

## Maruti Suzuki steps up hiring of contract workers

Number of contract workers at Maruti Suzuki increased 61.5% between 2013-14 and 2015-16, suggesting a change of heart since the 2012 Manesar violence



Maruti Suzuki's Manesar plant. Photo: Ramesh Pathania/Mint

**New Delhi:** Maruti Suzuki India Ltd, which said after a violent protest at its Manesar factory in 2012 that it would not hire contract workers for production jobs, has continued to do so. The car maker now offers them more benefits than it used to.

It also calls them differently—Company Temps, according to a spokesperson—and not contract workers. They are also hired directly by the company and not through agents.

They may be getting more benefits, such as free meals, insurance and provident fund, than in the past, but these workers continue to be paid a lot less than permanent employees for what is sometimes the same job.

The current salary of a temporary worker at Maruti is around ₹17,000 per month; a permanent employee's pay varies between ₹17,000 and ₹50,000 depending on work experience, according to Kuldeep Janghu, general secretary, Maruti Udyog Kamgar Union.

The fact that they are temporary workers means they do not have the protection offered by Indian labour laws, although some experts argue that it is the very rigidity of those laws that force companies such as Maruti to hire contract workers and not permanent ones.

The number of contract workers at India's largest carmaker increased by 61.5% between 2013-14 and 2015-16. Maruti had 10,626 contract workers, 13,259 permanent workers and 1,276 apprentices as of 31 March. The total workforce at India's largest carmaker increased 24.41% to 25,161 during the period, according to the company's annual report.

In 2013-14, Maruti had 6,578 contract workers, 12,547 permanent workers and 1,099 apprentices.

Significantly, the increase in the number of permanent workers during the period was muted at just 5.67%. This seems to suggest that Maruti had a change of heart after deciding in 2012 to stop hiring contract workers for production activities and convert contract workers into permanent ones.

The move was widely seen as the company's attempt to prevent a repeat of the industrial unrest of 2012 when a senior human resource executive was killed and several others injured in violence that rocked the company's factory in Manesar.

That violence was the handiwork of workers demanding higher wages and other benefits and better working conditions.

"What you are referring to as contract workers are actually Company Temps. In 2012, Maruti Suzuki introduced a new system called "Company Temps". This system was first adopted in the Manesar factory. Subsequently, it was introduced in phases in the Gurgaon factory," a company spokesperson said in reply to a detailed questionnaire.

Interestingly, Maruti's annual report continues to refer to the workers as contract workers, not Company Temps.

"Since 2012, Company Temps are being hired by the Company directly so no question of conversion," added the spokesperson.

On 23 July 2012, *The Economic Times* reported that Maruti would stop hiring contract employees and hire regular or permanent workers in all core manufacturing lines across its five factories in Gurgaon and Manesar.

The demand for automobiles in India fluctuates a great deal. The difference in demand between the peak season and the low season could be as much as 25%. Automobile factories, therefore, require flexibility to be able to cope with such significant seasonality. Auto companies do this by using contract labour.

At Maruti, the contract workers are directly hired from Industrial Training Institutes. They are then trained by the company for several shop-floor jobs, the spokesperson said.

“They are offered industry best remuneration and other benefits, food, uniform, provident fund, employee state insurance, bonus etc.,” added the spokesperson.

The spokesperson attributed the increase in the number of contract workers to a “significant increase in production of cars and engines( about 24%)”, and added that it is in line with “increase in demand and growth of the industry”.

Between 2013-14 and 2015-16, the production of cars at Maruti Suzuki increased from 1.15 million to 1.42 million.

An analyst with a Mumbai-based brokerage firm echoed Maruti’s view.

“Maruti has started to build a lot of engines in-house in the last two years. Engine manufacturing is far more labour-intensive than manufacturing a vehicle. The rise in number of contract workers could possibly be because of that,” the analyst said on condition of anonymity.

In the four years since the Manesar violence, Maruti has increased the pay scale of both contract and permanent workers, and bounced back with a 47% market share at the end of 2015-16—its highest since 2000. Last year, it surpassed its Japanese parent Suzuki Motor Corp. in terms of market capitalization and sales, and exported a made-in-India car to Japan, a first.

On Tuesday, Maruti’s stock ended trading at `4,862.25 on the BSE, having quadrupled in price since the 2012 riot. The exchange’s benchmark Sensex fell 0.31% to 28,064.61 points.