

TAMIL NADU

## Labour pains: Employee unrest in 'Detroit of Asia'

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**The Chengalpattu-Oragadam belt has witnessed labour unrest in recent weeks over issues such as workers' wages and the recognition of unions. Continued ferment could have implications for the State's ability to attract investment in a highly competitive arena**

With companies like Ford, Hyundai Motor, BMW, Daimler, Renault-Nissan, Mitsubishi Motors, Yamaha Motor and Royal Enfield present, the Chengalpattu-Oragadam belt, near Chennai, has come to be known as the 'Detroit of Asia'. In this hub that has the capacity to produce one car every 20 seconds, labour issues have begun to rear their head. In the last few weeks, workers from two-wheeler firms Yamaha and Royal Enfield and some from auto component firms have been taking to the streets to voice their concerns pertaining to issues such as wages and recognition of unions.

The usually vacant highways in the region are flooded with thousands of workers waving placards and flags. Last week, workers from companies not affected by the protests also came out to show their support.

R. Suresh (name changed), a worker at one of the firms, said that companies were paying no heed to employees. "If we voice our issues, they terminate us. This is not the way to treat workers," he said.

His friend, K. Saravanan, who works in another factory nearby, said that wages were also lower in the hub when compared to other States. “Every time we have to fight for our rights. And if we don’t, the companies just don't bother. They want to take out maximum profits out of their investments here,” he said.

S. Kannan, President, CITU, Kancheepuram district, said that the AIADMK government was unable to handle **labour** unrest. “The government has a vested interest to safeguard corporates. It is not at all interested in upholding the rights of workers,” he alleged.

For the State, the labour unrest in the auto hub comes at a time when it is gearing up to host the second edition of the Global Investors Meet (GIM) in January 2019. While the strike has been called off at the Royal Enfield plant, the labour problems continue at Yamaha and Myoung Shin Automotive India (MSI), which is a supplier to Hyundai Motor India.

The crux of the problem at Royal Enfield, Yamaha and MSI is that a section of workers is unhappy with wages and attempts to form a union were disallowed by the management. In fact, the management suspended workers who tried to form a union. Now, talks are on before the Labour Commissioner on the Yamaha and MSI labour issues.

This is not the first time that workers in this belt are up in arms. In the past companies like Hyundai, Ford and Renault-Nissan have also faced labour issues.

Mr. Kannan pointed out that if managements recognised unions, collective bargaining would help workers get fair wages. “When the workers are happy, they will give their best and it will give good results in manufacturing and services sectors,” he said.

## **Works committees**

Most companies in the Sriperumbudur-Oragadam belt have been comfortable in dealing with labour issues through what is called a Works Committee and have shied away from recognising unions.

“The very first body constituted for the purpose of negotiation and settlement between the employer and workmen representatives is the Works Committee. A Works Committee is required to be constituted in those industrial establishments having at least 100 workmen,” said Preetha S., Senior Member, Employment Laws Practice, Nishith Desai Associates.

The Works Committee typically consists of representatives of both the employer as well as the workmen (both unionized and non-unionized). If there is a registered trade union/unions in the establishment, the representatives of the workmen are chosen based on consultation with the registered trade union(s). The workmen representatives are chosen on the basis of election.

One of the key issues regarding recognition of unions is that there is no law at the national

level for recognition of trade unions in India, according to legal experts. Ms. Preetha pointed out that registration of a trade union does not automatically imply that the particular trade union has attained 'recognition' from the employer, unless the State-specific laws provide for recognition of trade unions or if such recognition has been granted by the employer by way of an agreement.

"As such, the right to collective bargaining is available only to a 'recognized' trade union. There is no legal obligation *per se* upon an employer to collectively bargain with trade unions other than a recognized trade union, although there could be practical challenges in dealing with such a situation," she said.

A. Soundararajan of the Centre for Indian Trade Unions (CITU) said that there is an argument that the law is not clear about recognition of unions. "However, this should be an automatic process and workers rights can be ensured only through collective bargaining," he pointed out. CITU has been spearheading the protest in this industrial hub.

## Clash of expectations

S. Ravindaran, a senior advocate, said conflict between the expectations of the industry versus aspirations of the workforce was the reason for industrial unrest in the auto hub.

The industry operates in a very competitive market condition where delivery of high quality products to the consumer at competitive prices is the basic requirement and hence it craves a highly skilled and disciplined work force to achieve its production targets, he added.

"The cream of the skilled and educated workforce is employed on a permanent basis, operating highly sophisticated machinery.

The remaining educated workforce is trained to attain the skill needed for the industry. However, there is high turnover of trainees and, therefore, there is continuous engagement of a large number of trainees in the industry. The unskilled jobs which have no value addition are carried out by a large number of contract workmen," Mr. Ravindran said.

He pointed out that after a few years, the permanent workforce who are given annual increments at the discretion of the management, crave automatic increases in wages, which will take them to the level of "fair wage", while on the other hand a large number of trainees and contract workmen, receiving only statutory "minimum wages" after being engaged for long years, expect to be absorbed on the rolls of the management and given the status of permanent workmen.

"When the management does not fulfil the aspirations of the permanent workmen in their quest for fair wages and aspirations of the trainees and contract workmen for being absorbed, they naturally turn to outside union leadership to redress their grievances," Mr. Ravindran explained.

A report by Nishith Desai Associates India – Trade Unions and Collective Bargaining in 2015 – pointed out that historically, the function of the trade unions was limited largely to collective bargaining for economic considerations. “However, trade unions now play a major role in employee welfare activities, cultural programmes and banking and medical facilities and by creating awareness through training and educating the members of the trade unions. On the other hand, the dominant managerial objectives in collective bargaining in recent years owing to heightened competition have been to reduce labour costs, increase production or productivity, flexibility in work organization (multi-skilling /multifunctioning, changes in worker grades etc.), increase in work time, reduction in regular staff strength via VRS, stress on quality and so on,” it said.

Ms. Preetha points out that employers should be open to providing an open and participative work environment. “Employees should feel welcomed and be treated with dignity and respect. They should also be encouraged to use internal grievance redressal mechanisms. In my view, this would be a win-win situation for both the employer and the employees,” she said.

“The management should recognise the aspirations of the workforce by giving them fair wages and regularise the services of trainees and contract workmen who have worked for long years. The workforce should realise that earning wages for mere presence in the factory is no longer possible. The workforce should be highly disciplined and motivated to achieve high levels of productivity. Beyond minimum wages, the rest of the wages should be linked to productivity,” Mr. Ravindaran said.

“The industry and the workforce should appreciate the other’s need and arrive at an amicable solution, which alone would provide lasting industrial peace in Chennai’s industrial belt,” he noted.

## **Impact on investment**

The current unrest could have implications for the State’s industrial climate. According to data from RBI, **Tamil Nadu** netted \$3.47 billion in foreign direct investment in 2017-18. However, the inflows declined in the April-June 2018 period, with investment at \$718 million, compared to \$996 million in the same period last year.

The State government has repeatedly assured that all is well with the industrial climate. However, recent happenings like the closure of the Sterlite plant, protests over the Chennai-Salem green corridor project, and shifting of the Indian Premier League out of Chennai have all raised question marks, especially when neighbouring states of Andhra Pradesh and Telangana have been aggressive in attracting investments.

“MNCs are not mandated to be bogged down in any way by such issues. If the environment is not conducive to their business, there are so many choices for them. The loser is certainly the local environment, which has to be understood by all concerned. With a good part of

our society looking up to countries like Singapore, and also going there for employment, administrators should follow the example of the Singapore Prime Minister in how he firmly dealt with the striking Singapore Airlines pilots,” Ar Rm Arun, Chairman, FICCI's Tamil Nadu State Council, said.

He also pointed out such negative events will certainly cause MNCs to rethink their strategy. “We’re also seeing Indian companies from other States reconsidering their expansion plans. Labour reforms are an extremely crucial part of growth and can’t be taken for granted. While its good that the next edition of GIM is being planned, it is extremely important for the administrators to firmly address such issues with priority. There’s no point in slowing down the development process to only further vested or short-term agendas,” Mr. Arun said.

He also pointed out that all stakeholders should be doing everything possible to project the State in the best light across all parameters, especially when every Indian State is vying for investments.

Mr. Soundararajan does not believe that strikes impact the investment climate. “Strikes have been happening across the manufacturing hub in various States. The workers are not happy with the management. Companies make investments based on the availability of workforce and they need to meet their aspirations,” he said.

“We need investment, for that we can't lose human rights and labour rights,” Mr. Kannan added.