

PGDM (2020-22)
Industrial Relations and Labour Laws
DM-423

Trimester – IV, End-Term Examination: September 2021

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.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 question 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 question each question carries equal marks.

(10x 3 = 30)

A1a. 'The role of Article 19 [1] (a) and Article 43 in managing harmonious Industrial relations as well as in strengthening the workers' rights is vital.' Elaborate with reference to relevant legislations available for the protection of rights of the workmen and its association. **(CILO 1)**

Or

A1b. Units up to 300 can hire and fire without seeking government permission, and thus, it might lead to increased hiring and firing'. Comment. Will it be good for managing healthier Industrial Relations? **(CILO 1)**

A2a. In the new wage code 2019, explain the new definition of 'Wages' under section 2(y) and the associated proviso 1 and proviso 2 in detail? Also describe the salient features on health, safety and welfare provisions as discussed in the new occupational safety, health and working conditions code 2020?

(CILO 2)

Or

A2b. 'State the difference between fixed term employment and contract labour as per the new social security code. In the light of this code workers are defined under 'gig worker', 'self-employed worker' and 'platform worker' as new categories of workers, explain how are they defined as well as what are its scope and coverage in the new design of workplace?

(CILO 2)

A3a. Explain your understanding about Labour Reforms and its role in managing Industrial conflict, with special reference to India. As an HR manager, what key measures would you suggest to rationalize various labour legislations in India? Also state the recommendations

of the latest labour reforms on suggested amendments on contract labour legislations in India. (CILO 1/2)

Or

A3b Define types of 'Disabilities' discussed in the new social security code? Also write about the benefits stated in the employees' state insurance scheme under this code?

(CILO 1/2)

Section B

Note: Answer all three questions each question carries equal marks. (CILO-3) (8+6+6=20)

Philips India - Labor Problems at Salt Lake

"They (unions) should realize that they are just one of the stakeholders in the company and have to accept the tyranny of the market place."

– Manohar David, Director, PIL in 1996.

SELLING BLUES

The 16th day of March 1999 brought with it a shock for the management of Philips India Limited (PIL). A judgement of the Kolkata^[1] High Court restrained the company from giving effect to the resolution it had passed in the extraordinary general meeting (EGM) held in December 1998.

The resolution was to seek the shareholders' permission to sell the color television (CTV) factory to Kitchen Appliances Limited, a subsidiary of Videocon. The judgement came after a long drawn, bitter battle between the company and its two unions Philips Employees Union (PEU) and the Pieco Workers' Union (PWU) over the factory's sale.

PEU president Kiron Mehta said, "The company's top management should now see reason. Ours is a good factory and the sale price agreed upon should be reasonable. Further how come some other company is willing to take over and hopes to run the company profitably when our own management has thrown its hands up after investing Rs.70 crores on the plant."

Philips sources on the other hand refused to accept defeat. The company immediately revealed its plans to take further legal action and complete the sale at any cost.

SOURING TIES

PIL's operations dates back to 1930, when Philips Electricals Co. (India) Ltd., a subsidiary of Holland based Philips NV was established. The company's name was changed to Philips India Pvt. Ltd. in September 1956 and it was converted into a public limited company in October 1957. After being initially involved only in trading, PIL set up manufacturing facilities in several product lines. PIL commenced lamp manufacturing in 1938 in Kolkata and followed it up by establishing a radio manufacturing factory in 1948. An electronics components unit was set up in Loni, near Pune, in 1959. In 1963, the Kalwa factory in Maharashtra began to produce electronics

measuring equipment. The company subsequently started manufacturing telecommunication equipment in Kolkata.

In the wake of the booming consumer goods market in 1992, PIL decided to modernize its Salt Lake factory located in Kolkata. Following this, the plant's output was to increase from a mere 40000 to 2.78 lakh CTVs in three years. The company even expected to win the Philips Worldwide Award for quality and become the source of Philips Exports in Asia. PIL wanted to concentrate its audio and video manufacturing bases of products to different geographic regions. In line with this decision, the company relocated its audio product line to Pune. In spite of the move that resulted in the displacement of 600 workers, there were no signs of discord largely due to the unions' involvement in the overall process.

By 1996, PIL's capacity expansion plans had fallen way behind the targeted level. The unions realized that the management might not be able to complete the task and that their jobs might be in danger. PIL on the other hand claimed that it had been forced to go slow because of the slowdown in the CTV market. However, the unconvinced workers raised voices against the management and asked for a hike in wage as well. PIL claimed that the workers were already overpaid and under productive. The employees retaliated by saying that they continued to work in spite of the irregular hike in wages. These differences resulted in a 20-month long battle over the wage hike issue; the go-slow tactics of the workers and the declining production resulted in huge losses for the company.

In May 1998, PIL announced its decision to stop operations at Salt Lake and production was halted in June 1998. At that point, PWU members agreed to the Rs 1178 wage hike offered by the management. This was a climbdown from its earlier stance when the union, along with the PEU demanded a hike of Rs 2000 per worker and other fringe benefits. PEU, however, refused to budge from its position and rejected the offer. After a series of negotiations, the unions and the management came to a reasonable agreement on the issue of the wage structure.

SELLING TROUBLES

In the mid-1990s, Philips decided to follow Philips NV's worldwide strategy of having a common manufacturing and integrated technology to reduce costs. The company planned to set up an integrated consumer electronics facility having common manufacturing technology as well as suppliers base.

Director Ramachandran stated that the company had plans to depend on outsourcing rather than having its own manufacturing base in the future. The company selected Pune as its manufacturing base and decided to get the Salt Lake factory off its hands.

In tune with this decision, the employees were appraised and severance packages were declared. Out of 750 workers in the Salt Lake division, 391 workers opted for VRS. PIL then appointed Hong Kong and Shanghai Banking Corporation (HSBC) to scout for buyers for the factory. Videocon was one of the companies approached.

Though initially Videocon seemed to be interested, it expressed reservations about buying an over staffed and under-utilized plant. To make it an attractive buy, PIL reduced the workforce and

modernized the unit, spending Rs 7.1 crore in the process. In September 1998, Videocon agreed to buy the factory through its nominee, Kitchen Appliances India Ltd.

The total value of the plant was ascertained to be Rs 28 crore and Videocon agreed to pay Rs 9 crore in addition to taking up the liability of Rs 21 crore. Videocon agreed to take over the plant along with the employees as a going concern along with the liabilities of VRS, provident fund etc. The factory was to continue as a manufacturing center securing a fair value to its shareholders and employees.

In December 1998, a resolution was passed at PIL's annual general meeting (AGM) with a 51% vote in favor of the sale. Most of the favorable votes came from Philips NV who held a major stake in the company. The group of FI shareholders comprising LIC, GIC and UTI initially opposed the offer of sale stating that the terms of the deal were not clearly stated to them.

They asked for certain amendments to the resolutions, which were rejected by PIL. Commenting on the FIs opposing the resolution, company sources said, "it is only that the institutions did not have enough time on their hands to study our proposal in detail, and hence they have not been able to make an informed decision."

Defending the company's decision not to carry out the amendments as demanded by the financial institutions, Ramachandran said that this was not logical as the meeting was convened to take the approval of the shareholders, and the financial institutions were among the shareholders of the company. Following this, the FIs demanded a vote on the sale resolution at an EGM. After negotiations and clarifications, they eventually voted in favor of the resolution.

The workers were surprised and angry at the decision. Kiron Mehta said, "The management's decision to sell the factory is a major volte face considering its efforts at promoting it and then adding capacity every year." S.N.Roychoudhary of the Independent Employees Federation in Calcutta said, "The sale will not profit the company in any way. As a manufacturing unit, the CTV factory is absolutely state-of-the-art with enough capacity.

SELLING TROUBLES contd...

It is close to Kolkata port, making shipping of components from Far Eastern countries easier. It consistently gets ISO 9000 certification and has skilled labor. Also, PIL's major market is in the eastern region."

The unions challenged PIL's plan of selling the CTV unit at 'such a low price of Rs 9 crore' as against a valuation of Rs 30 crore made by Dalal Consultants independent valuers. PIL officials said that the sale price was arrived at after considering the liabilities that Videocon would have along with the 360 workers of the plant.

This included the gratuity and leave encashment liabilities of workers who would be absorbed under the same service agreements. The management contended that a VRS offer at the CTV

unit would have cost the company Rs 21 crore. Refuting this, senior members of the union said, "There is no way that a VRS at the CTV unit can set Philips by more than Rs 9.2 crore."

They explained that PIL officials, by their own admission, have said that around 200 of the 360 workers at the CTV unit are less than 40 years of age and a similar number have less than 10 years' work experience. The unions also claimed that they wrote to the FIs' about their objection.

The workers then approached the Dhoots of Videocon requesting them to withdraw from the deal as they were unwilling to have Videocon as their employer. Videocon refused to change its decision. The workers then filed a petition in the Kolkata High Court challenging PIL's decision to sell the factory to Videocon.

The unions approached the company with an offer of Rs 10 crore in an attempt to outbid Videocon. They claimed that they could pay the amount from their provident funds, cooperative savings and personal savings. But PIL rejected this offer claiming that it was legally bound to sell to Videocon and if the offer fell through, then the union's offer would be considered along with other interested parties.

PIL said that it would not let the workers use the Philips brand and that the workers could not sell the CTVs without it. Moreover, the workers were taking a great risk by using their savings to buy out the plant. Countering this, the workers said that they did not trust Videocon to be a good employer and that it might not be able to pay their wages.

They followed it up with proofs of Videocon's failure to make payments in time during the course of its transactions with Philips. In view of the rejection of its offer by the management, the union stated in its letter that one of its objection to the sale was that the objects clause in the memorandum of association of Kitchen Appliances did not contain any reference to production of CTVs.

This makes it incompetent to enter into the deal. The union also pointed out that the deal which was signed by Ramachandran should have been signed by at least two responsible officials of the company. As regards their financial capability to buy out the firm, the union firmly maintained that it had contacts with reputed and capable businessmen who were willing to help them.

In the last week of December 1998, employees of PIL spoke to several domestic and multinational CTV makers for a joint venture to run the Salt Lake unit. Kiron Mehta said, "We can always enter into an agreement with a third party. It can be a partnership firm or a joint venture. All options are open. We have already started dialogues with a number of domestic and multinational TV producers."

It was added that the union had also talked to several former PIL directors and employees who they felt could run the plant and were willing to lend a helping hand. Clarifying the point that the employees did not intend to takeover the plant, Mehta said, "If Philips India wants to run the unit again, then we will certainly withdraw the proposal. Do not think that we are intending to take over the plant."

In March 1999, the Kolkata High Court passed an order restraining any further deals on the sale of the factory. Justice S.K.Sinha held that the transfer price was too low and PIL had to view it

from a more practical perspective. The unrelenting PIL filed a petition in the Division bench challenging the trial court's decision.

The company further said that the matter was beyond the trial court's jurisdiction and its interference was unwarranted, as the price had been a negotiated one. The Division bench however did not pass any interim order and PIL moved to the Supreme Court. PIL and Videocon decided to extend their agreement by six months to accommodate the court orders and the worker's agitation.

JUDGEMENT DAY

In December 2000, the Supreme Court finally passed judgement on the controversial Philips case. It was in favour of the PIL. The judgement dismissed the review petition filed by the workers as a last ditch effort.

The judge said that though the workers can demand for their rights, they had no say in any of the policy decisions of the company, if their interests were not adversely affected. Following the transfer of ownership, the employment of all workmen of the factory was taken over by Kitchen Appliances with immediate effect.

Accordingly, the services of the workmen were to be treated as continuous and not interrupted by the transfer of ownership. The terms and conditions of employment too were not changed. Kitchen Appliances started functioning from March 2001.

This factory had been designated by Videocon as a major centre to meet the requirements of the eastern region market and export to East Asia countries.

The Supreme Court decision seemed to be a typical case of 'all's well that ends well.' Ashok Nambissan, General Counsel, PIL, said, "The decision taken by the Supreme Court reiterates the position which Philips has maintained all along that the transaction will be to the benefit of Philips' shareholders."

How far the Salt Lake workers agreed with this would perhaps remain unanswered.

Questions for discussion:

1. 'Changes taking place in PIL made workers feel insecure about their jobs.' Do you agree with this statement? Give reasons to support your answer.
2. Highlight the reasons behind PIL's decision to sell the Salt Lake factory. Critically comment on PIL's arguments regarding not accepting the union's offer to buy the factory.
3. Comment on the reasons behind the Salt Lake workers resisting the factory's sale. Could the company have avoided this?
