



Executive Summary

**Aon Consulting & APEGGA
Compensation and Employee Commitment Study**

In October 2005, Aon Consulting and the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) conducted a joint study to compare compensation levels for Albertan and Ontarian Engineers and also measure employee commitment among APEGGA members. The study was conducted in response to the recent upturn in the Oil & Gas (O&G) sector, which has created increased demand for experienced engineering talent in Alberta. This is the summary of the findings uncovered by the survey.

We noted that in 2004, Alberta based O&G sector engineers of a certain number of years past graduation already had significantly higher average salaries than their Ontario counterparts. The following table represents the average base salary comparison between Alberta and Ontario in 2004:

| 2004 Average Base Salary by Years from Graduation | | | |
|---|---------|-------------|-----------------|
| Years from Graduation | Ontario | Alberta-O&G | Alberta-Non O&G |
| Starting | 44,600 | 53,000 | 48,800 |
| 1 to 9 | 60,000 | 70,800 | 62,100 |
| 10 to 19 | 83,300 | 108,900 | 89,500 |
| 20 to 29 | 94,200 | 130,100 | 102,100 |
| 30 to 35 | 98,400 | 133,700 | 115,100 |

During 2005, the percentage increase in base salaries paid to engineers working in the Alberta O&G sector was much higher than the percentage increase in base salaries for other Alberta based industries as well as Ontario in general. In particular, O&G engineers with 20 to 29 years experience realized the greatest percentage increases from 2004 to 2005, -about 7% on average- as shown in the following table:

| Average Base Salary Percentage Increase from 2004 to 2005 | | | |
|---|-------|--------|-------|
| Years from Graduation | ON-05 | O&G-05 | AL-05 |
| Starting | 2% | 2% | 2% |
| 1 to 9 | 2% | 5% | 3% |
| 10 to 19 | 3% | 5% | 2% |
| 20 to 29 | 3% | 7% | 5% |
| 30 to 35 | 4% | 7% | 2% |

Altogether, if we disregard salaries paid immediately after graduation, we can see that the O&G sector has experienced a much higher percentage of salary increase in 2005. As a result, the percentage difference between base salaries in Alberta O&G and Ontario general industry has widened significantly during 2005. Moreover, the salary increases in the O&G industry have outpaced general industry averages by approximately 3% to 4% during 2005.

Rather than looking at the data on the basis of years of experience, engineering levels are usually characterized in a hierarchy ranging from A to F spanning an entire career, with F representing the highest level of accountability. Our analysis also focused on the opportunity to obtain a specific level of salary from the Ontario Society of Professional Engineers (OSPE) versus APEGGA. As a test case, we observed the following differentials among engineers with 25 years of experience (the years at which near full professional maturity is reached), who have also obtained levels E and F.

| 2005 Difference, Base Salaries | | | |
|--|-----------|-----------|----------------------------|
| OSPE vs. APEGGA for Engineers with 25 yrs experience at Levels E + F | | | |
| | OSPE | APEGGA | % Premium APEGGA over OSPE |
| Level E | \$101,320 | \$114,463 | 13% |
| Level F | \$115,384 | \$142,321 | 23% |

In examining base salaries for the above engineers, who have 25 years of experience and are at levels E and F, we also accounted for the number of incumbents who attained the top two levels described above. Specifically, in reference to APEGGA, 69.7% of engineers with 25 years experience had attained levels E and F. Comparatively, OSPE revealed that only 48.5% of equivalent engineers had attained a similar levels. This indicated that the possibility of reaching level E-F is in excess of 40% higher in APEGGA than in OSPE.

In developing maturity curves for such engineers it is important to note that they are a function of the level

of competency attained (A-F), the corresponding worth of that level, as well as the period of time taken to achieve such a level. By, combining the opportunity with actual pay differentials for the engineering level we generated the following comparison of engineers' salaries based on years after graduation.

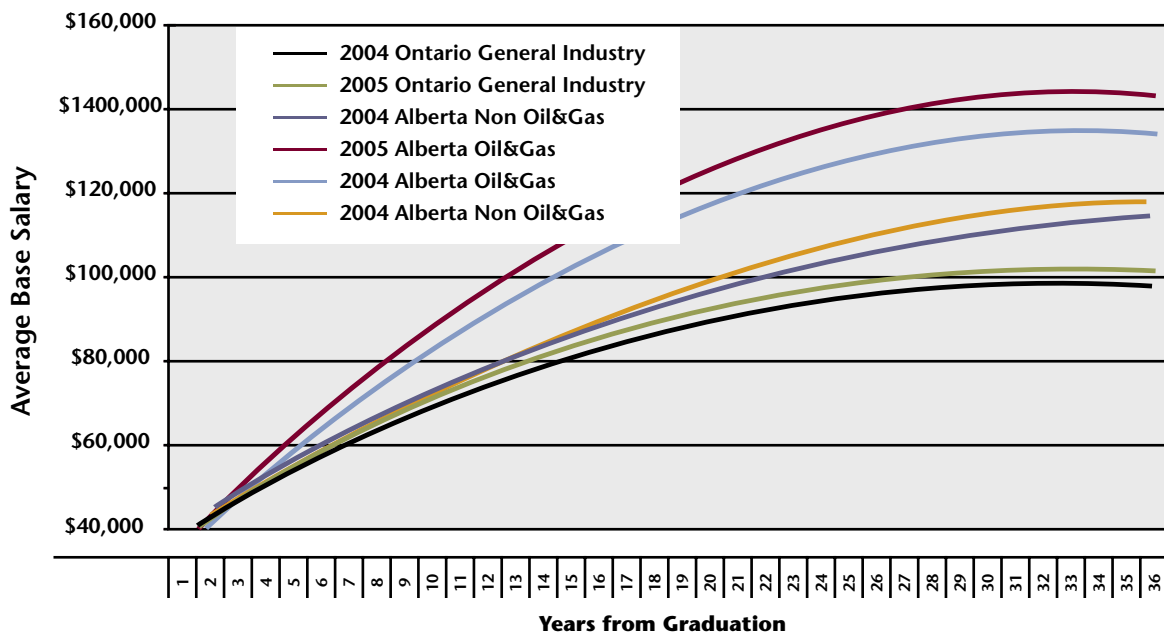
| Percentage Difference in Base Salaries | | |
|--|------|------|
| Alberta O&G versus Ontario | | |
| Years from Graduation | 2004 | 2005 |
| Starting | 19% | 18% |
| 1 to 9 | 18% | 21% |
| 10 to 19 | 31% | 33% |
| 20 to 29 | 38% | 43% |
| 30 to 35 | 36% | 40% |

As illustrated above, the gap between O&G and Ontario engineers with 20 to 29 years from graduation widened from 38% to 43% from 2004 to 2005. The data suggests that the demand for experienced engineers in the heart of their career is the highest, prompting O&G employers to respond by aggressively increasing salaries for employees in this group.

The maturity curve below illustrates the relationship between salaries and years from graduation, as noted for engineers in Ontario and Alberta during 2004 and 2005. There are two curves for Alberta, one representing Oil&Gas salaries and one representing other industries combined.

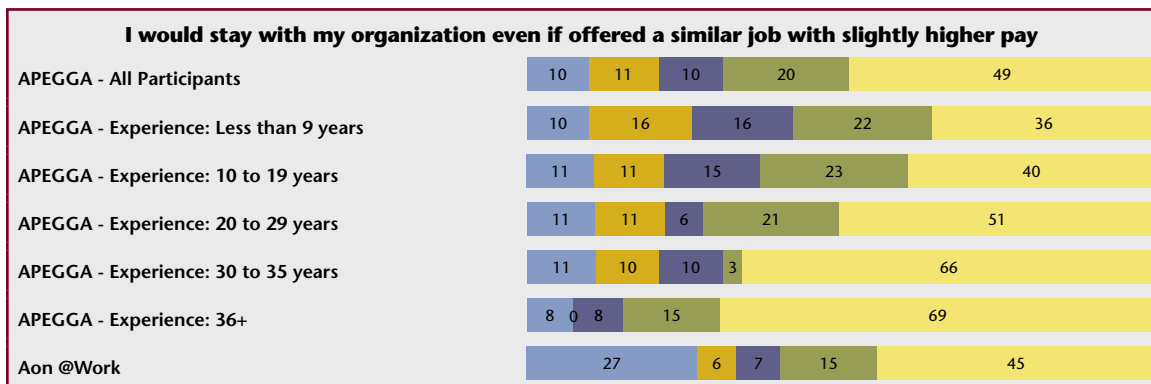
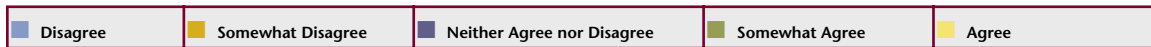
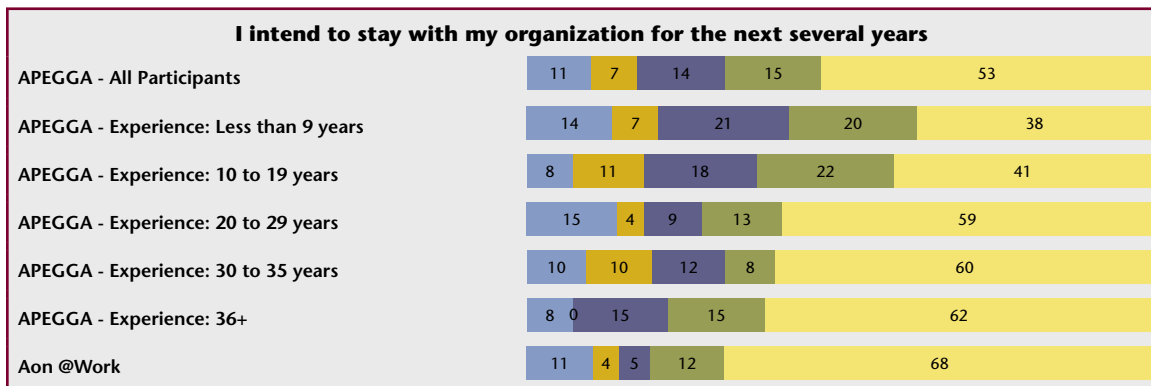
In addition to the above findings, a survey of APEGGA members allowed Aon to calculate its Workforce Commitment Index (WCI) for Alberta engineers. The WCI is derived from the responses to ten questions about employee work environments and experiences. Collectively, the questions in the WCI provide a measure of employee commitment, based on a number of factors including gender and years from graduation.

Overall, the responses indicate that female engineers in Alberta are significantly less committed to their employers than their male counterparts. Also, distinctions were noted among technical specialists and management/supervisors, where technical specialist were much less committed to the employers.



Of particular relevance when reviewed with the compensation results outlined above were the WCI results of two questions pertaining to employee retention. The first question asking employees how likely they are to stay with their current organization for the next several years, revealed that the employees with 20+ years of experience are much more loyal to their present employers. Likewise, the second question asking for the likelihood of relocation for higher pay,

supported the finding that employees with 20+ years of experience are far less likely to leave their current employers for only slightly higher pay. Consequently, the results provide some explanation as to why percentage salary increases have been particularly high for this employee group. As the demand for talent 20+ years of experience has increased, employer efforts to recruit employees in this group have likely required the support of significant salary enticements.



The results of the study are interesting in that they highlight the outright differences in base salaries for engineers in Alberta O&G and Ontario. Clearly, if current conditions continue, young engineers in Alberta O&G will have greater opportunity to progress through their careers more rapidly into more highly paid positions. Moreover, engineers having reached 20+ years of experience are likely to benefit from significant jumps in salary driven by the demand for experienced talent. Altogether, the trends we have noted can help employers to craft the optimal strategy for the attraction and retention of key employees.