

Workforce Housing as a Recruitment and Retention Strategy in the North American Mining and Oil & Gas Industries – The Other 12 Hours

Part II: New Challenges

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Executive Summary

North American mining and oil & gas corporations continue to face a shortage of experienced oilfield workers and professionals. A 2014 white paper¹ by the author showed record numbers and percentages of workers in these sectors will be retiring, and reluctance of many newer workers to take jobs requiring extended periods away from home will contribute to the deficit. Several strategies were suggested to face the problem; of overriding importance was to address the “other 12 hours” by offering top-quality workforce housing. Since publication of the 2014 paper, world oil prices dramatically collapsed and in the past six to eight months have rebounded to levels that make drilling and production again economic. This adds fresh problems: attracting back laid-off workers and recruiting new ones. This paper addresses the new challenges and offers new solutions including the now even more critical role played by those other 12 hours as a strategy for recruitment and retention.

Introduction

The aforementioned white paper discussed a serious problem facing North American oil, gas, mining and construction operations and how it can be addressed: a mass exodus of oil and gas workers and professionals over the coming decade. The paper analyzed the problem and offered solutions, concentrating on one often overlooked solution: that of offering a workforce housing solution focused on service, nutrition and sleep– a comfortable experience for the other 12 hours. Benefits and wins of such a strategy were addressed and recommendations offered for executives seeking to engage and keep workers on board thus reducing the devastation of high turnover and growing company productivity, competitiveness and shareholder value. This paper will continue the theme in light of a dramatic change in the oil and gas sector.

¹ Chandler, Graham, “Workforce Housing as a Recruitment and Retention Strategy in Oil, Gas, Mining and Construction Operations: The Other 12 Hours.” Target Logistics white paper, January 2014

Massive unforeseen changes came into play, hitting the industry hard. Starting in June 2014 the WTI crude price plunged from \$107.20 per barrel (/bbl) to a low of \$27.45 by February 2016.² Not surprisingly, most North American E&P (exploration & production) companies responded with aggressive capital expenditure and personnel cuts.

Since late 2016, WTI prices have recovered into the 40- to 50-dollar range, making most US and Canadian shale plays economic again, particularly with associated efficiency improvements. So as confidence returns, companies are ramping up field activity, rapidly deploying assets to capitalize as crude prices stabilize above breakeven drilling costs. It is setting operators scrambling in competition to hire field staff, notably in the Permian, Bakken, and Eagle Ford plays. The downturn was long and deep, so many of the workers released during the hiatus are settled back home and/or starting new careers—and unwilling to redeploy to the volatile oil and gas sector despite its superior rates of pay. The key challenge now is enticing these workers back plus tapping more of a new demographic: the generation popularly known as the Millennials, or Generation Y—those born between 1977 and 2000.³

The industry picture

The US oil industry is leading the rebound in the oil and gas sector job market, led by the prolific West Texas shale plays of the Permian and Eagle Ford Basins—after the 2014 downturn that saw one in three oil workers lose their job in Texas. According to a report released June 15, 2017 by the Federal Reserve Bank of Dallas, oil company payrolls increased by 3,800 jobs nationwide in April 2017. The vast majority of that development is in Texas.⁴

The jump in hiring numbers marked the fifth month in a row of increases in Texas oil patch jobs. A breakdown of the increase saw 920 people hired in the exploration field with an additional 2,380 signed by oil field services companies.

In fact, so far this year Houston-based oil field services firm Halliburton is hiring about 100 new workers each month to keep up with surging demand for fracking in West Texas. The company has expanded its active fleet of fracking trucks and pumps by 30 percent in recent months, and its workforce in the region is growing by more than a third to 2,700 employees, according to a recent report.⁵ To sustain the hiring spree, Halliburton is recruiting a large commuter workforce from outside West Texas, holding job fairs in places like Alabama, Mississippi and Nevada.

² <http://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart> accessed June 15, 2017

³ This range varies depending on researcher.

⁴ “Texas Oil Jobs Surge.” Oilpro, June 16, 2017

⁵ “Halliburton hiring 100 per month to meet Texas fracking demand.” Houston Chronicle, July 10, 2017. <http://www.chron.com/business/energy/article/Halliburton-hiring-100-per-month-to-keep-up-with-11276593.php?cmpid=email-desktop> accessed July 10, 2017.

Canada's rebound is less dramatic. By the end of 2016, the country's oil and gas direct workforce had dwindled to about 174,000 – 25% fewer than 2014 peak levels.⁶ But after losing an estimated 52,500 direct and thousands of indirect jobs over the past two years, 2017 is pivotal. Over the next five years 6,700 to 17,100 net new jobs are expected. In the oil and gas services sector, companies will be scrambling to find field workers.

Continued growth is forecast. For 2017, U.S. crude supply is expected to grow by 430 thousand barrels per day (kb/d) and the year promises to end with production 920 kb/d higher than at the end of 2016.⁷ The International Energy Agency's first look at 2018 suggests that U.S. crude production will grow year-on-year by 780 kb/d, adding "it is possible that growth will be faster." Indeed, the Baker-Hughes Rotary Rig Count for North America stood at 1,092 on June 16, 2017, more than double from 493 a year earlier.

Confidence is firmly on the rise too, according to a new report by GL Noble Denton which surveyed 723 senior professionals from oil companies and their suppliers from around the world.⁸ Forty-five per cent of the U.S. respondents feel confident in the industry's prospects for the year ahead, compared with only 27 per cent at the start of 2016. With the International Energy Agency forecasting the U.S. will become the world's biggest oil producer in 2017, clearly workers will continue in demand.

North of the border, confidence is spurring new recruitment action. In a recent report, 36 oil and gas companies representing approximately 79,000 workers across Canada were surveyed about their current workforce challenges.⁹ Seventy per cent of exploration and production companies plan to maintain or increase their workforce in 2017, as are 94 per cent of service companies. When asked what are the top three workforce challenges they face, 'loss of experienced workers' was second with 70 per cent cited; 39 per cent said 'attracting and maintaining the right workers'. Of the top three workforce strategies that companies are implementing, 73 per cent said 'recruitment and recalls'.

The mining industry is lagging this rebound. While maintaining its health, the sector has reduced spending on exploration, bringing expenditures to barely one-third of the record \$21.5 billion allocated in 2012, according to research by S&P Global Market Intelligence. But in a survey of the Top 40 mining companies, PwC found improving economic conditions are suggesting large

⁶ "Labour Market Outlook 2017 to 2021 for Canada's Oil and Gas Industry." Petroleum Labour Market Information Division of Enform, March 2017.

⁷ Oil Market Report. International Energy Agency, June 14, 2017

⁸ "Short-term Agility, Long-term Resilience: The outlook for the oil and gas industry in 2017." GL Noble Denton 2017

⁹ "2017 Industry HR Trends". Petroleum Labour Market Information Division of Enform, March 2017.

mining companies will reverse that decline this year.¹⁰ In the meantime, activity continues apace: some ramping up to reduce unit costs; others to pay off debt.¹¹ When commodity prices rebound, mines will face new worker shortages similar to the oil and gas sector.

The problem

So the trends are there: oil and gas activity accelerates, led by the Permian, the Bakken, and the Eagle Ford plays each of which now produces over a million barrels per day, while the mining sector is on the cusp of expansion. In particular for oil and gas, this means immediate calls for workers. Problem is, Generation X are resisting return, the Boomers are still retiring—many early—and the Millennials bring new sets of standards.

The oil and gas sector is finding many Generation X workers have left for other industries. One oilfield services company in the Permian recently interviewed 60 people and hired only eight.¹² The company's recruiter explained, "All the good people are already working." Moreover, concern is being expressed over a generational change in the oil patch. Another company is finding that a younger workforce wants a higher hourly wage and less overtime versus their predecessors who would take a lower hourly wage and significant overtime hours to boost pay.

It's hitting profits directly. One Calgary-based well servicing provider reported missing out on as much as \$15 million in revenue in the first quarter 2017 because it lacked sufficient workers.¹³ Independent US producers underspent their first-quarter 2017 budgets by as much as \$2.5 billion collectively, largely because they couldn't find enough fracking crews, according to Infill Thinking LLC.¹⁴

A reason is, after such an extended downturn many experienced workers are reluctant to return. "I think they just got a bad taste to start with," says Kenny Jordan, executive director of the Association of Energy Service Companies.¹⁵ "In this business, 90 per cent of the time you start at the bottom and work your way up which sometimes takes a while. The younger generation just doesn't seem to pay their dues; they want to get to the top a lot faster."

¹⁰ "Stop. Think...Act / Mine 2017." PwC

¹¹ "Tracking the trends 2017: The top 10 issues mining companies will face in the coming year." Deloitte 2017

¹² "Pressure Pumping Market", Credit Suisse Equity Research, January 18, 2017

¹³ "Alberta's oilpatch finds it difficult to lure workers back after massive job cuts", *Calgary Herald*, May 24, 2017

¹⁴ *Ibid.*

¹⁵ Jordan, Kenny. Interview with author June 28, 2017

“A lot of that talent is saying enough is enough,” adds Mark Salkeld, President and CEO of the Petroleum Services Association of Canada. “They’ve gone back home and found jobs in other industries that maybe don’t pay as much as oil and gas but it’s steady work.”¹⁶

And the retiree pool is further depleting because many Boomers are choosing early retirement offers. Moreover, many positions vacated by retirements are not being filled under strategies to reduce costs and create leaner workforces. A survey of 36 companies in February 2017 found that decisions to replace retirees would be closely assessed.¹⁷ Within their five-year forecast, in Canada up to 23,000 oil and gas workers are eligible to retire. Operators, including drillers, oil and gas services operators and field, plant and pipeline operators will account for a third.

Solutions

With these new challenges in attracting people from all three workforce generations, it is even more critical than before the downturn that oil & gas and mining firms focus on recruitment and retention of workers. And the six viable options explored in our 2014 white paper remain valid today: hang on to retiring Boomers, hire non-temporary foreign workers, engage more contract people, target workers from other areas, reach out to underutilized workers, and focus on Generation Y.

Updating the status of that list in light of recent challenges, two generations are now most pressing to attract and retain: disgruntled previous workers and Millennials.

What can employers do to attract and retain workers who have drifted into new jobs? “The biggest thing is doing everything they can to give potential employees the confidence they’ve got steady work – few people want to come back for three months’ work,” says Salkeld. “It is understanding what the workforce wants out of a job. It’s finding those mechanisms, those triggers that appeal to people.”¹⁸ Private rooms with private showers, for example can be a tipping factor he says. “Absolutely that has played a significant role in retaining talent, there’s no doubt about it. In fact companies offering high-quality accommodations consistently have the most success in recruiting and retaining workers.”

It’s borne out in fact. In one case study, a large oilfield services company was accommodating workers in local facilities. Problems grew until many of the best workers wouldn’t sign on. The solution was housing in the form of lodges—constructing a comfortable space in remote

¹⁶ Salkeld, Mark. Interview with author June 22, 2017

¹⁷ Petroleum Labour Market Information Division of Enform, April 2017.

<http://blog.careersinoilandgas.com/retirements-and-the-shrinking-oil-and-gas-workforce/>

¹⁸ Salkeld, Mark, Petroleum Services Association of Canada. Interview with author June 22, 2017

locations.¹⁹ Productivity, ROI, and safety records soon climbed by offering security, nutrition, rest, relaxation and a positive workforce environment. To ensure these trends flow after a downturn, companies must stay in touch with departed workers and continue to offer superior housing solutions. It is critical that industry remains engaged with them to ensure that when upswings occur, there is a sufficient talent pool to draw from.²⁰

Companies must adapt to the needs of all life stages by tailoring work-life policies. Millennials may perceive policies to be from a different era—serving a different generation—and may struggle to relate. Coincidentally, while Boomer talent may not require flexibility for childcare, they may wish to retain their job while taking a sabbatical. The appeal of benefits and amenities varies with age, life stage, and gender.²¹

Studies have been made and published on addressing the unique needs of Millennials in the resources sector with respect to training, health, and safety on the job.²² But how to attract and retain them? How can companies entice them to even consider a career in the oil & gas and mining industries?

In setting HR policy, employers must consider what recent research has revealed about Millennials.

First, the fundamental distinction between them and older employees is their digital proficiency. Millennials are the first generation to grow up immersed in a digital world. Using mobile and social technologies, immediately accessing data, ideas and inspiration, and instantly communicating and collaborating is second nature for them. Employers must get more involved with social media to help promote a positive image.

Second, after salary and healthcare benefits, 65 per cent of Millennials prioritize vacation and other paid time off, and 60 per cent flexible work arrangements.²³ And work-life balance is growing in importance for them: from 65 per cent in 2014 to 69 per cent in 2015.

Third, when an IBM survey of 1,784 employees from 12 countries across six industries asked what are the top attributes organizations need to offer to help employees feel engaged at work, Millennials reported their top three were inspirational leadership, clearly articulated vision/business strategy, and work-life balance/flexibility.²⁴

¹⁹ “The Economics of Comfort: Case Study by Target Logistics and Client.” Target Logistics

²⁰ “Canadian Mining Labour Market Outlook 2016.” Mining Industry Human Resources Council

²¹ “Work-life Design: the new balance”, Kelly Services 2016

²² E.g. Cullen, Elaine, “The Great Crew Change: Managing Generational Differences in Oil, Gas, Mining and Construction Workforces.” Target Logistics White Paper, June 2015

²³ “Work-life Design: the new balance”, Kelly Services 2016

²⁴ “Myths, exaggerations and uncomfortable truths: The real story behind Millennials in the workplace.” IBM Institute for Business Value, January 2015

Fourth, Millennials desire to be less mobile. According to Census Bureau data, in 2016 just 20 per cent of Millennial 25- to 35-year-olds reported having lived at a different address one year earlier. In 2000, when those of Generation X were in that age group, 26 per cent reported having moved in the previous year.²⁵ This plays into attracting Millennials, many of whom have one or two children and dual careers, into choosing a job featuring high-quality workforce accommodations. It means one spouse does not have to relocate to accommodate the other.

Fifth, these younger employees are demanding changes in work environments and expressing concerns about the negative image and role of oil and gas companies in society. Millennials bring their own expectations regarding technology, collaboration, pace, and accountability.²⁶ It therefore behooves employers to pay attention and create a positive image.

Clearly it takes more than financial offerings. Keeping these in mind, in combination with the value of top-tier field accommodations, companies can shape their HR policies to the workforce. This includes training, mentorship, leadership and partnership programs. Research has shown that workers who have a realistic perspective of the benefits and challenges associated with rotational work are the most successful and able to optimize the financial, social and lifestyle impacts. Workers who engage in rotational work solely for financial benefits tend to be less satisfied and less likely to remain employed in this work arrangement for significant periods.²⁷ Field operators keep data confidential, but accommodation providers note generally that those offering superior housing experience significantly less turnover.

A Call to Action

In light of these new personnel challenges, resource companies must use every tool in the box and appeal to all workforce generations: hang on to the Boomers, spruce up offerings to Generation X, and tailor packages to Millennials' priorities as discussed above.

Important summary papers have been written on the criticality of food, sleep, and quality housing to worker efficiency at remote camps and how they impact a company's sustainability;²⁸ this paper reinforces its continuing utility as a recruitment and retention strategy too.

²⁵ Fry, Richard, "Americans are moving at historically low rates, in part because millennials are staying put." Pew Research, February 2017. <http://www.pewresearch.org/fact-tank/2017/02/13/americans-are-moving-at-historically-low-rates-in-part-because-millennials-are-staying-put/> accessed June 26, 2017

²⁶ "The future of HR in oil and gas." McKinsey & Company, June 2017

²⁷ "Rotating, not relocating: Alberta's oil and gas rotational workforce." Petroleum Labour Market Information Division of Enform, June 2015

²⁸ For example, Rothaus, Richard, "Return on Sustainability: Workforce Housing for People, Planet and Profit." Target Logistics white paper, August 2013; Rothstein, Nancy, "Optimizing Sleep for an Optimal Workforce in the Oil, Gas and Mining Industries." Target Logistics white paper, October 2013

Whomever is targeted, and whatever the strategy employed, it is crucial to adopt a workforce housing policy that ensures a relaxing environment during the hours workers are away from the job site. It's complementary to the bottom line. By concentrating on housing as a recruitment and retention tool, companies drive up productivity by reducing turnover, safety incidents and social ills, as well as ensuring employees are well rested and well fed. Resource booms and busts will continue. To ensure a steady labor supply, one constant must always be top-tier workforce accommodations.

About the author

Graham Chandler is a full-time freelance writer based in Calgary, specializing in the oil & gas and mining industries; principally the business and technological aspects. He has published several hundred articles in magazines such as *Oilsands Review*, *Alberta Oil*, *Earth Explorer*, *Far North Oil & Gas* and dozens more. Other clients include industry organizations and companies; preparing advertorials, speeches, case studies, white papers, reports, and brochures. He holds a BSc in physics, an MBA in finance and a PhD in archaeology. Following service in the Canadian Armed Forces, he launched a career in energy corporate finance, attaining the position of Vice President. During this time—based in Calgary, Denver, and Houston—he successfully marketed and managed scores of large oil & gas client accounts. He holds several business writing and research awards, as well as a Lifetime Achievement Award from the Petroleum History Society. When not writing resource-related material, Graham contributes features to popular aviation and heritage magazines. He can be reached at www.grahamchandler.ca

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