

Case Study: Labour Unrest at Manesar Plant of Maruti Suzuki in 2012, A Perspective

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Introduction

In the early 1980s, it was beyond the dreams of common man to own a local made car which could match the imported ones. The restrictive and claustrophobic policy atmosphere made it virtually impossible to produce anything or establish a factory without the painfully slow process of permits, inquisitions and denials from an army of bureaucrats who had no domain knowledge but had all the controls to enable or kill corporate initiatives. In such period, Maruti Udyog Limited was born, thanks to the influence of Late Sanjay Gandhi, son of the then Prime Minister Indira Gandhi which eased the way through the maze of permit raj. So, by 1983, India had produced its first alternative to the ubiquitous Ambassador of Hindustan Motors owned by Birlas and Premier aka Fiat owned by Doshis.

Objectives

The primary objective of this case study is to give business, social and historical perspective of the reasons behind the series of incidents that took place at the Manesar plant of Maruti Udyog Limited in 2012 which lead to the murder of a senior HR executive and extensive damage to property. In that, the take away for the reader is to,

- ♦ Know the occurrences at Maruti Udyog Limited Manesar plant which took place in December 2011 and in July-September 2012



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- ◆ Understand the background of industrial relations at Maruti Udyog since its inception.
- ◆ Take into cognizance the business dealings and the changes which took place in the management of Maruti Udyog Limited.
- ◆ Comprehend the social milieu of the Manesar area, its people, their aspirations and the triggers for criminal acts which took place in 2012.
- ◆ Understand the Japanese philosophy of industrial relations and management and in that background as to how the local populace identified themselves with their employer.
- ◆ Assess the possible causes for the criminal acts which took place in 2012 at Maruti Udyog taking into account all the factors mentioned above

The secondary objective of this case study is to highlight the future implications of the unpleasant incidents which took place at Maruti Udyog Limited and to encourage the reader to think of the further effects of the same in the industrial relations and business scenario in India from the long term point of view.

A Brief History of Industrial Relations at Maruti Udyog Limited

Founded in 1983, Maruti Udyog Limited had few problems in its labour relationships. The locally hired workforce accepted the Japanese work culture and the modern manufacturing processes. In 1997, with the changed ownership, Maruti came under government control. From there on, the conflicts between the United Front Government and Suzuki started. Labour problems started under the management of the Indian government. In 2000, a major IR issue began and employees of Maruti Udyog went on an indefinite strike, demanding major revisions of their wages, incentives and pensions. Employees resorted to 'slowdown' in Oct 2000, to force a revision to their pay and perks. After the elections were held and a new central government led by the NDA alliance took command, pursuant to the disinvestments

policy, the new administration proposed to sell part of its stake in Maruti Suzuki in a public offering through a red herring perspective. The workers opposed this public offer plan on the grounds that the company will lose a major business advantage of being subsidised by the Government and that the workers are better protected under the Govt control..

The cold war between the union and the management continued through 2001. The management did not pay heed to the union demands because of increased competition in the automotive sector and lower profit margins. The central government prevailed and privatized Maruti Udyog in 2003. Suzuki of Japan became the majority owner of Maruti Udyog Limited with 51% share with the public holding 12.5%.

In late 2011 and early 2012, labour unrest started in the Manesar Plant with Sonu Gujjar, a local labour leader demanding right to establish an alternative labour union due to non alignment of a large section of workers with the existing union. The problem was solved in a rather sneaky way by the management by sending off Sonu Gujjar and twelve others with a Golden Handshake scheme which lacked transparency.

Manesar Violence July 2012

On 18 July 2012, Maruti's Manesar plant was hit by violence as workers at one of its auto factories attacked supervisors, engineers and other management personnel and burnt and killed a senior HR executive, injured 100 managers, including two Japanese expatriates. The mob also injured nine policemen. The company's General Manager of Human Resources had both arms and legs broken by his attackers, unable to leave the building that was set ablaze, and he was charred to death. The incident is the worst-ever for Suzuki since the company began operations in India in 1983 and one of the most heinous of industrial crimes in the history of India.

From April 2012, the Manesar plant workers' union demanded a five-fold increase in salary, a monthly conveyance allowance of ₹ 10,000, a

laundry allowance of 3,000, a corporate gift with every new car launch, and a house for every worker who wants one or cheaper home loans for those who want to build their own house. In addition to this compensation and normal weekend/holidays, the union demanded the current four paid weeks of vacation be increased to 7 weeks, plus each worker to have 40 days of sick leave and casual leave amounting to 75 days. There were some reports claiming that the wage dispute, as per a union spokesperson, may be caste-related. According to the Maruti Suzuki Workers Union, a supervisor had abused and made deriding comments on a low-caste worker. These claims have been denied by Maruti Udyog management and the police. The supervisor alleged to have made those comments was found to belong to a tribal heritage and outside the Hindu caste system; further, the numerous workers involved in violence were not affiliated with that caste either. Maruti said that the dispute was not over wage discussions, but after the workers' union demanded the reinstatement of a worker who had been suspended for physical violence on a supervisor. The workers claim harsh working conditions and extensive hiring of low-paid contract workers who are paid about US \$130 a month, which works out to half the minimum wage paid to permanent employees. Maruti Udyog employees currently earn allowances in addition to their base wage. Company executives denied harsh conditions and claim they hired entry-level workers on contracts and made them permanent as they gained experience. It was also claimed that bouncers were employed by the company off and on.

India Today, the weekly magazine claimed that its interviews of witnesses present at the plant confirms the dispute was over the suspended worker as mentioned earlier. The management insisted that they must wait for completion of inquiry which was underway before they can take any action on the employee suspended for manhandling his supervisor. Thereafter, the workers broke up into groups, went on to set the shop floor as well as all offices on fire. They hunted down management officials and proceeded on with methodically injuring officials at the factory site with iron rods and heavy tools.

The local police, in its First Information Report (FIR), claimed on 21 July that Manesar violence may be the result of a carefully planned violence by a section of workers and union leaders. The report claimed the worker's action has been recorded on close circuit cameras installed within the company premises. The workers took several managers and high ranked management officials as hostages. The responsible Special Investigative Team (SIT) official claimed, "some union leaders may be aware of the facts, so they burnt down the main servers and more than 700 computers." The recorded CCTV footage has been used to determine the sequence of events and people involved. As per the FIR, police have arrested 90 people and are searching for 62 more. Maruti Suzuki management, in its official statement on the unrest, announced that all work at the Manesar plant has been suspended indefinitely. A Suzuki spokesman said Manesar violence won't affect the auto maker's business plans in India. The shut down of Manesar plant is leading to a loss of about Rs 75 crore per day. On July 21, 2012, citing safety concerns, the company announced a lock-out under The Industrial Disputes Act, 1947 pending results of an inquiry which the company has requested by the Haryana government to determine the causes of these heinous incidents. Under the provisions of The Industrial Disputes Act on wages, the report claimed, employees are expected to be paid for the duration of the lockout. On July 26, 2012, Maruti Udyog announced that employees would not be paid for the period of lock-out in accordance with labour laws of India. The company further announced that it will stop using contract workers by March 2013. The report claimed the salary difference between contract workers and permanent workers has been much smaller than initial media reports - the contract worker at Maruti received about 11,500 per month, while a permanent worker received about 12,500 a month at start, which increased in three years to 21,000-22,000 per month.

Shinzo Nakanishi, Managing Director and Chief Executive of Maruti Suzuki India, said this kind of violence has never happened in Suzuki Motor Corp's entire global operations spread across Hungary,

Indonesia, Spain, Pakistan, Thailand, Malaysia, China and the Philippines. Mr. Nakanishi went to each victim apologising for the miseries inflicted on them by fellow workers, and in press interview requested the central and Haryana state governments to help stop such ghastly violence by legislating decisive rules to restore corporate confidence amid emergence of this new 'militant workforce' in Indian factories. He announced, "we are going to de-recognise Maruti Suzuki Workers' Union and dismiss all workers named in connection with the incident. We will not compromise at all in such instances of barbaric, unprovoked violence." He also announced Maruti plans to continue manufacturing in Manesar, that Gujarat was an expansion opportunity and not an alternative to Manesar.

Labour disputes are endemic in the auto industry of India and have affected other manufacturers. India has strict labour laws, but their application is routinely avoided by hiring low-wage contract workers. Manesar violence adds to India's recent incidents of labour disputes turning to violence. Analysts claim recent incidents like Manesar violence suggest a need for urgent reform of archaic Indian labour laws, the rigid rules on hiring and layoffs, which harm the formal sector and discourage investment in India. Government mandated procedures for labour dispute resolution are currently very slow, with tens of thousands of cases pending for years. The government of India is being asked to recognise that incidents such as Manesar violence indicate a structural sickness which must be solved universally.

The company dismissed roughly 500 workers accused of causing the violence and re-opened the plant on August 21, saying it would produce 150 vehicles on the first day, that is, less than 10% of its capacity. Analysts said that the shutdown was costing the company 1 billion rupees (\$18 million) a day and costing the company in terms of market share and market cap.

A week earlier, company officials had announced that Maruti would scrap the practice of hiring contract workers and that the workers currently on temporary contracts would be made permanent. It would

begin the process of hiring new workers on a permanent basis from September 2, 2012.

Demographic History of Manesar, Haryana as a Source of Labour

Haryana is one of the wealthiest states of India and has the third highest per capita income in the country at Rs. 67,891 including the largest number of rural crorepatris in India. Haryana is also one of the economically developed regions in South Asia and its agricultural and manufacturing industry has experienced sustained growth since 1970s. Haryana as a state, is India's largest manufacturer of passenger cars, two-wheelers, and tractors. Since 2000, the state has emerged as the largest recipient of investment per capita in India. The city of Gurgaon has rapidly emerged as a major hub for the information technology and automobile industries. Gurgaon is home to Maruti Udyog and Hero MotoCorp Limited, the world's largest manufacturer of two-wheelers. Yamuna Nagar, Panipat, Panchkula and Faridabad are also industrial hubs, with the Panipat Refinery being the second largest refinery in South Asia. There are also long established steel, plywood, paper and textile industries in the state.

Manesar is a fast growing industrial town in Gurgaon district of the State of Haryana in India, and is a part of the National Capital Region (NCR) of Delhi. It has transformed from a sleepy village to one of the fastest growing townships in India. It is an upcoming area of NCR More than 100,000 people go to work in Manesar from adjoining places. The Gurgaon-Manesar Master Plan projects the population of 37,00,000 by 2021 It has many factories, offices, hotels and educational institutes. Overlapping with Gurgaon, Manesar is 32 km from IGI Airport and has some of the best urban infrastructure in northern India. Located on NH 8, the area is well connected Original Manesar village was a sleepy village of about 1000 dwellings on Delhi jaipur highway (NH-8), but since late nineties it has been transformed in to a boom town with some of the world-brands opening factories here. Its growth has been helped by government's drive to move out factories from Delhi as well as booming of Gurgaon city (15 minutes away) and proximity to

Delhi's Indira Gandhi International Airport (approximately 40 minutes). The original Manesar village had people from different communities but 80% of the residents are Yaduvanshi Ahirs also called Yadav and their main profession was agriculture. However, today it is swamped by people from all across the globe, indulging in almost every profession one can think of in the modern India. Psychologically the situation is paradoxical, on the one hand, a percentage of locals have become rich by partly selling their ancestral land and on the other hand, a large percentage of migrants from other places have become rich after arriving at Manesar- Gurgaon belt causing wariness and a feeling of hostility among the original locals of the region who have missed the bus.

People of Manesar and Surrounding Areas: The Social Fabric

The dominant castes of Ahirs and Jats have now become a minority in this area due to the ingress of people from other parts of the country and even other countries like Nepal, Bangladesh and returnees from the Middle East.

By nature, both Ahirs and Jats are socially active, communally sensitive and highly caste conscious. It is common to see sibling rivalries, murder of sons by fathers, fathers by sons, between brothers, neighbours etc mainly due to property disputes. A highly contentious sub-caste structure, violence against elopements and unrest against inter caste matches and marriages and rivalry between villages are also common. Village sarpanchs, home grown political leaders often control the opinions of people and they can influence the outcome of labour union elections and dominance in specific factory labour hierarchy. There is a systematic drive among the village khaps to subjugate women, prevent connections between men and women of different castes.

Incidentally, this area has a high concentration of people who are retired Army soldiers and junior commissioned officers. One of the major causes of social disturbances in the area is the sudden riches gained by the land owners who sold part of their land to the incoming

industries. The region boasts of at least one male member from a family in the Armed Forces and these soldiers who retire are normally not docile, they fight for their rights and do so by involving themselves with local politicians.

It was evident from the beginning that the core reason for labour unrest at Maruti is the difference in pay, allowances and assets among the workers. On the one hand, a permanent worker draws over three times the salary of a contract worker and also enjoys several facilities like medical, insurance and retirement benefits. On the other hand, the future of a contract worker always hangs in balance because of the impending day on which he will be confirmed as a permanent employee or thrown out of work for whatever reason. The problem always starts at their homes, once a worker thinks that it is safe enough to marry and start a family from the financial point of view, he rents a house near the factory, starts living with his wife and in over 5-7 years they will have two or three children. Given the background, the wife will not be working and there the problem starts. The permanent workers' children go to a different school, they wear costly clothes and some of them own cars, bikes and own homes where as a contract worker has to live under the shadow of the uncertainty of his future employment.

A local Haryanvi Manesar worker now is a wary, caste sensitive, politically aware, physically fit, communally active person who is unhappy because of the waning dominance of local people in the area. To put it plainly, the local populace, especially the working class is not new to violence and disturbance.

There is also an element of trust deficit among both the contracted and regular workers towards the senior HR executives. Most of what they are privy to may be hearsay but the damage done by rumour mongering and vested interests taking advantage of the unstable situation is already known. Across India, political parties always vie to gain control of local labour unions and Maruti is no exception. Due to the importance given by the NCR Delhi government, Maruti Suzuki till date has enjoyed the benevolent gestures of the Central Govt in

successfully preventing local politicians from disturbing peace at Maruti Udyog, Manesar. However, when there is sympathy in the environment towards those who are unhappy for whatever reason, a little spark is enough to trigger a major uprising.

Maruti Udyog: It's Future as the Automobile Market Leader in India

Specifically in this case study this topic will not be dealt in depth because Maruti has come a long way for the last thirty years and most of their business practices in all their locations have been exemplary and lasting. Presently having 44% of car market share in India and nearly the same percentage in the export of cars, every problem faced in the three decades by the company seems to be a blip in its long time existence.

There were times when experts commented that the dominance of Maruti Suzuki in car market is over etc but the company every time takes a new rabbit out of the bag to surprise and dominate again in a short time. Major competitors to Maruti Udyog have been Hyundai with its Santro, Tata with its Indica share the second and third positions respectively. All others put together still form a small percentage of the market share. Launch of Maruti Ertiga Diesel in Jun 2012 was a mile stone in the India because no one had ever thought of an Indian car company competing with Toyota Innova MUV. The consolidation achieved by Innova in the last five years have been phenomenal and Ertiga has already gained ground in this segment of MUVs within the last three months. Other competitors like Mahindra with their Xylo and Tata Safari and Aria stand in the path of Ertiga gaining lead.

That is, from the business perspective, the management as well as the labour force have the assurance and confidence that Maruti Udyog as an employer is a safe bet and has a long future.

Japanese Work Environment and Work Culture

Japanese work environment is based on a "simultaneous recruiting of new graduates" (*Shinsotsu-Ikkatsu-Saiyô*?) and "lifetime-employment" (*Syushin-Koyô*?) model used by large companies as well

as a reputation of long work-hours and strong devotion to one's company. This environment is said to reflect economic conditions beginning in the 1920s, when major corporations competing in the international marketplace began to accrue the same prestige that had traditionally been ascribed to the daimyo-retainer relationship of feudal Japan or government service in the Meiji Restoration. At the very top, the most prestigious companies would recruit and retain the best workers by offering better benefits and truly lifetime job security. By the 1960s, employment at a large prestigious company had become the goal of children of the new middle class, the pursuit of which required mobilization of family resources and great individual perseverance in order to achieve success in the fiercely competitive education system.

Employees are expected to work hard and demonstrate loyalty to the firm, in exchange for some degree of job security and benefits, such as housing subsidies, good insurance, the use of recreation facilities, and bonuses and pensions. Wages begin low, but seniority is rewarded, with promotions based on a combination of seniority and ability. Leadership is not based on assertiveness or quick decision making but on the ability to create consensus, taking into account the needs of subordinates. Surveys indicate continued preference for bosses who are demanding but show concern for workers' private lives over less-demanding bosses interested only in performance on the job. This system rewards behavior demonstrating identification with the team effort, indicated by singing the company song, not taking all of one's vacation days, and sharing credit for accomplishments with the work group. Pride in one's work is expressed through competition with other parallel sections in the company and between one's company and other companies in similar lines of business. Thus, individuals are motivated to maintain wa (harmony) and participate in group activities, not only on the job but also in after-hours socializing (nomikai). The image of group loyalty, however, may be more a matter of ideology than practice, especially for people who do not make it to the top.

Irrespective of what is said above, there is a simmering discontent among the senior executives at Maruti Udyog that the decision making portfolios have been gradually been taken over by the native Japanese executives once Suzuki gained majority stake in the last fifteen years. The initial tussle between the Indian Government and Suzuki before 1997 was about the senior most positions and now with absolute power to hire and fire, the second rung of senior decision makers have been gradually changed with a bias towards Japanese executives. It is a known tactic in the corporate corridors to apparently retain the job titles and offices undisturbed but remove the responsibilities one by one and vest it with another position. This has been done both overtly and covertly over the last twelve years. Several senior executives have bid farewell to Maruti Udyog due to this reason.

As to the Manesar workers adjusting to the Japanese work culture, there is absolutely no issue in this regard and the workers are proud to be part of the culture. They have embraced the new found methods of working hard, gaining respect on the work floor and enjoying the fruits of their labour with the praise by the media received year on year about the market share, product quality and the value given to after sales service. In fact it has greatly influenced their life style at home and the quality of product and the awards won by the company in India are evidence to the fact that the average Maruti Udyog worker's sense of belongingness to his employer is unquestionable.

Possible Causes of the 2012 Labour Unrest at Maruti Udyog Manesar Plant

Several factors have come into play in this labour unrest. Listing few of them based on the facts mentioned above gives a clear perspective .

1. Wage disparities between the regular and contracted workers. Uncertainty in the minds of the contracted workers regarding their future as employees of Maruti Suzuki.
2. Lack of trust between the HR staff and the workers. The workers perception of HR executives is a major cause for concern, They

take it for granted that the HR executives are there to make sure that the demands of workers whatever it is not met at the end. That is, they picture a HR executive being an agent of the management and not as a well wisher of the employees in general. This clearly points to a long term discontent which has surfaced now in the most violent way.

3. Lack of connectivity and active communication between the management and workers. As explained above, the Japanese industrial culture does not have any alternative in the lines of what took place at Manesar. The management was clue less about the extent to which a section of workers were enraged. That means, there was no inkling of such a degree of discontent with the management.
4. Lack of intelligence and information. Though the management was aware of those ring leaders and instigators, it did not have any concrete and actionable information about the intentions of the striking workers to kill and burn. It is evident that the action of breaking an executives limbs and leaving him to burn to death was a murder and it certainly was not an accident. Normally, such crimes are planned and within the group of several workers with criminal intentions, such plans are discussed. The management did not have any mechanism to collect informal information through its network of informants.
5. Possible collusion of local police, retrenched workers and politicians. The management did express their suspicions regarding the nature activities involving local politicians and police but it was without any substantiation. Hence, the doubts were laid to rest. However, it is not ruled out that local politicians and retrenched workers who lost their Maruti job in the last few years colluded with the local police to create a charged atmosphere.
6. Workers, both permanent and contracted feel that they are not being given their due share of the huge profits Maruti Udyog is making with the highest market share in the car industry. Though

the automobile industry in India is said to be in a temporary recession, the car industry is seeing an unprecedented growth in the last few years and for over 28 years, Maruti has been the market leader. The profits and balance sheets are in public domain. An educated and aware worker is also aware that his salary and allowances have not risen in proportion to the rise in profits of the company. They have been expressing this feeling for several years and there have been salary rises but never in the kind of scale and proportion which the workers were demanding. On the day of starting the strike, average Maruti Udyog, Manesar worker was still one of the best paid automotive factory worker in India, but not paid in proportion to what the management was earning through them.

Implications of the 2012 Labour Unrest at Maruti Udyog, Manesar

The obvious implications of this unrest are enormous. Not only did this unrest open a new grim chapter in the history of industrial relations in India but it also gave the indications as to what prospective entrants from among the MNCs will do in this scene. Foreign Direct Investment in India have come mainly in the area of IT, Telecom, ITES, Services and Automobile sectors. The long time players among the MNCs will change their strategy due to these incidents occurring at the home of Indian Government. Few of the implications of this labour unrest are as under:-

1. Investors in labour intensive sectors will demand a protective and clear policy environment from the Indian Government before entering into India.
2. Given the state of Indian labour laws which are highly biased towards the workers, there will be pressure on the Government to modify and tweak the laws in accordance with the need of these times. Labour unions in the manufacturing sector have always been politically oriented and wherever the political orientation is absent, the political leaders and parties fight with

each other to gain dominance or create a strong hold. Since it is not against the law for workers to affiliate themselves to political parties, creation of multiple unions, resulting clashes and internecine rivalry become the norm.

3. There is no place for physical violence and criminal act anywhere in running an industry. Assurance of exemplary punishments will be sought by the management for the workers caught in the act. In effect this will increase the distance between the management and the labour unions even further.
4. State Governments have played a major role in creating a conducive environment in the states of Gujarat, Tamilnadu, Karnataka, Maharashtra, Andhrapradesh, Rajasthan and Goa in addition to several union territories. There will be a move to shift bases or start new ventures in those states where there is no history of labour unrest in the past. Already, mutual interest has been expressed by Maruti management and the Gujarat Government in this direction.

It is a major lesson for HR executives in general and the benefits will go a long way in investigating the role of each worker or person involved in these incidents. This murder not being the first one in the last 2-3 years, there is an urgent need to introspect and bring about a change in the theory oriented study which the HR executives are prone to follow. It is a known fact that in this electronic era of mobiles, computers and internet, the easiest path for an executive irrespective of his domain, is to remain aloof from the smelly, sweaty and rough shop floor level environment. This kind of shell always results in that shell being broken violently by the frustrated workers. In the Armed Forces, officers always remain close to their subordinates under command by being with them all the time during training, operations and during professional, personal difficulties. That is the very reason why the soldiers are always ready to lay down their life at the word of their superior. Workers no longer consider their superiors as role models in the manufacturing sector, the relationship remains one

of profession oriented which crumbles at the first spark of mistrust. The bonhomie, friendship etc end at the gate of the factory and the entire role playing begins inside the factory gates next morning. Among the executives and workers, the 'us and them' attitude starts from the beginning of their service. The contempt grows and at a crucial moment explodes shattering the entire set up.

5. Salaries being more than twice in the IT/ITES sector among the executives for the same level of qualifications and service, manufacturing sector suffers from non involvement of the executives in the leadership role. There is already an aversion among the engineering graduates to avoid joining manufacturing sector and this incident has contributed immensely for this feeling. No executive wants to get into the rut of industrial disputes, labour unions, dispute resolution, pay roll arbitration and all such activities normally related to manufacturing sector. Even in future, the exodus of the engineering graduates towards 'clean' sectors like IT/ITES, Telecom etc will continue.

Conclusion

The entire episode presents a strong case for HR executives to increase their involvement at the floor level with the workers in addition pursuing their professional education and career development. As part of the initial training for the junior manager while joining service, it is important to make it a part of study the nature of an average worker, their social structure, the previous history of union activities, the study of resolutions and decisions taken and the comparison of the facilities given to the worker vis a vis the workers of the competitors.

The present peace at Maruti Udyog, Manesar is a brokered peace between the Haryana Govt and the Maruti management. This certainly is not going to be a permanent solution. As mentioned earlier, an average Haryanvi worker is a hard fighter and it is pointless for the

management to encourage, develop and nurture an anti labour stance among their executives.

Communication of intention at all levels plays an important role in reducing trust deficit. Rather than the unions coming to know about their company's expansion plans through rumours, news paper or the Television, it is in the interest of the company that the management takes the union into confidence about their establishing new facilities in Gujarat or elsewhere. This will go a long way in building confidence among the workers about the honesty and forthrightness of the management.

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