PETRO PRICES TO PETRO PEOPLE

4 PART SERIES

Photo courtesy of Syncrude Canada Ltd.

PART 3 – PLANNING FOR THE FUTURE

In May 2015, the Petroleum Labour Market Information (PetroLMI) Division of Enform released a report on the expected impact on employment due to oil and gas spending cuts in 2015. The study projected approximately 185,000 direct and indirect jobs could be lost in 2015 and beyond.

More recently, the Canadian Association of Petroleum Producers (CAPP) estimated that over 100,000 direct and indirect job losses have occurred since the downturn began last year.

The job losses don't appear to be letting up in the near future either.

PetroLMI recently surveyed 36 oil and gas companies, representing between 63,000 and 83,000 workers across Canada, about their current workforce challenges and recruitment strategies. The 2015 Industry HR Snapshot found that almost 60 per cent of respondents said they were reducing their workforce, with almost half saying that layoffs had impacted between 11 and 25 per cent of their employees.

And, 50 per cent of those surveyed also said they expect further layoffs and/or cuts to projects in the next six months if oil prices don't rebound any time soon.

"What is concerning for a lot of companies is that, due to the continued low oil and gas prices, they have had to go well beyond reducing their contract employees and are having to reduce permanent workers – something they were trying to avoid," says Carol Howes, Vice President of Communications and PetroLMI at Enform. "In fact, about 39 per cent of survey respondents reported less than 10 per cent of staff affected were actually contract-based or contingent workers."

Having said that, companies are doing what they can to hold on to their best and brightest. Companies reported using a number of strategies to maintain workforce levels, the top five being reducing wages, cutting staff bonuses and trimming working hours, reducing training opportunities and staff benefits.

Pierre Alvarez, a long-time veteran of the oil industry and former head of CAPP, recalls first-hand the ups and downs associated with each of the industry's previous economic shifts and says companies have recognized the downside.

"It took a long time before we really understood that just hiring and firing created problems, not only for the workforce, but for the industry as a whole," he says, noting characteristics of the current downturn - the depth and length of price declines, the reduction in conventional oil exploration, and development and deferral of major oil sands projects - could make it even more challenging for companies to avoid falling into the same cycle.

"That said, we're still going to need an enormous pool of talent and expertise to build oil and gas projects, such as Petronas LNG and KinderMorgan's TransMountain Pipeline to the West Coast and related projects such as the Site C Hydro dam in Northern B.C."

For Howes, it is also an issue that lies at the heart of the current downturn – the need to view the markets through a longer-term lens so as not to risk setting the industry back again.

"It may not be tomorrow, or next month, but our industry is resilient and oil and gas prices are expected to recover over the next few years," says Howes. "As energy projects come back on stream and baby boomers continue to retire, the industry will require more workers with specialized skills to work in an increasingly complex oil and gas environment. It is important not to lose sight of longer-term skills shortages, an issue that dominated boardrooms not even two years ago."

PETROLMI LABOUR MARKET ANALYSIS AND INSIGHTS | ENFORM

Canada

Funded by Government of Canada's Sectoral Initiatives Program

KNOWLEDGE RETENTION & SUCCESSION PLANNING

With the number of layoffs that have occurred, it's no surprise that the top three workforce challenges for 2016 were identified as managing and reducing costs, employee engagement and employee retention.

Heading into 2016, cost reduction is still top of mind for most companies. Over 85 per cent of companies responded that cost management strategies were among their top three strategies to address workforce challenges in the near future. And, with only 25 per cent of companies reporting any strategies to maintain or increase productivity, productivity and efficiency will also have to become an area of focus going forward.

The top knowledge retention and succession planning strategies include:

- Providing leadership training
- Giving opportunities to high-potential employees
- Deploying knowledge management professionals

Stare through the looking glass and the profile of Canada's oil and gas workforce is getting older. In 2011, 38 per cent of the industry was aged 45 or older (HR Trends and Insights: Diversity in Canada's Oil and Gas Workforce, PetroLMI, November 2014). PetroLMI's recent survey says that 50 per cent of the companies responding are finding that staff who are eligible to retire are actually doing so.

"This tells us the industry will be faced with a loss of experience and skills through attrition, and that will have repercussions down the road," says Emma Monaghan, PetroLMI's Interim Manager of Labour Market Information.

To make matters worse, 53 per cent of companies reported training requirements were decreasing.

Mark Salkeld, President and CEO of the Petroleum Services Association of Canada (PSAC), is one of a number of industry representatives who sees the importance of knowledge retention and succession planning and cautions against companies reducing training programs in the midst of the current economic downturn.

"From experience, petroleum services companies know that a downturn is a great time to train workers and build capacity, as long as it makes financial sense to do so," he says. "Keep skilled and experienced people around as long as you can. Retaining workers who have a deep knowledge base is one of the most effective ways companies can ensure training and skills are passed on to new workers."

Salkeld says the downturn does introduce a time for upskilling and adapting. "If you're job sharing, or have enough cash flow to keep people on and do some job shadowing, you can start to break workers out of their silos. The beauty of this is that not only did you keep these employees, but they now understand two or even three jobs."

CHANGING HUMAN RESOURCE ROLE

Balancing workforce strategies with longer-term labour market demands is both a science and an art that highlights the growing sophistication of the human resources role.

"HR executives are playing increasingly strategic roles in companies," says Alvarez, who, over the course of 30 years, has watched human resources evolve from a workplace function to one that is as critical as solving market access problems. "They have to think about what processes or talents should be developed internally, even during periods of low utilization."

"Ultimately, we do need to start thinking about where the talent will come from when prices do rebound," says Howes.

The Petroleum Labour Market Information (PetroLMI) Division of Enform is a leading resource for labour market information and trends in the Canadian petroleum industry.

For more information, contact:
Petroleum Labour Market Information (PetroLMI) Division of Enform
Phone: 403-516-8100
Email: info@careersinoilandgas.ca
Website: www.careersinoilandgas.com