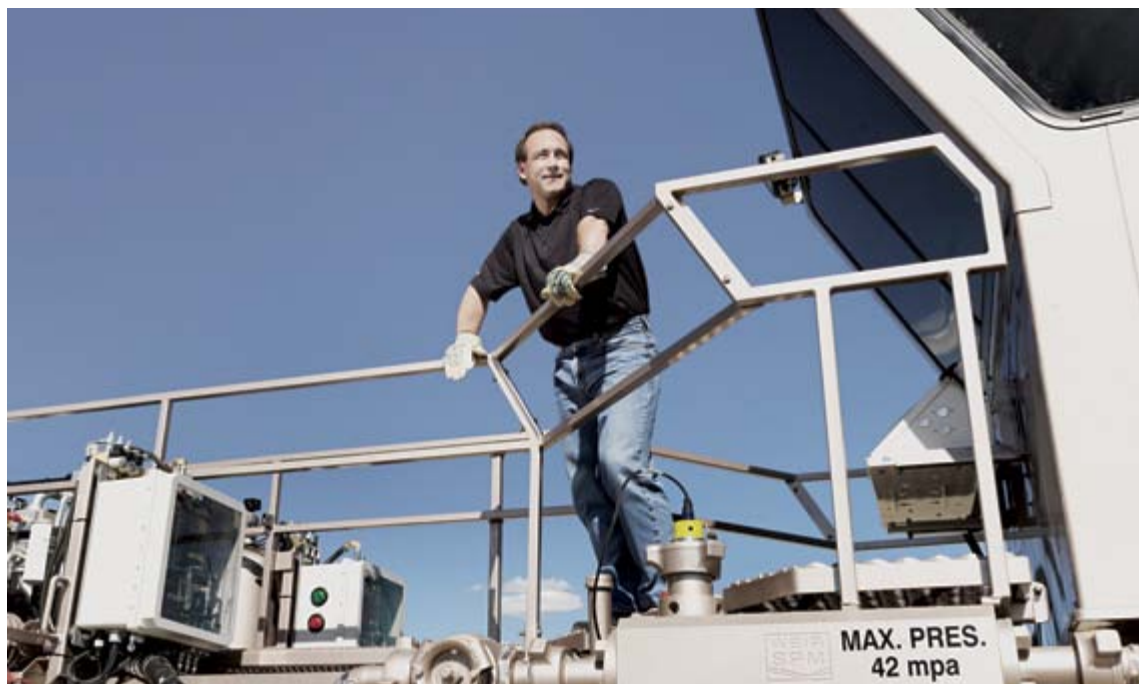


Six ways to solve a looming labor crunch

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Photograph by Colin Way

John Dielwart sees the crunch coming. For the CEO of Calgary-based ARC Resources Ltd., ominous signs of a labor shortage show up in northeastern British Columbia, where the company has been one of the most active players chasing tight gas in the Montney basin. It's a region that's known oil and gas activity for decades and it should be chock full of people accustomed to the sector's vicissitudes. But Dielwart says even here, a recent review of job applications received by the drilling and fracturing crews tasked with completing well programs turned up mostly novices, known in the business as greenhorns.

"The most common prior work experience listed on the job applications was babysitting," Dielwart says. "What that tells you is you're getting young people – probably right out of high school – that have no other work experience and we're now moving them into an industry that's highly technical and we've got to train them. The human resource issues are significant even though we're in a traditional producing area."

In March of this year, the Petroleum Human Resources Council of Canada released an eye-opening report entitled *The Decade Ahead: Labour Market Projections & Analysis for Canada's Oil and Gas Industry to 2020*. The report's 'low-growth' scenario sees the need for 39,000 new workers before the end of the decade. If natural gas prices remain low and forecasted new oil sands construction materializes, the Canadian oil patch will be short about 53,500 workers. But if significant growth occurs in both oil and gas, the numbers get really ugly – the shortfall could reach 130,000. No sectors of the industry will be spared: services (currently 49 per cent of the oil and gas workforce), exploration and production (39 per cent), oil sands (seven per cent), and pipelines (five per cent). Even if only the Council's 'low growth' scenario comes to pass, it won't be easy to find an additional 39,000 workers. Don't fear the labor shortfall, though. There are ways to close the gap.

Lower the Boom

Many of the new hires are needed to fill the shoes of retiring baby boomers. Age-related attrition accounts for the majority of hiring requirements as 46,500 workers are expected to retire from the industry by 2020. However, if many of those baby boomers can somehow be convinced to hold off on retirement, it could do wonders for the industry's human resource woes. "In the oil and gas sector we have the prospect of decades of experience and wisdom that can walk out the door," says Harrie Vredenburg, professor of strategy at the University of Calgary's Haskayne School of Business. "So in my view companies ought to do all they can to be more flexible about keeping people like that around."

Keeping the boomer generation around also helps get new entries up to speed faster, "because we've got that whole missing generation in the industry from when oil prices were low, and we've got young kids coming

along,” Vredenburg says. He reckons the key to bridging the gap is offering attractive and flexible work choices – for both boomers and new entrants.

Human resource consultant Gary Agnew agrees. “A lot of [boomers] are looking for alternatives. They are looking at opportunities,” says the partner with Cenera, a Calgary human resource and business consulting firm. He says organizations still grappling with how to manage their aging workforce face a closing window of opportunity to engage senior staff in new roles. “Companies need to create talent management programs for individuals from 50 to 65,” Agnew advises.

It will be a tough challenge. The exploration and production sector needs to fill 8,600 positions in the council’s ‘low-growth’ scenario; as many as 36,700 in the growth scenario. Encana Corp. is working to retain some of its baby boomer employees. “We have enough leeway to offer part time work agreements for people who want to ease into retirement,” says Dave Urquhart, the company’s team lead for human resources staffing and development. “We are looking at offering some half the year off. In the central Alberta type of work environment it works well around their drilling.”

In the ‘low-growth’ scenario, the petroleum services sector will need to find more than 18,000 new workers this decade. But because much of that is attributed to high turnover at the field and operator level, the loss of baby boomers isn’t as critical a problem. “We don’t have that many who want to retire,” notes Rob Cox, vice-president of Canadian geographic region for Calgary-based Trican Well Service Ltd. “But we have always tried to keep the guys with experience and knowledge to stick around in a training, supervisory or management role, something that makes sure they are able to pass their knowledge on to the newer hands.”

Import Impact

Foreign workers could be another way to help fill the labor gap. The Petroleum Services Association of Canada (PSAC), which represents more than 250 companies in the petroleum services industry, has been working with governments to reduce the red tape that often accompanies bringing in imported labor. “We recently participated in a roundtable discussion with David Jacobsen, the U.S. ambassador to Canada,” says Mark Salkeld, PSAC’s president and CEO. “Right now the frustration is we can identify people that are skilled and willing but by the time the paperwork and regulatory stuff is done and sorted out it’s too late.”

Much of the contention surrounds temporary versus immigrant workers. Temporary workers lack opportunities and incentives to stay in the country once they get here. “In my opinion we’ve got too restrictive an approach to immigration,” Vredenburg says. “We need to bring in people the way we have done traditionally at all levels of industry instead of temporary workers. We have to be much more flexible in our immigration policies.”

Temporary Relief

Contract workers, who typically can be employed from six months to two years, are another piece to the labor puzzle, especially for defined-term needs like conventional oil and gas and oil sands projects. It’s not a new solution but it could be more widely used if hiring skilled labor becomes more difficult. Karin French, vice-president and managing director for the Canadian division of employment agency Kelly Services, says this hiring strategy works well.

Some employers might wince at this “gun-for-hire” approach, but the flexibility of contract work is attractive to many prospective employees. “Individuals may be working on a project in northern Alberta and finish it, then go down to Texas and work on another project, or they might go out to Newfoundland,” French says. “So they can maximize the passion for their work.”

Contract workers have several advantages for employers. “These workers consider themselves free agents and they want to go where that work is,” she says. “When people have a passion for their work they want to do it, they want to learn more about it, take advantage of their skills and the changing nature of it. If you’re not working it’s difficult to stay fresh.”

Contract labor also works particularly well for the service sector. “You take the kids off the farm where they are not active in the winter, which is our busy time,” Trican’s Cox says. “So we are really encouraging the seasonal employee and we will be stepping up our recruiting.”

Smart Hires.

During the last industry labor crunch of 2007-2008, many companies were forced to hire people not particularly suited to the job. For those workers that are still on board, a fresh look at reassigning them can reap rewards and boost productivity without adding personnel.

Having the right person in the right job sounds cliché, but companies need to understand what people bring to the table, how they fit in with their corporate culture and whether all employees are in the right roles. “Maybe we need to shift them around to different seats on the bus, so they can be doing a job that’s more suited to their natural motivating behaviors,” says Doug McCann, managing principal for B.C. and Alberta branch of Predictive Success Corporation, a management consulting firm based in Whitby, Ontario.

The right role is important. "If someone is in a role where they aren't happy they are going to seek out a place where they will be," McCann says. "It's really that simple." At Encana, the company maintains a policy of motivating employees by allowing some flexibility into where they want to work. Because it has many individual projects, "we need to be able to shift employees from one area to another," Dave Urquhart says. "We have a robust internal posting process where people can shift voluntarily and work within their own development needs in order to align with their careers."

Trican has a similar policy – important in the high turnover environment of the services sector. "We talk to them about the opportunities we have and make a concerted effort to do more internal job postings," Cox says. "When a frac operator or cement supervisor position comes up in one particular base we let them know in all bases. We get a better candidate that way."

Reaching Out

Roughneck doesn't usually show up as a popular career choice among high school students. Most young people are not aware of the career opportunities available in the industry. That's why outreach programs are big with industry organizations such as PSAC. "We have gone into schools to introduce the ideas at an early age and we now have scholarships," Salkeld says. "We just met with the Southern Alberta Institute of Technology and recently hosted a roundtable with industry as well as educational institutions to brainstorm on what [outreach] we can do from all perspectives."

The Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) is also active in classrooms. Together with industry representatives, APEGGA hopes to raise the profile of the sciences, especially those related to the energy industry. "Corporations want their employees to get out into the community," says Len Shrimpton, APEGGA's chief operating officer. "There are three different things we talk about: our professions, the industry and their company. So it matches up very nicely with their community investment strategies." Much of the focus is now on reaching younger girls and aboriginal children. "I think some of our corporations need to take a look at their culture to ensure they are women-and aboriginal-friendly," he adds.

Encana believes its community involvement works. "We go into the schools to encourage more females into the sciences and talk about technical careers – some are geared around gender but we mostly try and hit kindergarten to Grade 12 to teach them about careers in technical streams and why science is important, why math is important and why physics is important," Urquhart says.

On the service side, companies are struggling to attract the experienced workers they let go during the last downturn. Part of the trouble is the brutally cyclical nature of field work, which experiences a turnover rate close to 35 per cent. "The retention rate of people coming into our industry is not very good," Trican's Cox acknowledges. "There is a lot of work to be done and not that many people available to do it at this point. I have greater anxiety in the shorter term than I do in the longer term."

But the service sector relies somewhat less on post-secondary graduates, which can make for a deeper labor pool. "We'll take the kid right off the street that has never done this kind of work before and help him through getting the Class 1 license to drive the tractor-trailer units," Cox says.

Extreme Makeover

Don't underestimate the role the oil patch's image plays in attracting and retaining labor. The boom and bust nature of the industry and the growing vilification of it by environmental groups can discourage able bodies from entering the oil and gas sector. They may sound like buzzwords, but phrases like sustainability and corporate social responsibility matter to prospective new hires. "I think it's very important from the perspective of hiring this new generation of employees," Prof. Vredenburg says, "because young people are excited about the prospect of engaging with this issue of sustainability and energy."

Some companies are more innovative than others in their efforts to smooth the peaks and valleys of field activity. PSAC's Salkeld says some of its members use oil sands rigs as a training ground. "It's ideal, the [oil sands] rigs are working 360 days a year so they can rotate guys in and out. When you do that you get consistency of crews, you can invest in your employees, you can retain them and it improves the incident rate. That offsets the ups and downs of the conventional plays to a certain degree."

But improving the image of the oil patch also requires the industry to champion what it does. "When we are recruiting we're building awareness of what we are doing in a positive light," says Rob Barclay, team lead for corporate human resources at Encana. "We find those negative images are coming from a lack of knowledge. We have a pretty robust internal communication system that educates all our employees to be ambassadors for the company, so that when we do face those challenges we can answer the questions."

Globetrotting: A Snapshot of International Labor Trends

Pay (All dollar total values expressed in U.S. dollars)

In Canada imported labor working in the oil and gas industry gets paid less annually on average than local

labor (\$114,000 versus \$129,900). But in some countries, locals are paid a pittance compared to imports.



Perks

Benefits can be a useful recruiting tool in a competitive labor market. In the global oil and gas industry, awarding bonus payments was the most common perk offered to employees.

Overview of industry benefits:

Percentage of survey respondents that received each listed benefit.

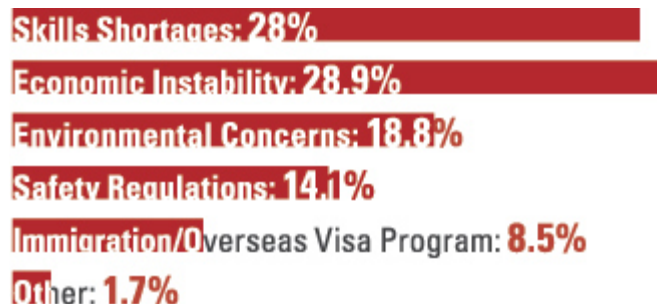
Bonuses: 37%	Hardship Allowance: 8%
Commission: 6%	Hazardous/Danger Pay: 7%
Tax Assistance: 10%	Meal Allowance: 16%
Pension: 16%	Share Scheme: 6%
Health Plan: 26%	Schooling: 8%
Car/Transport/Gas: 19%	Training: 12%
Housing: 21%	Overtime: 18%
Home Leave/Allowance/Flights: 20%	No benefits: 30%

Source: The Oil and Gas Global Salary Guide 2011 – Hays Oil and Gas/Oil and Gas Job Search

Problems

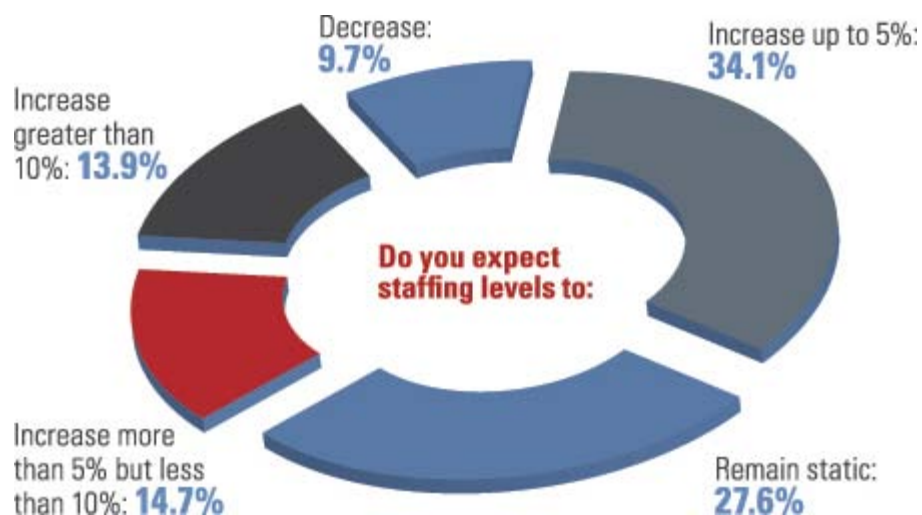
Labor shortages are a concern in every oil-producing region, particularly in Australasia. In North America, skill shortages are viewed as the second-most significant issue the oil and gas industry must tackle over the next 12 months. Only economic stability ranks as a more pressing issue.

What is the most significant issue the oil and gas industry will have to tackle in the next 12 months?



Prospects

With demand for hydrocarbons increasing and oil prices hovering near US\$100 per barrel, global players expect to be busier in 2011 than they were in 2010 and 2009. That's reflected in their optimistic hiring outlook, with over 60 per cent of employers predicting increased staff levels in the next 12 months.



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