

The irony is stark. On the day the PM cleared the new manufacturing policy that seeks to raise industry's share of GDP from 16% now to 25% by 2025, the strike at Maruti's Manesar plant threatened to spill over to neighbouring units in India's largest auto-hub with the Congress-backed Intuc joining hands with the Left-backed Aituc. The Haryana government's decision on Thursday to ban the strike should help contain the damage since Maruti's management can now cut salaries as well. Interestingly, the ban happened after it was discovered the strikers were trying to bring politicians into the company union through the back door (see our front page story). Provisional labour ministry data shows strikes and lockouts have fallen dramatically, from 349 in 2009 to 99 in 2010, but a series of high-profile strikes last year made you doubt the data a bit—there was a strike at Nokia, at Tata Chemicals, Hyundai, MRF, Neyveli Lignite, and the one at Allied Nippon resulted in an assistant general manager getting lynched. The numbers may be falling, but they're more high-profile now.

In many cases, the proximate cause seems similar, that of contract workers wanting pay parity with full-time workers—a fourth of organised sector employees are said to be on contract. While unions argue this is a ploy to keep wages down, the real reason is different. Given how labour laws make it near impossible to lay off workers, companies prefer to hire contract workers. Just 7-8% of India's total work force is in the organised sector—that's around 35 mn of the total work force of 450 mn. Of these, 24-25 mn will be government, quasi-government (teachers) and PSU employees. Just 6-7 mn of the 55 mn persons in manufacturing are in the formal private sector—and within the formal sector, there is a greater tendency to hire casual workers.

You'd think that when such a small fraction are getting decent wages, the attempt would be to grow the number. Maruti is a good example to study in this context. According to the management, while contract and full-time trainee workers start at roughly the same salary, full-time salaries rise to around 70-80% more in two-three years. But there are a couple of caveats here. One, the contract workers get higher salaries in Maruti than they do outside. Two, Maruti's second plant in Manesar is to go on stream by September and around 200 contract workers who performed well in Plant 1 have already been absorbed in Plant 2; while there is scope to absorb more, a third plant is to come up next year—Maruti's Manesar capacity is 3 lakh in Plant 1, 2.5 lakh in Plant 2 and 2.5 lakh in Plant 3. At the end of the day, the choice is really between a small minority who get very high wages and a larger majority which gets decent wages.