PGDM (2019-21)
Management of Industrial Relations
DM-423
Trimester – IV, End-Term Examination: September 2020

Time allowed: 2 hrs 30 min
Max Marks: 50

Roll No: ___________

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** All other instructions on the reverse of Admit Card should be followed meticulously. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 questions with internal choices and CILO (Course Intended Learning Outcome) covered	3*10	30
B	Compulsory Case Study with minimum of 2 questions	20	20
Total Marks			**50**

Section A

Note: Answer any three questions. Each question carries equal marks. (10 x 3 = 30)

A1a. Compare Marxist Theory of Class Conflict and Webbs' Theory of Industrial Democracy. Which one do you think is more relevant in managing Industrial Relations in today's context? Why? (CILO-1)

OR

A1b**.** "COVID 19- the pandemic that has terribly disturbed the 'Global Industrial Relations' scenario. Its impact on migrant workers will have long term implications on demand and supply of manpower, leading to unprecedented economic slowdown". Comment. Also cite relevant examples from the Indian diaspora and available remedies to maintain healthier 'Industrial Relations' environment. (CILO-1)

A2a. Discuss in detail the epistemological significance of conflict and disputes in industries. How can Alternate Dispute Resolutions (ADRs) play an important role in the resolution of any industrial dispute? Also state the constitutional provisions those are relevant to maintain healthier Industrial democracy in India. (CILO-2)

OR

A2b. "Freedom of association is the essence of Trade Unions in India". Comment. In the light of this statement elaborately state the historical evolution of trade union movement in India. Also discuss the recent trends in trade union movement of India. (CILO-2)

A3a. "Margret Kant is in-charge of operations department, she has an unprofessional way of dealing with her colleagues and subordinates, leading to lack of confidence in her".

Does this act of unprofessionalism amount to misconduct and indiscipline? Comment. Also explain discharge simpliciter with relevant case laws. (CILO-3)

OR

A3b. As an HR manager of a company, give five steps with examples you would undertake to strengthen workers' participation in a large service sector company owning a chain of hotels in NCR region. The unit is employing 1000 workmen. Design a policy to implement 'Workers' Participation in Management' system to enable industrial peace and harmony. (CILO-3)

Section B

Note: Analyze the following case and answer the following questions. (CILO-2)

(8+6+6 = 20)

BATA INDIA'S HR PROBLEMS

INTRODUCTION

For right or wrong reasons, Bata India Limited (Bata) always made the headlines in the financial dailies and business magazines during the late 1990s. The company was headed by the 60 year old managing director William Keith Weston (Weston). He was popularly known as a 'turnaround specialist' and had successfully turned around many sick companies within the Bata Shoe Organization (BSO) group.

By the end of financial year 1999, Bata managed to report rising profits for four consecutive years after incurring its first ever loss of Rs 420 million in 1995. However, by the third quarter ended September 30, 2000, Weston was a worried man. Bata was once again on the downward path. The company's nine months net profits of Rs 105.5 million in 2000 was substantially lower than the Rs 209.8 million recorded in 1999. Its staff costs of Rs 1.29 million (23% of net sales) was also higher as compared to Rs 1.18 million incurred in the previous year. In September 2000, Bata was heading towards a major labour dispute as Bata Mazdoor Union (BMU) had requested West Bengal government to intervene in what it considered to be a major downsizing exercise.

BACKGROUND NOTE

With net revenues of Rs 7.27 billion and net profit of Rs 304.6 million for the financial year ending December 31, 1999, Bata was India's largest manufacturer and marketer of footwear products. As on February 08, 2001, the company had a market valuation of Rs 3.7 billion. For years, Bata's reasonably priced, sturdy footwear had made it one of India's best known brands. Bata sold over 60 million pairs per annum in India and also exported its products in overseas markets including the US, the UK, Europe and Middle East countries. The company was an important operation for its Toronto, Canada based parent, the BSO group run by Thomas Bata, which owned 51% equity stake.

The company provided employment to over 15,000 people in its manufacturing and sales operations throughout India. Headquartered in Calcutta, the company manufactured over 33 million pairs per year in its five plants located in Batanagar (West Bengal), Faridabad (Haryana), Bangalore (Karnataka), Patna (Bihar) and Hosur (Tamil Nadu). The company had a distribution network of over 1,500 retail stores and 27 wholesale depots. It outsourced over 23 million pairs per year from various small-scale manufacturers.

Throughout its history, Bata was plagued by perennial labor problems with frequent strikes and lockouts at its manufacturing facilities. The company incurred huge employee expenses (22% of net sales in 1999). Competitors like Liberty Shoes were far more cost-effective with salaries of its 5,000 strong workforce comprising just 5% of its turnover.

When the company was in the red in 1995 for the first time, BSO restructured the entire board and sent in a team headed by Weston. Soon after he stepped in several changes were made in the management. Indians who held key positions in top management, were replaced with expatriate Weston taking over as managing director. Mike Middleton was appointed as deputy managing director and R. Senonner headed the marketing division. They made several key changes, including a complete overhaul of the company's operations and key departments. Within two months of Weston taking over, Bata decided to sell its headquarter building in Calcutta for Rs 195 million, in a bid to stem losses. The company shifted wholesale, planning & distribution, and the commercial department to Batanagar, despite opposition from the trade unions. Robin Majumdar, president, co-ordination committee, Bata Trade Union, criticized the move, saying: "Profits may return, but honor is difficult to regain."

The management team implemented a massive revamping exercise in which more than 250 managers and their juniors were asked to quit. Bata decided to stop further recruitment, and allowed only the redundant staff to fill the gaps created by superannuation and retirements.

The management offered its staff an employment policy that was linked to sales-growth performance. In 1996, for the first time in Bata's 62-year-old history, the company signed a long-term bipartite agreement. This agreement was signed without any disruption of work. Recalls Majumdar: "We showed the management that we could be as productive as any other union in the country." In the six-year period 1993-99, Bata had considerably brought down the staff strength of its Batanagar factory and Calcutta offices to 6,700.

In fiscal 1996, Bata was back in the black with the company reporting net profits of Rs. 41.5 mn on revenues of Rs. 5.90 bn (Rs. 5.32 bn in 1995). In fiscal 1997, Bata further consolidated the gains with the company reporting net profits of Rs 166.9 mn on revenues of Rs. 6.70 bn. A senior HR manager at the company admitted that with an upswing in Bata's fortunes, even its traditionally intransigent workers were motivated to do better. In 1997, Bata workers achieved 93% of their production targets. The management rewarded the workers with a 17% bonus, up from the 15% given in 1996.

By the end of 1997, Bata still faced problems of a high-cost structure and surplus labour. In fact, the turnaround had made the unions more aggressive and demanding. Weston had failed to strike a deal with the All India Bata Shop Managers Union (AIBSMU) since the third quarter of 1997. The shop managers were insisting that Bata honor the 1990 agreement, which stipulated that the management would fill up 248 vacancies in its retail outlets. It also opposed the move to sack all the cashiers in outlets with annual sales of less than Rs 5 mn, which meant elimination of 690 jobs.

In 1999, the Bata management in a bid to further cut costs announced the phasing out of several welfare measures at its Batanagar Unit. Among the proposals were near total withdrawal of management subsidies, canteen facilities, township maintenance, electricity and health care schemes for the employees' families. Other measures were aimed at increasing productivity, reorganizing some departments and extending working days for some essential services. On January 14, 1999, the BMU submitted their charter of demands to the management. The demands mainly revolved around economic issues. In the list of non-economic issues was the demand for reinstatement of the four dismissed employees. The Union had also demanded the introduction of a scheme for workers' participation in management. On the economic front, the Union had demanded a wage hike of around Rs. 90 per week, additional allowances as provident fund over the statutory limit by the management, increase in 'plan bonus' and introduction of attendance bonus for migrant workers.

In July 1999, BMU was finally able to strike a deal. It signed a three-year wage agreement that included a lump sum payment of arrears of Rs. 4,000 per employee. The management agreed to include 10% of the 400 contract laborers at Batanagar in its staff.

Other gains included an average increase of Rs. 45.50 in the weekly pay of the 5,600 employees in Batanagar, an improved rate of DA and increase in tiffin allowance. However, canteen rates had been doubled from Rs. 0.75 for a meal to Rs. 1.50. For the 500 families staying at Batanagar, the electricity rates had been doubled to Rs. 0.48 per unit. BMU was successful in preventing the management from dismantling the public health unit in which 80 people were employed. In September 1999, the West Bengal State labour tribunal in an order justified and upheld Bata's action of suspending and subsequent dismissing of three executive members of the BMU. The tribunal had provided no relief to the dismissed members who had been found guilty of assaulting the chief welfare officer at the Batanagar unit on November 26, 1996.

ASSAULT CASE

More than half of Bata's production came from the Batanagar factory in West Bengal, a state notorious for its militant trade unions, who derived their strength from the dominant political parties, especially the left parties. Notwithstanding the giant conglomerate's grip on the shoe market in India, Bata's equally large reputation for corruption within, created the perception that Weston would have a difficult time. When the new management team weeded out irregularities and turned the company around within a couple of years, tackling the politicized trade unions proved to be the hardest of all tasks.

On July 21, 1998, Weston was severely assaulted by four workers at the company's factory at Batanagar, while he was attending a business meet. The incident occurred after a member of BMU, Arup Dutta, met Weston to discuss the issue of the suspended employees. Dutta reportedly got into a verbal duel with Weston, upon which the other workers began to shout slogans. When Weston tried to leave the room the workers turned violent and assaulted him. This was the second attack on an officer after Weston took charge of the company, the first one being the assault on the chief welfare officer in 1996.

Soon after the incident, the management dismissed the three employees who were involved in the violence. The employees involved accepted their dismissal letters but subsequently provoked other workers to go in for a strike to protest the management's move. Workers at Batanagar went on a strike for two days following the incident. Commenting on the strike, Majumdar said: "The issue of Bata was much wider than that of the dismissal of three employees on grounds of indiscipline. Stoppage of recruitment and continuous farming out of jobs had been causing widespread resentment among employees for a long time."

Following the incident, BSO decided to reconsider its investment plans at Batanagar. Senior vice-president and member of the executive committee, MJZ Mowla, said: "We had chalked out a significant investment programme at Batanagar this year which was more than what was invested last year. However, that will all be postponed."

The incident had opened a can of worms, said the company insiders. The three men who were charge-sheeted, were members of the 41-member committee of BMU, which had strong political connections with the ruling Communist Party of India (Marxist). The trio it was alleged, had in the past, a good rapport with the senior managers, who were no longer with the organization. These managers had reportedly farmed out a large chunk of the contract operations to this trio.

Company insiders said the recent violence was more a political issue rather than an industrial relations problem, since the workers had very little to do with it. Seeing the seriousness of the issue and the party's involvement, the union, the state government tried to solve the problem by setting up a tripartite meeting among company officials, the labor directorate and the union representatives. The workers feared a closedown as the inquiry proceeded.

INDUSTRIAL RELATIONS

For Bata, labor had always posed major problems. Strikes seemed to be a perennial problem. Much before the assault case, Bata's chronically restive factory at Batanagar had always been plagued by labor strife. In 1992, the factory was closed for four and a half months. In 1995, Bata entered into a 3-year bipartite agreement with the workers, represented by the then 10,000 strong BMU, which also had the West Bengal government as a signatory. It was in 1998, that the company for the first time signed another long-term bipartite agreement with the unions without any disruption of work. Apprehensive about labor problems spilling over to other units, the company entered into similar long-term agreements with the unions at its manufacturing units at Bangalore and Faridabad.

In February 1999, a lockout was declared in Bata's Faridabad Unit. Middleton commented that the closure of the unit would not have much impact on the company's revenues as it was catering to lower-end products such as canvas and Hawaii chappals. The lock out lasted for eight months. In October 1999, the unit resumed production when Bata signed a three-year wage agreement.

On March 8, 2000, a lockout was declared at Bata's Peenya factory in Bangalore, following a strike by its employee union. The new leadership of the union had refused to abide by the wage agreement, which was to expire in August 2001. Following the failure of its negotiations with the union, the management decided to go for a lock out. Bata management was of the view that though it would have to bear the cost of maintaining an idle plant (Rs. 3 million), the effect of the closures on sales and production would be minimal as the footwear manufactured in the factory could be shifted to the company's other factories and associate manufacturers. The factory had 300 workers on its rolls and manufactured canvas and PVC footwear.

In July 2000, Bata lifted the lockout at the Peenya factory. However, some of the workers opposed the company's move to get an undertaking from the factory employees to resume work. The employees demanded revocation of suspension against 20 of their fellow employees. They also demanded that conditions such as maintaining normal production schedule, conforming to standing orders and the settlement in force should not be insisted upon.

In September 2000, Bata was again headed for a labour dispute when the BMU asked the West Bengal government to intervene in what it perceived to be a downsizing exercise being undertaken by the management. BMU justified this move by alleging that the management has increased outsourcing of products and also due to perceived declining importance of the Batanagar unit. The union said that Bata has started outsourcing the Power range of fully manufactured shoes from China, compared to the earlier outsourcing of only assembly and sewing line job. The company's production of Hawai chappals at the Batanagar unit too had come down by 58% from the weekly capacity of 0.144 million pairs. These steps had resulted in lower income for the workers forcing them to approach the government for saving their interests.

Questions:

B1. Critically analyse the case and elaborate the Industrial relations scenario of Bata India Limited. (CILO-2) (8 Marks)

B2. “Strikes seemed to be a perennial problem”. Comment. (CILO-2) (6 Marks)

B3. What are the options available to William Keith Weston in the light of the Industrial relations situation in Bata India Limited? (CILO-2) (6 Marks)

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