



# Labour unrest in developing economies: causes, consequences and cure

por Durgambini A. Patel

## I. Introduction

A cordial and compatible relation among the employer and an employee is the prerequisite and inalienable factor for progressive economic development of every nation. The issues pertaining to this becomes more significant in developing economies that face numerous challenges which need to be put to test for prioritizing the factors to bring in equilibrium and fairness in its economic growth policies without undermining social justice<sup>1</sup>. In the 21<sup>st</sup> century the global economy witnessed many twists and turmoil due to recessions and meltdowns that have posed several questions before us that need to be answered especially in the context of South Asian region, which is poor as far as regional economic cooperation is concerned unlike the European Union which is able to meet the challenges as a common effort.

We can see that recent breaking news in media often revolves around incidences of violence and unrest in industry, plant, factory or workplaces, caused due to constrains in harmonious labour-management relations. This results into immediate damage to economic growth, triggering our anxiety and longing for peace and tranquility. It is the need of the hour to unfold the truth and introspects to find out the socio-legal causes of unrest and violence and the inability of law to tackle the same. We need to find solutions viable and feasible in all respect. Law and policies in this context needs to be socially relevant and shall also be socially construed and determined.

## II. Causes of labour unrest: some glimpses

The causes of friction, differences and disputes revolve around factors of employment, non-employment, terms of employment and condition of labour. Based upon these issues following are few challenges that need immediate attention to have a society free from exploitation, to achieve social justice and equitable economic growth under the aegis of fair globalization concept<sup>2</sup>.

### 1. Trade Reforms and its gender discrimination

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<sup>1</sup>ASEAN Services Employees Trade Unions Council (ASETUC), *Labour law and practices in ASEAN, A comparative study on Gender Equality, Employment of persons with disabilities, Youth Employment and Social dialogue*, Vol. II, ISBN 978-602-14814-0-0

<sup>2</sup> ILO Declaration on Social Justice for a Fair Globalization, adopted in 2008.

Trade reform/ liberalization have always opened a floodgate for employment and entrepreneurial opportunities, but the same, if not directed properly may highlight the existing gender differences<sup>3</sup>. The interplay between existing gender inequalities and trade policies results in the number of broader areas of gender-differentiated impacts which undoubtedly cause unrest, generate complex and often contradictory effects on the access to employment, livelihood and income among the sex which is being dominated<sup>4</sup>.

Other issues in the area of general governance include the lack of gender analysis and consultation with women's group and community-based organizations in determining national priorities for trade negotiations and in the formulation of substantive advocacy positions of governments and NGOs, especially in the areas of trade policy reviews, dispute settlement and labour standards.

## 2. Health Hazards and the Industrial Unrest

Health hazards are prominent and almost inevitable in a working industrial or factory setup. They turn out to be a major contributor to labour unrest as a lot of workmen lack basic health facilities due to tight economic and below average social conditions which makes them prone to diseases easily, especially in a factory setup. Unsafe working conditions faced by the employees mainly occur when an organization violates the industrial safety and rules meted out by the government in this regard. When there is a disaster or an accident the employees tend to agitate and this becomes a significant cause of unrest<sup>5</sup>.

## 3. Unawareness of labour laws and Terms of employment also cause unrest

Increase in temporary contractual nature of employment is a heated topic of debate almost in all legal systems globally. It is generally argued that labour flexibility is one of the methods to generate continuous job opportunities and also lessening the expenditure of the entrepreneurs but this keeps the labour market volatile and uncertain. The consequence of the same is increase in temporary and contractual nature of jobs and rapid expansion in the informal sector. There is vast divide between the permanent worker and a temporary worker, who does the same nature of work but treated differently for payments and other benefits. On the other hand not all the labourers working in the market are aware of their rights and their employer's liabilities<sup>6</sup>. When such rights and liabilities are disclosed later on or misused against the labourer, this causes severe unrest<sup>7</sup>. Further, the lack of communication between the employees and the higher level management, which gradually reduces the proficiency and productivity of the organization, also causes unrest.

## 4. Political Factor a key cause of unrest

Political factors have also played an important role in the unrests which have occurred. As is known, trade unions in India are generally controlled by political parties and often workers are made to go on strikes to further the political objects of the controlling parties. Though this kind of unrest may or may not be due to the internal disturbances in the working setup, such unrest may cause major loss to the economy, either directly by strikes or lock down of industries or indirectly

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<sup>3</sup>Mariama Williams, *Gender and Governance in the Multilateral Trading System: Critical areas of decision-making and Global Responses*, GERA Mid-term Review Workshop 25-29 November 2002.

<sup>4</sup>*Ibid.*

<sup>5</sup> ILO, *Safety- Health Working Conditions*, ISBN 91-7522-115-2, [https://www.ilo.org/wcmsp5/groups/public/@ed\\_protect/@protrav/@safework/documents/instructionalmaterial/wcms\\_175900.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_protect/@protrav/@safework/documents/instructionalmaterial/wcms_175900.pdf) [Accessed on 15 the Dec. 2018].

<sup>6</sup>Rahul Kishore, Himanshu, Taranekar & R.Pooja, *Turning The Tide of Labour Unrest in India*, [http://www.indianmba.com/Occasional\\_Papers/OP82/op82.html](http://www.indianmba.com/Occasional_Papers/OP82/op82.html) [Accessed on 14th Dec. 2018]

<sup>7</sup>*Ibid.*

by loss of workforce<sup>8</sup>. Unrest due to political factors is very prominent and likely to happen in developing countries as every political party is in the quest for gaining the ultimate power.

#### 5. Poor Social Security measures an agitating factor

Insufficient social security measures are another major cause for labour unrest in developing countries. While providing social security to the humungous workforce in a thickly populated country may seem difficult, but at the same time it is to be given precedence over all other facilities. Social Security can be divided into two categories (i) social insurance and (ii) social assistance. Social insurance schemes are generally financed by the employees, employers and the State<sup>9</sup>. However, such welfare measures face the following problems: (a) insufficient coverage, (b) lack of employment insurance, (c) inherent bottlenecks of an exit policy, (d) overlapping schemes, and (e) lack of facilities *vis-a-vis* requirement of beneficiaries<sup>10</sup>.

### III. Case study of unrest-India

*The Maruti Suzuki Case:* A labourer was suspended in 2012 owing to a conflict with his shop floor director at the Maruti Suzuki India Limited's Manesar plant. This incident prompted a serious conflict between the workmen and the managerial staff. The workers burnt down the wing of the plant which manufactures the Swift and Dzire models. As a consequence, Awanish Kumar Dev, the general manager of human resources, died of burn injuries. On police intervention, the workmen harmed about 9 policemen, approximately 100 directors including 2 Japanese emigrants. In 2011 as well, the Manesar plant had encountered work challenges requesting higher wages. Because of that dissent, Maruti's net benefit had fallen by 29% to \$296 million. Its vehicle sales fell almost 11% to 1.13 million units.

*The Toyota Case:* In 2014, Toyota's twin plants at Bidadi, Bangalore stayed close for 36 days consequential to workers' demand for wage hike. The plants still kept working with 700-800 contract workers; however there was a 40 percent decline in production capacity. Additionally, the conveyance time of the vehicle expanded, and discounts were taken off the from Innova, Etios and Liva models. This is an indication that industrial strife also indirectly has an impact on consumers due to increase in cost to overcome the losses caused due to the unrest.

*The Bosch Case:* In 2014, Bosch faced an indefinite fast at its Bangalore plant, requesting a settlement of wage modification which was progressing from November 2013. Around 2,575 permanent and 370 temporary workers participated in the strike. The strike lasted from March to September and adversely impacted the workmen in addition to the employers with heavy and unprocurable financial losses. Again in March 2015, the organization proclaimed lockout at its Jaipur plant for two months owing to laborers' strike over wage settlement.

Above are the illustrations indicating economic loss caused to the nation per se along with all other stakeholders due to disputes arising from labour unrest.

### IV. Labour unrest: the aftermath

While the determinants of labour unrest have been highlighted and are quite evidently visible, the consequences of labour unrest can take a toll on a developing country's economic profits. The direct effect of such unrest among labour will fall on the country's economy as it will decide the values of

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<sup>8</sup>Abhishek G, Neetu G (2013), *The 21<sup>st</sup> Century Trade Union Challenges in India*, J Account Mark 2:104.doi:10.4172/2168-9601.1000104

<sup>9</sup> ILO, International Labour Standards on Social security, <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/social-security/lang--en/index.htm> [Accessed on 15<sup>th</sup> Dec. 2018]

<sup>10</sup>*Ibid.*

commodities and affect imports, exports and GDP of the country ultimately affecting the national income of the country<sup>11</sup>. Moreover, such fluctuations in sales and production of a company may tarnish its reputation and create a doubt in the mind of potential investors hence showcasing complex labour scenario in the outside world. These scenarios and complexities must try and be avoided in a developing nation as they have a mammoth of different problems to deal with<sup>12</sup>.

To evaluate gender sensitivity of a trade policy, it is essential to examine in greater detail, how trade policy impacts women in their different locations in the global economy and the outcome of women's individual and overall status with regard to social reproduction, economic resources, decision making and position in the labour market<sup>13</sup>.

Robust Social Justice cannot be given a goodbye under no cause or pretext as it is the foundation of socialistic democratic legal system with a written Constitution, like that of India, which endeavors to bring equality and justice in all forms.

It is a proven and well accepted fact that the World Trade Organization (WTO) has ignored gender issues in trade and investment matters and even if it has considered, it is still at a very nascent stage. There needs to be a focused and concrete agenda of the WTO and similar organizations with reference to empowering women in respect of their economic and social right so as to enhance their status through favourable policies of investment liberalization, competition policy, and government procurement. This demands greater attention with reference to developing economies due to vulnerable social conditions and economic deprivation of women as they are disadvantaged category of society.

In, *G.B. Pant University of Agriculture and Technology, Patnagar, Nainital v. State of Uttar Pradesh*<sup>14</sup> the Supreme Court observed that the principles of corporate jurisprudence are now being imbibed onto industrial jurisprudence and therefore the widest possible amplitude must be given while interpreting industrial laws. The implication of this verdict of the court is that modern corporate trends cannot ignore industrial jurisprudence based upon the edifice of social justice.

## V. Curative remedies for addressing unrest

Therefore, the focus and approach to achieve cordial and cooperative labour- management relations can be on following basis:

1. *Recognition of rights of humans-* workers and employers working in a setup must be treated as human beings and not merely as a means of production. The government formulated policies in the interest of the workforce like, fair wages, paid leaves, etc. must be implemented to the benefit of the employees and not arbitrarily.

2. *Implementation of social security schemes-* Social security schemes implemented by the government from time to time for the interest of the workers must be kept a tab on and taken care of by various employers. Provision of basic facilities to the employees will help improve efficiency of work and thus benefit the economy.

3. *Timely communications between the workers and the employers under proper channels-* Such kind of timely and proper communications channels between the parties will help them in keeping the company in an effective manner without creating any negative impact and accordingly will gain the trust of the workers as well. With proper channel of communication, the company will be able to improve the trust factor and transparency between the management and the workmen. This can

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<sup>11</sup>Mandla Alfred Twala, Oliver Chimusoro, Itai Chimusoro & Jozi Joseph Thwala, *A Sociological Aspect On Industrial Unrest In The Working Environment*, International Journal of Development Research Vol. 07, Issue, 08, pp.14746-14752, August, 2017.

<sup>12</sup> World Health Organization, *Labour market changes and job insecurity: a challenge for social welfare and health promotion*, WHO Regional Publications, European Series, No. 81, ISSN 0378-2255, [http://www.euro.who.int/data/assets/pdf\\_file/0005/98411/E66205.pdf](http://www.euro.who.int/data/assets/pdf_file/0005/98411/E66205.pdf) [Accessed on 13th Dec. 2018].

<sup>13</sup>Supra note 2.

<sup>14</sup>(2000) AIR SCW 2870

be achieved through joint committees or evolving methods of coordination and cooperation through practices similar to workers participation in management or co-determination, which is a German model to involve the workers in the decision making process of the enterprise/ industry along with the management.

4. *A rational wage policy and fair and equitable remuneration*- Remuneration through salary and other benefits is also a primary concern and cause of conflict between the labour and management, as it plays an important means for satisfying human wants and needs. Employees/ workers should be rewarded fairly and equally for their contribution of man power towards the firm/ enterprise/ industry and to give them reasonable returns. These should be taken into account while dealing with the wages of the workers and while providing fair equitable remuneration to workers. In *The Kamani Metals & Alloys v. The Workmen*<sup>15</sup>, The Supreme Court reiterated the concept of minimum wages and held that minimum wages should be paid irrespective of extent of profits. Additionally the wages so paid must be fair and related to the earning capacity of the workload.

5. *Internal dispute resolution committees*- Internal dispute resolution committees have dual benefits in this regard. Firstly, that disputes within the establishment can be resolved sooner without causing much damage to the production or sales of the establishment. Secondly, that the reputation the company is maintained in the eyes of outside world as the dispute does not go beyond the four walls of the establishment. Additionally, such a committee where disputes are resolved expeditiously reiterates the faith of the workers in the organization and creates a good image and inclusive atmosphere which lasts long even after the dispute is resolved.

## VI. Conclusion

Most legal systems, in order to safeguard the interests of the workers have enacted several labour laws, however, it is commonly accepted that the laws are too complex and have given rise to complicated processes due to which most companies have found alternate means of doing business that largely circumvents the protective laws. In many situations the labour laws are either avoided or poorly implemented; therefore the percentage of workers actually protected by the legislations is small, and large populaces of workers are left to fend for themselves. In a country where there is a huge population of unemployed, unskilled labour, digitalization and introduction of artificial intelligence has further reduced employment opportunities for a large chunk of poor and vulnerable population. The developing nations therefore, must effectively implement skill development programmes as a part of educational curriculum to increase employability.

Thus, one may note that unless the human element is taken into account and fair treatment to all workers, temporary or permanent is meted out, labour unrests and strikes and lock outs are bound to rise. In today's Internet-connected social media world, where information is literally at one's fingertips, unfair practices will meet protests and will spread like wind all across. Labour laws are in need of being overhauled and while doing so, taking the opinions of the people concerned both labour unions and industry leaders is highly recommended. We need to strike equilibrium between flexibility of labour market in a dynamic economy and security of workers, rightly known as 'flexicurity' a welfare model with pro-active labour market policy.

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<sup>15</sup>1967 SCR (2) 463.