

# Lockout: A useful business strategy for production firms

## A case study on Bosch Ltd Jaipur.

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**Introduction of case- company profile-** This case describes an Industrial Relations situation in an automobile company in India. The **Bosch Jaipur Plant** mainly produces Distributor (VE) Mechanical and Electronic Diesel Control Pumps which are used in light and heavy commercial vehicles, sports and multi-utility vehicles and tractors. It begins with the mention of incidents which begins with lockout at the company. A lockout is a temporary work stoppage or denial of employment initiated by the management of a company during a labor dispute. This is different from a strike, in which employees refuse to work. It is usually implemented by simply refusing to admit employees onto company premises, and may include actions such as changing locks and hiring security guards for the premises. Lockout is declared by the management.

According to the rule, after the company's lockout, workers are not paid till the time it (lockout) is revoked. The monthly salaries of its employees for the period before the incident will be paid only after the lockout is withdrawn and the plant starts functioning.

The case highlights the growing number of instances of clashes between the employees and the management of companies in India, due to unjustified demands by the workers which is often guided by external parties such as trade unions and political parties. **German automobile component manufacturer Bosch has declared a lockout at its Jaipur plant due to an "illegal go-slow" action since March 19, 2015** and on an indefinite hunger strike by the Union office bearers.

**Key words-** *Lock out, business strategy, disputes etc.*

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### **Expected learning outcomes**

Understanding the role of actors of industrial relations toward effective HRM in the organization. Analyzing the compliance of the actors under the existing labor laws as applicable to the organization. Comprehending the attitude of employees, employers and industry toward each other and also toward the job. To understand the nuances of people management function and its contribution toward the violence that eventually resulted in lockout. To comprehend various organizational behavior concepts that shall help synergize the employees' objectives and employer's goal to analyze the complete incident with relevant organizational and industrial relations (IR) theories.

### **The Dispute-Time to lock out BOSCH Jaipur.**

The Workmen of Bosch Ltd., Jaipur plant had indulged in a 'Go-slow' action, from March 19, 2015. The Mico Bosch Labor Union vide its notice dated 19.03.15, had intimated the company to go on an indefinite strike from 03.04.15. Thereafter suddenly MBLU vide its notice dated 02.04.15, intimated to hold in abeyance its call for the indefinite strike and further informed the company of its decision to proceed on an indefinite hunger strike by the

Union office bearers with effect from April 03, 2015. The day- to- day production chart was pointed out and compare the production volumes with the production level taken on an average basis from March 19, 2015 till April 04, 2015 amply establishes the continuous fall in production quantities, it being as high as -55% on April 04, 2015. The Management of Bosch Limited, Jaipur Plant has imposed an “indefinite lockout of all workmen and labor union from the plant operations” with effect from 08:30 a.m. on 05.04.15.

After taking all aspects in view, including:-

- 1) The ongoing illegal go slow strike from 19.03.15,
- 2) The illegal hunger strike by the office bearers of MBLU from 02.04.15,
- 3) The possibility of workers unrest.
- 4) The extensive damage to the business,
- 5) The negative impact created to the customers due to company failure in supplying its products on time.

#### **Decisions after lock out**

1. The company has allegedly dismissed 45 workers, after paying them their dues excluding the incentive payments, from the facility due to less production at particular benches.
2. To roll back this lock down and get operations functional, workers are also demanding imposing section 10K that would prohibit the lock out. Moreover, Bosch is also allegedly planning to introduce a new system known as the “TG” which gives a complete account for a worker’s time and output. While the workers are ready to accept the TG system, they are also demanding an increase in the pay package.
3. Long term wage settlement negotiations for the period June 2013-May 2017 has been going on for more than 20 months including conciliation meeting supported by the Joint Labor Commissioner cum Conciliation Officer, Jaipur Region.

#### **The Negotiations- between company and labour**

The dispute related to long term wage settlement negotiations for the period June 2013-May 2017 has been going on for more than 20 months including conciliation meeting supported by the Joint Labor Commissioner cum Conciliation Officer, Jaipur Region.

MBLU had earlier demanded for;

- Basket amount of Rs.9400/- per permanent workman per month
- Rs 8000/- per permanent workman per month as incentive merged to basic (IMB) from the proposed incentive table.
- An incentive payment of Rs.23600/- at P.I level of 2.80
- Basket amount distribution on a ratio of fixed 100% and variable 0%.
- The above demands would mean an overall average of weighted average cost to company (CTC) increase of Rs14, 823/- per permanent workman per month.

The company and its business at JAP cannot afford this and arrive at an “out of court settlement”, the following revised offers were made on 18th and 19<sup>th</sup> may 2015;

- Basket amount of Rs.7500/- per permanent workman per month
- Rs 3000/- per permanent workman per month as incentive merged to basic (IMB) from the proposed incentive table.
- An incentive payment of Rs.21959/- at P.I level of 2.97
- Basket amount distribution on a ratio of fixed 70% and variable 30%.
- The above offers would mean an overall average of weighted average cost to company (CTC) increase of Rs10, 494/- per permanent workman per month.

The Bosch Group is one of the top 25 reputed companies in the world, one of the highest paymasters in the region-cum-manufacturing industry and promotes the principles of fairness; justice and transparency of the group in all its

locations around the world. Management clearly explains to the bearers of MBLU that there shall be no further discussion on long term settlement from the management in the Jaipur plant.

A conciliation meeting was held on April 13, 2015 between the Management and labor Union supported by the Labor Secretary for 'Go-slow' action and their hunger strike.

### **Conclusions and Results-**

On April 13 2015 Bosch announced that it has lifted the lockout, with effect from first shift of April 15, 2015. They have informed Government of Rajasthan that talks have been successful. There was a talk between Labor department and Union of Bosch Jaipur facility. The employees will stop their hunger strike with immediate effect and have promised withdrawal of their Go-Slow action. The Go-Slow action by Union has reduced production output by nearly 60 percent. Union has agreed that they will increase output targets to a level soon.

Bosch did not face any major problems due to the lockout at its plant, having ensured that the market supply was not affected by either. Bosch had made appropriate arrangements to meet the market demand for its pumps in the event of the talks failing between the management and the union. However, Bosch does not expect an immediate action on its deliveries to customers due to available stocks also including production from its officers who are trained to work in production. A lockout can act to force unionized workers to accept changed conditions such as lower wages. If the union is asking for higher wages, better benefits or to maintain their benefits, an employer may use the threat of a lockout or an actual lockout to convince the union to back down. Bosch Group Chairman of the Board of Management Volkmar Denner had later on stated that repeated incidents of labor unrests could hurt investments in India. The Labor Secretary has directed both parties to continue discussions for the long term wage settlement negotiations for the period June 2013-May 2017.

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