



Post #60: Survey Results: Oil & Gas Workforce and Compensation Strategies

From Tracy Glassel, Lead Consultant, The Woodlands, Texas

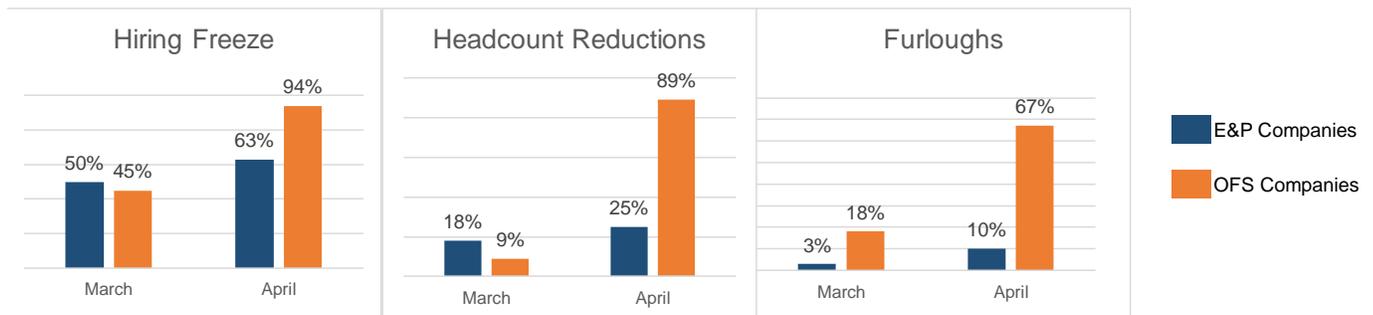
Meridian surveyed fifty-eight companies in the E&P (n=40) and Oilfield Service (n=18) sectors in April to gauge the ongoing impact of COVID-19 and low oil price/demand on companies' workforce and 2020 compensation programs.

Key Takeaways

In our March survey results we reported an overwhelming majority of companies focused on emergency business actions and less on compensation considerations. As of the end of April, it appears companies have taken action on their now identified workforce and compensation strategies. Outlined below are some of the key takeaways.

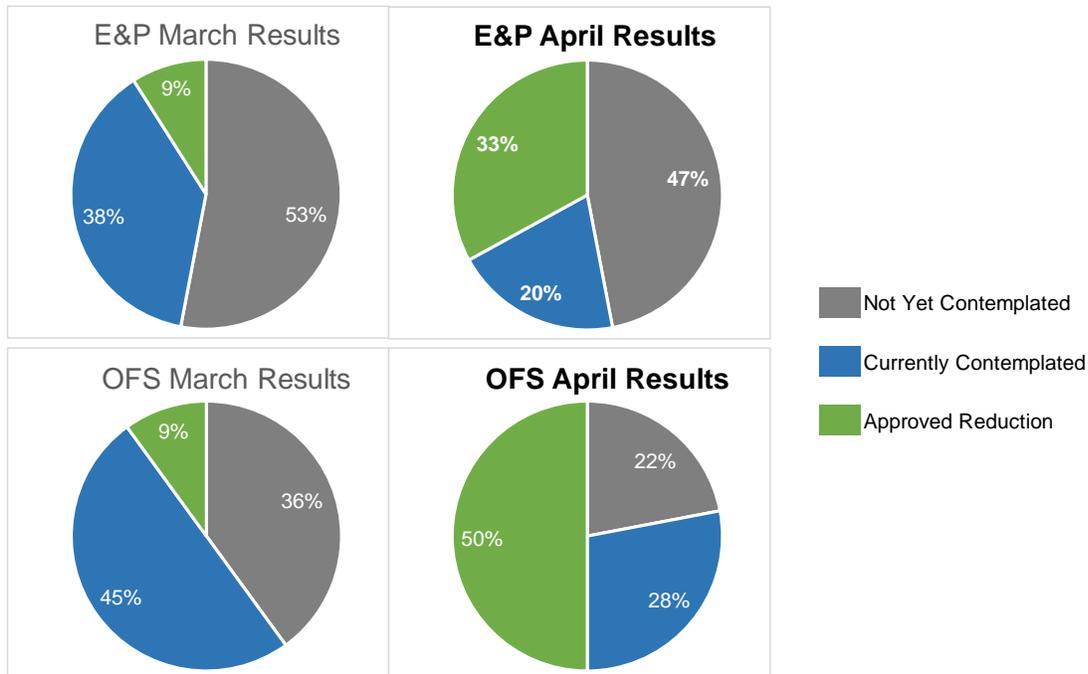
Impact on the Workforce

Most companies had quickly implemented a hiring freeze when this crisis began back in early March. Now headcount reductions and furloughs are prevalent within the oilfield services segment; but at this point, remain a minority practice among E&P companies.



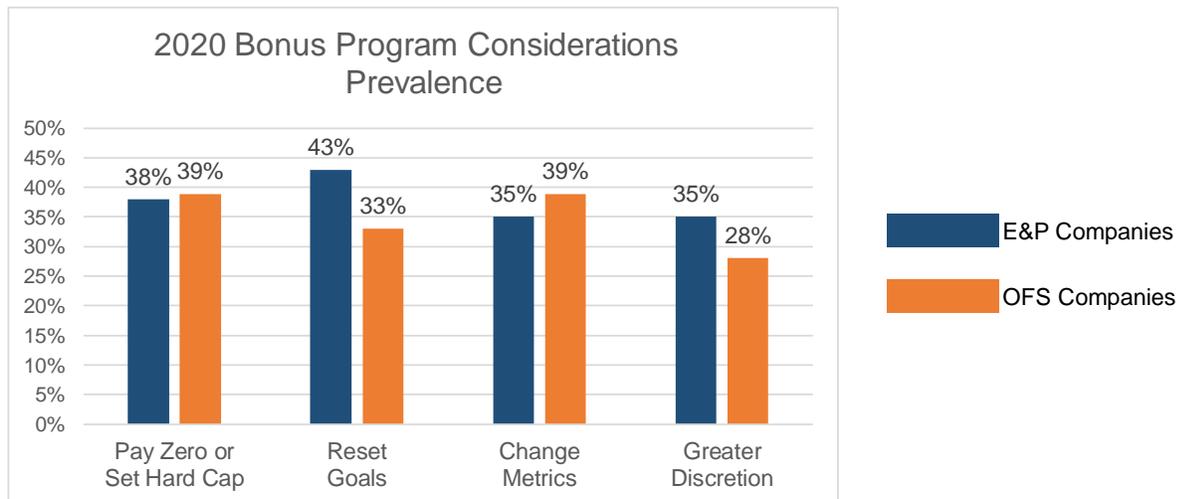
Executive salaries reduced

As of April, one-third to one-half of participating oil & gas companies have reduced executive salaries, at least for the top level execs. Cuts range from 10% to 35%, with an average salary reduction of 20%. The duration of these cuts remains uncertain. Will they continue through the end of the year or even into 2021?



Implications for 2020 Bonus

Companies are considering a range of options to address the current environment’s impact on the 2020 bonus program. As of April, ~16% have already zeroed out the 2020 bonus program; other actions being considered for the 2020 bonus are outlined below.



Note: Totals exceed 100% due to multiple possible responses per company

Long-term Incentive Program

As the majority of 2020 annual equity awards were granted prior to the significant downturn, LTI program considerations are predominately focused on off-cycle grants and the potential 2021 LTI program, with limited actions taken at this point.

LTI Considerations	Prevalence	
	E&P	OFS
Reduce Eligibility	54%	28%
Replace Some/All Share Denominated with Cash Denominated Awards	54%	17%
Replace Some/All Share Settled with Cash Settled Awards	46%	6%

Note: Totals exceed 100% due to multiple possible responses per company

Retirement Programs

Three-quarters of Oilfield Services companies have approved reducing and/or eliminating company match to employees' 401(k)/profit sharing program. Less than 20% of E&P participants have approved reductions.

Conclusion

As companies settle into the “new norm” for 2020, the focus will soon likely shift to 2021 compensation program design. How might it need to change? Will oil & gas companies continue their heavy emphasis on LTI?

What are the right incentive metrics? Should oil & gas programs start looking more like “non-oil” programs (i.e., S&P 500)? We promise to keep asking these questions and sharing what we learn with our readers.

Archived copies of previous Energy Insights can be found at www.meridiancp.com/insights/energy.

To have your name removed from our Energy Insights email list, please contact jlawler@meridiancp.com.