

# BAJAJ AUTO case study solution



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## Short Description

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## Description

**BAJAJ AUTO**

**Examine the following case study relating to lockout at Bajaj Auto Ltd. (BAL) and answer the questions at the end of the case. Bajaj Auto Limited (BAL) is the market leader of the two-wheeler industry (BPL) has always enjoyed highest market share in this industry. BAL set up a second plant at Waluj (Aurangabad) in January 1984. It employs 3,500 persons and has rated capacity to assemble 800 scooters a day. Its plant at Pune is much older with double the rated capacity and twice the strength of employees.**

In November 1987, the management of Auto Bajaj Ltd. (BPL) Waluj (Aurangabad) was concerned about the situation that had arisen because of the lockout it had been forced to declare. The lockout necessitated rethinking about the strategies that the organization would have to follow, and the formulation of short-term strategies for coping with company's loss in market share and heavy financial losses that would result from the lockout. It was estimated that the company would incur a loss at the rate of Rs. 69 lakhs per day during the period of lockout. The Management of Bajaj Auto Ltd. had decided that all the workers will be recruited from the nearby rural areas of Marathwada in Vidarbha. As a policy, the company had decided against the transfer of any workmen

from the Pune plant to Waluj. Pursuant to this Policy diploma-holders were recruited from Industrial Training Institute in the nearby region. and were trained at Pune before being placed at Waluj. The Management was convinced about the useful role that the trade unions played in maintaining cordial relations with its employees. The Management, however, believed that only an internal union would be able to play a constructive role and help them to maintain cordial relationship with their employees. As a result of this belief, the company decided to promote an internal trade union. The purpose of the internal trade union was to serve as a representative body of workers which would be the communication link between the management and the employees.

To promote such an internal union, the Management selected 36 workers, who had the leadership qualities and intelligence, and who could provide leadership in work - related matters. The select group was sent to Panchgani for an orientation programme to prepare the group for assuming leadership of the internal union. After completing the training the management began to groom the group for assuming responsibility of helping the workers in resolving day to-day problems and for playing a legionary role between the management and workers. More specifically, the group was required to help workers solve their work-related matters such as tool crib operations, services in the canteen, problems with company transport, and also help maintain discipline on the shop floor. The group had worked in this role for nearly one and half years. During this period this internal union was not formally registered. Background of the Labour Force Most of the labour force were in the age group of 21-25 years and did not have family responsibilities. Most of them came from agricultural families and had no exposure to industrial life.

In an interview with the case writer, the workers expressed their views concerning the problems they were facing in the plant. A gist of the views expressed by the workers is as follows. The workers pointed out that they were confined to a job for eight hours.

Although the work norms were based on the ILO standards, the automated operations in BAL did not give them any freedom on the 'job. They had absolutely no time for relaxation at work. The company bus dropped them to the shopfloor, drove them to the canteen and back during lunch break and they were again picked up at the end of the shift and dropped home. The eight-hour job left them so exhausted that they felt like doing nothing but sleep. Gathering Storm Sometime towards the end of 1986, the management made some major changes in the standing orders which had been approved by the Deputy

Commissioner of Labour. These were :

\_ The normal minimum probationary period of three months was raised to six months with a provision to extend it by another six months.

\_ The training period was liable for extension at the discretion of the management.

\_ Go-slow at work was incorporated as an act of misconduct.

\_ A workman was liable for punishment for riotous or indecent behavior involving injury, assault or threat of assault not only within the establishment but in the vicinity or outside the establishment if such an act had a rational connection with and bearing on the employment in the establishment.

These changes, in the management's view, were necessitated by the increasing occurrences of stabbing and assault on the managerial personnel outside the company's premises. The workers in the Waluj plant were not aware of the change made in the standing orders until a fellow worker was suspended for misconduct.

Consequently, they lost faith in their representatives and elected a new body of representatives. This new body was registered as a union of workers under the name Bajaj Auto (Aurangabad Division) Kamgar Sanghatana. This was purely an internal union and none of the office bearers of the union was from outside.

Soon after the registration of this union, the workers submitted a charter of demands which included the payment of :

\_ House rent allowance of Rs. 300 per month.

\_ Education allowance of Rs. 140 per month.

\_ Leave travel allowance of Rs. 1,500 per year.

\_ Basic wage at the rate of Rs. 1,600 per month.

The details of the wage structure prevalent at the Waluj plant in the Aurangabad belt and in Pune are presented in Exhibit I. The management pointed out that these demands would impose a burden of Rs. 3,700 per worker, including indirect benefits. Therefore, it rejected these demands and offered to revise the wage structure so that the workers would get an increase of Rs. 205 per month. The rationale behind this offer was that it would make the wage level at the Waluj plant slightly above the wage levels prevalent in major industrial units situated in the Aurangabad region. The workers were not willing to accept the management's offer and resorted to severe acts of violence such as beating the supervisors and engineers, burning their vehicles, destroying managerial cabins on the shop floor and canteen equipment. The management was thus forced to announce suspension of work from 7th November 1987. They also suspended some workers.

The management filed a complaint under the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 and sought an injunction against the workmen for violence. The union, too, moved the labour court and sought declaration of lockout as illegal.

## **Questions:**

### **1. Comment on management's approach toward**

**(a) recruitment of workmen for the Waluj plant,**

**(b) Formation of internal union, and**

**(c) Changes in standing orders.**

**2. Comment on the charter of demands and the attitude of both the Union and the management towards revision of wage structure.**

**3. What were the real causes for the lookout ? Could it have been avoided; Give reasons.**

**4. What should be done to resolve the conflict and lift the lockout?**

**5. Once the lockout is lifted and normalcy is restored, what should be the concerns of the management, both in short run and in the long run to prevent the recurrence of such lockouts?**

**Exhibit 1 : Wage Pattern in Aurangabad**

**Industrial Belt in November 1987**

**(Rs.per month)**

**Item Maximum in the region Average of Six major companies in the region BAL  
(Waluj) BAL (Pune)**

**Basic**

**HRA**

**LTA Education Allowance Medical Allowance (non-ES1) Special Allowance/ DA  
Fixed DA 208.00 175.00 93.33 75.00 75.00 650.78 520.00 183.08 142.50 50.83 53.33  
58.33 476.90 232.06 124.80 130.00 50.00 --- 942.50 --- 176.80 130.00 50.00 52.00 52.00  
939.12 268.32**

**Total Wages per worker 1,798.11 1,197.03 1,247.30 1,668.24**

**Details**

**1. Case study solved answers**

**2. pdf/word in 24-48 hrs**

**3. Fully Solved with answers**