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# In With the New

Oil and gas companies worldwide have long struggled to deal with the challenge of filling highly skilled positions within their organizations. A unique combination of demographic developments, geographical location and market position make that challenge particularly difficult for companies based in Canada to address. As a result, issues such as attrition, training costs, technological advancement and high compensation rates have a strong impact on the skilled labour market in the oil and gas sector and make finding and retaining skilled labour equally difficult. This article takes a close look at the causes for the current labour challenges in the oil and gas market in Canada and highlights the steps managers can take to approach the problem in a sustainable manner.

### Retiring Expertise

It is well known that the labour force in Canada – and indeed worldwide – is aging. In a UN report “World Population Ageing 1050-2050,” the number of people aged over 60 in the population will “for the first time in history, match that of persons younger than 15.” Looking more closely at Canada, a report released in September 2014 notes that the proportion of the population over 65 will “grow rapidly” over the next 20 years and by 2030, almost “one in four persons in Canada would be aged 65 years or over.” In short, within 15 years, almost 25% of the whole population will have retired.

What this means for the oil and gas sector is a rapid decline in the availability of experienced labour to fill senior and highly skilled positions. A huge hiring boom in the oil sands in the 1980s resulted in a 30 year career for many baby boomers and the development of highly valuable expertise – which is now retiring with them. This loss of knowledge from within the industry could result in additional risks that might impede its ability to continually grow and operate safely. Companies are therefore under pressure not only to fill vacancies, but also effectively transition expertise to a younger and less experienced labour force.

### Effective transitioning

As a result, companies operating in the Canadian oil and gas sector will need to take a comprehensive approach to progression planning, skill development and employee retention in order to prevent expertise from being lost forever. This means that the historically favoured approach

of simply poaching workers from competitors by paying high salaries or offering better benefits will only solve half the problem, if that. This is compounded by the geographical location of the oil sands, where vast distances need to be covered in order to reach workplaces, favouring the negotiating position of the employee and costing the employer dearly.

Some solutions that have been tested include attracting employees from other provinces where unemployment is high, or indeed from the United States where workers can be geographically closer than other Canadian ones. Additionally, some success has been had with enlisting qualified labour from other process or resource industries whose workers have transferable skills.

Nevertheless, new recruits still need training and those best-placed to provide it – experienced, highly skilled workers – should be involved early in the development of mentoring programs. The content and skills needed by junior staff should be agreed upon by mentors and HR, and recruits coached by senior employees to ensure that necessary knowledge is effectively transferred.

### Technology and Additional Skill Requirements

Given the continuously evolving nature of the oil and gas industry, there has been significant investment in technology designed not only to enhance productivity and operational efficiency but also to the safety of the sector's workers. Technological advancements have contributed both to the growth of the oil industry and an elevation in the complexity of processes and major projects. The growing complexity within these processes requires a higher level of training, knowledge, technical skills and awareness from individuals that were not required in the oil and gas industry 10-20 years ago. Companies must therefore ensure that new hires not only possess the required qualifications but also the technical skills and flexibility to adapt to a more complex technological environment.

Additionally, effectively managing more complex technical processes will require a greater commitment from oil and gas companies to ramp up their leadership development programs. This will ensure that experienced personnel are better prepared to move into leadership and mentorship



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roles and positions in the future. Over the coming years, those companies will also need to incorporate knowledge transfer programs that propel individuals to contend with the rapidly escalating change and technological innovation.

### **Managing Costs in a Competitive Market**

Corporate initiatives within the oil industry to control and manage costs have been intensified with the recent and significant drop in oil prices. To remain competitive and sustain healthy profit margins in the global market place, Canadian oil and gas companies must effectively manage the growing costs associated with executing more complex processes and retaining a skilled labour force. In the upcoming years multiple Canadian oil producers will continue to compete for skilled labour to fill upcoming vacancies and in doing so this economic phenomenon will put upward pressure on wages which will further constrict profit margins.

The level of competition within the Canadian oil sands is more intensified than that of other countries due to the high number of oil companies that operate refineries within a relatively small geographical area. To remain competitive in the recruitment and retention of key personnel, Canadian oil companies are bound to provide individuals compensation and benefits packages that are significantly higher than that in the industry standards outside of Canada. Otherwise, oil companies will risk filling positions with under-qualified personnel that do not possess the skills necessary to be ensure long-term success. Therefore, the challenge for Canadian oil and gas companies is to find the right balance in attracting and retaining skilled labour that is competitive while at the same time remaining cost-effective.

One way to address this would be to focus on employee retention by offering non-financial benefits – such as holiday, flexible working, further training – to help create a sense of belonging and contentment within teams. By starting with apprenticeships and scholarships for young people learning desired professions, loyalty to companies can be built from a young age. Support from government in subsidizing funding as well as increasing the number of university and college places for young people would certainly help, while family support initiatives would also help increase the number of women attracted to the industry.

### **Conclusion**

Canada is a commodity based economy and as such, is highly correlated to its natural resources: chiefly the gas and oil industry. Since Canada's success within that industry has a direct impact on the country's employment, revenue,

currency fluctuation and investment from foreign countries, it is imperative that its oil and gas operations thrive.

However, due to the remote geographical position and limited labour pool of the oil sands, a more comprehensive approach to employment is needed in order to ensure that the companies operating in Canada remain appealing to employees and competitive within the global oil and gas market. If companies are prepared to invest the time and money in planning, recruiting, training and retaining their employees in the short-term, they will reap dividends long into the future.