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## **Labour Unrest in the Indian Automobile Industry\***

Labour unrest has been a recurring challenge in India's automobile sector, affecting production, investment, and industrial relations. This case examines two significant instances of labour strikes—one at Toyota's plants in Bangalore (2014) and another at Hyundai's plant in Tamil Nadu (2010)—highlighting the causes, responses, and broader implications for industrial policy and labour relations.

### **2014 Strike in Bangalore**

Toyota's twin plants at Bidadi, Bangalore remained shut for 36 days in 2014 owing to a workers' strike. More than 4,000 members of the trade union went on strike as they demanded demanding higher wages, additional holidays, and improved housing facilities. The union also demanded the automaker to reinstate 30 employees who were suspended on charges of causing disruption to work. While the plants partially continued to work with 700–800 contract labourers, there was a 40 per cent decrease in production capacity. With its two plants with installed capacity to produce 310,000 units annually, Toyota was the fifth largest automaker in India. The unionised employees called off their strike after the state government intervened and directed the management and the union to restore normalcy and harmony in operations.

### **2010 Strike in Tamil Nadu**

In the aftermath of the economic liberalisation initiated in India in 1991, the Indian State of Tamil Nadu attracted enormous investment into automobile and accessories manufacturing. However, by 2000, investors and manufacturers had become quite worried about repeated labour unrest, which was also impeding future investment in the state.

Hyundai, the second largest car maker in the country, was facing a similar situation. In May 2010, Hyundai employees threatened a sit-in strike after the company refused to reinstate 35 employees who had been dismissed for alleged misconduct. According to media reports, the company was not able to meet the agreed deadline to reinstate the dismissed workers. The company had been making frantic efforts for a possible settlement with the dismissed employees, offering them certain financial compensation as a part of the settlement. Hyundai had faced at least two strikes in the preceding year. In April 2009,

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employees went on strike for 18 days after the company laid off 65 workers. Then again, in July 2009, employees went on strike protesting a wage agreement that had allegedly been signed by a minority union (or the pocket union).

However, Hyundai was not the only company suffering as a result of labour unrest. In May 2009, workers at MRF struck work for several months, demanding recognition of their union. In September 2009, a senior official at Pricol was killed in workers' unrest in the auto-ancillary hub of Coimbatore, which resulted in a work closure lasting more than a month.

According to Abdul Majeed, an auto sector expert at PWC, labour laws were to be blamed:

“Our labour laws need an amendment. No one wins when it comes to dealing with labour. There has to be a give and take to some level amongst everyone. But our labour laws are the biggest of problems.”

Under India's labour regulations, large companies must obtain state government approval before laying off permanent employees or hiring contract workers. Many industry leaders believe these laws incentivize frequent strikes, as unions use work stoppages as a bargaining tool.

As India seeks to establish itself as a global hub for small car production, persistent labour unrest raises concerns about the country's attractiveness to international investors. This case invites students to critically analyse the balance between worker rights, corporate flexibility, and economic competitiveness in industrial relations.

#### Questions:

1. What were the key causes of labour unrest in India's automobile sector, and how did they impact production and investment?
2. How do India's labour laws influence employer-employee relations, and what reforms could be introduced to balance worker rights and industrial growth?
3. Compare the approaches taken by Toyota and Hyundai in handling labour disputes. What strategies could they have used to prevent or resolve these conflicts more effectively?
4. How does persistent labour unrest affect India's reputation as a global manufacturing hub? What lessons can policymakers and corporate leaders learn from these incidents?