



# Engineering Compensation in Houston and Beyond

*Rice Global E&C Forum*

**August 2009**



## Discussion Points

**About Pearl Meyer & Partners**

**Historical Base Salary Movement Nationally Among E&C Companies**

**Historical Base Salary Movement Among Houston E&C Companies**

**Engineering Rates – E&C v. Energy**

**E&C In Houston – March 2009 Poll**

**Base Salary Movement Among College New Hires**

**Average Age of Engineering Professionals in Houston E&C Market**

**Opportunity To Address Compensation Inequities**

**Questions**



# About Pearl Meyer & Partners



**Founded in 1989, we are a 100 person firm headquartered in New York City**

- Exclusive focus on compensation consulting
- Independent
- Full range of executive compensation and employee pay consulting services
- <http://www.pearlmeyer.com>

## Office locations

New York	Chicago
Atlanta	Houston
Boston	Los Angeles
Charlotte	

## Representative compensation surveys conducted by PM&P

- National Engineering & Construction Services Survey
- Houston Engineering & Construction Services Survey
- Offshore Construction
- International Engineering
- Oilfield Services Suite
- Offshore Drilling Suite
- CHiPS Suite



## About Pearl Meyer & Partners



### **Chris Touhey, Vice President**

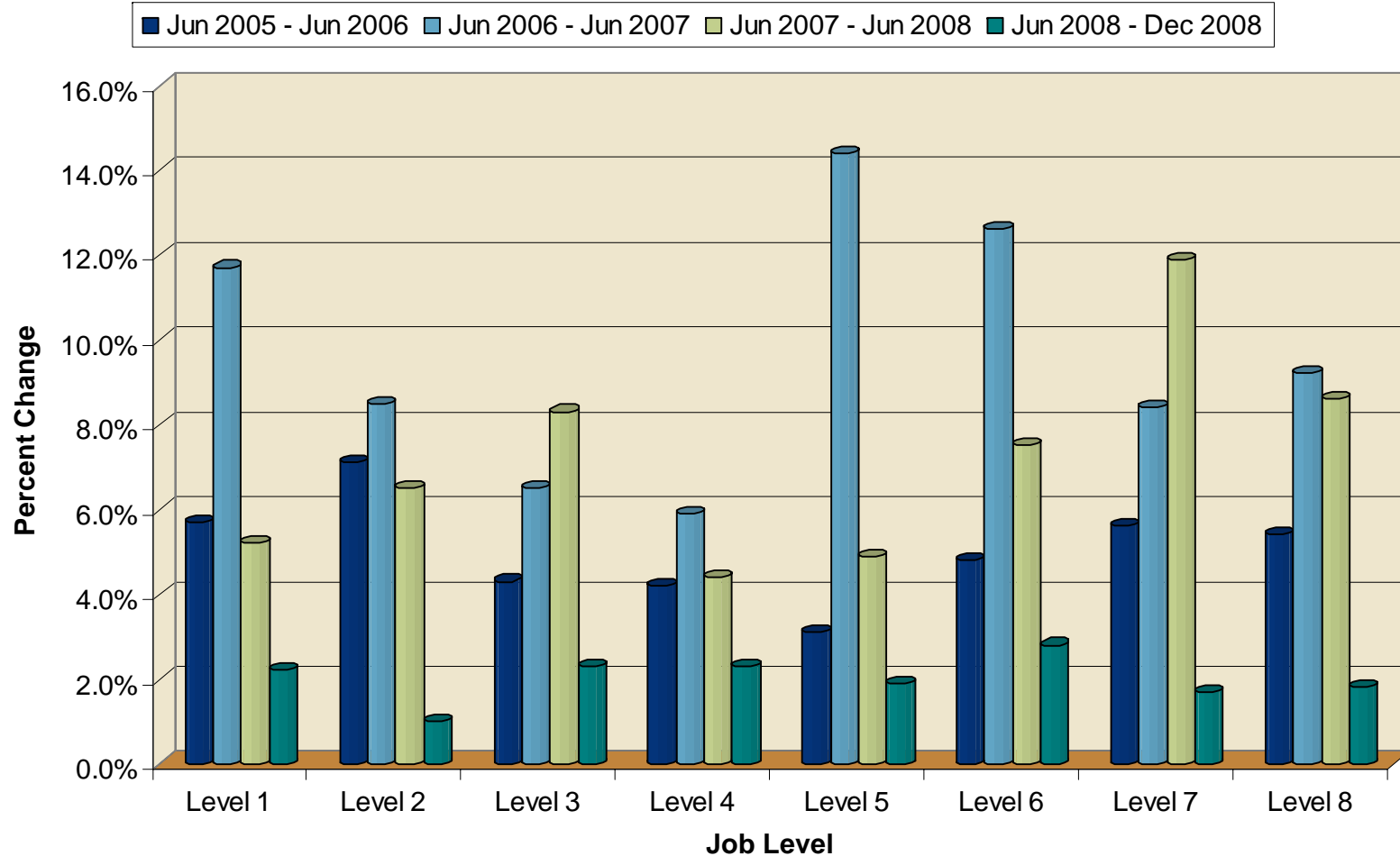
- Manages the Houston office Employee Pay and Survey practice
- Over 20 years experience in compensation
- Extensive experience with design & management of both domestic and international surveys
- Managed numerous compensation review projects in a variety of industries
- Experienced in the design and implementation of global pay programs

# Houston Office – Representative Client Listing

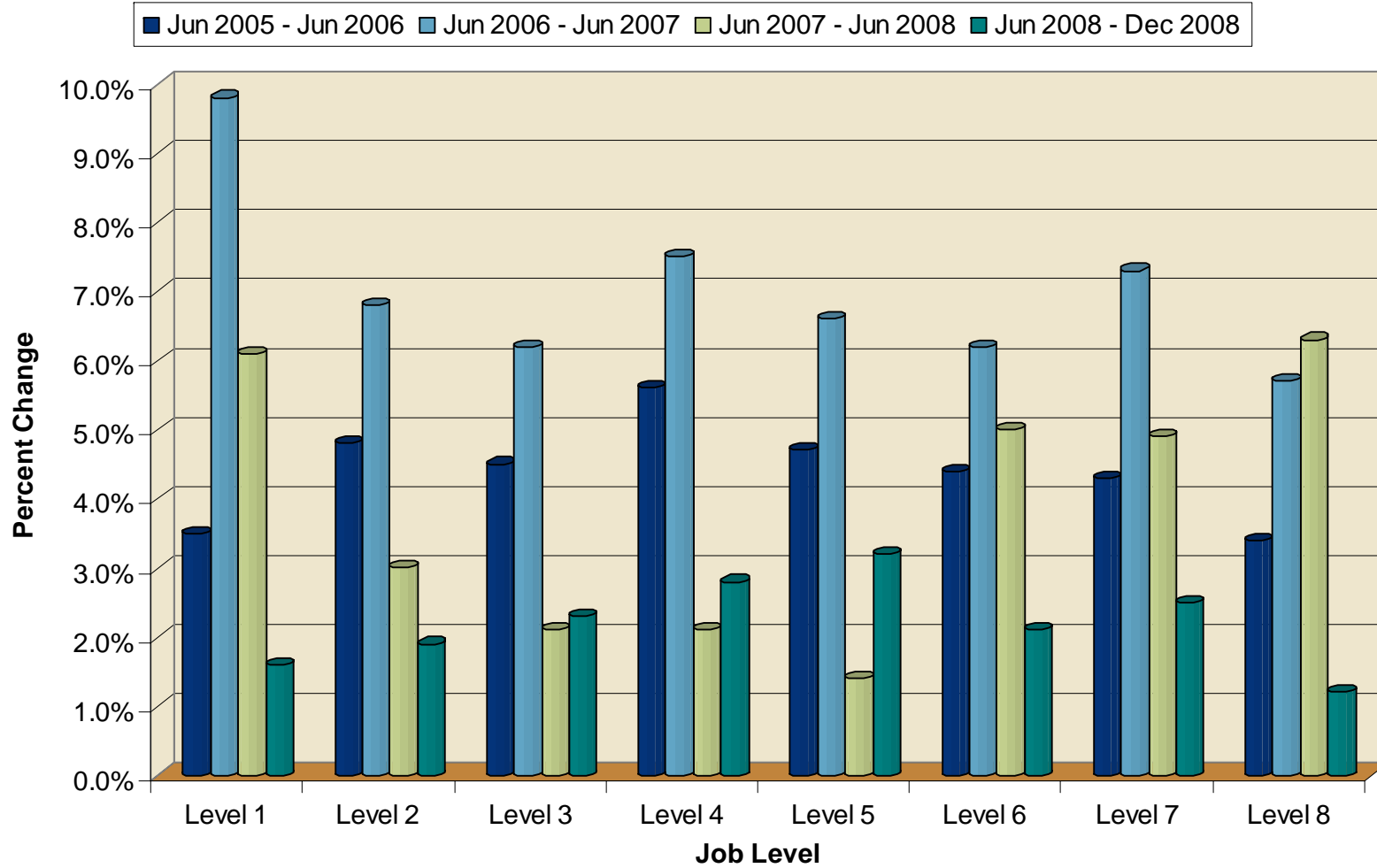


# Historical Base Salary Movement Nationally Among E&C Companies

## Base Pay Percent Change - Drafting / Design

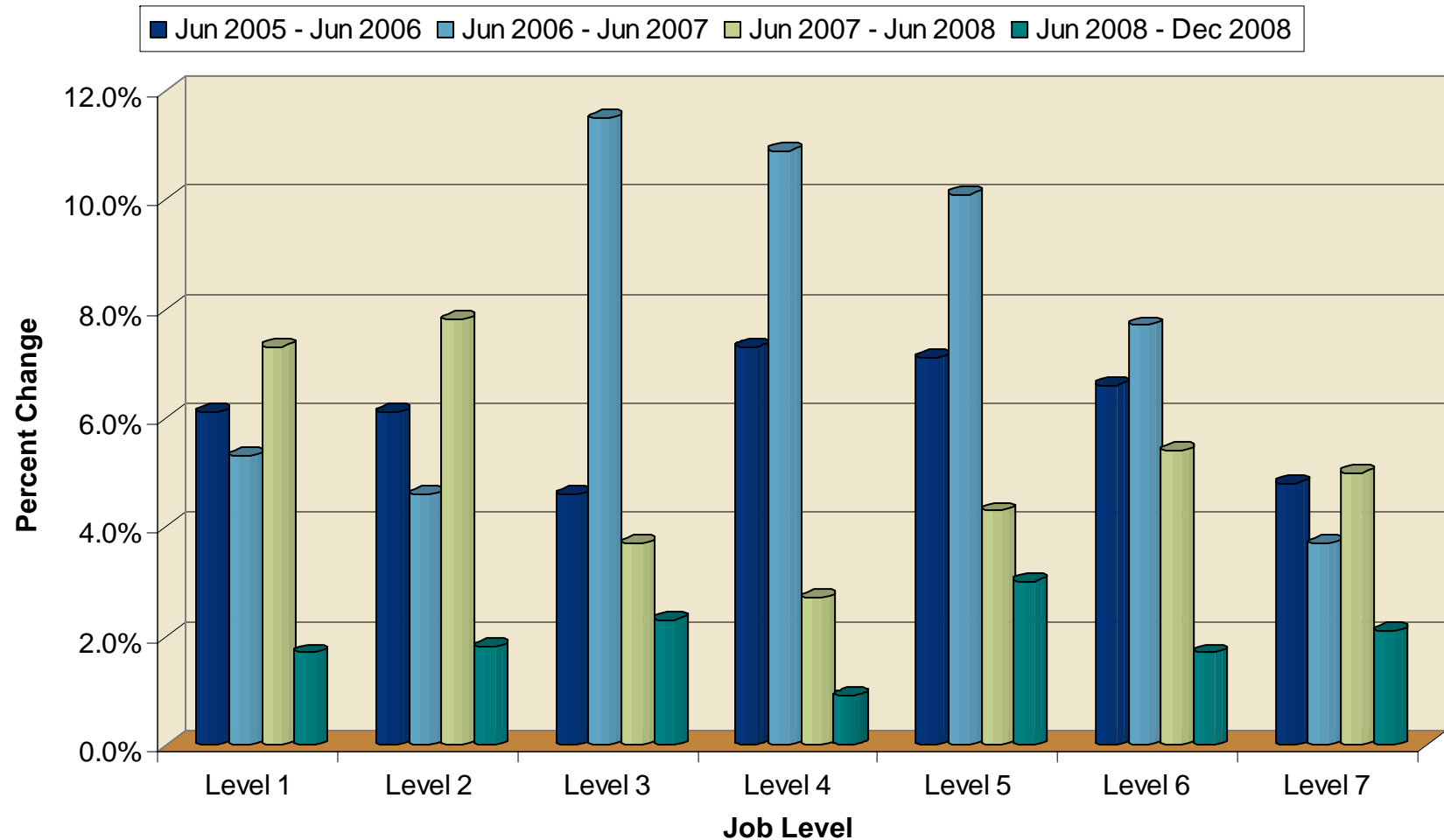


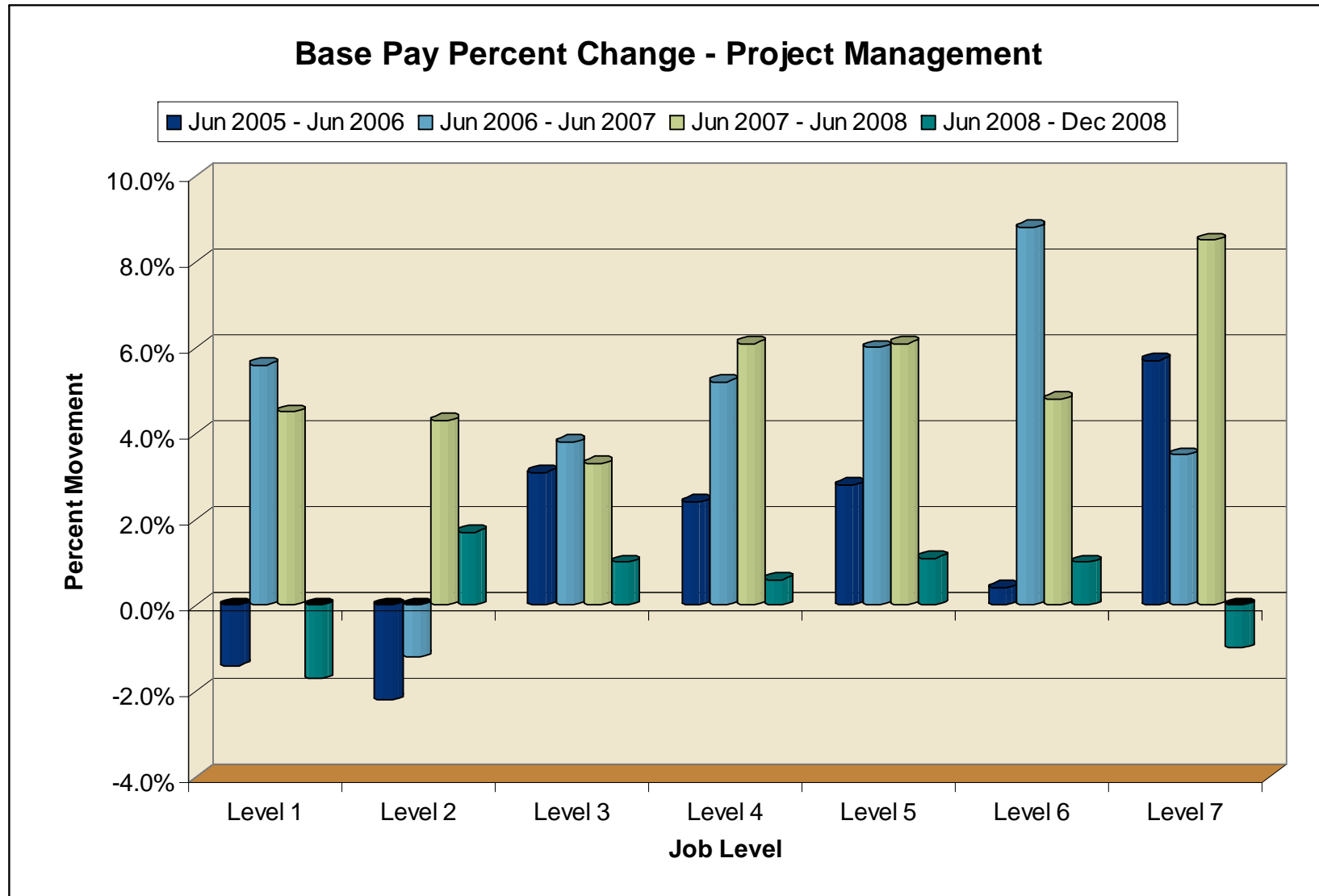
## Base Pay Percent Change - General Engineering





## Base Pay Percent Change - Process Engineering

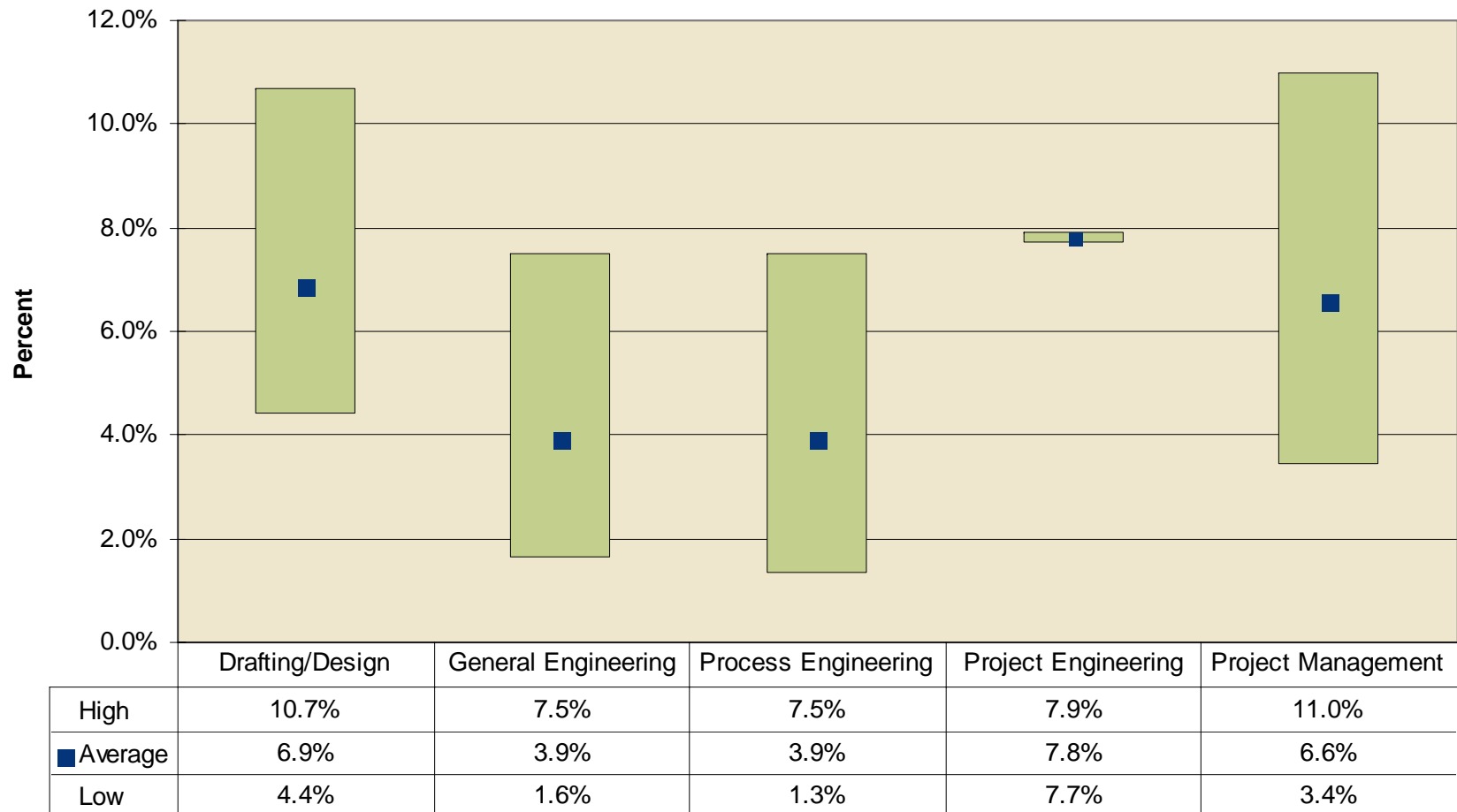


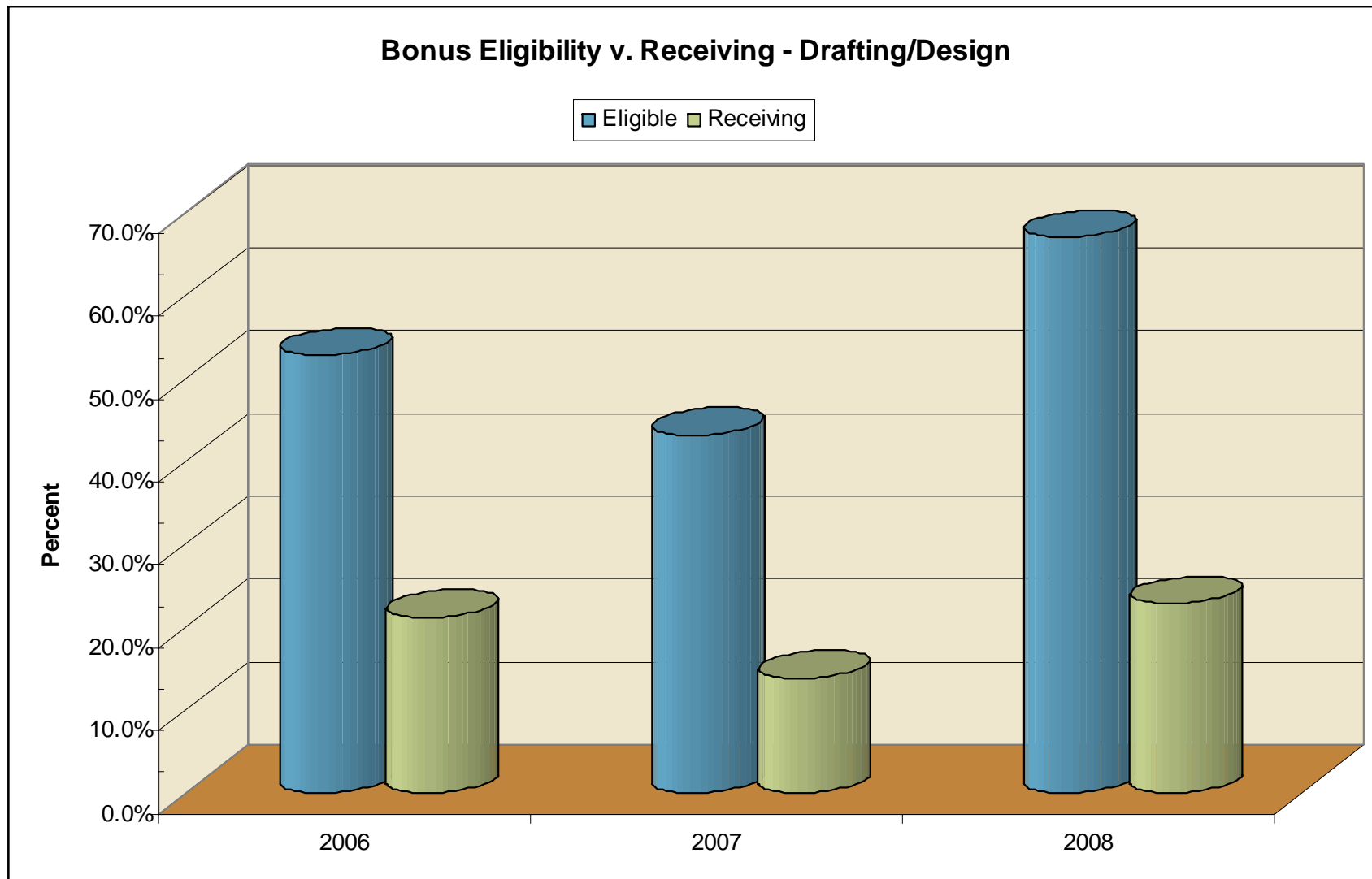


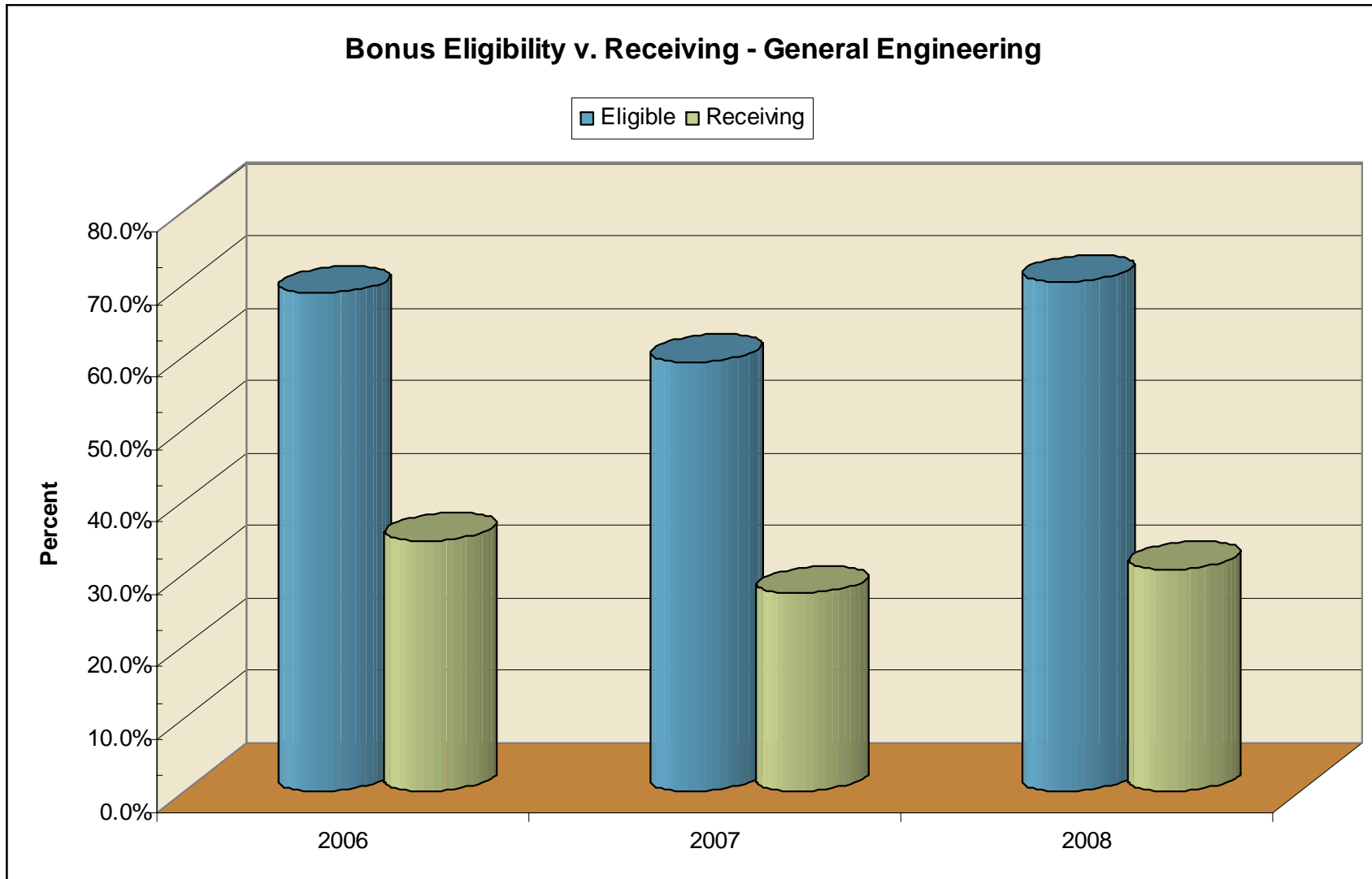
# Historical Total Cash Salary Movement Nationally Among E&C Companies

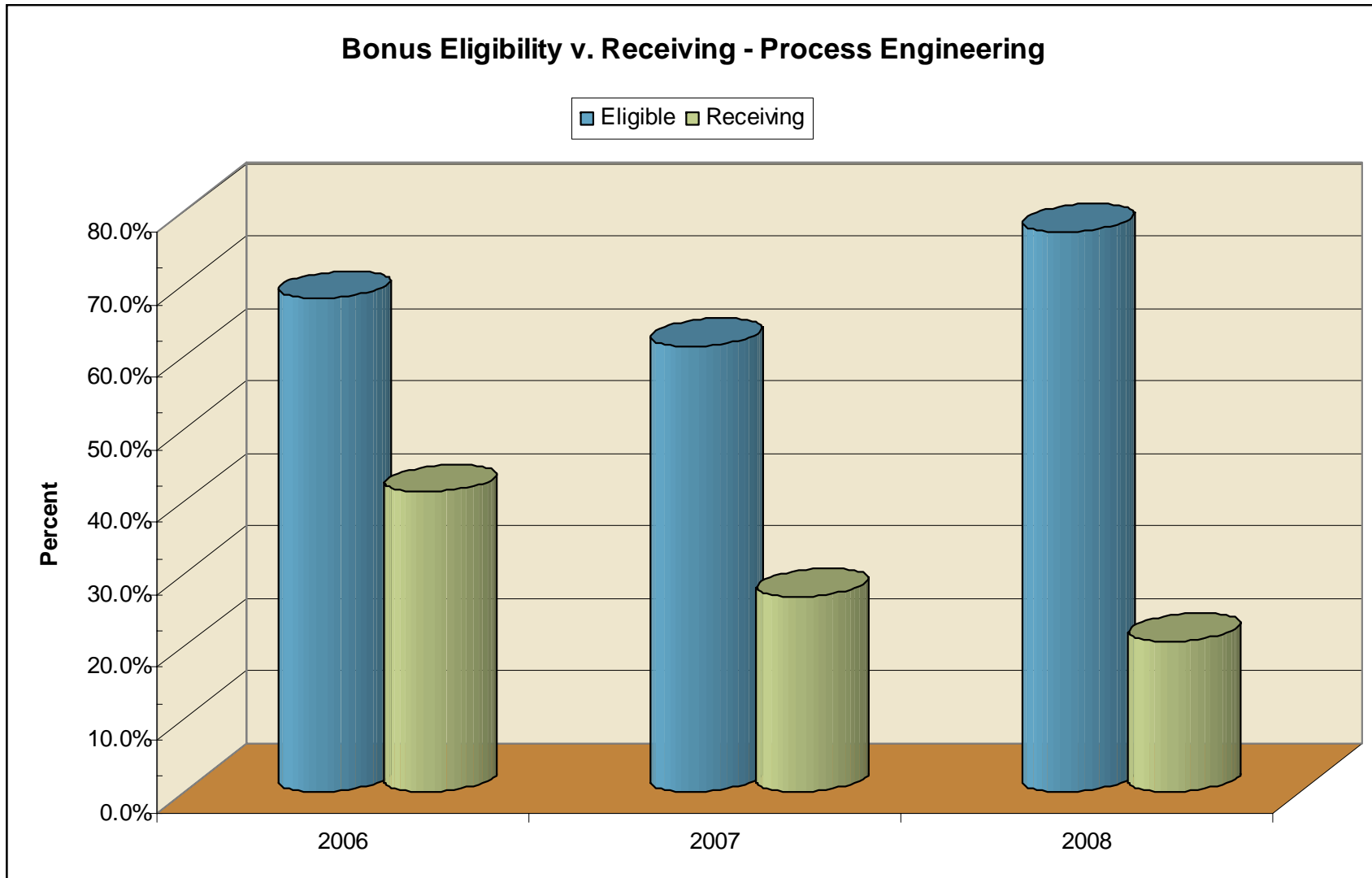
*This section was not part of the original presentation and has been added by PM&P at the request of Forum members.*

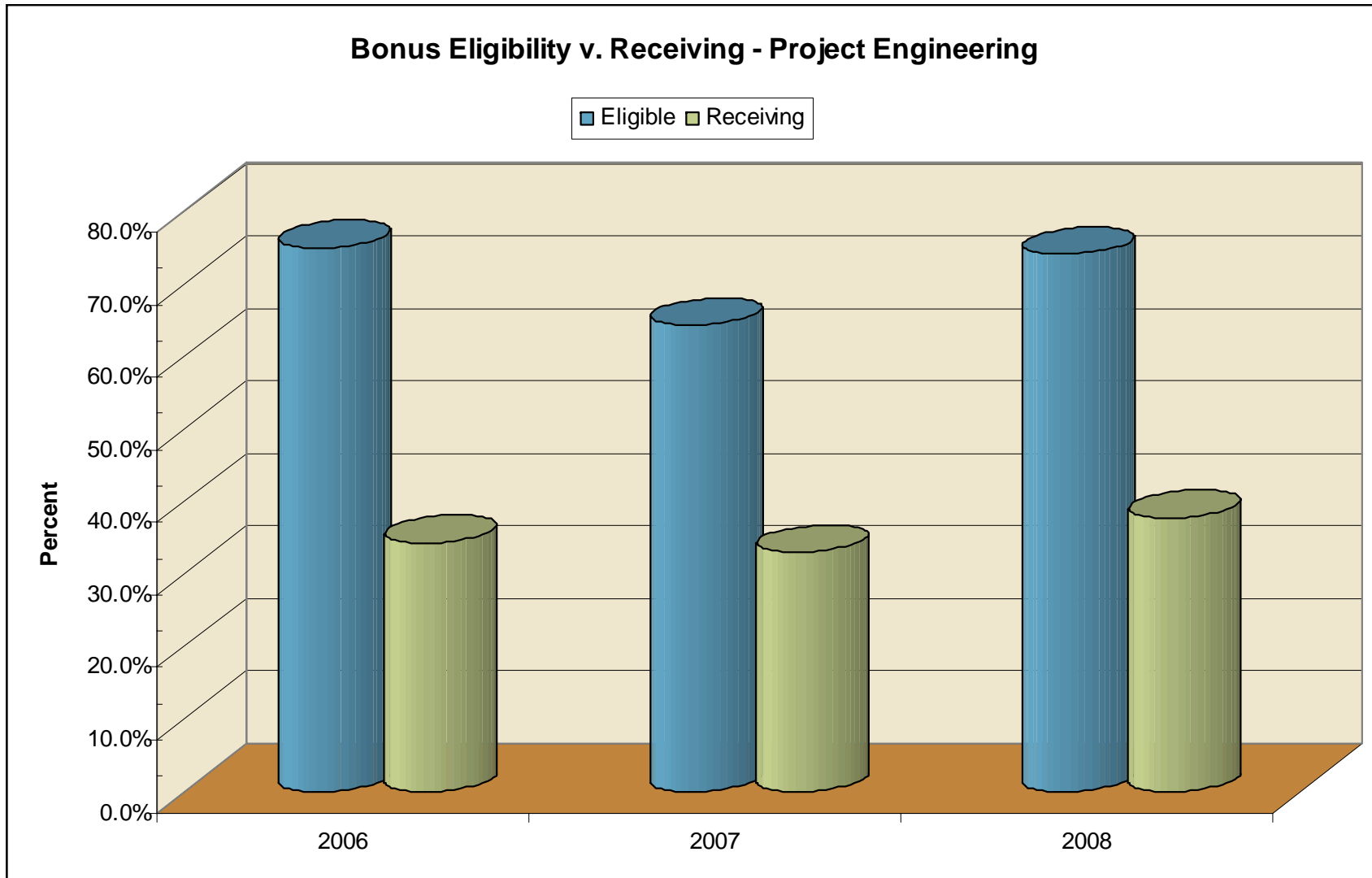
**Total Cash % Movement Within Selected Engineering Job Families, 2007-2008**



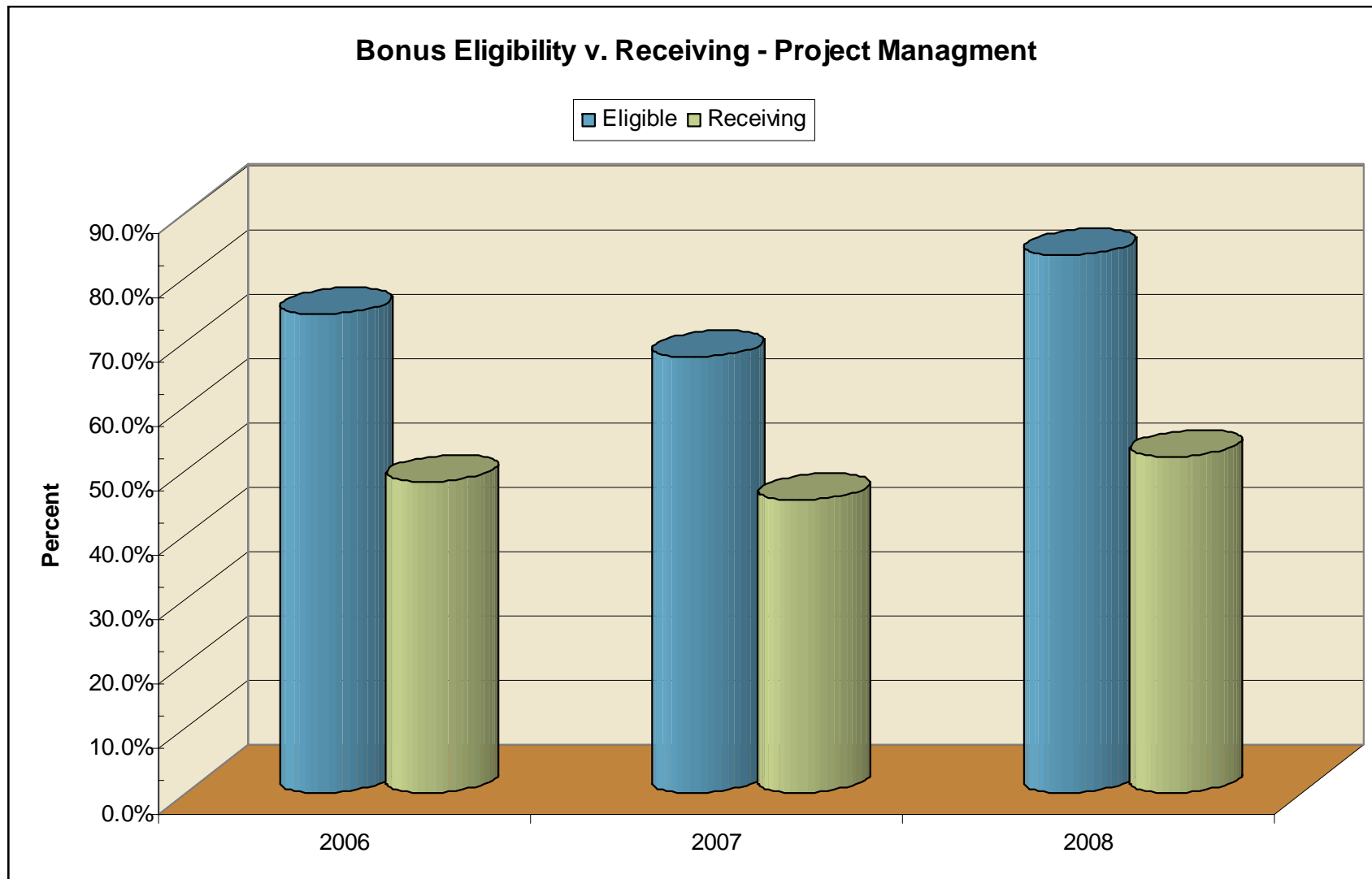




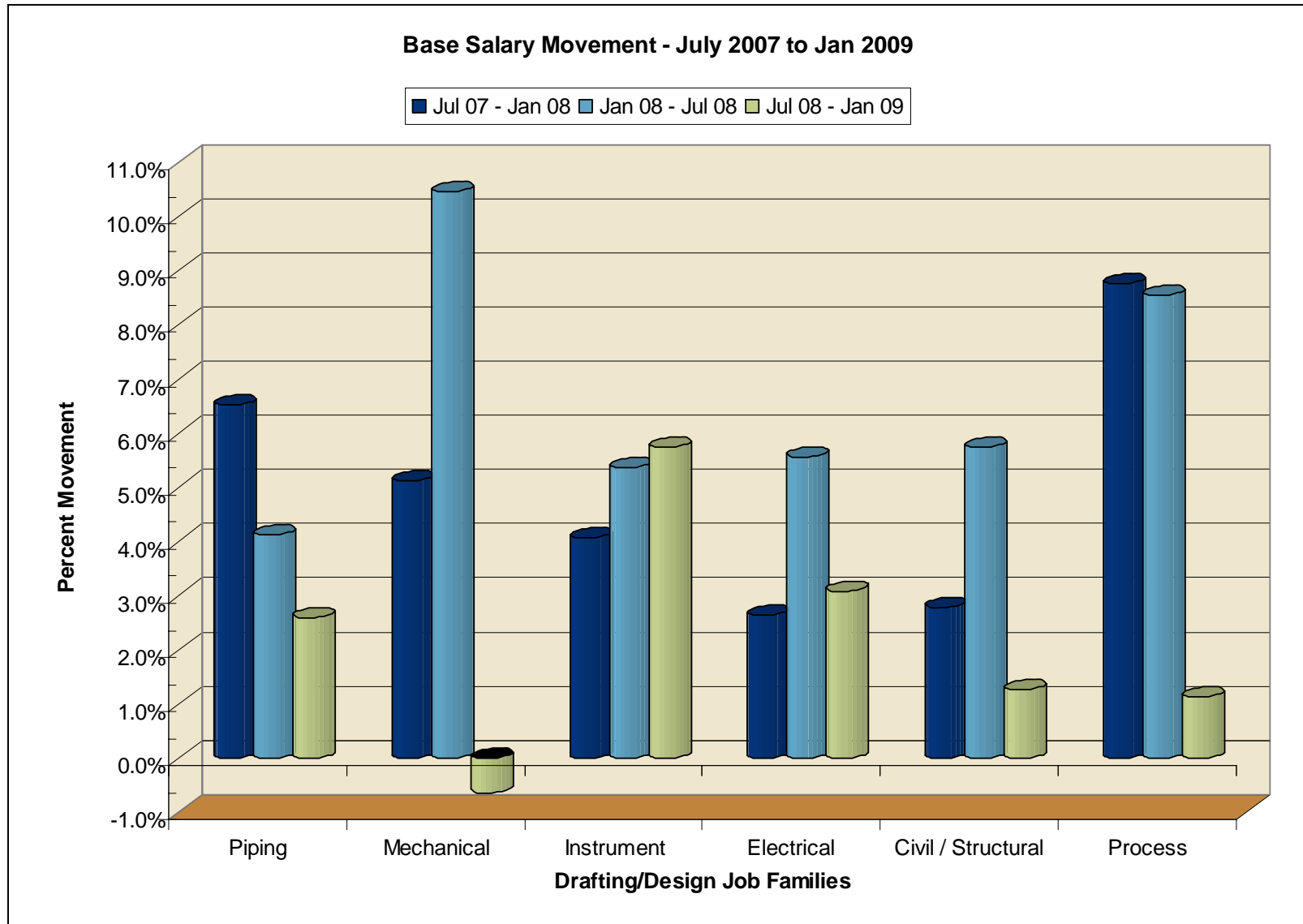




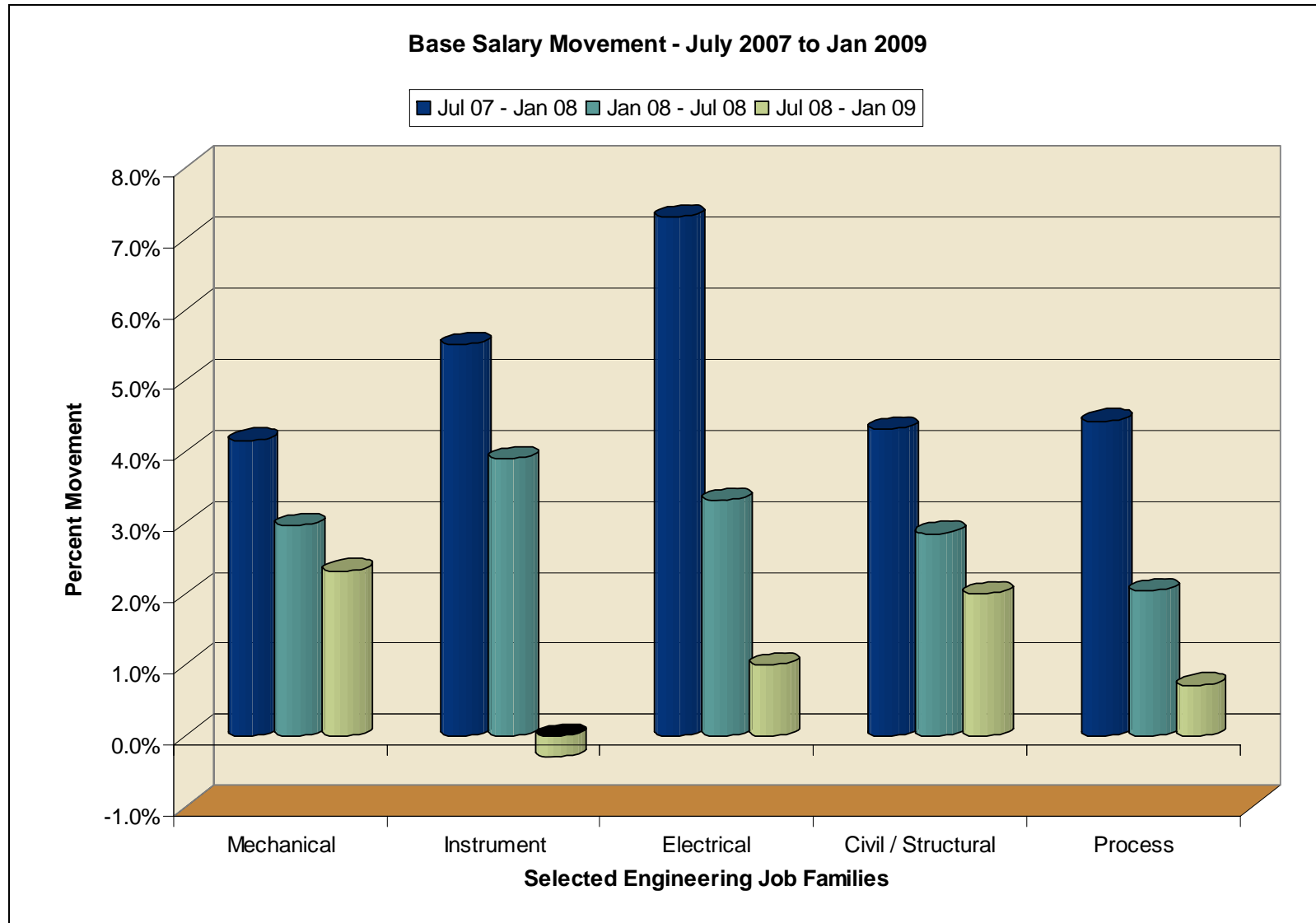




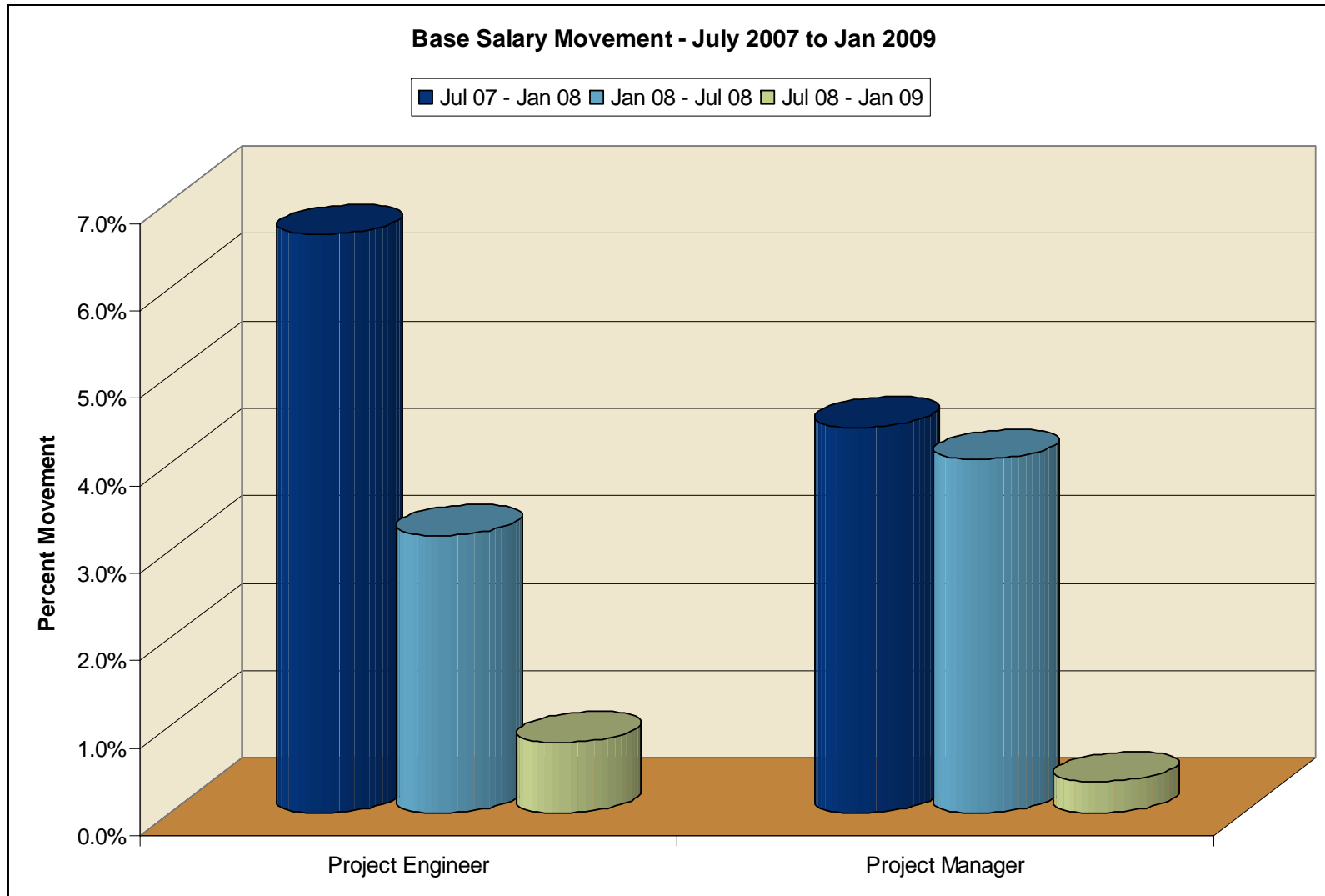
# Historical Base Salary Movement Among Houston E&C Companies



# Historical Base Pay Movement – Houston, continued

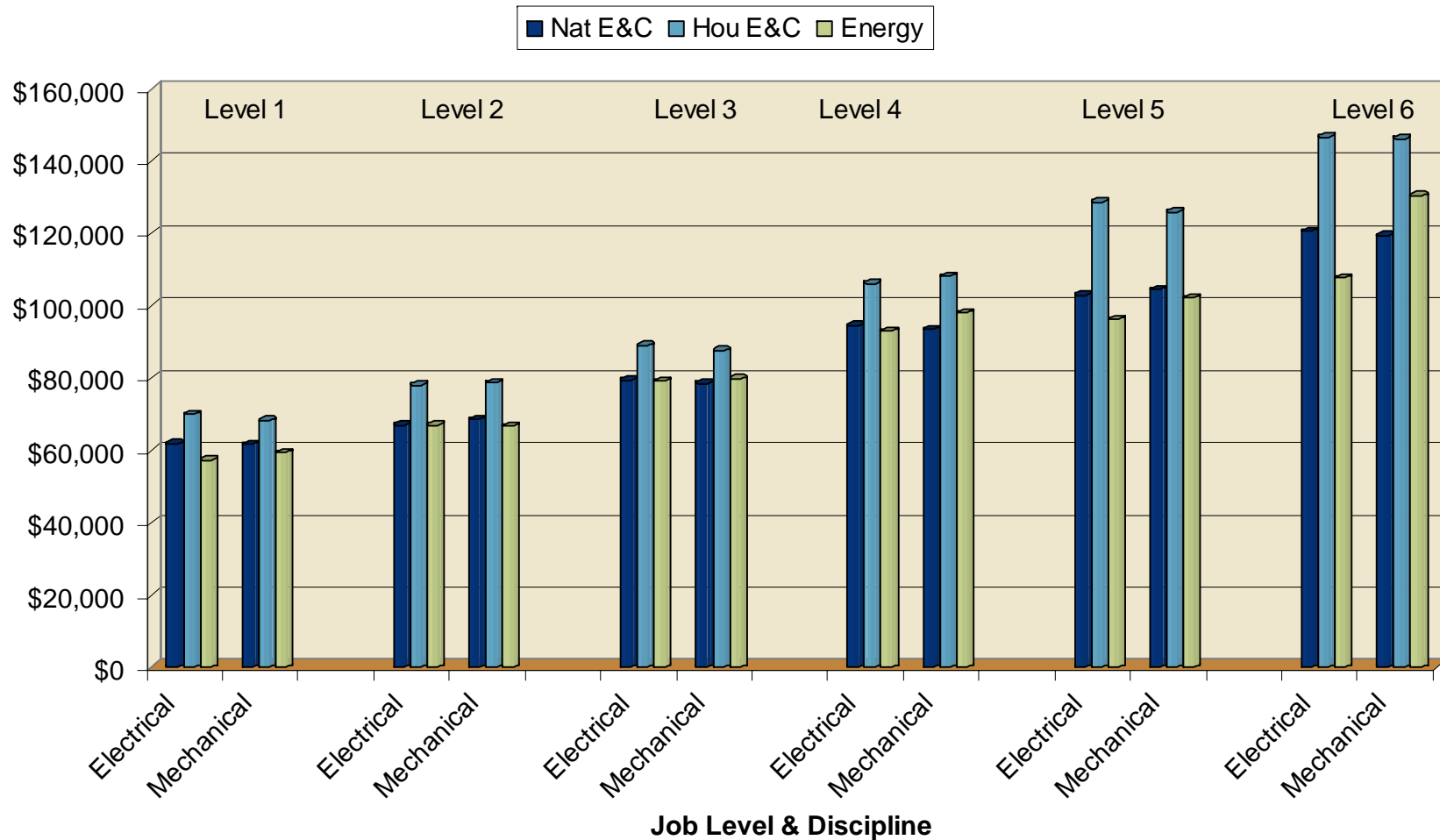


# Historical Base Pay Movement – Houston, continued



# Engineering Rates – E&C v. Energy

## Rate Comparison By Job Level



# **E&C in Houston – March 2009 Poll**





## March 2009 Poll



**Twenty-two E&C firms that either have a large presence in Houston or have their headquarters here**

**Invited to participate in poll jointly sponsored by Foster Wheeler and URS Washington Division**

### **Topic areas included**

- Non-executive base salary changes and budgets
- Reduction in force / layoffs
- Severance benefits
- Benefit program changes

## Non-executive base salary changes / base salary budgeting

- More than two-thirds of respondents expected 2009 base salary changes to be significantly less (20% or greater decreases) than in 2008
- Almost 60% of respondents had frozen or were considering freezing base salaries
- Just over half have delayed or were considering delaying merit increases for 2009
  - Delays ranged from one quarter to a full year
  - Most who were delaying merit reviews were reevaluating in the second quarter
  - About 60% were still accruing for merit budgets in the range of 2% to 4%

## Pay cuts

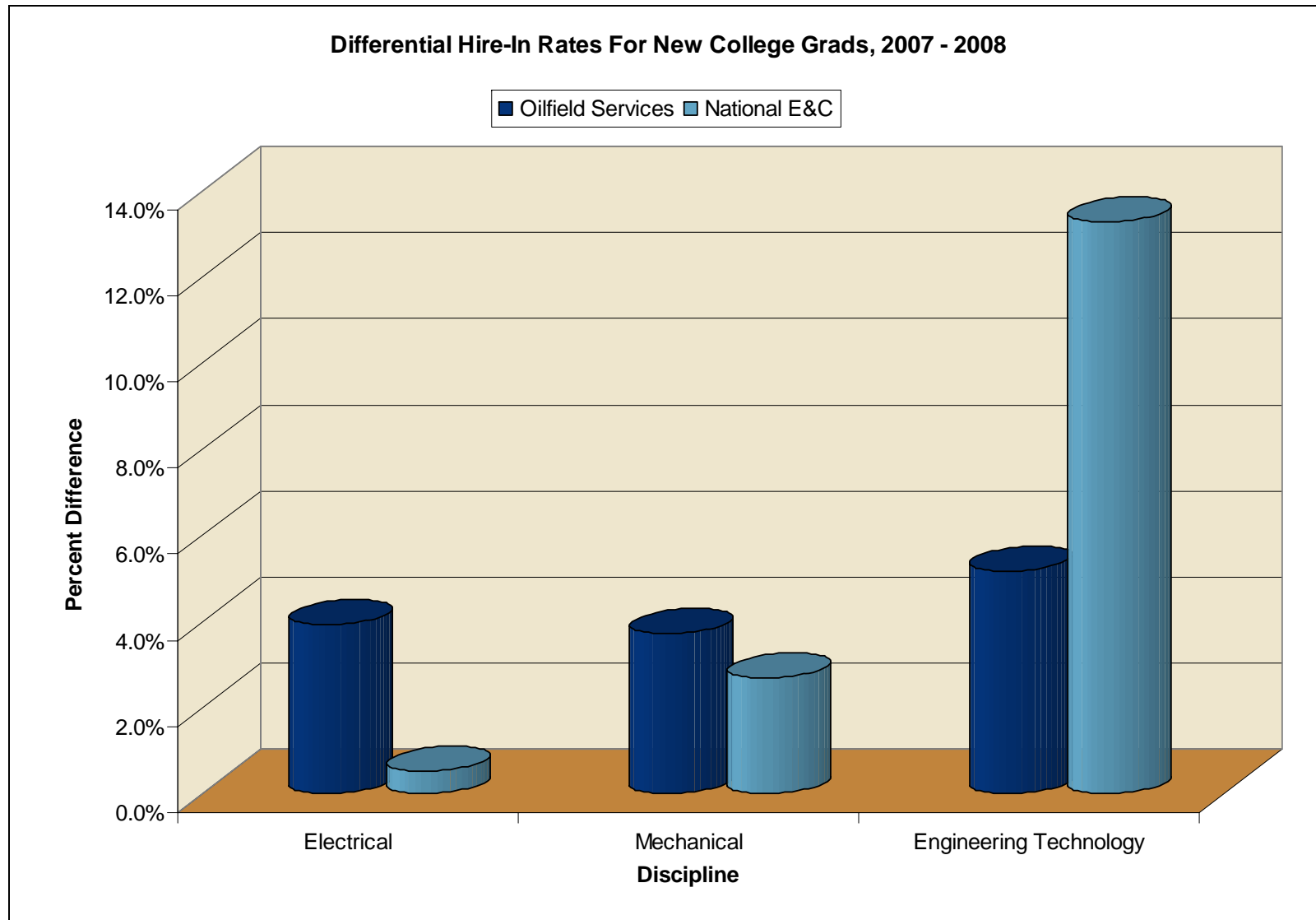
- At the time of the study, no one had implemented pay cuts
- A few were considering pay cuts in the 4% to 8% range
- At least two companies have implemented pay cuts in the second quarter

## Reduction in force / layoffs

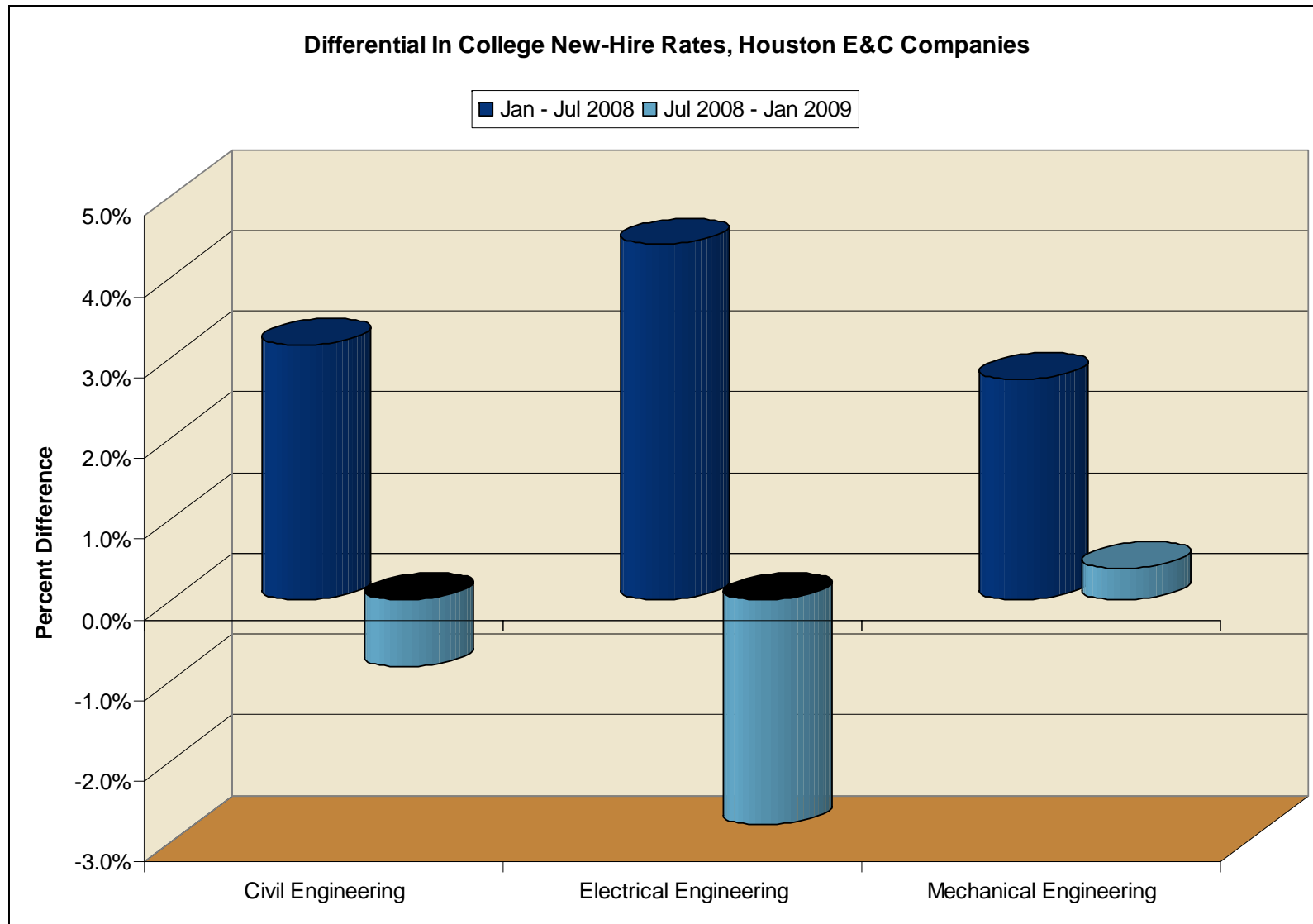
- More than 80% of respondents have experienced a layoff or were considering a RIF
- Half of those expected further action in the second quarter
- Layoffs have affected 8% to 10% of the employee population
- Almost one-third have implemented or are considering a reduced hours program

## Most firms had not changed their benefit programs at the time

# Base Salary Movement Among College New Hires



# College New Hire Rates Fell In Latter Half of 2008



# Average Age of Engineering Professionals in Houston E&C Market



# Engineering Incumbents' Age – Houston – July 2008

Job Title	Job Level	Average Age	Discipline Average
Mechanical Engineering	Level 1	26	
Mechanical Engineering	Level 2	29	
Mechanical Engineering	Level 3	35	
Mechanical Engineering	Level 4	43	
Mechanical Engineering	Level 5	55	
Mechanical Engineering	Level 6	58	
Mechanical Engineering	Level 7	57	43
Instrument Engineering	Level 1	26	
Instrument Engineering	Level 2	32	
Instrument Engineering	Level 3	39	
Instrument Engineering	Level 4	47	
Instrument Engineering	Level 5	53	
Instrument Engineering	Level 6	56	
Instrument Engineering	Level 7	56	44
Electrical Engineering	Level 1	26	
Electrical Engineering	Level 2	30	
Electrical Engineering	Level 3	32	
Electrical Engineering	Level 4	45	
Electrical Engineering	Level 5	54	
Electrical Engineering	Level 6	57	
Electrical Engineering	Level 7	57	43
Civil / Structural Engineering	Level 1	26	
Civil / Structural Engineering	Level 2	29	
Civil / Structural Engineering	Level 3	35	
Civil / Structural Engineering	Level 4	42	
Civil / Structural Engineering	Level 5	54	
Civil / Structural Engineering	Level 6	58	
Civil / Structural Engineering	Level 7	57	43

**Overall Average Age, Engineering** 44

Job Title	Job Level	Average Age	Discipline Average
Process Engineering	Level 1	26	
Process Engineering	Level 2	29	
Process Engineering	Level 3	35	
Process Engineering	Level 4	42	
Process Engineering	Level 5	52	
Process Engineering	Level 6	55	
Process Engineering	Level 7	56	42
Systems Engineers	Level 1	26	
Systems Engineers	Level 2	31	
Systems Engineers	Level 3	36	
Systems Engineers	Level 4	43	
Systems Engineers	Level 5	53	
Systems Engineers	Level 6	53	
Systems Engineers	Level 7	61	43
Offshore / Subsea	Level 1	28	
Offshore / Subsea	Level 2	33	
Offshore / Subsea	Level 3	38	
Offshore / Subsea	Level 4	47	
Offshore / Subsea	Level 5	50	
Offshore / Subsea	Level 6	53	
Offshore / Subsea	Level 7	45	42
Project Engineers	Level 1	42	
Project Engineers	Level 2	50	
Project Engineers	Level 3	54	49
Project Managers	Level 1	49	
Project Managers	Level 2	54	
Project Managers	Level 3	56	
Project Managers	Level 4	57	54

# Opportunity To Address Compensation Inequities



**The past few years of escalating wages, especially in Houston, have resulted in wage compression issues for most companies**

- Escalating college hire-in rates have placed new-hire compensation at or above 0-2 year engineers
- Merit budgets, while exceeding the National norms, have not been large enough to address all the compression problems

**In a depressed economy, many are more focused on retaining employment and less focused on wage movement**

**With minimal salary increase budgets, focus on high performers low in their range as well as internal and external renowned experts**

**Be sure your performance management system is actually working**

