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bharat petroleum: long-term wage settlement

Zubin R. Mulla, Sushil Patil, Mansi Dubey, and Jasleen Kaur wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On May 30, 2012, Shrikant Gathoo, the director of human resources at Bharat Petroleum Corporation Limited (BPCL) was travelling from Khandala to Mumbai, India, after another round of negotiations with the trade unions. The negotiations had started in July 2009, and the team had gone through several rounds of negotiations. However, just when Gathoo thought that they were about to reach a deal, the negotiations had stalled, and there did not seem to be any hope of agreement on the terms of the long-term settlement. The trade unions seemed firm and could not appreciate the management team’s position. Even though the settlement was more than four years overdue, they seemed uninterested in a quick closure. Gathoo wondered whether he should agree to the union’s terms just to get the settlement signed or whether he should continue to push for the terms that he believed were crucial for the organization’s long-term sustainability. As he observed the sunset from the window of his car, he reflected on the events leading to this deadlock.

Changes in the Oil Sector in India

In 1976, the Burmah Shell group of companies was nationalized by the government of India to form the public oil company BPCL. BPCL was engaged in the business of refining crude oil and marketing the finished petroleum products through its vast distribution network, and it was the third-largest company in India in terms of sales turnover (see Exhibit 1). Crude oil was refined into various products at two refineries: one in Mumbai and the other in Kochi. Petroleum products were distributed and sold through a vast infrastructure referred to as the marketing division.

The oil refining and marketing industry in India was dominated by three large government-owned corporations: Indian Oil Corporation Limited (IOCL), BPCL, and Hindustan Petroleum Corporation Limited (HPCL). Until 2002, the prices of oil products were determined by the government, and the prices of fuels for consumers were kept low through subsidies. This allowed a “cost plus” pricing for oil products and thereby assured the public-sector oil companies of adequate revenues and profits. However, the administered price mechanism was dismantled as of April 1, 2002; since 2004, the government had permitted private investment in this sector. A few private corporations, such as Reliance Industries Limited and Essar Oil, had begun to challenge the existing players. By June 25, 2010, gasoline pricing was free of government subsidy. As a result of this deregulation and increasing competition, BPCL’s margins had come under severe pressure.

Industrial Relations at BPCL

BPCL’s employees were divided into two broad categories. Management executives were outside the purview of most Indian labour laws, and workers were protected by the labour laws related to trade unions, collective bargaining, minimum wages, and industrial disputes. Management employees were almost all graduates or postgraduates in engineering, management, law, or accountancy, or other similarly qualified professionals. On the other hand, workers included those who had dropped out of school as well as high-school graduates, technicians, holders of engineering diplomas, and other graduates.

It was ironic that, despite the large number of labour laws in India, almost 90 per cent of India’s 487 million workers were not able to enjoy the benefits of these laws. However, the workers in BPCL benefitted from many years of business monopoly, administered price mechanisms, government ownership, and the protection of India’s labour laws. Thus, they were among the few who enjoyed higher wages. While the average Indian worker earned US$1,633 per year,[[1]](#footnote-1) the average worker at BPCL earned $14,263 per year.

Because BPCL was a public-sector undertaking, compensation for management staff was decided by the Government of India through pay commissions every 10 years. The government had left it up to each public-sector undertaking to arrive at pay scales for workers based on their paying capacity, with a guideline that stated that the government would not provide budgetary support for wage increases. Since the workers were organized into trade unions, their wages were determined by long-term settlements agreed through the process of collective bargaining. During the latest round of collective bargaining, the 2,235 workers in the Mumbai refinery were represented by four unions, while the 5,927 workers of the marketing division were represented by eight unions.

Every 10 years, BPCL management representatives negotiated long-term agreements with the unions regarding various aspects of work such as labour productivity, working conditions, promotion policies, benefits, and wages. Once a collective agreement was signed between management and the unions, it was binding on all employees, even those who were not members of the union that signed the agreement. The last such long-term settlement had been signed with the Mumbai refinery workers in 1997 and with marketing workers in 1998.

One of the key issues discussed during the last settlements was the implementation of business restructuring and technology enhancement, which led to many jobs being made redundant; some employees had to be retrained. In order to get the union’s agreement on these changes, the management had offered open-ended pay scales with no cap on maximum salaries and had guaranteed promotions for all employees after a fixed tenure and pay raises of around 4 per cent every year for all employees.

Preparations for the Long-Term Settlement

The Mumbai refinery settlement was due for renegotiation on December 31, 2006, and the marketing settlement was due for renegotiation on May 31, 2008. In preparation for these settlements, the management team met on December 3, 2007, to develop a strategy for collective bargaining. After reflecting on the content and process that was normally followed by management teams across the country, the team concluded that workers’ demands had generally been accommodated. Management teams were often so anxious to close settlements quickly that they ended up giving away too much in their rush to settle. Hence, the BPCL management team, for this round of settlement, resolved to clearly put forth its demands to the unions, rather than rushing to sign a settlement. The team planned to focus on implementing the change agenda that would be crucial for sustaining the organization in the new deregulated and highly competitive business environment. As Gathoo put it, “settlement is not the objective; the objective is structural correction.”

One of the first questions management needed to answer was, “Who should we invite to represent the workers?” A number of unions claimed to represent the interests of the workers, but following the recommendations of the second National Labour Commission, the management team decided to invite only those unions who had support from at least 25 per cent of the workers in a particular region.

The second important question was, “Who should we appoint to represent management?” The management put together a negotiating team comprising not only managers from the human resources function but also heads of businesses and finance managers.

Another decision involved the duration of the long-term settlement. Companies had traditionally signed settlements for a period of 10 years, giving a salary raise of about 30 per cent. More recently, some companies had started signing settlements for a period of five years. Some senior managers within BPCL felt that the corporation could save money by having a settlement period of five years and giving a lower salary raise of about 15 per cent. Finally, BPCL decided to continue the practice of 10-year settlements.

The negotiating team broke from tradition and prepared a management charter—a detailed document outlining the management’s expectations from the workers in the new settlement. The team then secured agreement for the charter from the corporation’s top management and various other stakeholders in the government.

To prepare for the negotiations, both the management and the union negotiating teams were given extensive inputs through training programs and presentations on macroeconomics, business realities, and negotiations.

Another departure from tradition in this settlement was the management team’s communication strategy. In earlier negotiations, management had not communicated directly with workers, which could lead to rumours or misinformation. At every step in this negotiation, both the line managers (including first-line supervisors) and all the workers were kept informed of the developments via direct communication from the management.

Issues Addressed in the Settlement

The management was determined to address three key issues during this settlement: First was the rising wage bill. BPCL had the highest average employee cost among all the major oil companies. In the context of deregulation of product prices, this put considerable pressure on profits. Second, in order to offset higher operating costs, it was essential to increase productivity and ensure speedy responses to customer requirements. Third, refining efficiencies had to be improved to meet stringent environmental standards as well as profit requirements. Labour flexibility was essential to drive efficiencies in operating costs.

Rising Wage Bill

The key components of workers’ wages were the basic wage, dearness or cost-of-living adjustment allowance, house-rent allowance, work-related allowance, other allowances, retirement benefits, and incentives. The basic wage was based on the employee’s grade, and most of the other components were a function of the basic salary. The dearness allowance was payable to all employees of the Government of India or public-sector enterprises. This was a fixed percentage of the basic salary, decided every three months by the government based on the cost of living at that time with respect to a particular base year. The house-rent allowance ranged between 15 per cent and 30 per cent of the basic salary, depending on the city where the employee worked. For Mumbai, the house-rent allowance was fixed at 30 per cent of basic salary. The maximum incentive was 15 per cent of the sum of the basic salary and the dearness allowance.

BPCL’s operating costs had been steadily rising compared to those of its two main competitors: IOCL and HPCL (see Exhibit 2). There were three reasons for this. First, BPCL’s promotion policy guaranteed that all workers would be promoted after a fixed time (five years in the case of marketing and eight years in the case of the Mumbai refinery). With each promotion, a worker got a salary raise of about 5 per cent. Even workers who were not promoted were assured of an annual raise on their basic salaries, to the extent of about 4 per cent each year. In addition to this, all workers’ salaries were revised every three months to account for cost-of-living increases (historically, this raise had been about 7 per cent per year). To illustrate, a worker who was promoted would, in that year, receive a promotion raise of 5 per cent, an assured annual raise of 4 per cent, and a cost-of-living increase of 7 per cent.

As a result of these policies and the absence of a cap on maximum salaries, workers’ salaries had spiralled out of control. Some workers earned as much as $28,050 per annum, even though the salary of an entry-level management employee was only $18,116 per annum. As Gathoo said, “The people who were supervising and managing started getting much less than the people who were being managed or who were being supervised.” Padmakar, a member of the corporate strategy team for the negotiations, continued: “This led to a lot of discontentment among the management staff, particularly at the supervisory levels, and they started feeling that the management had no control over the settlement and the unions could get away with whatever they want.” For example, the Cost to Company of a typical worker in the highest clerical grade grew from $7,371 to $26,152 between 1998 and 2012 (see Exhibit 3).

In response to the rising wage bill, the company was looking for alternate operational and human resource models that would help differentiate between the direct and indirect workforce. The high cost of BPCL salaries had led to a virtual freeze on recruiting new workers. As a result, business units had started following cost optimization principles by outsourcing certain jobs and services that did not focus on core operations.

Low Productivity

Line managers who were asked to comment on what they expected from this settlement identified the rationalization of working hours across the different units as one of the most important demands. Working hours across the organization ranged from 35 hours a week to 48 hours a week (see Exhibit 4). Gathoo said,

The clerical people would go thirty minutes earlier than the officers . . . So working hours were different in the same refinery unit for different categories. All clerical staff arrived at 7:45 a.m. and left at 3:45 p.m., while officers arrived at 7:45 a.m. and left at 4:15 p.m. So in the same office, half of the staff would go away.

The disparity in working hours jeopardized smooth operations during times when market demands were high. Moreover, consistent staffing levels were required to achieve business continuity through uninterrupted operations of plant and machinery. This could be accomplished if workers took meal and tea breaks on a staggered basis. The company also needed flexibility to adjust staffing in line with operational expectations from time to time.

Since smooth operations had to be maintained despite the disparities in working hours, workers were often made to work beyond their regular hours. In such situations, workers were paid a premium, which was double their regular wages. This resulted in a total of 925,087 overtime hours in 2012 and an overtime wage bill in 2012 of $6.52 million.

Management intended to use the proposed settlement to make workers realize that business focus needed to shift from non-core to core jobs and therefore work would have to be redistributed accordingly. Non-core and non-value-adding jobs would need to be outsourced for long-term sustainability.

Lack of Control over Refinery Efficiency

Since the refinery operated continuously, monitoring the control panel was a critical task. Traditionally, the control panel in the Mumbai refinery had been operated by process technicians, who were members of a craft-based union. According to B. K. Datta, the director of refineries in BPCL,

In refinery, productivity, efficiency, and effectiveness are key parameters [that] decide profitability. Decision making, yield improvement, improvement in response time, reduction in giveaways, and product movement are the key operating variables to achieve the key parameters. The operating structure was hierarchical, where the instructions have to flow from shift officer to the field and panel operator through a semi-supervisory staff charge hand. The entire process takes time. The panel operation by officers, who will be a mix of experienced panel [personnel] and fresh engineers, will reduce the cycle time. Additionally, it will have a positive impact on productivity and efficiency by means of faster decision making, better response time, monitoring, actions with accountability, yield improvement, reduction in product giveaways, immediate responses to abnormalities or emergencies, and a better knowledge base.

The Mumbai refinery was the only refinery in the country where the panel was managed by non-engineers and non-officers. The management had tried to take over panel operations, which constituted the heart of the refinery operations, from workers in the past, but the workers were unwilling to give up this control.

Another important concern was staffing flexibility during strikes and shutdowns. Since panel operators belonged to the trade unions, they would not be willing to work during strikes, nor would they take up non-panel jobs during shutdowns. Work suffered as a result.

The final issue was related to decision speed. Due to rank differences between panel operators and officers, panel operators restricted their role to simply reporting issues and following instructions and would turn to officers to take decisions. This considerably slowed down decision making in the panel room, which could be crucial in a crisis situation. It was estimated that the refinery could generate additional value of $25 million per annum by having officers manage the panel operations.

Need for Labour Flexibility

The company needed increased flexibility in deploying labour due to changes in the business environment. For example, the government had changed its policy on airport fuelling stations, which had earlier been distributed among the various oil companies, with each oil company having a dedicated facility at the airport. Since 2011, airport fuelling had been done through a private service provider, and it was likely that a large number of staff working in the aviation business would be made redundant. One such closure had already occurred in 2011, and this had led to a prolonged dispute with the workers. Technological changes in various businesses had also made some jobs redundant and contributed to the need for workers to be flexible in their job allocation.

Wage Revision Process during Settlements

During each settlement, employees’ salaries were adjusted on the last day of the expiry of the earlier settlement (in this case, as on May 30, 2008). The adjustment was done as follows: First, the employee’s dearness allowance was merged with the basic salary. Next, a multiplier (called the “fitment benefit”) was applied on the sum of the basic salary and the dearness allowance to determine the revised basic salary. The extent of the fitment benefit was decided during the collective bargaining process and was often influenced by two main factors—the amount of fitment benefit provided to management staff during the most recent pay revision by the government and the fitment benefit granted by other public-sector oil companies during their recent wage settlements. The management pay revision effective 2007 had granted a fitment benefit of 30 per cent to management staff. Meanwhile, in 2010, IOCL and HPCL had extended fitment benefits of 30 per cent for their workers. Hence, it was expected that BPCL would extend a fitment benefit of 30 per cent to its workers during this long-term settlement. All other allowances were then calculated as per the new basic salary. However, while the other two companies had the advantage of close-ended pay scales, which led to a cap on the maximum value to which base salary could grow, in BPCL’s case, the base was open to expand.

After calculating the revised salary components as on the first day after of the expiry of the earlier settlement (in this case, as on June 1, 2008), the salary components were adjusted to accommodate the increase in the salary that would have happened during the period between when the settlement was due and when the settlement actually happened. For example, if the settlement were signed on June 1, 2012, then the revised salary as on June 1, 2012, would be adjusted to include five increments (from 2008 to 2012) as well as the dearness allowance applicable for 2012. Two other management decisions were also to be implemented during this wage settlement. First, as per government guidelines, the value of “other allowances” was to be 50 per cent of the revised basic salary. Second, “retirement benefits” were to be 30 per cent of the sum of the revised basic and dearness allowance (see Exhibit 5).

Balancing Employee Demands with Business Imperatives

Gathoo knew that he had to delicately balance the employees’ demands with business imperatives. He also knew that, based on the financial health of the company, the board of directors would not accept a very large increase in the wage bill. If a fitment benefit of 30 per cent—in line with tradition—were offered to the workers, it could be difficult to meet the budgetary requirements. In addition, Gathoo had access to the revised pay structure of the other public-sector oil companies. A comparison of the existing pay structure of peer-group companies with the likely pay structure of BPCL, if it gave in to the union demands, made a 30 per cent fitment seem clearly unviable (see Exhibit 6). Pending closure of the settlement, the salaries were spiralling because of open-ended pay scales.

On his journey back to Mumbai, Gathoo mulled over the various options available to the management team as he looked at a spreadsheet containing salaries of the workers from a large unit in Mumbai (see supplementary materials). The management and unions had already gone through 13 rounds of discussions, and there was still no agreement even on the basic demands. Some of the broader questions before the management team included the relative priority of the various issues to be addressed in this settlement. Which of these issues were essential, and which were merely desirable? How should they approach the negotiation so as to secure agreement from the unions?

Exhibit 1: Profit and Loss Account of BPCL from 2007 to 2012 (in US$ millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2007–2008** | **2008–2009** | **2009–2010** | **2010–2011** | **2011–2012** |
| Revenue | 21,696 | 25,922 | 23,445 | 29,101 | 39,653 |
| Sales  (in million tonnes) | 26 | 27 | 28 | 29 | 31 |
| Refinery Throughput  (in million tonnes) | 21 | 20 | 20 | 22 | 23 |
| Operating Cost | 512 | 625 | 739 | 970 | 995 |
| Profit after Tax | 282 | 131 | 275 | 276 | 234 |

Note: Unless otherwise specified, all figures are rounded to the nearest million; All currency amounts are in US dollars unless otherwise specified; US$1.00 = ₹56.0850 on May 31, 2012.

Sources: Bharat Petroleum Annual Report 2007–2008, *Bharat Petroleum*, accessed July 1 2017, www.bharatpetroleum.com /pdf/OurFinancial/F000000028\_BPCLAnnRep\_08.pdf; Bharat Petroleum Annual Report 2008–2009 *Bharat Petroleum*, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial/F000000062\_BPCL%20AR%200809.pdf; Bharat Petroleum Annual Report 2009–2010, *Bharat Petroleum*, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial /F000000080\_BPCL%20Annual%20Report%202010.pdf; Bharat Petroleum Annual Report 2010–2011, *Bharat Petroleum*, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial/F000000104\_BPCL%20AR%202010-11.pdf; Bharat Petroleum Annual Report 2011–2012, *Bharat Petroleum*, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial /F000000114\_Annual%20Report%202011-12.pdf.

Exhibit 2: Number of Employees and Employee Costs: BPCL and its Competitors from 2007 to 2012 (in us$ millions)

Bharat Petroleum Corporation Limited (BPCL)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2007–2008** | **2008–2009** | **2009–2010** | **2010–2011** | **2011–2012** |
| Revenue | 21,696 | 25,922 | 23,445 | 29,101 | 39,653 |
| Net Profit | 282 | 131 | 275 | 276 | 234 |
| Total Employee Cost | 231 | 337 | 379 | 500 | 403 |
| Number of Employees | 14,006 | 14,016 | 13,898 | 13,837 | 13,343 |

Indian Oil Corporation Limited (IOCL)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2007–2008** | **2008–2009** | **2009–2010** | **2010–2011** | **2011–2012** |
| Revenue | 44,123 | 50,874 | 48,330 | 58,613 | 73,092 |
| Net Profit | 1,241 | 526 | 1,822 | 1,328 | 705 |
| Total Employee Cost | 520 | 1,014 | 1,024 | 1,148 | 888 |
| Number of Employees | 31,945 | 33,998 | 34,363 | 34,105 | 34,233 |

Exhibit 2 (Continued)

Hindustan Petroleum Corporation Limited (HPCL)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2007–2008** | **2008–2009** | **2009–2010** | **2010–2011** | **2011–2012** |
| Revenue | 18,513 | 20,758 | 19,362 | 23,654 | 31,979 |
| Net Profit | 202 | 103 | 231 | 275 | 162 |
| Total Employee Cost | 154 | 202 | 289 | 360 | 283 |
| Number of Employees | 10,949 | 11,246 | 11,291 | 11,248 | 11,226 |

Note: Unless specified, all figures are rounded to the nearest million; US$1.00 = ₹56.0850 on May 31, 2012.

Sources: Bharat Petroleum Annual Report 2007–2008, Bharat Petroleum, accessed July 1 2017, www.bharatpetroleum.com /pdf/OurFinancial/F000000028\_BPCLAnnRep\_08.pdf; Bharat Petroleum Annual Report 2008–2009, Bharat Petroleum, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial /F000000062\_BPCL%20AR%200809.pdf; Bharat Petroleum Annual Report 2009–2010, Bharat Petroleum, accessed July 1 2017, www.bharatpetroleum.com /pdf/OurFinancial/F000000080\_BPCL%20Annual%20Report%202010.pdf; Bharat Petroleum Annual Report 2010–2011, Bharat Petroleum, accessed July 1 2017, www.bharatpetroleum.com/pdf/OurFinancial /F000000104\_BPCL%20AR%202010-11.pdf; Bharat Petroleum Annual Report 2011–2012, Bharat Petroleum, accessed July 1 2017, www.bharatpetroleum.com /pdf/OurFinancial/F000000114\_Annual%20Report%202011-12.pdf; Hindustan Petroleum Annual Report 2007–2008, Hindustan Petroleum, accessed July 1 2017, www.hindustanpetroleum.com/documents/pdf /AnnualReport2007-08.pdf; Hindustan Petroleum Annual Report 2008–2009, Hindustan Petroleum, accessed July 1 2017, www.hindustanpetroleum.com /documents/pdf/AnnualReport2008-09.pdf; Hindustan Petroleum Annual Report 2009–2010, Hindustan Petroleum, accessed July 1 2017, www.hindustanpetroleum.com/documents/pdf/AnnualReport2009-10.pdf; Hindustan Petroleum Annual Report 2010–2011, Hindustan Petroleum, accessed July 1 2017, www.hindustanpetroleum.com /documents/pdf/AnnualReport2010-11.pdf; Hindustan Petroleum Annual Report 2011–2012, Hindustan Petroleum, accessed July 1 2017, www.hindustanpetroleum.com/documents/pdf/AnnualReport2011-12.pdf; Indian Oil Annual Report 2007–2008, accessed July 1 2017, www.iocl.com/Uploads/annual/IOC\_Annual\_Report\_2007-08.pdf; Indian Oil Annual Report 2008–2009, accessed July 1 2017, www.iocl.com/Uploads/annual/IOC\_Annual\_Report\_2008-09.pdf; Indian Oil Annual Report 2009–2010, accessed July 1 2017, www.iocl.com/Uploads/annual/IOC\_Annual\_Report\_2009-10.pdf; Indian Oil Annual Report 2010–2011, accessed July 1 2017, www.iocl.com/Uploads/annual/IOC\_Annual\_Report\_2010\_11.pdf; Indian Oil Annual Report 2011-2012, accessed July 1 2017, www.iocl.com/Uploads/annual/IOC\_Annual\_Report\_2011\_12.pdf.

Exhibit 3: Growth in Salary of a Clerical Grade 11 Worker, 1998–2012  
(IN US$)

|  |  |  |
| --- | --- | --- |
| **Year** | **Cost to Company Per Annum** | **Growth in Salary Over Previous Year (%)** |
| 1998 | 7,371 | — |
| 1999 | 7,874 | 7 |
| 2000 | 8,406 | 7 |
| 2001 | 8,972 | 7 |
| 2002 | 10,009 | 12 |
| 2003 | 10,681 | 7 |
| 2004 | 11,305 | 6 |
| 2005 | 12,038 | 6 |
| 2006 | 12,927 | 7 |
| 2007 | 14,314 | 11 |
| 2008 | 15,941 | 11 |
| 2009 | 17,813 | 12 |
| 2010 | 20,730 | 16 |
| 2011 | 23,136 | 12 |
| 2012 | 26,152 | 13 |

Note: All figures are rounded off to the nearest dollar; US$1.00 = ₹56.0850 on May 31, 2012.

Source: Company records.

Exhibit 4: Range of Working Hours per week (Minimum–Maximum) at Various BPCL Locations in and around Mumbai City

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Location** | **Operator** | **Office Attendant** | **Technicians** | **Assistants** | **Management** |
| Head Office at Ballard Estate | 35–45 | 35–35 | 35–35 | 35–35 | 35–35 |
| Aviation Services at Santacruz | 48–48 | 48–48 |  | 45–45 | 45–45 |
| Installation at Sewree | 47–48 | 47–47 | 47–47 | 44–48 | 35–48 |
| Liquefied Petroleum Gas Installation at Uran | 48–48 | 48–48 | 48–48 | 45–48 | 45–48 |
| Installation at Wadibunder | 47–47 | 47–47 | 47–47 | 44 | 45–48 |

Source: Company records.

Exhibit 5: Wage Revision Process—Illustrative calculations for one employee (US$ per month)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Basic** | **DA** | **HRA** | **Work-Related Allowances** | **Other Allowances** | **Retirement Benefits** | **Incentives** |
| May 31, 2008 (As Is) | 264 | 168 | 79 | 65 | 104 | 111 | 65 |
| May 31, 2008 (Revised) | 562 | 0 | 168 | 140 | 282 | 168 | 84 |
| June 1, 2012 (Revised) | 652 | 208 | 195 | 162 | 326 | 258 | 129 |

Calculations for May 31, 2008 (Revised):

1. Basic = (Basic + DA) × 30 per cent fitment benefit
2. DA = 0
3. HRA = 30 per cent of Basic
4. Work-Related Allowances = 25 per cent of Basic
5. Other Allowances = 50 per cent of Basic
6. Retirement Benefits = 30 per cent of (Basic + DA)
7. Incentives = 15 per cent of (Basic + DA)

Calculations for June 1, 2012 (Revised):

1. Basic = Basic × (1.03)5 (Basic salary is adjusted to include five increments from May 31, 2008, to June 1, 2012).
2. DA = 8 per cent × 4 × Basic
3. HRA = 30 per cent of Basic
4. Work-Related Allowances = 25 per cent of Basic
5. Other Allowances = 50 per cent of Basic
6. Retirement Benefits = 30 per cent of (Basic + DA)
7. Incentives = 15 per cent of (Basic + DA)

Note: All figures are rounded to the nearest dollar; US$1.00 = ₹56.0850 on May 31, 2012; DA = dearness allowance; HRA = house-rent allowance.

Source: Company records.

Exhibit 6: Pay Ranges for Major Oil Companies in India as of May 31, 2012

(Base Pay only, in US$)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Grade** | **Indian Oil Corporation Limited (IOCL)** | | **Hindustan Petroleum Corporation Limited (HPCL)** | | **Bharat Petroleum Corporation Limited (BPCL)** | |
|  | Minimum  (USD / month) | Maximum  (USD / month) | Minimum  (USD / month) | Maximum  (USD / month) | Minimum  (USD / month) | Maximum  (USD / month) |
| 0 | - | - | 185 | 268 | - | - |
| 1 | 187 | 437 | 221 | 363 | 165 | 417 |
| 2 | 223 | 401 | 169 | 506 |
| 3 | 223 | 469 | 174 | 628 |
| 4 | 193 | 517 | 224 | 484 | 187 | 679 |
| 5 | 213 | 570 | 226 | 524 | 201 | 736 |
| 6 | 229 | 557 | 209 | 765 |
| 7 | 234 | 586 | 223 | 709 |
| 8 | 228 | 624 | 241 | 671 | 231 | 729 |
| 9 | 243 | 701 | 241 | 747 |
| 10 | 247 | 686 | 248 | 726 | 250 | 808 |
| 11 | 285 | 780 | 258 | 866 | 268 | 968 |
| 12 | 356 | 878 | - | - | - | - |

Note: In the case of IOCL and HPCL, the maximum salaries shown are the range maxima, on grade equivalence basis; In the case of BPCL, the maximum salaries shown are the actual maximum salaries that would have been achieved in each grade had BPCL management accepted the demands of the labour unions and given a 30 per cent fitment benefit over existing salaries; All figures are rounded off to the nearest dollar; US$1.00 = ₹56.0850 on May 31, 2012.

Source: Company documents.

1. Estimated from T. Muralidharan, B. G. Paul, and A. B. Murti, “Should Real Wages of Workers Go Up in Indian Manufacturing?,” *Economic & Political Weekly* 49, no. 30 (2014): 153–162, accessed June 14, 2017, [www.epw.in/journal/2014/30/special-articles/should-real-wages-workers-go-indian-manufacturing.html](http://www.epw.in/journal/2014/30/special-articles/should-real-wages-workers-go-indian-manufacturing.html); all currency amounts are in U.S. dollars unless otherwise specified; ₹ = INR = Indian rupees; ₹1.00 = US$ 0.02 on May 31, 2012. [↑](#footnote-ref-1)