

Recruiting during a downturn

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

Building a better
working world

A photograph of several oil pumpjacks (jack-o'-lanterns) silhouetted against a bright sunset sky. The sun is low on the horizon, creating a strong lens flare and reflecting off a pool of water in the foreground. The pumpjacks are arranged in a line, receding into the distance. The overall scene is a mix of industrial and natural elements.

It may seem counter-intuitive, but oil and gas companies can't afford to close the talent pipeline when prices are low. Identifying and hiring skilled people, and focusing on retention, provide a competitive advantage that will pay off.

Recruiting during a downturn

When oil prices slumped in the mid-1980s, energy companies eliminated thousands of jobs, and talent recruiting slowed to a crawl. The downturn pressured college students to avoid relevant degrees such as petroleum engineering, and skilled professionals in support functions such as finance and human resources looked to other industries for career stability.

Eventually, the oil and gas industry recovered, and recruiting and hiring picked up. But the scars remained long after the price of oil rose. Those lean years led to an acknowledged "workforce gap" in the 2000s, when oil and gas companies lacked sufficient numbers of experienced, skilled managers and professionals in their 30s and 40s to take leadership roles and oversee large, capital-intensive projects or functions.

Today, approximately 21% of the oil and gas workforce is aged 55 or older.¹ Replacing those workers – often referred to as "The Great Crew Change" – will not be easy in an extended down market, and losing their knowledge and experience is an issue at many companies. While it's possible to get by now, during a period of reduced activity, what will happen when oil prices rebound?

Smart companies are recognizing that their long-term competitiveness depends upon their ability to attract good talent today. The challenge for companies is balancing investment in identifying and recruiting talent with the business need to keep headcounts and compensation costs low.

¹ Labor Force Statistics from the Current Population Survey, "Bureau of Labor Statistics, U.S. Department of Labor," www.bls.gov/cps/industry_age.htm, accessed 14 March 2016.

Strength through recruiting

Talent recruiting in oil and gas covers many types of jobs and experience levels. But most companies focus on two main areas – professional with technical expertise and professional recruiting, to fill specific roles within the organization; and college recruiting, to bring in a base of new talent each year.

Many companies do not build a methodical recruiting strategy tied to their organizational strategy. The use of data modeling and statistical predictions around talent demand and supply has been lacking in the oil and gas industry despite the numerical approach the industry takes to running its business.

For professional and technical recruiting, an industry downturn like the one currently underway creates a wealth of opportunity – in large part because workforce reductions produce a huge pool of available talent. Companies looking to strengthen particular functions can find ideal candidates easily, even positions with unique needs can often be filled without much difficulty.

Downturns also create an ideal environment for recruiting professionals and executives at competing firms. The turmoil and uncertainty that accompany layoffs and financial cutbacks create a fertile ground for attracting new talent.

Companies looking to strengthen their bench or fill key positions should be aggressive during this period. Working with senior leadership to identify future areas of business focus or functions in need of new talent can lead to strategic hires who deliver significant value over the long term.

This becomes even more important as oil and gas companies use the downturn to adjust their business models. A change in geographic concentration or a shift to a different approach – for example, trimming exploration activities to focus on enhancing existing fields – can require different skill sets and experiences that may not currently reside within the organization. Identifying and recruiting that talent today can make a big difference in the success of the organization as it pursues its new strategy.

Millennials: what do they want?

Maintaining some semblance of college recruiting is just as critical. Bringing in new talent helps you have the staff on hand to replace retiring employees. And it continuously infuses the organization with energy, enthusiasm and fresh ideas. These employees want to work for purposeful companies and are less interested in a paycheck and far more interested in creating an impact in their day-to-day work life.

Whether your company currently recruits 100 college graduates annually, or just one, suspending that effort for a year or more can be damaging in the years ahead.

These days, college recruiting is more challenging than ever, in part because of a general shift in attitude about the industry among college students and new or young graduates. For example, some millennials have concerns about working in the industry for environmental reasons; others view oil and gas companies as too old-fashioned or hierarchical. Engineers want a sense of accuracy and precision that the commodity markets are not able to provide. Creating an organizational and cultural construct that addresses these concerns is critical.

Those two issues are critical because millennials view a sense of purpose and job flexibility as key elements of their desired career path.² They want more than a job – even a job with high pay. They want to feel good about what they do and have a degree of control over their work life.

Millennials' career interests can no longer be overlooked by employers, since members of that generation already represent more than a third of the overall US workforce, surpassing baby boomers and Generation X in 2015. And the percentage of millennials in the workforce is expected to grow significantly in the years to come, especially since a large number of millennials are still in high school and college.

There are several other challenges involved in attracting millennials.

One is that oil and gas is not viewed as particularly technology-focused compared with other industries. Of course, people who work in oil and gas recognize that technology plays a critical – and expanding – role in energy exploration and production. But millennials tend to view technology through a personal lens – technology isn't just something you use for work; it's embedded into every aspect of daily life.

For many millennials, working for a company that develops technology to make life easier for *individuals* is considered ideal; developing industrial-based technology is less so. That's why more young people strive to work in tech centers like Silicon Valley or even Austin, rather than seek opportunities to develop technology for the oilfield.

Finally, the industry's up-and-down cycle is a big concern for young people. Oil and gas is not viewed as a stable, long-term environment with opportunities for rapid growth. This is especially problematic for support functions such as accounting, finance, law, human resources, supply management or public affairs, because individuals in those professions can choose to work in a variety of industries.

What all this means is that the oil and gas industry will increasingly find itself in a tooth-and-nail struggle for talent, competing against industries that – rightly or wrongly – are seen by many young workers as offering better opportunities. Cultural leadership that includes inspiration, talent development and expanding opportunities can help overcome these challenges.

To be successful, the industry will need to work hard to reshape how it is viewed by millennials. That means communicating its relevant strengths in ways that are meaningful to young people. For example, many oil and gas companies offer significant opportunities for international assignments, which are important to millennials. Showcasing industry technology – and how the industry contributes to modern society – is another key element that can change perceptions.

Most importantly, oil and gas companies must seek input from their young employees and identify ways they can improve their work environments to fit the interests and needs of millennials. That means reviewing everything – culture, benefits, training, career planning, the physical workspace – and identifying the proper mix of old and new so that everyone feels valued.

² “3 things millennials want in a career (hint: it's not more money),” *Fortune website*, <http://fortune.com/2015/03/26/3-things-millennials-want-in-a-career-hint-its-not-more-money>, accessed 26 March 2015.

Thinking differently about talent

Finally, in the years to come, the contingent workforce – part-time employees, consultants and contractors – will become increasingly important to the industry. For decades, oil and gas companies have relied on contract labor for construction, plant maintenance and other field-oriented work. But a broader use of contractors and consultants can help companies achieve cost-cutting objectives while allowing for maximum flexibility as needs change.

Smart companies will view their contingent workforce as part of the organization's overall talent pool and will manage those relationships accordingly. Shared services and outsourcing can also be important tools to help companies manage costs while maintaining a high level of service.

Across the board – from experienced professionals to college graduates to contingent workers – the competition for talent has never been more critical, and it will become even more so in the years to come. Maintaining a thorough and strategic recruiting program can help companies strengthen their competitive advantage through market highs and lows.

As organizations move forward navigating through these low commodities prices, there are a number of questions to consider:

- ▶ Is your company's recruiting program adequate to attract new talent and present a unique employee value proposition?
- ▶ Do you know what engages your top performers? Opportunities? Compensation? Benefits? Work/life flexibility?
- ▶ Have you completed an analysis of which rewards programs are most highly utilized and valued by employees?
- ▶ Does your HR technology drive efficiencies and help the company to realize cost savings?
- ▶ Are you taking advantage of global tax provisions to reward your globally mobile employees in a transparent and tax efficient manner?

At EY, we've helped many organizations in the oil and gas industry answer these questions and develop tailored approaches that fit the needs of the business and its employees.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

How EY's Global Oil & Gas Sector can help your business

The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY's Global Oil & Gas Sector supports a global network of more than 10,000 oil and gas professionals with extensive experience in providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oilfield subsectors. The sector team works to anticipate market trends, execute the mobility of our global resources and articulate points of view on relevant sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

© 2016 EYGM Limited.
All Rights Reserved.

EYG No: 00514-164GBL
1603-1855754 SW
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Contact us:

Darcy Cowell
+1 214 969 8897
darcy.cowell@ey.com

Glenn Nevill
+1 817 726 3309
glenn.neville@ey.com

Rachel Everaard
+1 713 750 8294
rachel.everaard@ey.com