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The Limits of Industrialisation

There are few people as famous in contemporary India as sporting great Sachin Tendulkar. So, for German luxury vehicle manufacturer BMW, the decision to hire Tendulkar as a brand ambassador represented a major foray into India's vast and rapidly-expanding automobile market.

While not among the largest vehicle manufacturers in the country, BMW's passenger cars and Sports Utility Vehicles (SUVs) represent an upmarket product range for a small minority of affluent, aspiring buyers. This growing consumer base has emerged in a country where, just a single generation ago, *any* model of passenger car was considered a rare luxury. Even today, cars represent rare opulence for the tens of millions of Indians who continue to live and work in poverty.

Nevertheless, BMW's Indian manufacturing operations and extensive marketing, spearheaded by Tendulkar, signify something important about the transformation of Indian society and its economy over the last quarter of a century. It suggests that there is a growing market for foreign-branded luxury consumption.

BMW has recently taken steps to align itself with the 'Make in India' initiative, which was announced by Prime Minister Narendra Modi in September 2014 to market India as the global 'destination of choice' for Foreign Direct Investment (FDI) in manufacturing. In 2015, BMW announced plans to increase locally-manufactured content in its cars and SUVs from 20 per cent to 50 per cent and openly identified with Modi's industrial policy agenda (Subramaniam, 2015).

To help promote this decision, BMW marketed a video with Sachin Tendulkar, tagged on social media as '#SachinMakingBMW: Legendary sportsman Mr. Sachin Tendulkar marked the occasion in a unique way by assembling a BMW 5 Series using parts from Indian auto component suppliers' (BMW India, 2015). This video encapsulates much of the face of Indian automobile production today, including branded luxury consumption, celebrity glitz and social emulation. It also demonstrates how these features of the industry are complementing efforts by local states to encourage the world to set-up new bases for mass production and consumption across India.

But every story can be interpreted in different ways. Another face of the story of Indian auto manufacturing is the tragic deaths of three managers in the last

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decade during hostile industrial disputes. In September 2008, the Managing Director of Italian gearbox manufacturer, Graziano Trasmissioni, was killed at the company's Greater Noida plant, on the south-eastern edge of New Delhi, during a confrontation with hundreds of workers who had been angered by a protracted industrial dispute and company lockout (Kumari, 2008). One year later, in September 2009, a Vice President of Indian auto parts manufacturer Pricol Limited, was killed by workers at the company's Coimbatore plant in Tamil Nadu after dozens of workers were dismissed (Allirajani, 2009).

In July 2012, a Human Resources (HR) manager was killed during a factory fire at Maruti's Suzuki auto manufacturing facility in Industrial Model Town (IMT) Manesar, about 40 km south-west of New Delhi. This tragedy marked the culmination of a tumultuous period from June 2011 to August 2012 in which workers and management were engaged in a major dispute. Following the violent events of July 2012, thousands of workers were sacked and dozens imprisoned for criminal offences.

The Maruti Suzuki conflict in 2011/12 was arguably the highest profile industrial dispute to emerge in India since the Mumbai textile workers' strike over 35 years ago (Van Wersch, 1992). This was due, in part, to Maruti's standout role as India's largest passenger car manufacturer, and its historical role as the pioneer of the local industry's modernisation. It is also due to the ferocity and scale of the conflict, with simultaneous strikes occurring in supply firms in the region, and major disruptions to production and profits in the sector.

The immediate roots of the 2011/12 conflict lie in the workplace divisions at the Manesar facility. Prior to the dispute, Maruti management had maintained a decade-long policy of hiring new workers through numerous labour contractors who acted as labour market intermediaries. This practice was transplanted into the Manesar facility after its establishment in 2007. It divided the workforce into a core of permanent or 'regular' workers who received relatively high wages and generous employment benefits and a larger group of 'contract' workers whose employment was managed by labour contractors. These workers received lower wages and far fewer employment benefits.

Tensions at the Manesar site erupted over the treatment of workers and the perception that many who work in these different employment categories were being utilised for similar production-line roles, despite large disparities in wages and conditions between regular and non-regular workers. These tensions led to demands to close these disparities, to convert the roles of many non-regular workers into regular or ongoing employment – that is, to 'regularise' workers' employment – and to form a trade union for all workers at the facility, known as the Maruti Suzuki Workers Union (MSWU).

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The campaign, and Maruti's refusal to bargain over several core issues, led to a drawn out process of industrial conflict: a strike in June 2011, which severely disrupted production and led to the reinstatement of workers sacked for their union activities; a second strike in August 2011 lead to a round of mass sackings; a 12-day factory occupation in October 2011 ended in large termination payments for suspended union leaders, large pay rises for all workers, and company recognition of the MSWU membership for regular workers in March 2012; a further round of sackings in April and May 2012; and, finally, a violent clash involving workers and managers which led to the death of HR manager, Awanish Kumar Dev.

This tragedy marked the end of this drawn-out industrial conflict and spelled disaster for the majority of workers at the Manesar facility. Nearly 2,000 workers lost their jobs, 148 workers were imprisoned and awaiting trial for several years; in March 2017, 31 former-Maruti employees were convicted with a range of criminal offences. Thirteen of these workers were handed life sentences for murder.[1]

It is not just the ferocity of conflicts in Indian auto manufacturing industries, but also the *number* of conflicts that took place over the 2000s that is striking. Table 1.1 provides a list of key industrial actions reported in India since 2000. Although not exhaustive, this data provides a strong indication of the volume of industrial conflicts. While strikes also occurred before 2000, the expansion of the industry since then has been met with a notable rise in industrial conflict.

Of the 57 industrial actions recorded in the table from 2000 to 2017, the number of actions began to increase significantly from 2008, following major disputes at Maruti Suzuki (2000–01) and Hero Honda (2005) factories in Gurugram (formerly Gurgaon)[2] near New Delhi, as well as Toyota Kirloskar in Bengaluru (formerly Bangalore) in 2001/02. Ninety-three per cent of the recorded actions occurred after 2007, with a notable spike in actions in 2011. The table records 14 actions for 2011, or one quarter of the total number of actions.

Most of the 2011 actions were connected in some form to the protracted dispute at Maruti Suzuki in Manesar and involved solidarity strike action or similar disputes focused on demands for union recognition at key auto suppliers in the NCR. As this book will outline, Maruti Suzuki radically shifted the focus of its employment relations practices from the 1990s to the 2000s, with profound consequences for employment relations across the auto industry as a whole.

[1] See Chapter 2 for details about Maruti's role in the auto industry and Chapter 4 for full details of the 2011/2012 dispute in Manesar and the transformation of company employment relations in the 2000s.

[2] The name of 'Gurgaon' was officially changed to 'Gurugram' by the Government of India in September 2016 following a campaign by the Bharatiya Janata Party (BJP)-led Government of Haryana, which was elected in October 2014.

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Table 1.1: List of industrial actions reported in Indian auto manufacturing[3]

Firm	*Location (region/ state)*	*Date*
National Capital Region (NCR)[4]		
Maruti Suzuki India Ltd (MSIL)	Gurugram	September 2000–January 2001
Hero Honda	Gurugram	August 2005
Hero Honda	Gurugram	April–May 2008
Hero Honda	Gurugram	October 2008
Bony Polymers	Faridabad	November–December 2008
Sunbeam Auto	Gurugram	May 2009
Honda Motorcycle & Scooter India (HMSI)	Manesar	August–October 2009
Rico Auto	Gurugram	August–October 2009
ShivamAutotech	Gurugram	August–October 2009
Sunbeam Auto	Gurugram	August–October 2009
Hero Honda	Gurugram	October 2009
Sona Koyo Steering Systems	Gurugram	October 2009
Lumax Industries	Gurugram	October 2009
MSIL	Manesar	June–August 2011
MSIL	Manesar	October 2011
Suzuki Powertrain India	Manesar	October 2011
Suzuki Castings	Manesar	October 2011
Suzuki Motorcycle India	Manesar	October 2011
Endurance Auto	Manesar	October 2011
Satyam Auto	Manesar	October 2011

Contd.

[3] This is an indicative, non-exhaustive list of industrial actions in different regional clusters based on the author's field research, media and internet searches. 'Industrial action' denotes all forms of industrial dispute and/or collective action, including employer lockouts, employee strikes, solidarity protests and strikes, factory occupations, sit-down protests (e.g. blocking a site entrance), 'dharnas', go-slows, stop-work meetings, hunger strikes and other forms of unofficial or 'wildcat' industrial action. 'Auto manufacturing' refers to auto components manufacturing and raw materials processing in Tier-1 and Tier-2 firms as well as auto assembly Original Equipment Manufacturing (OEM) in passenger cars, two-wheelers and commercial vehicles, including truck and bus manufacturing. Although there is evidence of industrial action in Tier-3 firms (Chapter 6), these have generally occurred on a smaller scale, and have mostly not been documented or reported in the media.

[4] All locations within the state of Haryana unless otherwise stated.

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Firm	*Location (region/ state)*	*Date*
Hilex India	Manesar	October 2011
MSIL	Manesar	July 2012
Napino Auto	Gurugram	March 2014
Shriram Pistons and Rings	Alwar (Rajasthan)	April 2014
Asti Electronics India	Manesar	December 2014
Bridgestone Tyres India	Manesar	September 2015
MSIL	Manesar	November 2015
HMSI	Alwar (Rajasthan)	December 2015–February 2016
Tamil Nadu inc. Chennai Metro Area (CMA)		
Pricol Ltd	Coimbatore	July 2007
Hyundai Motor India Ltd (HMIL)	Sriperumbudur	May 2008
HMIL	Sriperumbudur	April and July 2009
Pricol Ltd	Coimbatore	September 2009
HMIL	Sriperumbudur	June 2010
MRF Tyres	Chennai	October 2010–June 2011
HMIL	Sriperumbudur	April and Dec 2011
Caparo Engineering India	Sriperumbudur	December 2011
Dunlop Tyres	Ambattur	February 2012
Ford	Maraimalai Nagar	March 2012
HMIL	Sriperumbudur	October 2012
Maharashtra inc. Pune district		
Mahindra	Nashik	May 2009–March 2010
Bosch Chassis Systems	Pune	July 2009
Bajaj Auto	Pune	June 2013
Mahindra	Nashik	March 2013
Force Motors	Pune	March 2015
Bajaj Auto	Pune	January 2017
Gujarat		
General Motors (GM) India	Halol	March–May 2011
Tata Motors	Sanand	February–March 2016
Tata Motors	Sanand	June 2017

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Firm	*Location (region/ state)*	*Date*
Karnataka inc. Bengaluru (Bangalore)		
Toyota Kirloskar	Bengaluru	April–June and December 2001
Toyota Kirloskar	Bengaluru	January–March 2002
Volvo India	Bengaluru	August 2010
Bosch India	Bengaluru	September 2011
Bosch India	Bengaluru	November 2013
Tata Marco Polo Motors	Dharwad	February–March 2016
Other locations		
Dunlop Tyres	Hooghly, West Bengal	October 2011
ASAL Auto Stampings	Pantnagar, Uttarakhand	June 2013
Bosch India	Jaipur, Rajasthan	March–April 2015

These conflicts portray a vision of Indian industry that the country's policy-makers and business-people would prefer to transcend. The need to invigorate the manufacturing industry remains a central concern of the State. Recently, the 'Make in India' initiative has become part of the central government's mantra (see Chapter 3). Automotive manufacturing is central to the logic of 'Make in India', with industry and central government policy-makers collaborating to set ambitious targets to increase auto production as a percentage of national income and employment. India is currently the world's sixth-largest auto producer and may well increase its global ranking in the near future.

The Make in India initiative flows from a longer-standing policy concern that, despite India's transformation into a relatively high-growth regional economic power since the 1990s, the country lacks the capacity to continue expanding its economy and its global influence without a significant expansion in manufacturing. The underlying policy assumption is that emerging economies with a strong, dynamic manufacturing sector can lay the basis for broader economic development, prosperity and a rise in living standards. The high level of conflict in Indian auto manufacturing is a problem for this vision as it undermines the global image, stability and, potentially, the investment climate for the industry.

The core aim of this book is to explain why Indian auto manufacturing has experienced such a high level of industrial, social and political conflict in recent years. In doing so, it will address some of the implications of the trajectory of India's economic development. The answer to this problem, the book will argue,

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lies in the intersection of social, political, economic and institutional forces at a regional level with economic and institutional forces at a global level. It shows that global forces have shaped the configuration of firms, institutions, workforces and social classes in ways that have generated and reproduced a high level of conflict.

The book also shows how different forms of conflict have shaped industrial development. These forms include commercial conflict between firms, industrial conflict between employers and workers, social conflict between groups of workers from different regions and different castes, institutional conflict involving labour market intermediaries and trade unions and political conflict between firms, workers and state institutions. The evidence presented in the book suggests that this process is likely to continue.

Indian auto manufacturing, and these various expressions of commercial, industrial, social and political conflict, have been shaped by the intersection of global production networks with 'actors' – firms and non-firm institutions – in key regions of the country. Regional actors, including State governments and domestic public and private sector companies, have succeeded in attracting significant FDI in domestic auto manufacturing. This has transformed the productive capacity of local industry through 'value capture'.

This process is represented by automotive assembly manufacturers – known in industry parlance as Original Equipment Manufacturers (OEMs) – and their larger 'Tier-1' suppliers. At this high-end of the industry, production is usually capital-intensive, design-oriented and technologically sophisticated. The production, appropriation and capture of value by this high-end of the supply chain is key to the developmental allure of auto manufacturing.

Conflict can be a major problem for operational stability and profitability. Within the global production networks that dominate auto manufacturing, this problem manifests itself in different ways depending upon the size of the firm, its product focus and product variety and its relationship to client firms 'upstream' and supplier and vendor firms 'downstream'. But, in some cases, conflict can also provide employers with a means of disciplining or controlling workers and regulating consent and dissent on the shop-floor.

For workers, conflict can undermine the socio-economic security of their households and families. However, just as employers can utilise conflict for their own ends, workers can collectively leverage conflict to pursue their interests. These interests vary, based on the different employment configurations in which they work. Besides 'regular' workers, these include temporary and casual workers, trainees, apprentices and workers whose employment is regulated by labour market intermediaries.

Conflict is also a problem for state institutions that want to promote the investment climate in manufacturing regions. While conflict has been an issue

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for economic management at a national level, it has particularly been an issue at the regional level where State governments have competed to attract domestic and foreign investment from OEMs.

One infamous example of this inter-regional competition concerns the Indian OEM Tata Motors and its investment in small-car production in Sanand, near the city of Ahmedabad in the western Indian State of Gujarat. Tata began producing a cheap small car, called the Nano, at its Sanand assembly plant in 2010. Four years earlier, the Nano had been earmarked for production at a new assembly plant in the town of Singur, over 2000 km to the east of Gujarat, in the State of West Bengal.

The West Bengal State Government, at the time the Communist-led Left Bloc, used land acquisition laws to forcibly acquire 1,000 acres of village land around Singur. This was strongly opposed by many local landowners, political activists, and political opponents of the Communists, especially by the Trinamool Congress Party which used the controversy to win the elections and form the government in the State five years later. In October 2008, Tata announced it was shifting the proposed plant to Sanand. According to various media reports, Narendra Modi, then Chief Minister of Gujarat, sent an SMS to Tata Group chairman Ratan Tata on the day he decided to quit West Bengal, with the simple message: '*Suswagatham*' (welcome).[5] The controversy over Tata's investment in Sanand is a high-profile example of how conflict can spread from the social interests of communities and the commercial interests of firms to the politics of the State.

In focusing on industrial conflict among workers and employers, this book argues that the high level and, occasionally, fierce character of conflict in auto manufacturing can be understood by exploring four inter-linked historical and spatial processes. First, conflict has been generated through the transformation of domestic manufacturing by foreign and domestic OEMs since the 1980s. These firms have increasingly operated through global production networks which have integrated with established regional social structures of accumulations – ensembles of social and political institutions which facilitate economic activity within regions – which rely upon various kinds of informal and precarious work. As part of this process, the imposition of global best-practice 'lean manufacturing' principles and techniques has transformed commercial relations between firms and work organisation and employment relations within firms, laying the foundations for industrial conflict.

Second, this process of global-regional integration has been shaped by two broad phases of state-led economic liberalisation. In the first phase of *restricted openness* from 1982 to 1991, a small number of first-mover foreign OEMs

[5] For critical accounts of land acquisition policy in West Bengal, see Le Mons Walker (2008), Sampat (2008) and Bishnu (2009).

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and established domestic OEMs were allowed by the national government to transform regional supplier networks and work organisation by implementing lean manufacturing practices. In the second phase of *emergent neo-liberalism* after 1991, the liberalisation of financial markets, trade and investment, including FDI, transformed the segmentation and structure of market competition for vehicle manufacturing. This process led to commercial conflict between foreign and domestic OEMs engaged in joint venture projects and placed significant pressure on market leaders to restructure labour costs.

Third, first-mover OEMs, marshalled by Maruti Suzuki as the country's largest passenger car manufacturer, responded to gradual economic liberalisation in the 1990s by transforming labour standards and employment relations. OEMs and their strategic partners and key independent components suppliers imposed systems of 'contract labour' in key manufacturing regions. This process led to a major shift in employment configurations within these 'high-value' firms. In turn, reliance on contract workers and labour market intermediaries led to high levels of social and industrial conflict in the industry.

As the book explains, contract workers in India are generally employed on short-term contracts and managed by multiple, competing labour contractors. They represent an employment configuration based on precarious work and 'de facto informal work'. The evidence presented in this book casts doubt on claims that OEMs and major auto components manufacturers have followed a 'high road' path of labour standards and employment relations.

The fourth and final factor relates to conflict in the 'low value' end of OEMs' global production networks. Auto assembly manufacturing in OEMs' facilities and in large auto components manufacturing plants relies upon extensive networks of small and medium-sized enterprises which cluster throughout industrial regions. The rise of global production networks in auto-manufacturing has generated new types of commercial conflict between firms of different sizes operating in different 'tiers' of the industry.

This has encouraged the operation of regional casual labour systems which have reproduced conflict between workers and employers in low-end firms. As the book demonstrates, the types of employment configurations and manifestations of labour agency and social conflict, have a radically different character in these small enterprises compared to those documented in the high-value end of the industry.

This book focuses on work, livelihoods and conflict through the lens of interdisciplinary economic sociology. This lens reflects its search for social-relational explanations for conflict. Analytically, the book's main focus is on commodified social relations linked to work. This includes employment relations between employers, managers and workers, social relations between people who work in different employment configurations, between workers, employers and labour

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market intermediaries, and between employers, workers, state institutions, residents and landowners in industrial towns and villages.

This sociological approach also draws upon political economy through its analysis of collaboration and distributional conflict between state institutions, private firms, labour market institutions and individual workers and jobseekers. It also draws upon economic geography through its focus on global production networks in auto manufacturing regions. An inter-disciplinary approach seems particularly fitting since the Global Production Network (GPN) tradition in economic and labour geography has economic sociological roots through Global Commodity Chains (GCC) and Global Value Chains (GVC) analysis. The book also draws upon the sociology of work and employment and its links to scholarship in employment/industrial relations.

The book's findings challenge the widely-held view that the emergence of the auto-manufacturing industry leads to 'high road' regional economic and social development 'through economic gains that make wage gains and improvements in social conditions feasible, as well as safeguarding workers' rights and providing adequate standards of social protection' (Pyke and Sengenberger, 1992: 13). Within employment relations literature, a further argument is that auto firms' demand for low-waste 'lean manufacturing' is complemented by workers employed with high employment security, training and skill development (MacDuffie, 1995). Part of this logic is that labour costs comprise a relatively low proportion of total operational costs in auto firms in comparison to firms in less capital-intensive sectors. Production based on sophisticated design, technology and robotics should therefore advance through investment in 'efficiency enhancement and innovation' rather than cutting labour costs.

The important recent study on auto manufacturing in BRIC (Brazil, Russia, India, China) economies by Jürgens and Krzywdzinski follows this logic. Despite their expectations that OEMs 'would exploit the scope for low-cost strategies offered, in some respects, by the BRICs' regulatory and social environments', the authors argue that these countries are potentially undertaking 'a broader process of economic upgrading' (Jürgens and Krzywdzinski, 2016: 317). Although they acknowledge the incidence of fixed-term employment and agency employment – known as temps/casual and contract labour in India, respectively – the investment of OEMs in training and employee development 'can be seen as foundation stones for a future high-road strategy in the BRICs' (Jürgens and Krzywdzinski, 2016: 316).

While it is beyond the remit of this book to discuss their comprehensive findings across all four BRIC countries, their study in India is especially focused on Volkswagen India's (VWI) assembly plant in the Chakan-Special Economiz Zone (C-SEZ) in Maharashtra, which was established in 2009. They argue that VWI built up a 'core workforce' by investing in the training and career development

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