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# Decoding the strike at Bajaj Auto's Chakan plant: a negotiator's framework

Kamal K. Jain

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Strategically located in the Pune district in India, connecting major cities in the Maharashtra region, Chakan has evolved into a major automobile hub, thanks to it being promoted to a Special Economic Zone (SEZ) by the state. Chakan boasts automobile production units for transnational companies including Volkswagen and Daimler-Benz in addition to India Inc. giants such as Mahindra & Mahindra, Tata Motors and Bajaj Auto. The present case outlines a sequence of events in the wake of collective bargaining between the union and the management of Bajaj Auto for settling the issue of wage revision.

Because no agreement could be reached between both the parties, the workers' union called for a strike, the first in plants' 16 years of existence. Bajaj Auto is India's second-largest motorcycle manufacturer, and has manufacturing plants at Chakan (Pune, Maharashtra), Pantnagar (Uttarakhand) and Waluj (Aurangabad, Maharashtra). The Chakan plant, set up in 1999, has an installed capacity of over 3,000 units a day. As of 31 March 2013, the Chakan plant had the capacity to produce 1.2 million units per year of motorcycles ([Exhibit 1](#)), including the Pulsar, Avenger, Ninja and KTM brands, and there were approximately 925 permanent workers and 500 trainees in the plant, as of 30 June 2013.

## Triggers for the strike

There had been cordial relations between the management and the workers since the inception of the plant's establishment. While most automobile companies in the region use contract workers to run their plants, Bajaj Auto followed a policy of not using contract workers. "We realised contract labour does not have the same commitment. So, we decided to hire only permanent workers in the core areas of operations", said Rajiv Bajaj, managing director of Bajaj Auto (Refer [Exhibit 2](#) for a brief profile of Rahul Bajaj, Chairman of Bajaj Group and Rajiv Bajaj, managing director of Bajaj Auto).

However, the company has an "earn while you learn" trainee scheme, under which trainees get the same wages as permanent workers. About half of these trainees are absorbed in the company, depending on their performance and the plant's requirements (Business Standard, 27 August 2013).

While the average salary of a Bajaj Auto worker is INR25,000 per month, a contract worker in the Chakan area can be hired for as little as INR7,000. Bajaj has always ensured, despite it being a two-wheeler manufacturer, that wages at the company are benchmarked with those at larger car companies in the belt, including Tata Motors, Volkswagen and Mahindra & Mahindra. This implies that wages were not the factor which caused the strike at the plant. So then, what was it that triggered the strike at the Chakan plant? "The core issue of the struggle was union busting tactics of the management at the Pantnagar plant", said one of the employees. The action at Chakan may be linked to the developments at the

The contribution of Stuti Saxena, former Academic Associate, IIM, Indore, for developing the case and Aканcha Srivastava, Academic Associate, IIM, Indore, for developing the teaching note is acknowledged.

Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making. The author/s may have disguised names; financial and other recognizable information to protect confidentiality.

Pantnagar plant in Uttarakhand where the workers were deliberately denied from being able to join the Vishwa Kamgar Kalyan Sangathana (VKKS), a recognized employee union at Chakan. The harassment of workers at the Pantnagar plant led to the union at Chakan break the old wage agreement and issue a fresh set of demands. An article in the Financial Express (3 July 2013) gave the details of the origin of deteriorating relationship between management and the union:

According to Dilip Pawar, the President of the VKSS, trouble started for them because they tried to set up the VKSS union at Pantnagar. The Pantnagar plant workers had started an agitation in May 2012 after getting a poor increment. "Some of the (Pantnagar) workers approached VKKS to support their agitation. The workers of Pantnagar knew that it is next to impossible to get union registration in Uttarakhand and, therefore, they requested VKKS for the membership. Considering their situation and request, VKKS gave them membership and the majority of workers from Pantnagar joined VKKS, Pawar said.

The argument of the Bajaj Auto management was that the registration of VKKS was only for Maharashtra and they don't have the right to take up any membership from outside Maharashtra. The VKKS referred this matter to the Nainital High Court. Eventually, an altogether new union came up at Pantnagar and a new agreement was signed between them and the Bajaj Auto management. However, the formation of a VKKS union at Pantnagar changed the relationship between the Bajaj Auto management and the workers at the Chakan plant.

In a statement (HResonance, 30 June 2013) issued by VKKS, the reasons for vitiating environment were highlighted, "It seems that to take the revenge of the Pantnagar episode, management started harassment at the Chakan plant. Therefore, they decided to vitiate the atmosphere at Chakan. Before the Pantnagar episode the relationship at Chakan was normal. In short, the relationship at Chakan got totally disturbed due to WRONG, UNFAIR and ILLEGAL behaviour of the management. The management always compelled us to refer most of the issues to court of law instead of resolving the same through discussions.

From June 2012 (after the Pantnagar episode), the management started various disciplinary actions as given below in [Table I](#).

This lack of trust resulted in both parties engaging in a volley of charges and countercharges. The union believed that the workers at Chakan were given impossible targets and their failure to fulfil them resulted in the issuance of warning letters, show cause notices and suspension orders by the management. The management accused the workers of adopting "go slow" tactics since October 2012, which had resulted in a decline in production by 30-35 per cent in June the following year. However, the VKKS representative disagreed and alleged that it was a ploy by the management to denigrate the workers and that it was owing to the decrement in demand that production had been slowed down.

Their demand for a scientific time study based on International Labor Organization (ILO) norms was not accepted by the company. This was followed by a failure to review the

**Table I** Disciplinary cases

<i>Serial number</i>	<i>Particulars</i>	<i>No.</i>
1	Suspensions	22
2	Pending enquiry suspension	8
3	Show cause notice and enquiry	2
4	Domestic enquiry	3
5	Terminations/dismissals	1

**Source:** HResonance, 30 June 2013, available at: [http://hrblog.vivekvsp.com/2013/06/bajaj-auto-strike-statement-of-vishwa\\_5473.html](http://hrblog.vivekvsp.com/2013/06/bajaj-auto-strike-statement-of-vishwa_5473.html)

increment as per the settlement dated May 2010, so they terminated the long-term settlement and stopped work from 25 June 2013.

Basic objective of the Bajaj Management is to demolish the union. They did not like the fact that Chakan workers and Pantnagar workers joined the union. They succeeded at Pantnagar by paying heavy price and now trying to adopt same strategy at Chakan said Mr Pawar.

## Unfolding of events

### *Scenario at the Chakan plant before formation of the union*

In the same VKKS statement it was observed:

In early days management had given promises and lot of dreams to the employees and created hopes for better future. But over a period of time employees understood and experienced that management ditched them by giving false hopes and assurances. Employees started experiencing exactly opposite what was committed to them by the management.

Issues such as strict regimentation on the factory floor were one of the many complaints by workers. One of the complaints repeated by many workers who wished to remain anonymous was the lack of enough relievers on the assembly line.

For every 72 people, you need seven relievers, to take over from time to time, so that we can at least go to the toilet or drink water. At Bajaj, there are only three relievers for per cluster of 72 workers, Pradeep Khade, a 52-year-old worker, said at a meeting organized by VKKS (The Hindu, 11 August 2013).

### Formation of the union at the Chakan plant

Because of the adamant and suppressive attitude of the management mentioned above, the workers at the Chakan plant decided to form a union, in January 2010.

There was tremendous fear among the workers in terms of formation of union but at the same time harassment of the management was at its peak level and hence they decided to join VKKS which was the recognized union under Maharashtra Recognition of Trade Unions (MRTU) for Akurdi Plant, said one of the employees on the condition of anonymity.

In due course, VKKS got official recognition under MRTU for the Chakan plant.

The First General Body Meeting of the Union was held on 26 January 2010, and VKKS has been officially recognized by the management ever since. The issues were discussed in a peaceful manner and the first collective bargaining settlement was signed on 21 May 2010 to be upheld for nine years. This included that a periodic wage revision would be done triennially and, although the next revision was due in March 2013, the union started pushing for its revised demands as early as July 2012. Nine meetings were held between the company officials and the representatives of the union at Chakan, between September 2012 and June 2013, with no resolutions for any of the conflicts.

VKKS terminated the agreement on 9 March 2013, even though the validity of the prevalent agreement had not lapsed.

According to the State Labour Department, workers demanded an annual hike of INR10,000/- with an additional correction of INR5,000/- apart from benefits of variable dearness allowance. The union had then submitted a separate list of 37 demands which also sought clarity on the company's promotion policy, eligibility for a housing loan of INR5 lakh, education loan of INR2 lakh and marriage loan of INR50,000/-. Union also separately demanded a work study at the site to measure how much production is possible in 480 minutes (HR Magazine, August 2013).

The union made a demand of allotting 500 shares of the company to each worker at INR1/- only (the market price at that time being INR1,900). "I have worked for the company for 30 years. Why should we get into wage negotiation every three years? Give us company shares", said VKKS union leader at the plant (Live Mint, 1 July 2013). A leaflet distributed

by the union expressed the ideological basis for their demand for shares citing the philosophy of Mr. Jamnalal Bajaj, the founder of the company – the recipient of third highest civilian award, the Padma Bhushan – who was known for his philanthropy, trusteeship and belief in good governance. This demand, more than any other, was what was highlighted by the union.

The workers gave a notice for a stoppage of work at the plant from the morning shift of June 28, 2013. The workmen, however, stopped coming to the Chakan plant from June 25, without assigning any reason for this stoppage, BAL said in a filing to the BSE.

Management took matters to the Industrial Labour Court by filing an unfair labour practice complaint against the workers union and declaring the strike illegal but the union avoided taking the notice. In a statement from the Bajaj Auto MD, it was declared that the company would not agree to the demand to allot shares to employees even if the strike went on for 500 days, as even the top management had not been allotted the shares (Financial Express, 19 July 2013), and this put further pressure on workers and union leaders. The management decided not to succumb to the calls of an illegal strike with demands for higher wages. Wage agreements, they maintained, could be looked into only under non-hostile conditions. Meanwhile, 22 employees involved in several activities of indiscipline were suspended by the management.

VKKS, on the other hand, justified their demands, particularly in the allotment of shares by using production numbers and a resultant increase in workers' salary. The union claimed that, although the performance of the company improved drastically, employees' shares in value addition reduced drastically from 31 to 12 per cent. Even among employees, the number of shares allotted to workers was negligible compared to the number allocated to the management staff. Around 1,450 workers were getting an estimated INR300/- per Pulsar, and per worker per Pulsar amounts to 22 PAISA (Re. 0.22). Share Holders & Management Staff get around INR16,700/- per Pulsar, governments get around INR10,000/- per Pulsar and dealers get around INR10,000/- per Pulsar.

The above numbers were often quoted by union officials to get support from their members.

VKKS also started eliciting support from Shramik Ekta Mahasangh, an umbrella organisation of the trade unions.

Demanding an immediate resolution to the 11-day-old agitation by the Chakan plant employees of Bajaj Auto Ltd., an umbrella organisation of trade unions threatened mass stoppage of work in the Chakan and nearby Pimpri-Chinchwad industrial belt. In a letter to the upper labour commissioner of Pune, Shramik Ekta Mahasangh, which claims representation of the 88 trade unions in the region and affiliation to Industrial All (Global) Union of Geneva, has asked the department to intervene in the matter and resolve the crisis. If the Bajaj strike is not sorted out, the agitation may spill over to the entire industrial belt in the vicinity, said the letter (Live Mint, 5 July 2013).

Though the workers' union at Bajaj's Chakan plant received some support from local politicians, such as a few Shiv Sena leaders, and activists, such as Medha Patkar, its key demand of shares for workers, something not seen in any Indian automobile company, didn't strike a chord with national- and state-level politicians. During a recession, a demand for shares and scrapping a wage agreement that offers a 12 per cent salary increase every year cannot win the hearts of workers, said a senior central union leader (Business Standard, 15 August 2013).

The union also approached State Labour Minister Hassan Mushrif to intervene in the matter. Consequently, the state's Chief Labour Commissioner was asked by the minister to intervene and held a three-hour long meeting with the Bajaj Auto management and Chakan plant union in Pune on July 12. However, no agreement could be reached (Business Standard, 27 August 2013).

Meanwhile on July 22, in its hearing on the petition filed by the company to declare the strike illegal, the Pune Labour Court slammed the union body for using delaying tactics

(Business Standard, 26 July 2013). The court stated during the hearing that VKKS had not filed any “written submission” in time, neither had it engaged any advocate in the matter. Labour court judge N.S. Kole said in his order,

The company is suffering huge losses due to illegal strike declared by Bajaj Auto. With these contentions applicant pray for rejecting the application and for taking on record the affidavit of his witness.

The court also stated that it seems VKKS was not interested in prosecuting the case and was interested in delaying the same for one or another reasons (Business Standard, 23 July 2013). This was a big blow to the union.

Management started threatening that they would shift the production facilities to other plants. Bajaj Auto has the flexibility to be able to move production out of Chakan to other plants located in Pantnagar and Aurangabad in a short time. The company’s management said the process could have up to a month without entailing major costs, as many of the vendors are situated across locations, and this enabled Bajaj to give the ultimatum that it would permanently shift half its production from Chakan to other locations if workers did not return. The management also stated that, once the production shifted to the other plants, the striking workers would be not needed and may have to contend themselves with the benefits under the Voluntary Retirement Scheme (The Hindu, 6 August 2013).

A seven-day ultimatum was issued to this effect. Management kept on extending the deadline to keep pressure on the union. A final deadline of 12 August was announced by the management. However, it was extended by three days as the company was hopeful of finding a solution to end the strike in the extended two days. With no indication of yielding from the management, not enough support from the rank and file of the employees, pressure from suspended employees and of wage losses ultimately resulted into the strike being called off by the workers after 50 days.

The company claimed that the workers called off the stir “unconditionally”. However, the union representatives opined that the withdrawal was predominantly owing to the upcoming festive season and that they would continue to push their demands. The union representatives were optimistic that their demands would be met and the issues would be settled amicably without the need to go on strike. The union representatives, however, averred, “With no support from anyone – labour office or other local authorities – we can’t fight alone”. Nevertheless, for the moment, the workers decided to resume their work (Economic Times, 14 August 2013).

When asked if the union has withdrawn its demands for higher wages or employee stock options, Pawar said: “No, we have not dropped the demands; we will discuss those issues with the management going forward without affecting work immediately”. When asked if the workers would go on strike in future if their demands are not met, he said, “That’s an option we have but we will discuss the issues with the management without having to resort to it, hopefully” (Economic Times, 14 August 2013).

The management has decided that the cases against the 22 suspended staff would be dealt with objectively and sympathetically, keeping in mind the collective interest of all the stakeholders. The management averred:

On the face of it, it is very unlikely that the majority suspended will return to work. However, we are aware that workers who have lost their pay for over six weeks now, they will obviously not take too kindly to the fact that this was a futile exercise in the first place. Even as the impasse eventually ends in the coming days/weeks, the Bajaj Auto management is only too aware that there is a lot of hard work ahead in forging stronger ties among the workers. Bonds could have been broken during the strike and the top priority is to ensure stability at the workplace (The Hindu Business Line, 4 August 2013).

**Keywords:**  
Negotiation,  
Collective bargaining

Bearing in mind there was a huge production loss (Bajaj Auto reported a sales decline of –14 per cent y/y at 295,749 units factoring in the strike at Chakan, which accounted for a loss of 20,000 units, sales would have declined by –9 per cent y/y) for the management and a loss of reputation for the union and a lingering culture of distrust – who was the winner in this scenario? Was anyone?

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## Exhibit 1

Plant wise capacity, as on 31 March, 2013

Table E1		
BAL plant site	Vehicles	Production
Waluj	Motorcycles	18,00,000
	Three-wheelers	6,00,000
Chakan	Motorcycles	12,00,000
Pantnagar	Motorcycles	18,00,000

Source: Bajaj Auto Ltd. Annual Report 2012-2013

## Exhibit 2

### Rahul Bajaj – Chairman, Bajaj Group

Mr. Rahul Bajaj (born 10 June 1938) is an Indian businessman, politician and philanthropist. He is the chairman of the Indian conglomerate the Bajaj Group and a Member of Parliament. Bajaj comes from the business house started by a Rajasthani Marwadi businessman, Jammalal Bajaj. He was awarded the third highest civilian award, the Padma Bhushan, in 2001.

### Rajiv Bajaj – Managing Director, Bajaj Auto

Mr. Rajivnayan Rahul Kumar Bajaj graduated first in his class, with distinction, in Mechanical Engineering from the University of Pune in 1988, and then completed his masters in Manufacturing Systems Engineering, with distinction, from the University of Warwick in 1990. He also holds an MBA from Harvard University. He is a post-graduate in management and the holder of an International Certificate for Financial Advisors from the Chartered Insurance Institute, London. He has recently pursued an Executive MBA in International Wealth Management under an exchange program between the University of Geneva in Switzerland and Carnegie Mellon University in Pittsburgh, Pennsylvania in the USA.

He has worked at Bajaj Auto in the areas of Manufacturing and Supply Chain (1990-1995), R&D and Engineering (1995-2000) and Marketing and Sales (2000-2005), and has been its Managing Director since April 2005.

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**Abstract**

**Title** – *Decoding the strike at Bajaj Auto's Chakan plant: a negotiator's framework.*

**Subject area** – *Negotiation, Human Resource Management.*

**Study level/applicability** – *Graduate and post graduate level course in Human Resource Management, Industrial Relations, and Negotiation.*

**Case overview** – *The present case unfolds sequence of events in the wake of collective bargaining between the union and the management of Bajaj Auto for settling the issue of wage revision. Since no agreement could be reached between both the parties, the workers' union called for a strike. This was the first case of strike in the plant in its 16 years of existence. Bajaj Auto is India's second-largest motorcycle manufacturer in the country, having its manufacturing plants at Chakan (Pune, Maharashtra), Pantnagar (Uttarakhand), Waluj in Aurangabad, Maharashtra. The Chakan plant, set up in 1999, has an installed capacity of over 3,000 units a day. The present case relates to workers' strike at its Chakan Plant which lasted for more than 50 days. The case is analysed from the negotiation point of view.*

**Expected learning outcomes** – *To understand basic principles/rules of negotiation; to explain the framework that can be used to assess the relative strength of power of the parties involved in negotiation; and to understand various power moves used by parties involved in negotiation.*

**Supplementary materials** – *Teaching Notes are available for educators only. Please contact your library to gain login details or email [support@emeraldinsight.com](mailto:support@emeraldinsight.com) to request teaching notes.*