.2 Adjustment Programmes: Ideology and Austerity**

The International Monetary Fund's (IMF)/World Bank's directed "adjustment programme is based on three fundamental objectives: a) to ensure that the debt and interest are paid, b) that

the economy is an 'open' one, and c) that the economy is a 'free enterprise' one, meaning that state enterprises and the public sector are minimised or privatised, and that state-organised income redistribution or protection of the poor and vulnerable is eliminated or marginalised" (Harrod, 1992: 69)

Therefore, this ideology goes in favour of private business through deregulation and privatisation, and against the social welfare of state mechanism. (Harrod, 1992: 69)

These objectives can also be seen from the basic standard structural-adjustment policy packages that have been implemented in many debtor countries. The package includes certain elements like devaluation of currency; cut in government expenditure through reduction in public employment and social welfare programmes; market liberalisation and elimination of protective barriers; liberalisation of financial institutions; privatisation of public sector enterprises; and marketisation of social sector programmes like education, health and nutrition. (PIRG, 1992: 8)

### **2.3 Labour Market Clearing – Myth or Reality?**

"The neo-classical theoretical position asserts that unregulated markets clear efficiently, and this is also true of the labour market. The labour market exists with workers vending their labour services to a buyer termed the employer. The exchange is economic in nature, the relationship impersonal, and the tie between the employed and the employer is limited to the payment of a wage and the productive services rendered. And so the theory proceeds having desocialised and depersonalised the so-called labour market." (Minott, 1996: 10)

"As each market is governed by the interplay of the impersonal forces of supply and demand, so is the labour market. There is a supposed market-clearing equilibrium wage, which naturally emerges when the supply of labour meets labour demand in a perfectly competitive market. For the neo-classical, supply creates its own demand, and if demand should fall, a fall in real wages would trigger responses that would clear the market of excess supply. Thus, the non-clearing of the market (unemployment) is due to forces that prevent real wages from falling, like strident unionism, and government-legislated minimum wages or other 'price distorting' mechanisms." (Minott, 1996: 11)

Neo-liberalism with its march of globalisation has also led to the globalisation of lean production techniques such as kaizen (continuous improvement), just in time (JIT), multi-skilling, job rotation, total quality management (TQM), and numerical and functional flexibility. "Here the theory of flexibility advocates for labour market flexibility, i.e., the mobility of labour between sectors, regions and jobs; numerical flexibility – the ability of producers to reduce or increase employment to match market changes; structural flexibility – ability to alter production configurations (flexible work time, technology, layout and work methods) without hindrance; and financial flexibility – the freedom to alter costs for competitiveness (varying wage costs according to market conditions). All this is achievable if the major impediment to flexibility – workers' organisation or trade unions – is removed or controlled. In this scenario one would expect to see, as we are already experiencing, an increase in contract work, casualisation of the workforce and export-free zones – all of which are ingenious ways to circumvent and frustrate efforts at trade union representation." (Das, 1997: 7)

Furthermore, neo-classical liberals feel that a flexible labour force is an evidence of a dynamic free market. Influenced and guided by this notion, the process of industrial

restructuring increased the pace of flexibilisation in the countries that accepted the structural adjustment programme (SAP). Here, the argument is being put forth that the “labour market flexibility can minimise redundancies and job losses in the short run by facilitating wage adjustment, and can speed up industrial restructuring in the medium term by smoothening the process of labour reallocation. During stabilisation, national expenditure falls and, consequently, there are downward pressures on demand. If money wages can be adjusted downwards, then prices can fall, thus moderating the fall in demand and hence output. In principle, there exists a level of downward adjustment in wages, which will leave output unchanged. And if the decline in output is moderated or prevented, job losses will also be moderated or prevented” (ILO-SAAT & UNDP, 1996; 5)

In the Indian context, the arguments of non-clearing of market due to strident unionism, minimum wage act, or other protection mechanisms are somewhat relevant for organised industries and services. However, this sector employs only a small percentage, about 8.5 per cent, of the total labour force. In terms of total labour force in India, it is important to note that the labour market has always been flexible in the sense that labour market regulation/protective legislation has rarely been extended to or implemented for the vast majority of workers. On the basis of the 1981 Census, A. Mathur has estimated that employment security provisions do not cover more than 12 per cent of ‘wage workers’. (A. Mathur, 1992)

In this context, the market-clearing hypothesis appears to be rather simplistic. Also, it lacks realism, which renders it unscientific. (Standing & Tokman, 1991; 53-63) Further, perfect competition is a mere abstract, and structural unemployment cannot be rectified by adjustments in real wages, certainly not in the short run. “The theory wrongly assumes the homogeneity of the labour market, and therefore appears ill-equipped to treat labour market dualism reflected in the formal vs informal sector or organised vs unorganised dichotomy.” (Das, 1997; 8)

## **2.4 Labour – Hardest Hit**

In society, labour is the hardest hit by the ongoing policies of neo-liberalism. Privatisation of public enterprises and greater flexibility in labour market are the main elements for workers’ worsening conditions. Including many other things, this situation is also providing ideal conditions for rapid casualisation of work in even medium- and large-scale enterprises. Moreover, flexibilisation of labour and new technologies have enabled the decentralisation of production, whereby the corresponding new management and production techniques include subcontracting and just-in-time delivery. Also, introduction of new technology brings host of new problems concerning employment, particularly in a labour-surplus economy such as India. In the first place, it makes a host of traditional skills redundant. Employers, in order to avoid going through the painful process of retraining and redeployment, prefer to phase out the workers with old skills and recruit new ones. The new jobs are mainly in the managerial and supervisory categories or at the bottom end, i.e., unskilled casual/contract workers category. In effect, the proportion of permanent unionised category of workers is shrinking considerably. Secondly, new technology enables the management to have greater control over labour process. For instance, officers and supervisors can themselves run an automated process plant with the assistance of a few casual/contract workers. So, even if the unionised category of workers adopt restrictive practices or go on a strike, the production will not be affected. This severely erodes the unions’ power. (Davala, 1994; 145-46) Furthermore, the experience of all such newly industrialising countries (NICs) shows that *a large number of familiar trends have*

*developed, namely, flexibilisation, informalisation and intensification of labour.* Subcontracting and outsourcing have made it possible for TNCs and large-scale national industrial firms to be detached from their responsibility towards their workers while operating profitably. Defining the terms of production leaves the small- and medium-scale enterprises at the mercy of TNCs as well as big firms. The workers in these small-scale units, hence, become the recipients of all the hardships. This, in turn, helps the big industries and TNCs to maximise their competitive advantage.

## **2.5 Trade Unions – Losing Their Ground**

"The neo-classical proponents have built a case against trade unions. Unions, it is asserted, raise costs, impose rigidities, are a threat to management, and deter foreign investment. This bias against unionism is influenced by the 'supply side' perspective that has shaped orthodox structural-adjustment strategy of neo liberalism; a perspective that sees all institutional mechanisms as rigidities and market distortions. This line of argument is used to justify anti-union legislation, as well as sometimes blatant suppression or denial of union recognition." (Standing, 1992) Therefore, the neo-classical case against unionism is producing results in India and other countries in this age of globalisation. Due to this strategy (implementation of structural adjustment programme, establishment of WTO and enforcement of its rule and regulation in Third World countries), the union's traditional base is shrinking. Its bargaining power and growth has been reduced to a great extent due to new forms of work organisation like flexibilisation, contract and sub-contracting, work on piece-rate basis, transfer of workers from permanent to non-permanent categories, and employing large number of contract workers, which, in turn, create fertile ground for labour rights violation. Moreover, workers are being displaced from the organised to the unorganised sector, where union presence is already negligible. Now, its very survival as a representative body of the working class is at stake, and one of the fundamental labour rights – the right to organise – has gone into the background.

# **CHAPTER III: AUTO INDUSTRY: LABOUR PROCESS AND LABOUR RIGHTS**

## **3.1 Auto Industry in India: Changing Scenario**

India, the world's largest democracy, with a very large pool of scientific and engineering talent, has marched forward in critical areas of development, be it space or electronics. This pool of knowledge has enabled India to attain high levels of achievement in diverse high-tech areas. Now, India is following the principles of liberalised economy, and supporters of this policy believe that so-called far-reaching economic reforms aimed at deregulation and attracting foreign investment have moved India firmly into the front ranks of the automobile industry in the rapidly growing Asia-Pacific region. In the dynamics of transition of the Indian economy, the automobile industry is emerging as a leading industry. The industry's strong linkages with the capital equipment and services industries, and the potential for earning foreign exchange through exports have also acted as an impetus for its growth.

The regulating environment and labour protection in the country has now been eased. This has made the business environment 'market-oriented and investor-friendly', especially for foreign investors. Moreover, the Indian situation provides an ideal ground for the attainment of the main objective of the neo-liberal ideology, i.e., good prospects for business and profit for industrialised countries and MNCs. Because of the size of her economy, a diversified industrial base, a weakening protection mechanism for workers and union, less chances of workers' resistance, and the government's inclination towards industrialists rather than workers, India finds place among the few markets in the world that offer high prospects for profit earning in all areas of business. The automobile and allied engineering industry is among the foremost businesses. Moreover, cheap labour is an advantage for India, and for TNCs in their quest to find newer methods of becoming competitive and remaining competitive. In this respect, TNCs are sourcing production centres to India, where lower labour costs have made it possible to price goods competitively.

### **3.1.1 What is the Automobile Sector?**

The automobile sector extends to all vehicles, including two/three-wheelers, passenger cars, multi-utility vehicles, light and heavy commercial vehicles, and the allied engineering sector comprising largely the auto components sector. Agricultural tractors and earth-moving machinery are an associated sector, which keeps the wheels of the agrarian economy moving. It is heavily reliant on and aligned to the automobile and allied engineering sector, and plays a significant role in India. The automobile and allied engineering industry may alternatively be termed as the automotive industry.

The automotive industry in India now operates in a liberalised environment. Many joint ventures have been set up in India with foreign collaboration, both technical and financial, with leading global manufacturers. Also, a large number of joint ventures have been set up in the auto-components sector, and the pace is expected to pick up even further. In this regard, even auto manufacturers are collaborating with foreign companies for component productions – for instance, Tata-Johnson is a collaboration of Telco of India and Johnson of the USA, for seat manufacturing, while Tata Com, a network of auto-component

production units, was created with the collaboration of various foreign players. Some of the large-scale auto-component suppliers are also collaborating with foreign players, an example being Sumi-Motherson. Some foreign companies such as SKF Bearing have directly established large-scale auto-component manufacturing units in India, and not only supply to all major auto manufacturers in India, but also export products to foreign countries. An immediate impact of this type of development is that Tata Johnson, Sumi Motherson, or SKF Bearing can wipe out a large number of indigenous auto-seat suppliers and other component vendors in the sector. This notion prevails not only in academicians' and researchers' heads, but also in the minds of SSI manufacturers, unionists and workers. The government of India, on its part, is keen to provide a 'suitable economic and business environment' conducive to the success of the established and prospective foreign-partnership ventures.

### 3.1.2 Structure of Automobile Industry

At present, the auto industry in India gives direct employment to about 200,000 people, and indirect employment to about 10 million. The industry has achieved tremendous growth in the 1990s. In 1996-97, it achieved a turnover of Rs 450 billion and contributed Rs 297.8 billion to the state exchequer. The Indian automobile industry is characterised by a very high percentage (75 per cent) of production in the two/three-wheeler sector. India ranks as the second largest producer of two/three-wheelers in the world, next only to Taiwan. India today is the largest manufacturer of tractors. (Source: Internet autoindia.com)

There is much variation in terms of size of the auto industry, operating mechanism as well as labour conditions. Basically, auto manufacturing companies have created a large number of component suppliers, and for final assembling of vehicles, their dependency is very high on vendors. Yet, despite the high dependency on vendors and suppliers, large industries completely dictate their terms and conditions on suppliers on every account. Larger firms are establishing their own suppliers with financial collaborations and keep full control on their management. In terms of labour conditions, large industries normally fare better. There, workers are unionised and permanent workers are given good salaries and other legal benefits including social security and welfare measures. The situation is better understood through case studies of large manufacturing units.

**a. Ashok Leyland:** The company was established in 1949 and produces a wide range of vehicles for commercial, defence and industrial purposes. This company has since been taken over by Hinduja Group of the United Kingdom. In the financial year 1998-99, its sales turnover was Rs 2,000 crore. In the same financial year, the company exported to countries such as Sri Lanka, Mauritius, Zambia, Nigeria and South Africa. The company has six production centres. In its main unit in Ennore (Chennai), it employs more than 7,000 production workers, of which about 1,000 are contract workers. It outsources a large part of work to vendors, which is an emerging trend worldwide.

In terms of working conditions and legal benefits, permanent workers are satisfied in this firm, and some of the workers even feel proud of being part of Ashok Leyland. Workers get most of the social security benefits such as medical facilities, maternity benefits, employment accident schemes, provident fund, separation benefits, employees' insurance schemes and gratuity. Workers also get other benefits such as subsidised food/tea, transport facility, uniform, and festival advances.

Ashok Leyland has independent unions that exert a strong influence on the company, and due to this, sometimes the management feels helpless. The latter feels that workers' organisation is not in the interest of industry or industrial relations.

**b. Maruti Udyog Limited (MUL):** The company was established in 1983, when the first phase of liberalisation started. It is a 50:50 joint venture between MUL and Suzuki of Japan. As part of the general trend, Maruti is also heavily dependent on a large number of auto-part suppliers. Additionally, it has established its own suppliers/vendors in joint ventures, wherein the per-unit equity share of Maruti is larger, and it keeps full control on their management. Some of its vendors are Mark Auto Industries Limited, Bharat Seats Limited, Jai Bharat Maruti Limited, Caparo Maruti Limited and Machino Plastics. All these vendors/suppliers operate in the same complex where the MUL vehicle assembly plant is, and are separated from the main plant by a wall. The plot is owned by Maruti Udyog Ltd and is referred to as a joint-venture complex.

The most recent unit to be set up is Caparo, which is a modern plant and employs fewer workers compared to other plants. In spite of this, the proportion of permanent workers and contract workers is 25:75 – 75 per cent denotes contract and 25 per cent permanent. A deviation to this is a particular plant that employs less contract workers, but then, this plant also shows signs of the workers' union being cowed down by the management. An interesting observation was that of the presence of labour contractor's agents, called supervisors, who are responsible for the entry of contract workers into the units. The scene unfolds itself every morning at the beginning of each shift, when the contract workers stand in front of the factories looking expectantly at the roster, which will provide them with the day's earnings. The roster has the requirements for the number of contract workers that shall be required in each unit, for a particular shift. The people from the personnel department of the units come out with the requirements and hand these over to the agent of the labour contractor (i.e., the supervisor), who then selects the workers from the crowd of hopefuls and enters their names, on a daily basis, for the purpose of calculating wages and other benefits like provident fund. A significant feature of the system is the complete lack of ignorance of certain sections of contract workers about the presence of provident fund, or the fact that they are entitled to it. This, the various workers' unions opine, leaves ample scope for the company's management and the labour contractor to make a killing out of the funds.

The companies supposedly give each labour contractor a certain amount to be paid as provident fund to the workers. The problem is that a lot of these contract workers are migrants, and they would rather not spend so much money to come to Delhi to collect their PF amounts, as it would mean spending an additional amount to probably collect an equivalent amount as provident fund.

Last year's sales turnover of Maruti Udyog Limited was Rs 8,500 crore. Its workforce strength is about 6,000, of which about 3,000 are contract workers. Since it is the main auto-manufacturing firm, permanent workers get a reasonably good salary and other benefits. It also has an independent workers' union, and therefore, workers are in a position to bargain at some level. Currently, workers are on a relay hunger strike at Maruti Udyog Limited. About 300 contract workers are also on strike. They are demanding a better working atmosphere and wage benefits. At present, they are getting just Rs 50 per day with no other benefits. The employees' union is protesting against the indecisiveness of management about their demand for incentives. Meanwhile, the management is arguing that the current market situation does not allow any upward revision of incentive for

employees. Further, the management is proposing productivity-linked incentives. On the other hand, the employees' union is in the process of going on a full-fledged strike.

**c. TELCO:** This Indian-owned company was established in 1965. It produces multipurpose vehicles of heavy, medium and small size. Recently, it added Indica in the car section. At present, it has production centres at Pune, Lucknow, Jamshedpur and Dharwar. In 1998-99, its annual sales turnover was above Rs 2,000 crore. It also exports its products to Zambia, the UAE, Bangladesh and Sri Lanka. The company is dependent on a large number of auto-part suppliers. Like Maruti's joint ventures with suppliers, Telco, in its effort to consolidate the large number of small suppliers into bigger ones with some control over their management, has also been creating its own supplier base by forming Tata-Johnson and Tata Com. In the Pune unit itself, Telco employs about 9,000 workers, of which about 1,000 are daily-wage casual workers. As a leading manufacturing firm, it provides facilities and benefits to its permanent workers identical to those provided at Ashok Leyland. There is a workers' union at the unit, but after the failure of the 1989 workers' struggle, the management has fully controlled the union. The workers who actively took part in 1989 are still being targeted by the management and treated badly. Also, the management has been aggressively trying to frustrate workers' and union's efforts to take an independent stand. This fact was evident when this researcher with a fellow visited the Pimpri unit to meet the management for collection of data for this study. At the reception itself, on intercom, the personnel manager told this researcher that he would not entertain them and also not allow them to meet the union leader. In the Lucknow unit of Telco, workers and their union were confronting the management over a lockout and demanding better working conditions.

The medium-scale industry in auto sector is mainly a supplier of auto parts. Here, workers have to fight more for workers' organisation and labour rights. Wherever the workers' union exists, employees at least get minimum wages. In this industry, it remains a fact that forming a workers' union is difficult, and if formed, its survival and continuation is more difficult.

In the SSI and tiny sector, due to their numerically thin workforce, the labour situation is pitiable. Most of the employers have four to five units for tactical purposes. They can reap more profits by keeping more small-scale units, than converting those into a larger unit. Moreover, on paper, every unit is further sub-divided into three-four units. In some of the SSIs, employers' criminal-like behaviour is apparent – they vanish overnight with production equipment, leaving employees jobless. In their case, they do not need to relocate or rename their enterprise to fulfil legal obligations. Vanishing from the scene is the easiest way to gain more profits because this strategy enables them not only to deny workers' dues, but also to embezzle a large amount of public funds. Since union presence is nil, they do not face any opposition. Any hurdle in this regard from government and creditors is not visible. Hence, such SSI employers find it easy to carry out such acts. Indeed, without the collusion of local authorities and bank officials, it would not be easy to do so.

In the SSI and tiny sector, existence of workers' organisation is minimal. Mostly, one-way industrial relations exist, and the whims of employers are the only guiding force for workers to remain in job.

### **3.1.3 Evolution of Auto Industry: A Brief Sketch**

In India, the development of the automobile industry was much more regulated and protected. The regulation of the auto industry in India was in line with the overall policy



of state intervention in the economy. Vehicle production was closely regulated by an industrial licensing system that controlled output, models and prices. The government prioritised production of trucks, tractors and buses, while production of cars was restricted well below the level of demand. Between 1971 and 1980, on an average, only 45,000 cars and jeeps were produced each year. (ACMA, 1997: 10) The cars were mostly built by two companies, Premier Auto and Hindustan Motors. The Indian market was transformed only after 1983, with a relaxation of the licensing policy and the entry of Maruti Udyog Ltd into the car market. This can be called the first phase of liberalisation. MUL was a joint venture between the Indian government and the Japanese auto company Suzuki. Production of cars and jeeps jumped to over 100,000 units by 1985, and reached 200,000 units in 1989. (ACMA, 1997: 10)

### **3.1.3.1 Policy Scenario and Evolution of Auto Industry**

It was in 1898 that the first motorcar rode down India's roads. From then till the First World War, about 4,000 cars were directly imported to India by foreign manufacturers. The growing demand for these cars established the inherent requirement of the Indian market which these merchants were quick to pounce upon. Hindustan Motors Limited (HM) was set up in 1942, and in 1944, Premier Automobile (PAL) was established to manufacture automobiles in India. However, it was PAL who produced the first car in India in 1946, as HM concentrated on auto components and could produce their first car only in 1949. It was left to another company, Mahindra and Mahindra (M&M), to manufacture sturdier utility vehicles, namely, the American Jeep.

In 1953, the government of India took the policy decision that only those firms that have a manufacturing programme should be allowed to operate, and in 1955 granted approval to only seven car dealers to operate in India – Hindustan Motors (HM), API, Ashok Leyland (ALL), Standard Motor Products of India Limited (SMPIL), Premier Automobile Limited (PAL), Mahindra and Mahindra (M&M), and Tata Engineering and Locomotive Company (TELCO). The regulating environment continued to remain in place. The 1960s witnessed the establishment of the two-three-wheeler industry in India. During the 1970-1980 period, not much change was witnessed. The major factors for keeping strict control over industries were the implementation of Monopolies and Trade Restrictive Practices (MRTP) Act and Foreign Exchange Regulation Act (FERA), and the 'oil shock' of 1973 and 1979.

Since the 1980s, the Indian car industry has seen a major resurgence with the opening up of the Indian shores to foreign manufacturers and collaborators. During the period of 1980-1990, the first phase of liberalisation was announced by the government. With the liberalisation of the government's protectionist policies, advantages like monopoly and oligopoly, hitherto enjoyed by the Indian car manufacturers, slowly began to disappear. This period also saw the entry of a large number of firms in the market. Four Japanese manufacturers entered the commercial vehicle and two-wheeler market.

The government agreed to the demand for allowing foreign collaboration in the automobile sector. The industry witnessed a revival due to major policy changes like relaxation in MRTP Act and FERA, de-licensing of some ancillary products, broad banding of products, and modification in the licensing policy. Also, it gave concessions to the private sector and the new foreign collaborations. Protection was reduced as a result of broader policies for trade and investment, and liberalisation was adopted in the early 1980s. The government of India tied up with Suzuki Inc. of Japan, producing India's most

successful car till date – the Maruti 800.

In the 1990s, the development of auto industry policy was complex. The major liberalisation policies were directed not at foreign trade, but at dismantling the system of controls over investment and production. Transnational companies were allowed to invest in the assembly sector for the first time, and car production was no longer constrained by the licensing system. However, quantitative restrictions on built-up vehicles remained, and foreign assemblers were allowed to meet local content requirements and export targets agreed upon with the government.

The new policy regimes and the rapid growth in car sales led to inflows of foreign direct investment (FDI) by the mid-1990s. Similarly, investment liberalisation and a potentially large domestic market attracted many new entrants to the Indian market. By the end of 1997, Daewoo, Ford, General Motors, and Mercedes had begun assembly operations. New plants were constructed, and new products and models – including Matiz, Toyota Qualis, Opel Corsa, Maruti Baleno, Maruti Wagon R and Indica – were launched by Fiat, Ford, Honda, Hyundai, Telco and Daewoo.

### **3.2 Labour Process and Labour Rights: Findings of the Study**

In the study, major issues that have been discovered include ‘increasing trend of flexibilisation by various means’ and ‘weakening trend of protection mechanism of auto workers’ job and income security’. Another major finding is ‘the deteriorating situation of right to organisation and collective bargaining’. The major findings of the study are discussed in the following sections.

#### **3.2.0 Demographic Details of Auto Workers**

##### **3.2.1 Education and Skills**

In terms of education and skills, there is variation among the different segments of industries. In the large-scale sector, some workers are highly qualified with two of them being postgraduates. Within the large- and medium-scale sectors, about 40 per cent of workers have reasonable qualifications, ranging from intermediate to postgraduate level. More qualified people opt for these industries due to the better wage and working conditions, welfare measures and social security, as compared to that in SSIs and tiny industries. Inferior wages and working conditions may be one of the reasons why about 55 per cent workers in the SSIs and tiny industries are below matric qualification. However, if matric and matric plus technical education are clubbed, the percentage goes up to 78 per cent. Basically, the SSIs and tiny sector are ‘less-paid and less-protected sectors’, where people having lower level of qualifications get jobs somewhat easily. Also, SSIs and tiny segments are mostly component manufacturers and suppliers, paying less and hiring less qualified workers. If the surveyed 190 workers are seen in totality, it is found that matriculation is the ideal qualification for the majority of workers in the auto industry. In totality, only four per cent of workers are graduate and postgraduate. A majority of them, about 65 per cent, are of matric or below matric level (with or without some technical training). Most of the workers had on-the-job training, and only 22 per cent of them received some type of formal training of one week or two from the employers. However, more than a two-third of workers stated that they have not received any type of retraining from employers, and that they have learnt only while doing their job. Workers who had retraining during job are mainly from the large- and medium-scale industry, with only six workers from SSI and tiny sector in this category.

### **3.2.2 Gender Composition**

In terms of gender composition, it is mainly a male-dominated industry, probably due to the requirement of heavy manual work or because the female majority do not prefer this sector. In our sample of 190 production workers, only four are female and all four are from Noida-based Sumi Motherson System Ltd (SMSL). The survey was conducted in 33 industrial units in Delhi-NCR, Chennai, Pune and its satellite industrial towns. But except the four female workers mentioned, not a single woman worker was found to be involved in production and operational activities. SMSL is a large-scale company employing more than 5,000 workers. It is a joint collaboration of Sumi of Japan and Motherson of India. It is a vendor company and basically produces auto parts for companies like Maruti and Telco. The company is an interesting example of gender composition, as out of the over 5,000 workers, about a two-third are women. Most of these female workers are involved in assembling of *harnash* wiring which does not require heavy manual labour, but demands great concentration and skills. Interestingly, few male workers are involved in this activity. One of the interviewed workers revealed that her employer prefers to appoint female workers for this job. Among the reasons for employing females is to prevent formation of union in the factory and to continue to pay lower salary as women are considered to be docile and not interested in raising issues. Ms Anisha (not real name) has been a permanent employee in this factory for the last four years. Her monthly wage is just Rs 2,300. Though she is not satisfied with the salary, she has adopted a pessimistic approach and holds that no one can do anything to change the situation; therefore, she does not want to raise the issue of wage increment or other labour rights.

### **3.2.3 Place of Origin of Auto Workers**

Geographically, the origin of auto workers in our sample represents an almost all-India character as they belong to all the major regions – north, south, west, east, and northeast. In this sample, the largest number of workers (58 workers, 30.52 per cent) is from Tamil Nadu, followed by Maharashtra (53, 27.89 per cent). The majority of workers are from these two states because Ashok Leyland and Telco, the companies covered in the study, are based in these states. A total of 111 workers, or 58.42 per cent, are from these two states, while the rest are from Bihar, Delhi, Haryana, Kerala, Orissa, Rajasthan, Sikkim, Uttar Pradesh and West Bengal.

### **3.2.4 Types and Size of the Firms**

Basically, in the automobile sector (including its ancillaries) there are little chances for home-based or family-based work. The sector requires large amount of investment and sophisticated and modern technology for precisions, standard quality, and appropriate market links. Therefore, in our sample, not even a single worker is involved in family-/home-based work.

The sample indicates that the automobile industry is based on a chain of suppliers, who produce auto components for main vehicle assemblers/manufacturers. About 80 per cent workers are from the medium, SSI and tiny sectors, which are solely suppliers to main vehicle assemblers or auto manufactures like Telco, Ashok Leyland and Maruti. Even large-scale industrial units are suppliers to these firms, prominent examples being SKF Bearing (Pune), which employs more than 1,500 workers for production/operational activities, and Sumi Motherson, which employs over 5,000 workers in production activities.

### 3.2.5 Wage and Working Conditions

In the sample, workers are evenly divided in two categories – freshers and those who have worked in more than one factory. Out of 190 workers, 92 have worked earlier in other factories, while 98 workers have joined the present job as freshers and do not have past work experience. The even division of workers is also done in terms of industry, wherein large- and medium-scale industry is one group, and SSI and tiny sector is another.

Workers normally work for about eight hours, with about 79 per cent in this category. About 20 per cent have to put in more than eight hours, while seven per cent work for more than 10 hours. In the large and medium segment, only three per cent workers have to work for more than 10 hours, but in SSI and tiny sector about 12 per cent work for over 10 hours.

In terms of wages, only large-scale industry – particularly main vehicle assemblers/auto manufacturers – pay reasonable and respectable wages to their permanent workers. In the sample, of 190 workers, about 15 per cent are getting above Rs 9,000 per month as salary. These workers are mainly from main vehicle assembling units, i.e., large industrial units. Out of 28 workers in this category, 23 are from large units and only five are from medium-size units. However, not all permanent workers of large firms are being paid good salaries. In these firms, the duality exists in terms of not only permanent and temporary/contract workers, but even among permanent workers. For example, Ashok Leyland has two production units in Chennai, with the main unit in Ennore and another in Ambatur. (Earlier, the second unit in Ambatur was Press Metal Corporation Limited and a supplier to Ashok Leyland, but it was taken over in 1990.) Permanent workers at its non-main unit get monthly wage in the range of Rs 3,001-Rs 5,000, while their counterparts in the main unit generally get more than Rs 10,000 per month. For contract workers in both units, the situation is worse. In both the units, none of the contract workers is getting more than Rs 2,000 per month. They are paid Rs 50 per day in Ennore unit and Rs 30 in Ambatur unit. In Ambatur unit, contract workers make up more than 50 per cent of the total workforce.

In terms of wages, our findings show that a majority of workers in the automobile industry get just below Rs 3,000 per month. About 60 per cent of workers in the sample fall in this wage scale. These workers are mainly from medium, SSI and tiny sectors, and only four (of which three are contract workers and one is a casual worker) out of 115 are from large-scale industry. Also, it is an interesting fact that none of the workers from tiny sector are getting more than Rs 3,000 per month. Similarly, excluding five workers, none of the workers from medium-size industry is getting more than Rs 7,000 per month. With these low wages, it is impossible for them to manage their family and personal requirements. Mr Kailash Saxena and Mr Raj Kumar of Chanda Enterprises (Faridabad) express the same concern: “The workers are not happy. They get a very meagre salary and it is difficult to manage household requirements.” Another worker of the same enterprise says that they are working under compulsion because there is no alternative.

In SSI and tiny sector, more than 62 per cent of workers feel that after joining the job there has been no improvement in their living standards and social status, and a similar perception prevails among a two-third of workers in medium-scale industries. As discussed earlier, workers’ salary in the auto sector is just enough for survival, and hence, any improvement in their living/social status is out of the question. On the other hand, a majority of workers from the large-scale sector feel that their status has improved after joining the job, as claimed by 28 out of 39 workers in this sector. The rest 11 workers, or

28 per cent, who are mainly contract, temporary and casual workers, are dissatisfied with their present jobs.

About 57 per cent of workers are getting regular increment, and about 90 per cent of them are getting it on annual basis. More than 56 per cent workers from the sample do not have any chance of getting promotion. Only permanent workers in large-scale industries have this opportunity, acknowledged by 36 out of 39 workers; a few workers in medium-scale units, SSIs and tiny sector enjoy the same privilege. The single major allowance that workers get is the year-end bonus; about 65 per cent of workers have access to this. However, a large number of workers within this category have to remain content with 8.33 per cent of bonus. Other allowances such as 'cost of living allowance' primarily exist only in the large-scale units, while shift allowance is confined mainly to the large and medium units; a very less number of workers (about nine per cent) in SSI and tiny units get this allowance. The regular attendance allowance is almost similar across large- and medium-scale units, as compared against SSI and tiny industry. It is about 10 per cent in SSI and negligible in tiny industry, with only one worker in the sample getting this allowance. Forty-nine per cent of workers in large- and medium-scale sector are getting transport allowance, with 30 per cent of workers in SSI and tiny sector having this privilege as well. However, for the latter it is in the form of bicycle repairing cost, which is minimal. Production incentive allowance and festival allowance are not given to 35 per cent of workers even in large- and medium-scale units.

In terms of available social security, hardly 37 per cent of workers – mainly from large-, medium-, and small-scale industry – said that they have gratuity benefits; from tiny-scale industry, none of the workers reported having any social security benefits. About 70 per cent workers reported getting medical facilities, though very few in tiny and small industry enjoy this benefit. In medium-scale industry, this facility is mainly provided through the Employees State Insurance (ESI); however, the actual effectiveness of ESI hospitals is known to all. On the basis of their experiences, workers share a common belief that for every kind of health problem, they get common tablets and syrups from these hospitals. If workers or their families have any major health problems, they have to get treatment through a private doctor or a regular hospital. In SSI and tiny industry, this facility is limited to first aid. About 59 per cent workers reported having the facility of subsidised food. However, it is to be noted that mostly the large and some medium-scale units have canteen facilities that provide subsidised food. Therefore, this facility cannot reach beyond 24 per cent of workers. A large number of workers from medium-scale and almost all from SSI and tiny sector have to remain content with just one or two cups of tea provided by the factory. Most of the medium and almost all SSI and tiny industries do not have canteen facilities, and this means that the availability of subsidised food is out of question. The essential social welfare measures such as transport facility (except in large-scale industry), uniform allowance, insurance, and accident schemes are not accessible to even 50 per cent of workers, being limited to 38 per cent of average workers. Even the system of separate toilets for female workers is non-existent in SSI and tiny industry, it is available only in large-scale units and a few medium-scale factories.

### **3.2.6 Is Employment Secure?**

In our sample, about 68 per cent workers reported that they are employed as permanent workers. In the large- and medium-size industries 82 per cent workers are permanent, while in SSI and tiny sector 50 per cent are permanent workers. One reason accounting for 68 per cent permanent workers in the sample is that researchers had easy access to

permanent workers through unionists. As most of the casual/temporary/contract workers are not part of unions, they are not open to giving interviews for the fear of job loss. Another reason for not willing to get interviewed could be that the unionists neglect their interests, and so they are not keen on cooperating with the unions.

However, it would not be correct to assume that because 68 per cent of workers in the sample are permanent, they are also in secured employment. The ground reality does not support this contention. Especially in the age of globalisation, with the main thrust on competition and the consequent measures of flexibilisation by cost reduction, the question of 'job security' or being in a 'permanent job' becomes meaningless. At any time, any worker can be thrown out from the factory or forced to accept VRS, irrespective of his/her duration of service or level of skills. Today, any individual or group of workers can be separated easily. To illustrate, Mr Deep Chand Sharma of Azamgarh district, in his late 50s now, has worked for about 40 years at a medium-size factory in Okhla (New Delhi). For the last two years, the management has harassed him with the sole motive of getting rid of him, as he did not accept their offer to take *hisab*. The management must have realised that after two years he would reach the age of retirement, and they would have to pay him retirement benefits and other entitlements. Thus, his daily attendance was not properly recorded, and after a while, he was not being allowed to enter the factory premises. Then he started getting notice from management that because he was absent from his duty without any information, he should immediately report at work; otherwise, appropriate action would be taken. He went twice with the notice to report at work, but was refused entry and warned that he should either take *hisab* or lose the job as well as all accumulated benefits. However, he was adamant about continuing to work. With the help of a local AITUC-affiliated union, he approached the labour office. About four times, he went with the labour inspector to join his duty. Whenever the inspector was with him, he was allowed to enter the factory. The very next day, though, it was back to the same situation of being denied permission to work. The conciliation process was going on at the office of assistant labour commissioner at Giri Nagar, where the management insisted on giving *hisab*. Already, the management had tampered with the attendance record of his entire service period and built a solid documentary proof against him as an irregular and absentee worker. The outcome was that he had to ultimately take the management-dictated *hisab*. The management offered just eighty-four thousand rupees for the entire length of his service. Mr Deep Chand realised that at this stage it is not possible for him to fight a legal battle for 10-15 years to claim his labour rights, and moreover, he will not necessarily get a favourable court decision. His realisation is also based on the recent change in the attitude of judiciary towards workers and unions. Earlier, the judiciary in India was known as being concerned about social justice and the downtrodden people, and, in fact, judges of High Courts and the Supreme Court of India have given a series of far-reaching judgements in that spirit. In recent years, though, particularly in the post-liberalisation period, there is a remarkable change in the attitude of the judiciary. This can be understood better from some of the recent judicial decisions:

**Fine for arson:** In a recent judgement, the Supreme Court imposed a fine of Rs 100,000 each for six trade union activists for indulging in arson and damage to company property during strike. In the past, when a fine of one rupee was levied on a trade union leader, he did not pay and the matter was not pursued either. (Ratnam, 1997; 18)

**b) Justify strike:** In ID Act 1947, there is a provision that before going on strike, employees have to follow some procedure – for example, a few weeks' prior notice for

going on strike. In its judgement, Supreme Court said, "A strike has to be not only legal, but also justified." Therefore, now employees must not only have a legal strike; they also have to prove that the strike was justified (Ratnam, 1997; 18)

**c) No pay for union work:** In a ruling the Maharashtra High Court declared "no pay for trade union work". (Ratnam, 1997; 18)

**d) Dismissal without enquiry:** The Supreme Court upheld the decision of Oil and Natural Gas Commission (ONGC), who had dismissed its employee without any enquiry. In this decision the Supreme Court set aside the High Court judgement that dismissal without enquiry is illegal (Ratnam, 1997; 18)

**e) No right or freedom to hold demonstrations:** In its decision, the Delhi High Court ruled the following: (i) "A union has no right or freedom to hold a demonstration in a property belonging to another. No one can be allowed to exercise his right so as to prejudice the right of another." (ii) "The right of labour union, of speech, and formation of assembly, and demonstration of their point of view has to be exercised within the framework of law, and should not lead to violence and misrepresentation of law and order in the society." (iii) "A trade union and its members can be restrained by the court from staging demonstration within 100 metres of the factory gate/residence of the managing director, and they cannot interfere with the ingress or egress of officers, employers and customers." (Ratnam, 1997; 18)

The identical decision of the Kerala High Court has been upheld by the Supreme Court in November 1997. (Das, 1997; 26-27)

Probably due to these factors and also due to the cumbersome process of a legal battle, which is the day-to-day experience and observation of workers as a whole, Mr Deep Chand opted for the management-dictated *hisab*; there was no better option available for him in the circumstances. However, being a medium-size industry employee, Deep Chand at least got some compensation, but in SSI and tiny industry, owners do not find any hurdle in removing any worker and they do not bother to pay any compensation either. For workers in these industries, it becomes difficult to prove that s/he was actually working in the same factory. For large-scale industry also, the concept of job permanency has become very weak. As one of the workers from Pimpri (Pune) unit of Telco said, every year the Telco management retrench three to four workers on the basis of absenteeism and medical unfitness. One of the ex-workers of Telco and a leader in the 1989 strike, Mr Jai Singh Pawar stated that management had taken an initiative, since last year, to remove 500-600 workers on the basis of absenteeism. Workers who are being removed on the basis of absenteeism do not get retirement benefits. An ex-worker at Telco (now the union leader of Bhartiya Kamgar Union, an affiliate of Shiv Sena) talked about the situation of job permanency in the company. According to him, there was not a single temporary worker before 1989. Keeping temporary workers was not in the Telco culture. If temporary workers were appointed, they became permanent within 10 weeks. After 1989, the company started to appoint temporary workers for six months. After one term, i.e., six months, they were given service break for a further one term (six months). If some of them were to be re-employed, that would be possible only after six months. Now, the company considers making some of them permanent only after three-four terms. The current trend appears to be one of moving workers from permanent to temporary, contract and casual status. Even in our sample, a large section of workers is from temporary, contract and casual categories, accounting for about 32 per cent in total.

The situation of job permanency has also weakened due to the implementation of voluntary retirement scheme (VRS) – contrary to popular perception, it usually does not remain voluntary, but is a forced decision, particularly in the private sector. In SKF Bearing, within the five-year period from 1993 to 1998, VRS has been implemented twice, and about 1,000 workers were separated. Both the times, though, workers had opposed the move, but the company union entered into an agreement with management and ‘convinced’ the targeted workers to accept VRS. In some instances, the wives of some drunkards tried to convince the union and the management to not give VRS as their husbands would exhaust all the money on liquor. However, the management, in collaboration with the union, went ahead with the scheme. Ms Razia Patel, faculty member at the Indian Institute of Education, Pune, later said that the wives’ prediction was what exactly happened. The workers spent all their money on liquor, and now their families are on the verge of beggary.

Forced VRS was also implemented twice at Mahindra UGINE (Kane, Pune) in the 1990s, and considerable numbers of workforce were reduced. However, the concerned union refutes this. According to Bhaskaran of SKF Bearing employees union, they finalise the package of VRS with the management and inform the workers. It is up to workers to accept VRS. However, one of the unionists as well as ex-Telco workers contended that it is not entirely true. The management not only finalise the VRS package, but also secretly reach an agreement to implement the package for a particular number and section of workers, and accordingly, unionists target such workers by various means.

Despite the fact that we had more access to permanent workers in conducting the survey, our sample shows that about 18 per cent workers in large and medium segments and almost 50 per cent in SSI and tiny segment are employed on temporary, contract, casual and piece-rate basis.

### **3.2.7 Less Profitable Overtime**

How does a company deal if it gets a lot of extra work suddenly? Normally, a company’s method of dealing with peak workload is to have its workers working overtime. About 65 per cent of workers accepted this fact in all segments (large and medium industry as well as SSI and tiny). Yet, about six per cent of workers do not get paid for working overtime. Only 13 per cent workers in the sample are fortunate to get the legal rate of overtime, which is double the regular wage. Of those getting paid legally, only seven per cent of workers are in SSI and tiny segment. Some workers in large-scale units get paid without any rate, i.e., a decided amount irrespective of the hours of overtime.

### **3.2.8 Situation of Collective Bargaining and Industrial Relations**

In comparison to other sectors, the unionisation rate is better in auto sector. In the sample, about 61 per cent of workers accepted the existence of workers’ organisation in their factories. This is due to the fact that all large-scale industries are unionised, and a majority of medium-size industries have unions (87 per cent of workers in this segment are unionised). However, the situation is reverse in the SSI and tiny segment, where about 72 per cent of workers are not under the umbrella of workers’ union. Presence of a union in a factory is in itself a guarantee for at least minimum wages and psychological security. However, more than 38 per cent of total workers in our sample are not under the umbrella of a union. Absence of union is a big disadvantage for workers, as they cannot claim minimum wages, social security, or other welfare measures. On the contrary, the whims of



the employer decide the minimum wage, working hours, overtime rate, welfare measures, entitlement of leave, dispute-settlement mechanism and grievance redressal, or any other matter related to the service conditions. Workers in these types of industries naturally do not have any bargaining capacity to put forth their demand, and have to obey the management decision.

### **3.2.8.1 Management's Response towards Workers' Organisation**

Basically, the public sector enterprises have a multiplicity of unionism (Das; 2000: 30) The private sector, and the automobile industry in particular, is dominantly characterised by the existence of a single union. Out of 117 workers who have union in their factories, 112 claimed the existence of a single union. Only five workers stated that they have multiple unions. However, of 62 per cent of workers who accepted the existence of union in their factories, only 49 per cent are members of a union. Unionisation rate is very high in large and medium segments, while the reverse is true of SSI and tiny segments, as only 17 per cent of workers are unionised in the latter. Asked why they are part of a union or what benefits they get from being a union member, a common response of workers was in the context of psychological security. Unionised workers opined that they are members because the union protects them from the company's ill treatments, and also that it is because of the union that their job is secure, and whatever facilities they get is only through the union. Some of the workers claimed that for the first time in their employment, they got a wage agreement signed when they were able to form a union and bargained with the management. The entire unionised section of workers from medium-size sector sees the existence of union as a guarantee of getting minimum wage and protection from harassment by management.

Nevertheless, workers still face harassment. Among the unionised section of workforce, 44.68 per cent face threatening action or some other kind of harassment from employers. This situation is mainly prevalent in medium- and small-scale industry, while in large-scale industry, only two workers reported that they face management's threat for being a union member. From tiny industry, there are no union members in our sample. It is natural that the intensity of threat and harassment to unionised workers is not as effective and severe as it is to non-unionised workers. Unionised workers share a sense of unity and oneness, which is a driving force in their ability to fight back and take a stand. As stated above, the situation of threat and harassment is severe in the small-scale and medium-scale industries, and also in the tiny sector, where any effort towards unionisation is intolerable for employers. One of the employers in the SSI sector in Chennai feels that workers should have some psychological fear against management. According to him, the fear of job loss in workers' mind is an important factor in generating higher productivity. In this regard, he further reasoned that the government should ensure that at least one person is laid off in a year so that everyone works to his or her best potential. Mr C.J. Dhal, owner of a Delhi-based SSI unit, was of a similar opinion. He said, "Everybody is working due to fear; people don't work if they have no fear. The government should do something so that workers have fear in their mind. For this purpose, the government should do away with job security." According to another employer in the tiny sector, unionisation hampers production levels, and unionised workers work more for the union and not so much for the factory.

Due to adverse notions against workers' organisations, management uses all sorts of mechanisms to defeat unionisation efforts. This task becomes easier for employers in the small-scale sector, as they employ less number of workers. Normally, they first try to

convince workers that forming a union is not in their interest; and then, the management breaks their unity by giving minor benefits to selected workers. If workers still go ahead with unionisation, the management uses muscle power by hiring local goons to terrorise them, and sometimes also inflicts harassment inside the factory premises upon a targeted leadership. And finally, there is the imminent threat of illegal retrenchment. About 75 per cent of employers feel that workers' organisations and trade unions are not in the healthy interest of industrial growth. In the medium-scale industry, nobody in management has a positive notion about workers' organisations. Only one person in managerial position from the large-scale industry accepted that workers' organisation is healthy for industrial relations and growth. One of the high-ranking officials at Ashok Leyland feels that unions are a 'hindrance' for them, and to 'make unionists agree to their point of view' is a big problem.

Workers and unionists from one of the medium-size units in Okhla, New Delhi, narrated how their efforts of forming a union were severely resisted by the management. As mentioned above, the management used all sorts of mechanisms and even hired local goons, who beat up some of the activists. The activists, too, were determined and retaliated in a similar manner to desist the management's goons. For the last five years now, they are unionised.

Even when the existence of a union is a reality, management tries to tame the leadership, so that the union does not have an independent stand against them. This method is in vogue in medium- as well as large-scale industries. Management of some of the large-scale units use new techniques to bypass the union or weaken them. In Telco's Pune unit, the union seems to move to the management's tunes. After the 1989 episode, the union is fully under management's control, a fact that most of the company's workers accepted.

At Mahindra UGINE, the union persisted in taking its own stand, which was not acceptable to the management. Wage agreement was due in 1997, and had not been renewed. Even after 27 meetings between the union and the management till April 2000, the deadlock remained unresolved. The management wanted to reduce the proportion of permanent workers and introduce a fresh scheme of VRS. It meant to increase the number of contract workers without increasing wages. It also wanted to organise the shop floor on the concept of UNESCO's Management of Social Transformations (MOST) programme. This means rationalisation of the workforce through reduction in number and optimal use of workers' productive time. To combat this situation, the unions' strategy was to remain involved in negotiations with management and, at the same time, to organise gate meetings and *dharnas* to press forth their demands. Meanwhile, the management had established another unit in Nasik – the alternative unit being part of a current general trend – and a large part of order as well as production was diverted to that site, which had a negative impact on workers of the parent unit. As one of the workers stated, "Earlier, we had work even on the weekends and were getting overtime benefits, but now there is no extra income, and wages are very low. The Nasik unit eats into our share of orders. Workers now prefer to take voluntary retirement."

### **3.2.8.2 Method of Dispute Settlement**

If a worker has any dispute or grievance against management, how does s/he settle it? The most preferred method is to approach the union leader and get the matter settled through him. In this study, about 46 per cent workers opt for this method. Basically, individual dispute/grievance is related to absenteeism, disciplinary action by management,

harassment by supervisor or management, leave, and other day-to-day affairs. If a concerned worker is a union member or activist, or is on good terms with the union leader, the unionists take reasonable interest in his/her problem and negotiate with the management. However, a large number of workers – about 41 per cent – negotiate directly with management, with the settlement of their problems depending entirely on the willingness of management. These workers are mainly from SSI and tiny sector, with about 66 per cent in this segment. At times their grievances get redressed, but mostly there is no resolution as workers lack bargaining/negotiation power and belong to the non-unionised section. For this section of workers, the issues involve every aspect of their employment, be his/her appointment letter, pay slip, wage and working conditions, social and welfare measurers, or annual increment and bonus. Further, they also struggle with issues of day-to-day affairs including leave, advance money, and relations with supervisor and co-workers. Some of the unionised workers first try discussing their issues with the management, and if a problem is not resolved, they go to the union leader. In our sample, about six per cent workers in this category feel distressed and say that they do not have any option as management dictates on every account and they have to obey accordingly. Workers in this category can be found across all sectors. However, if we probe the actual situation, even the non-unionised 41 per cent workers who negotiate directly with the management may be included in the distressed category. They are not in a position to influence the management's decisions. If the management disagree, a worker has to either agree with the ir decision or quit the job. The dominant sentiment among this category of workers may be summed up thus: "If our problem is not solved by management, then there is no way out. Unemployment is so high we cannot do anything."

**Workers attitude towards unionism:** One of the key observations here is that the affairs of unionisation are mainly confined to the permanent section of workforce. However, even within the permanent section, some of the workers feel that union organisation is not in their interest. This may be due to fear of victimisation by the employer for indulging in trade union activities. This may also be due to the feeling that union demands relate more to securing 'standard benefits for all' rather than to performance-based incentives. In the present age of globalisation, the trend is shifting from 'collective interest' to 'individual interest', and companies are trying to develop this attitude among employees. Workers, especially of the new generation, aspire towards personal advancement by remaining pro-management. Unlike trade unions, they try to secure personal benefits through individual efforts, than through collective pains.

Temporary, casual, contract and probationary workers stay out of union affairs due to the fear of job loss and harassment by management and contractors. Asked why they are not members of workers' union or what is the disadvantage of being a union member, about a two-third of the non-unionised workers said that they are not union members because there are no unions in their factories, and if there was one, they would have become members. According to them, employers do not allow them to form unions, and whosoever takes any such initiative is bound to lose the job, as this has happened earlier. Some of the workers from this section adopted a somewhat pessimistic approach. One worker said, "There are no benefits of a union because the employer breaks the union. It has happened earlier. In the event of failure of a unionisation effort, we face greater problems." The perception of contract workers in this regard is that unionisation activity is not for them. If they become union members, the very next day they will be out of the job.

Contract workers normally do not raise any issues in relation to management, either for

their wages or working conditions. If there is any serious matter, they communicate the same to their contractors and some of them even go to the union leader despite not being a union member. However, union leaders do not show much interest in their problems, or so claimed most of the contract workers. The unions of Mahindra UGINE and SKF Bearing accepted this point, saying that contract workers come for short duration and, therefore, they cannot concentrate on them. However, one unionist said that from time to time they urge the management to make the contract workers permanent. The union leader at Mahindra UGINE claimed that in the last agreement, due to the union's effort, 48 temporary and 30 contract workers were made permanent. According to him, now contract workers get the prescribed minimum wages along with an extra fifteen rupees per day as incentive. With great difficulty, some of the contract workers were regularised at Okhla-based Bhartia Industry as well. Mr Narendra Chauhan, a unionist there, said this is a difficult task if the management is not interested in regularising workers. It is also a fact that very small numbers of contract workers have chances of being regularised. In fact, in the present scenario of globalisation, increasing the number of contract workers or outsourcing the job to contractors is a priority area as it reduces cost.

Until the 1980s, India followed import substitution industrialisation (ISI) policies. Industry in the country was protected and regulated. In that situation, industrial relations were based on collective bargaining, where workers had some say. However, since the beginning of liberalisation, some of the large-scale industrial firms have tried to adopt new management techniques, an example being human resource management (HRM) practices, in which there is a lesser role for union or workers' representatives. In our sample, about 12 per cent workers, mainly from large-scale industries, reported that their company uses some form of HRM. The defining elements of HRM are: company's effort to strategically integrate employees to the company goals; multi-skilling them and giving group autonomy; popularising the concept of kaizen (Japanese for 'continuous improvement') for better work and organization, better production and better direct relation with workers, instead of through representatives; anticipating workers' problems before the union raises them; and concept of 'just in time' and in-house customer. In the given scenario of competition and cost reduction, these trends will gain ground in the coming days because some of the large-scale firms are determined to implement these. As one of the high-ranking officials at Ashok Leyland explained to this researcher, "Management is intended to reorganise shop floor according to new management techniques, but union hampers the process of rationalisation, and we feel helpless."

### **3.3 Health and Safety**

A large number of auto industry employees works under hazardous working conditions. About 30 per cent of workers, most of them from small- and medium-scale sector, stated that they are constantly working in a hazardous environment. For them, the existence of hazards is a reality. High noise, high temperature, dust and improper lighting are the major physical conditions described as hazardous. Working in this type of environment, they suffer from body pain, headache, joints problems, and eye and ear defects. About 21 per cent workers feel that there is a lack of protection equipment, due to which they are vulnerable to accidents. About 44 per cent of workers in this category are from the medium-scale industry. In case of a mishap or an accident, workers at small- and medium-scale industries have to be content with initial treatment facilitated by their management. This researcher saw a worker of Bhartia Industry whose half palm of the right hand, including all fingers, had been chopped off in a power press. At the time of accident, he

was a temporary worker. He received medical treatment and subsequently was made a permanent worker. However, he did not get any monetary compensation from the company.

## CHAPTER IV : SUMMARY

Based on its faith in market forces, neo-liberal ideology advocates giving these a free hand and proposes the withdrawal of state control, regulations and protection of any economic sector or any section of society. Neo-liberalism believes that the free market has potential to regulate the labour market and wages. Backed by this ideological assumption, structural adjustment programmes are being implemented in many developing countries, and World Bank and International Monetary Fund have been instrumental in their implementation. However, despite all the talks of free market, present international arrangements do not support this because of the monopolistic control of MNCs and some developed countries. It does not seem that the present arrangement is in favour of the Third World. The Third World countries, however, are compelled to 'compete' in the non-existing 'free' market through the implementation of various anti-social and anti-labour policies, in which the working class is the ultimate sufferer. The negative impact of anti-people policies is evident in all those countries where these have been implemented. India is one of them. Due to liberalisation policies, the employment rate is decreasing, while casualisation and contract work is on the rise. People are being forced to accept VRS and move from secure to insecure form of employment, mainly in the informal/unorganised sector. VRS is confined to mainly large-scale industries, while in medium-scale, small-scale and tiny industrial units, employers use different methods to get rid of undesirable workers. In medium-scale industry only a few workers get management-dictated settlement (alternative VRS in this sector), while most of them in SSI and tiny industries do not get any compensation for retrenchment or forced separation. Job security, as one of the labour rights, has become very weak. Due to these reasons, the power of employers has increased, while that of labour/unions has decreased considerably. Also, in the context of auto sector, the process of industrial restructuring, which began in the '80s, negatively impacted trade unions and employment. One of the reasons for declining union power has been the consequent shift in management strategies during this period. One of the new strategies is to reduce the permanent workforce and organise the bulk of their production through ancillary units or by employing casual, contract and other forms of unprotected labour. This not only brought down their fixed costs, but also gave management the much needed flexibility and control over the production process, and allowed them to bypass trade unions and sign agreements with individual workers, as well as shift production facilities to backward areas or new industrial non-unionised areas (an example being the establishing of a parallel production unit in Nasik by Mahindra Uginé).

The new management strategies created an atmosphere of job insecurity among workers and severely curtailed trade union activity. In such an atmosphere, strikes cease to be a weapon of unions because employers, who were keen on closing down their operations in major industrial centres, would quickly respond with lockouts. Such aggressiveness, on the part of employers, is evident from the fact that since the second half of the 1980s, working days lost due to lockouts were far greater than those lost due to strikes.

Due to these reasons, in the auto sector as well, employers are in a strong position and their whims seem to be the only guiding force in industrial relations. With a few exceptions, unions do not have any influence on matters of management policy or on processes of industrial restructuring and employee-employer relations. In larger enterprises, management just try to tame union leadership and impose their dictatorship on workers. Unions are becoming weak and are not in a position to mould the management's way in favour of workers. For the past ten years, there is no example of any union's successful struggle in the

automobile sector. Despite this, some unions – including those at Maruti, Telco and Mahindra Uginé – are still confronting their managements.

In medium-scale enterprises, regular renaming, relocation and parallel production, changes in workers' designation, and giving work to contractors are some emerging trends. Thus, workers are in a disadvantageous situation, and the survival of unions is very much at stake. In small and tiny enterprises, the situation is extremely bad for workers and unions. The standing of basic labour rights, such as right to organise and right to collective bargaining, has become very weak.

Our study also shows that the violation of labour rights in terms of minimum wage is apparent, particularly for contract and casual workers. This violation happens even in large-scale industrial enterprises such as Ashok Leyland and Maruti. For contract and casual workers, the situation is worse as they do not even get minimum wages. Contract workers of Telco have to wait for six months to get another term of job.

A majority of workers (about 61 per cent) in SSIs and medium-scale industry are getting monthly wage in the range of Rs 1,000 to Rs 3,000, which is too less to fulfil their basic needs. The minimum wage fixed by various states is questionable, because the majority of auto-industry workers do not feel that there is any improvement in their economic and social status. Auto-industry workers are hardly surviving, and the dignified life is a remote possibility for them. Very few auto-industry workers get the required allowances including cost of living allowance, shift allowance, regular attendance allowance, transport allowance, production incentive, and festival allowance. Social security and welfare measures are minimal in this sector. Also, workers face a lot of problems due to the hazardous working environment.

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<sup>1</sup>An 'open' economy means (i) it is open to foreign investors and traders, and (ii) citizens can freely export capital and travel to spend it abroad, and (iii) the economy contains no defensive protection administered by national governments.

<sup>2</sup>Even in organised sector, protection mechanism is declining rapidly in the current phase of liberalisation and globalisation, and forces of rigidities becoming very weak. \_

<sup>3</sup>Unemployment that arises when the skills of the unemployed are not compatible with the skill needs of existing jobs. This could be influenced by one's inability to relocate to jobs requiring his/her skill. Persons possessing skills that are used only by one or a few firms are similarly affected whenever laid off or made redundant.

<sup>4</sup>*Harnash* is an auto part that is being used in the engine of automobiles and it is called the nerve of an engine.

<sup>5</sup>Till 1998 it had 2,200 production workers. Due to the second VRS in 1998, the numerical strength of workers has been reduced considerably.

<sup>6</sup>*Hisab* normally is different from VRS. In SSIs and medium-scale industries, management force workers to reach a management-dictated settlement where worker has to accept the offered amount. Here, normally no rules and regulations or length of service is considered by management while giving the *hisab*. This system is popular in Okhla industrial area and may be in other parts of the country too.

<sup>7</sup>All India General Mazdoor Trade Union at Giri Nagar, Kalkaji, New Delhi.

<sup>8</sup>In 1989 there was a big struggle by workers against TELCO management. Management refused to negotiate with majority union and reached an agreement with minority union, and was able to break the workers' struggle.