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OIL AND GAS SALARY SURVEY 2015

The results from our first ever Salary Survey make for a very interesting reading and highlight some of the most prominent issues facing the industry today

The oil price slump has taken a massive toll on the oil and gas jobs market. Layoffs reached 150,000 by the end of May, with the world's four largest oilfield service providers— Schlumberger, Halliburton, Baker Hughes and Weatherford, axing more than 50,000 jobs alone.

Companies across the board all took a blow one way or another, from large and small oil producers, to oilfield service providers, EPC contractors and manufacturers alike.

To find out how wages are faring in such volatile times, *Oil and Gas Middle East*'s launched its first ever salary survey for the upstream oil and gas sector in the Middle East.

The survey sought to determine if employees think their work is well-rewarded and how happy they are at the workplace.

It also asked about people's expectations for the future and if they thought their chances for promotion were affected by the oil price.

The survey attracted hundreds of replies, and revealed some very interesting results.

While the overall majority of respondents said they were satisfied with their pay, a high percentage of people were unclear about career progression and promotion structure at their workplace, leading to doubts about their future

Less than half of those who took the survey had a pay raise in the previous 12 months and more than two thirds said they expected one. Meanwhile, most participants agreed that companies should invest more in their training and development programmes.

Results from the survey highlighted some of the industry's key issues, such as aging workforce, lack of female representation in the industry and the impact of localisation on companies' expat-dominated work.

We also asked industry experts and consultants to comment on the findings and share their own insight on the subject.

The survey says...

One thing is certain: pay is extremely important part of every industry and oil and gas is no exception

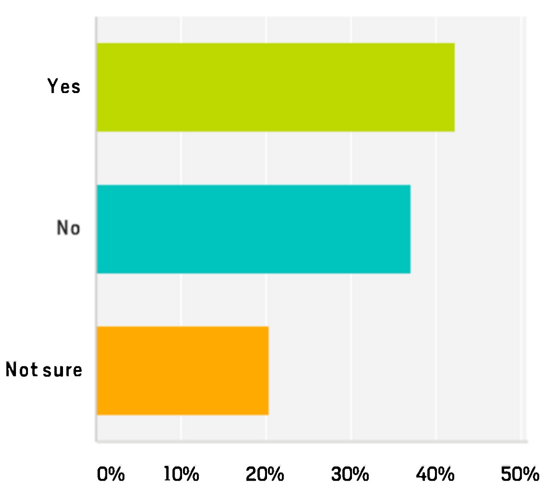
When presented with the results from our survey, experts were unanimous in their response: this region is faring a lot better than other parts of the world, given the current oil price slump.

"The Middle East oil and gas regional industry is still enjoying an 'indulgence period' without having to execute major personnel cuts due to low oil prices," said Richard Foulkes, client partner at Pedersen & Partners.

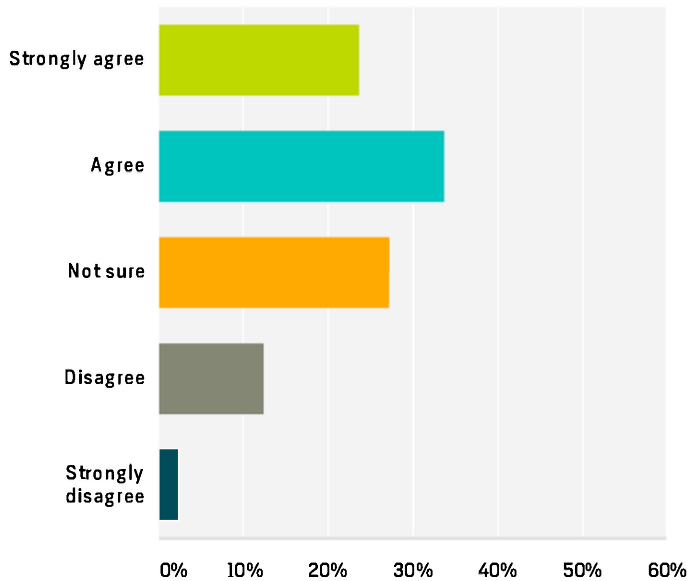
"This is partly due to the lower cost of extraction that allows the status quo to be maintained. Several international companies operating in the North Sea were forced to look at restructuring employees and cutting pay to keep afloat," he added.

"Oil and gas companies in the US are largely cutting wages instead of headcount. Most of the talented professionals want to focus their careers on the upstream business (primarily subsea), which is still considered to be where most of the talent wants to focus their career while also being the highest paid market within the oil and gas sector," said Chris Barrett, client partner and head of energy for North America at Pedersen & Partners.

Do you feel you are fairly paid for your work?



Would you agree that the low price of oil has affected your chances of a pay rise in the near future?



"The 42% saying that their pay is fair seems very satisfactory, considering the current state of the oil and gas market," Barrett added.

However, while overall satisfaction with pay was clearly present, a significant 37.1% of respondents felt their salaries did not adequately reflect their work. The majority of respondents worked for a supplier or an oilfield service company— 19% and 18.6% respectively, which may be reflected in the answers, explained Barret.

"Service sector employees within the oil and gas industry are typically paid less than those working in exploration and production or engineering and construction.

In my experience, most oil and gas employees within the service sector inevitably aspire to move up into engineering and construction or one of the majors, since there is more long term financial security there than in service companies," he said.

Some 42% of respondents said they hadn't had a pay raise in the past 12 months, while 69.5% said they expected one over the next year.

Dr. Conrad Pramböck, head of compensation consulting at Pedersen & Partners, said: "Oil and gas is considered to be one of the highest paying industries, even though the current low oil prices have affected the HR aspect of the business.

"Global HR directors of international oil and gas companies confirm that while annual raises were once the norm in the industry, this is now an unat-

↑ The majority of people agreed that the oil price will determine if they receive a pay raise in the future.

← Nearly 40% of respondents answered that they were not happy in their job.

tainable luxury for many players."

"However, Barrett noted, most professionals who seek to leave the oil and gas industry do not do so because of dissatisfaction with the compensation, but because they are frustrated by the fluctuations of the market.

"With the shift and stabilisation of oil prices, predictions are that during 2017, compensation across the board will also see a drop of approximately 10-12% due to lower profits, at least in the US."

Meanwhile, recruitment experts are asking the question of whether or not employees' expectations are at all realistic.

"All companies are facing challenges at the moment and the oil and gas industry globally is consolidating.

"Whilst all employees would like to receive salary increases, there has to be realism. This also means that economic realities need to be communicated by management in organisation, so that people clearly understand the state of the business today," said Andy Gibbins, Vice President, MENA at Euro Petroleum Consultants.

Prior to the downturn, salaries in the region were expected to see a significant increase, but in the current market conditions, IHS, a consultancy, has downgraded its outlook for the Middle East, including Saudi Arabia and the UAE.

"These countries are still going to experience pay rises of around 5% in the oil and gas sector, but the spread between the pay rise and the cost of inflation has decreased quite a lot.

"So, workers won't enjoy as high a wage gain as they would have received in previous years," said Dasha Lukiniha, an economist at IHS.

"I think it will be different for expats and the local wage force. The salary levels need to keep rising in line with inflation otherwise the levels will drop comparatively," she added.

Thanks to its large currency reserves, Saudi Arabia has not felt a pinch on its economy in real terms yet. But this may stop being the case if prices remain this low, warns Lukiniha.

"There are a lot of infrastructure projects that are still going on. So the effect on Saudi Arabia is going to take slightly longer to filter through.

However, with salaries increasing at just 5% and inflation eroding that increase, many fear that people would not be so motivated to come to the region to work. This could prove particularly problematic to an oil and gas sector given the lack of skilled workforce in this region.

↑ Chris Barrett, head of energy for North America at Pedersen & Partners.

↖ Richard Foulkes, client partner at Pedersen & Partners.

"I think that there will still be a healthy flow of workers and I think that the Middle Eastern market will remain relatively attractive for prospective employees. You also have to consider what kind of salaries can oil and gas workers in the US earn?

"The increases in the US won't even be as high as those here in the Middle East, so the Middle East will remain an attractive proposition."

In the meantime, there will be one pertinent question facing the industry in the next six to twelve months. And that is: 'if international energy companies are cutting projects around the world, are workers still willing to move from job to job in as care free and rapid a manner as in previous years?

"I think there will be willingness to move around at the highest levels – for them it will always be a better environment and better pay conditions – but I think that the region itself is starting to realise just how reliant it is on expat labour," Lukiniha said.

"The second factor is going to be that local governments want companies to hire an increasingly local workforce.

"When you couple that with the fact that 50% of the local youth is unemployed, they will start to think that they should be doing something about that.

"I would just mention that this is a turning point for the industry.

"The uncertainty will have a large impact over the course of the next 12 months.

"In the longer run, I am sure that countries in the GCC region will continue to have a very strong presence in the oil and gas sector.

That being said, they will inevitably look to diversify their economies, they are in the process of doing that right now."

Mind the (pay) gap!

According to a recent survey by Hay Group the pay gap in Middle East has widened to show high levels of disparity between lower levels and senior managers.

The research revealed that since 2008 the pay gap between lower level employees and senior managers has widened in every region across the world.

The pay gap between lower level workers (comprising skilled manual, clerical, supervisor or graduate entry jobs) and senior managers (heads of departments or equivalent) is now on the rise in twice as many countries as it is falling (42 to 21), according to the paper.

Ben Frost, consultant at Hay Group, comments: "The job level pay gap has accelerated since the recession. However it is not purely a post-recession issue. This is a trend that has been building for the past 30 years through economic boom as well as bust."

Frost continues: "Frequently discussed but often misinterpreted, the size of the pay gap can depend upon a number of factors, not least the shape of the company and the types of workers it employs."

The survey suggests that the pay gap has accelerated as globalisation opened up workforces and lower level jobs are increasingly automated and off-shored. This reduces the number of jobs available and increases competition for those left, keeping pay down.

In contrast, pay is increasing for senior managers where skills such as emotional intelligence, creative thinking and advanced judgement are in high demand and short supply. In addition, senior managers are increasingly being asked to take on more responsibilities and more complex work.

Frost continues: "The potential for a large job pay gap to cause discontent among the workforce is huge. Organisations need to be transparent with employees and communicate why reward policies are in place.

"They should also invest in their training and development programmes to upskill their workforces to meet the future demands of their businesses. Done properly, these solutions present an opportunity for organisations to navigate the pay gap and improve employee engagement."

In the Middle East, pay disparity between senior managers and lower-level workers is relatively high and has widened significantly over the last 7 years. This is due to the increasing emphasis that organisations in the region place on the people to lead their business. Industries are targeting ambitious growth and senior people in various sectors have bigger roles to play.

This in turn has given rise to bigger pay packages at senior levels due to scarcity of resources, while the lower levels have grown at a slower pace. The demand for senior professionals, for whom organisations are willing to pay high premiums, has outstripped the impact of increasing salaries at lower levels due to nationalisation.

The region also employs a larger proportion of expatriates from developed countries in leadership positions, in comparison to developing countries, which dominate the lower levels.

This also has an impact on the difference in salaries as organisations have employed a larger number of Western expatriates in the region since the global economic downturn.

The Middle East has a high level of pay disparity.