Illegal lockout at Regency Ceramics

This case is about Regency Ceramic, had been a leading company in the Ceramics/Tiles/Sanitary ware Industry. The company from a long time was facing labor issues. The labor unrest which gradually took up pace in the year 2011, was a result of the unheard and repeated negligence of the management towards the Union and the workers. The labor unrest eventually gathered momentum. This lead to the death of the Union leader and the Operations (Head) of the factory. Regency Ceramic from then has tried to resort the company to normal working conditions. The company has tried gaining its position back in the Ceramic Industry in India.

KEY WORDS: Regency Ceramic, Ceramics/Tiles/Sanitary ware Industry, labor unrest, Union, Union leader
Introduction

Regency Ceramic was a flourishing company with an experience of around 25 years in the manufacturing and export of ceramic tiles, walls, exteriors in home and office spaces. The company from the beginning faced difficulties in smooth running of its operations. The major reasons accounting for the same were power cuts and the short supply of LPG prices which were the prerequisites and important raw materials in Ceramic Industry. Confronting all these challenges the company was able to deliver profits to its stake holders. Over the years the company did not do much for their employees, there were no wage hikes for the last 10 years and also the contractual workers were not offered permanent positions even after their long associations with the company. It was in the year 2011 when the continuously neglected and unheard labor entreaties and the management policies violating the labor rights induced the environment of unfriendly management labor relationships. It was in the year 2012, when the company declared a lockout at its production unit at Yanam after the unprecedented violence leading to the death of Sri K. C. Chandrasekhar, President (Operations) and extensive damage done to the plant by the workers, in resentment of the death of the Union Leader, Mr. M.S. Murali.

About Regency Ceramics

Regency Ceramics, incorporated in November, 1983 with its registered office in Hyderabad. The company with its Production Unit at Yanam, Pondicherry. The company was among the flourishing companies in the Indian Ceramic Industry. It designed and marketed its various products such as Floor and Wall Tiles, Vitrified Tiles, Tiles Highlighters, Imported Tiles and Duro Tiles. The company grew its global presence across various territories.

Regency Ceramics was a pioneer in Indian Ceramic Industry. It was established by the visionary leader, Mr. G.N. Naidu who had foreseen the demand for the highly aesthetic tiles, walls and exteriors in the Indian market and the in global market. It formed collaboration with Italian company, Welko Industriale Spa for the supply of distinctive technological knowhow and plant and machinery. The company since then had grown by introducing many designer and
innovative tiles. The company had been aiming at expanding its global reach by driving its export of tiles across the various countries. The company constantly aimed at further expanding its geographical territories beyond the focus of the Middle East and the African countries. Since its inception the company has been achieving various accolades for its mantra of achieving excellence through their work. The company was honored with various awards for being the 1st of its kind in Ceramic Industry to receive the recognition from a Recognized Export House by the Ministry of Commerce and Industry, Government of India. The company had also proved itself in the Quality Accreditations, by becoming the only ceramic company of having achieved the OHSAS 18001 certification, which signified the implementation and maintenance of International standards of Occupational Health and thus at the same time had been practicing safe management specifications in its operations. The company had modern manufacturing facilities in the Union Territory of Pondicherry at Yanam and Karaikal. It also established various manufacturing in China and Italy, to cater to yet another segment of high end customers.

However, Regency Ceramic had been performing and earning reasonable amount of profits over the years, in spite of the various difficulties it faced in running its smooth operations due to hike in the LPG gas rates and the power cut problems. They were trying to manage the things well but not the people. The labor often complained of their entreaties being unheard by the management and thus violating their rights.

**Financial Insights of the Company**

The figures depict the growth pattern of the company over the years. It can be concluded that things were not going well ever since the year 2011, labor unrest in the company. As this was a period of all time low growth pattern over the various years.
(Fig 1: Growth pattern of Regency Ceramics from 2000 to 2013)

(Fig 2: Operating profits of Regency Ceramic)

(Fig3: Earning before Int., Tax, Depreciation, amortization; Profit before tax; Profit after tax)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover ( in lacs)</th>
<th>EBITA (in lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>20687</td>
<td>387</td>
</tr>
<tr>
<td>2009-2010</td>
<td>17522</td>
<td>936</td>
</tr>
<tr>
<td>2008-2009</td>
<td>16654</td>
<td>501</td>
</tr>
<tr>
<td>2007-2008</td>
<td>14439</td>
<td>711</td>
</tr>
<tr>
<td>Year</td>
<td>Turnover</td>
<td>EBITA</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td>2006-2007</td>
<td>15643</td>
<td>2817</td>
</tr>
<tr>
<td>2005-2006</td>
<td>15346</td>
<td>2368</td>
</tr>
</tbody>
</table>

(Table 1: Turnover and EBITA in lacs)

The Discourteous, insensitive personality of the management and the injustice, inequality done to the Labor led to an unfortunate situation in the manufacturing unit at Yanam.

**The Actual Thing that had lead to the unprecedented violence and injustice to the Employees**

The workers of the company from a long time always been pushed into situations of unrest and trouble. The management from the beginning was always sorting to the illegal ways of getting the work done through the workers; they often in doing the same violated the Labor Laws that have been formulated to protect the interest of the workers. The Management did not allow the workers to form a Trade Union or to organize themselves into unions, which had further violated the Trade Union Act. The workers who tried doing the same were often removed from the jobs. The 1st instance of the management using its power and position unrightfully was seen in the year 1989, when the group of workers tried to form a Union. The Management had very promptly issued those workers dismissal orders on false charges. Since then the workers had not dared to organize themselves into a Union. The Management since then had been using its power inequitably against the workers to exploit them in various ways. They were paying low wages to the workers, not adhering to the 8 hour working day norm, nonpayment of yearly bonuses, not paying equivalent wages to the women workers, lack of safe working conditions to the workers, biased promotions, and no payment of wages on a scheduled or fixed date. The Management was also following various other acts that were compromising on the safety and dignity of the workers.

**Workers right to organize: Was tried to be taken away through illegal means**

The injustice done to the workers was increasing, and it was then the workers decided to form a Trade Union under the leadership of Mr. M.S. Murali. The Management came to know about the
pending registration of the Union with the Registrar. It applied the same forceful actions of
transferring the workers to the Karaikal Unit or dismissing the workers. The workers had made
various entreaties to the Management but they were like always unheard. Thus the workers were
left with no other option but to approach the Labor officer, Pondicherry. There was a conciliation
process that had been carried to bring about a settlement between the workers and the
management, which resulted in the transferring of 3 workers instead of 11. The Management
though was unable to prove the basis of the transfer (requirement of workers at the Karikal Unit).
It was nothing else but an intention of not allowing the workers to organize themselves into
unions, which was against what is mentioned in the law.

The chaos Management made on May Day and the unjustifiable action

On 18-4-2011, employees made a request to the management, to avail a Holiday on the May Day
(Labor Day). The Management that time agreed to the same, declaring it as a paid Holiday. Later
the Management heard of the workers unity and their celebrations of May Day together at the
outskirts of Yanam. They Management secretly on 2-5-2011 wrote to the Union, that the workers
took a deliberate off to affect the production of the Company. It was from 3-5-2011, the
Management started victimizing the workers. They dismissed around 60 workers; among those
were workers who had been working in the company for around 15 years. The workers
then approached the Assistant Labor Inspector (ALI) who took into consideration the issue of illegal
termination of around 54 workers and brought down the matter to conciliation. Further the
Management used its all power to put all false and frivolous allegation on the Union leader Mr.
M.S. Murali thus leading to his dismissal. The Management did all this to assure that the workers
could not organize themselves into a Union.

No attention to the Charter of Demands

It was becoming difficult for the workers to sit quietly, they presented a charter of Demands to
the management on 25-05-2011. The charter represented the various demands that were being
unheard and unquestioned for all these previous years. The Management did not even give a
thought to the charter of demands. The workers had then approached ALI for seeking
intervention into the matter. The Charter of Demand remained pending with the ALI. The
Management parallel on the other hand filed a petition with the High Court questioning the registration of the Union.

**The Management did not fulfilled their Promise**

While the Charter remained pending with ALI. The workers had demanded the regularization of contractual labor, payment of wages and equal bonuses of that being paid to the workers at the Karikal unit. The Management at that time conducted an informal meeting with the workers and agreed to increase their wages with that of the workers of the other units, provided they increased the production. The workers took this as a challenge and worked hard (i.e. producing 36,000Sqmts per day within 15days). The Management later breached and did not fulfill their promises. The workers felt cheated and mere puppets of production for the company.

**Ways the Management used to threaten the Employees**

The management further threatened the workers, on destroying their careers if they further demanded anything. They also had suspended the Union Office bearers in November 2011. The workers had then opposed to the suspension of the Office bearers. The Management further retaliated to this by keeping the workers idle and not assigning them work and this scenario had continued from November till January. The company did not pay salaries to the workers for the month of November. All this had brought down the production of the factory unit to an all time low.

The Management then accused the workers for low production for the period, which was false as the management intentionally did not provided them work. They had forced the workers to sign an undertaking stating the same. Around 800 permanent workers refused of the same. On which the Management declared that people who did not signed the undertaking will not be allowed to enter the factory premises.
No Intervention was done by Authorities to protect the rights of the Employees

During all these times, ALI made no efforts to protect the rights of the workers. The workers then resorted to sit for a campaign on the outskirts of Yanam on 5-01-2011, thus requesting the government authorities to look into the matter. But no authorities came into the picture for the workers rescue.

The deaths that could have been avoided

On 27-01-2011, some workers and Mr. M.S. Murali were discussing union affairs almost 300 meters away from Regency Ceramic, it was then that some police people came and dragged Murali to the jeep and then he was beaten black and blue, and collapsed in the police station. Upon workers repeated persistence, he was taken to the hospital and was declared dead.

The death of the Union Leader agitated anger and violence among the workers. The violence had erupted at Regency Ceramic and the house of the Sri K. C. Chandrasekhar, President (Operations), and the furious mob attacked him, which lead to his death.

Illegal lockout had been declared by the Company

After three days, on 31-1-2012, the management declared a lock-out at the Regency Ceramics, while no prior notice for the same was issued to workers. The management announced the lockout on the instance that the workers were being in cooperative with the management and resorted to an illegal strike, which had affected the Company’s production capacity, also tried to destroy the machinery at the company.

Conclusion

During the entire incident of Regency Ceramics Ltd, there were various instances where injustice was done to the employees, through various means. They were not heard, no attention was given
to them and further the management used coercion to get things approved of and the workers were also otherwise threatened. Some instances showing the same are as follows:

- The reasons that were mentioned for the lock-out are not justifiable as per the law.
- The lock-out had been declared by the Management without prior notice to the workers, which was again unjustifiable.
- The Management argued on the fact that the workers had affected the Company’s machinery, which was not true. The damage occurred to the factory was low and would not have affected the running of the company.
- The undertakings which the Management was forcing the workers to sign was unfair and against the labor law. Thus on that particular instance, the Management should not have denied entry of the workers to the factory premises.
- The low productivity blame for the period November to January was put on the workers, which was actually not the truth. This was because the management had intentionally themselves not assigned work to the workers.
- The Management said the workers went on a strike, which was not true. The workers never initiated a strike. The management also had not approached any authority before declaring a lock-out and complaining the same about the workers.
- The Government authorities, and the ALI of Yanam, Pondicherry also did not do anything to protect the rights of the workers.

Bibliography:

- http://www.thehindubusinessline.com/companies/labour-trouble-claims-2-lives-at-regency-ceramics/article2836719.ece
Teaching Notes:

Case Synopsis:

This case is about Regency Ceramic, a leading manufacturer of sanitary ware in the Indian Ceramic Industry. This case clearly illustrates the various instances of ignored labour issues over the years, which consequently leads to unprecedented violence in the factory premises leading to death of the Union Leader and the Operations Head of the factory.

Target Audience:

This can be useful for the students of Industrial Relations/ Labour Laws/ Industrial Law
This case would be actually appreciated by students only if they are aware of the certain laws of Industrial Relations and their applicability.

Learning objective:

This would actually help the students analyze and further comment upon the long in time applicable laws in India, for the peaceful industrial relations between the management and the union.
This is important for a student of Industrial Relations/ Labour Laws to make further suggestions on the applicability of Laws across India.

**A detailed Teaching Plan:**

Suggested time for this case study would be around 50 – 60 minutes.

Suggested student assignment related to this could be, bringing out the various instances in the case where the various laws have been violated by the management.

Teachers should support this case, with other relevant cases from the industry that would actually help the student understand the current scenario.