Gas Processors Report

July 30, 2008

The War for Talent in the Energy Sector
By Frank Nieto

Despite the oil and gas boom, energy companies are paying for the lower prices of the previous decade, which resulted in workers leaving the sector and students choosing other career paths.

The recent boom has been a double-edged sword with companies needing workers to sustain their growth and project development, but seeing current workers retiring early because of the substantial economic benefits of the past few years.

"It's like the worst of all worlds," Brent Longnecker, chairman of the Longnecker & Associates recruiting firm, told GPR. "The last downturn in the industry created a huge gap of talent between the experienced people that had been working in the field for years and new recruits. Companies now have to deal with recruiting new talent and retaining the aging workforce."

In order to deal with these issues, companies are now being forced to increase their college recruiting by offering tuition assistance to high school students. The companies typically require students to commit to employment for at least two years in these cases.

Additionally, companies are creating more internship opportunities and work-study programs to create a sense of loyalty to the company in college students.

Companies are being forced to take a fresh approach by not only doing more college recruiting, but recruiting workers from larger companies by offering these workers the opportunity to work closely with experienced professionals on projects.

"Smaller companies can help workers see their work come to fruition faster than at a major. It provides them greater visibility on the projects they're working on," said Julie Bulow, managing director of Longnecker & Associates.

Facing the risk of losing these workers to the smaller companies being able to provide greater upside, supermajors and other large companies are hoping that younger workers will remain with them because of the amount of money through benefits, such as stock options, they'd leave on the table if they left.

“Even with a great retention program, a young person can walk away from a lot of money and make it up real quick. If you’re not a big company offering small company ideas, you’re struggling a bit,” said Longnecker.

The small company ideas that Longnecker speaks of include employers making a continued investment in their careers through ongoing training by getting them more involved at a younger age, empowering them in leadership or higher-level technical roles.

This is a much different approach to recruiting than in the past when companies hired young workers to do a specific job for a number of years before letting them visit with a company.

Companies are now forced to be much more aggressive in providing young workers as much exposure as possible to help them develop quickly and create a positive work environment and experience.

“A lot of workers don’t want to be pigeonholed in one area, they want cross-training in other areas. They want companies to do everything they can to make them more marketable,” Longnecker said. Of course the employers are hoping that their employees won’t use these skills to actually be more marketable.

Providing great opportunities and compensation may bring a worker in, but once employment begins, a company must still deal with the difficult task of retaining an employee.

“Job satisfaction is the number one. There are places out there that if you hate your job, but you’re getting crazy compensation, you’re still leaving,” Longnecker said. “There are much more places where you love your job, but your compensation is okay and you’re going to stay even if you get a better opportunity.”

Keeping job satisfaction high can be maintained by working with the employee to find what they are most interested in working on within the company. In addition, the aforementioned stock options are still effective. Growing companies also have a far greater chance of retaining an employee because of the feeling that the company is on the cusp of greatness.

“A lot of people see the company is close to becoming something special and don’t want to jump the gun just yet,” said Longnecker.

However, the smaller pool of talent to pick from makes the dual jobs of recruiting and retaining difficult, not just from companies in the same industry and country, but from other energy companies around the globe and those in other industries such as bio-tech and high tech which are also seeking engineers.

“This scramble for talent reminds me of the NBA. There are so many opportunities. It’s getting to the point where a recruiter may be one of the most important employees a company has,” said Longnecker.

In the case of recent college graduates, these workers may also be enticed to work for alternative energy companies because of the optimism attached to it.

Longnecker said that the approach he leans towards in competing with alternative energy companies for talent is to emphasize the sense of patriotic duty in working in conventional energy.

“I would play the patriotic theme all day long – the U.S. and the economy needs you,” he said. “I play a video of T. Boone Pickens saying that right now the United States spends $600 billion of petro dollars in the Middle East and most likely that figure will be $10 trillion in five years. The video says there’s a good chance that a portion of that $10 trillion will come back to us in the form of a terrorist dollar.”

He adds that its important for the safety of the U.S. and the stability of the economy to utilize natural resources within the U.S. to become more self-sufficient.

It is not just younger workers that companies need to recruit or retain, however. In this respect, Longnecker said that companies have been actively creating worker alumni programs and leaving the door open when a worker leaves or retires.

These options include offering retired workers consulting agreements. “No bridge is worth burning with the shortage of talent getting worse. Why not keep all of your options open?” he said.