



# Drilling Down: Reshaping the oil and gas workforce

## Actions to attract and preserve talent

The public health response to COVID-19 and pressing economic challenges are changing the nature of work across all industries. However, the oil and gas workforce is uniquely impacted due to the characteristics of the sector and its employees.

In this edition of KPMG Global Energy Institute's Drilling Down, Brad Obuchowski and Andre Walter discuss how oil and gas companies can prepare for what may be long-lasting changes to their employee recruitment and engagement.

The oil and gas sector continues to face dual challenges impacting how many companies are trying to sustain operations and manage their workforce.

With social distancing measures in place around the globe to slow the spread of COVID-19, demand for oil will likely remain suppressed until at least the third quarter. Meanwhile, the plunge in oil prices is further compounding issues, putting a number of already highly leveraged oil and gas firms at greater risk of default.<sup>1</sup>

These challenges, combined with the distinct skills and characteristics of oil and gas work, are affecting the employee base in ways that are unique to the sector. Additionally, when the simultaneous demand and supply shock began, most oil and gas companies responded with a large reductions in capital spending and share repurchases. Among the likely targets for cutbacks or cancellation? Planned people and talent enhancements.

Regardless of the size of the oil and gas organization, or whether it's upstream or downstream, the impact will be different on the field force than it is on employees who work in corporate offices. Here we address both groups and how companies can help prepare them for the new reality once the world moves beyond the immediate COVID-19 situation.

### Employees in the field: Replenishing specialized skills

Before COVID-19's arrival, oil and gas companies understood the need to upskill the existing workforce and recruit new employees as more skilled field employees approached retirement. Now, the need to work remotely, the reduced staffs and adjusted shifts to promote social distancing, and the increased risk of coronavirus complications to older employees are all putting a spotlight on the need to act sooner.

This skills shortage is a long-term problem requiring near-term action. A number of experienced field employees may look to postpone leaving the workforce, as their retirement portfolios have taken a hit during this economic downturn, but that delay may be short-lived. And while oil and gas may have a longer recovery period than other sectors, it's important that companies not be lulled into thinking they have more time to address the issue.

We have been talking to oil and gas organizations about how they can build the technical capabilities to address the talent expected to soon leave the workforce. Companies have several opportunities to explore.

### Continue to create or enhance apprenticeship and similar programs to attract and educate new employees in the necessary technical skills.

Efficiencies introduced by Internet of Things sensors, automation, and other technologies have reduced the need for oil and gas companies to scale up and down with temporary personnel. That may change as companies that have curtailed daily production scale up to return to "normal" outputs. But to date, this efficiency has evolved the field workforce into a core group of full-time employees with very specialized skill sets, and with the knowledge and experience to take direction and operate on their own.

The downside is that the ability to grow the number of technically capable staff to backfill these roles has eroded. The career paths to more advanced field work and leadership roles have largely disappeared. Fewer opportunities exist for on-the-job training to acquire specialized knowledge, and those opportunities have not been replaced with formalized recruitment and training programs. That's why oil and gas companies continue to rely on the experienced crews who often come back after retirement as contractors.

<sup>1</sup> Source: KPMG, "A Bridge Past COVID-19 UPDATE: Charting the Economic Cliff." April 17, 2020.

Apprenticeships and other training programs are designed to reduce these barriers to entry, as well as more clearly define career paths within the oil and gas sector. Finding support for these programs right now is a hurdle for the many organizations facing financial challenges. Due to the extraordinary market and commodity volatility, some of the supermajors have started to cancel summer internship programs. Unfortunately, this could adversely impact their future university new-hire classes.

At the same time, talent acquisition teams must develop new strategies for university and experienced hiring as the threat of depressed commodity prices limits new hire investments.

### **Use data analysis to better understand core competencies, and develop or improve training programs for current employees based on the findings.**

Oil and gas organizations tend to excel at scenario planning. But now they need a more in-depth review of the underlying capabilities that allow them to ramp up and down quickly and efficiently, and how they can institutionalize those skills rather than returning again and again to the same veteran employees. The sensors already in place can be used to gather data on those competencies, such as the asset maintenance regime, to develop training programs based on the analysis.

### **Highlight the career opportunities in the oil and gas field at a moment when the economic downturn could make the sector more competitive for some skilled positions.**

Energy's struggle to attract millennial and Generation Z is well-documented as younger employees prioritize job growth, an environmental focus, and other factors which they believe (correctly or not) to be at odds with the oil and gas sector.

At the same time, many younger employees are experiencing their first major economic downturn. Rather than seeking jobs where "making a difference" is the priority, while still important, the desire for job stability and reliability will likely increase. Job candidates once previously lost to start-ups could find their place in oil and gas.

Meanwhile, the current remote and more flexible working environment to maintain social distancing is resetting expectations for employees across all industries about how they want to work going forward. The changes we will likely see coming out of this may lead companies to adapt their workplaces in ways that connect better with the values of coming generations.

### **Improve documentation and introduce technology solutions for management and decision-making processes.**

Much of the existing documentation in oil and gas is around procedures to maintain safety standards, necessarily. However, much more can be done to memorialize how and when to make decisions to execute certain procedures. This is an important step to help replace institutional knowledge that retiring workers would otherwise take with them. But it's also not enough.

Innovative technology solutions enable the workforce to make value-based decisions to perform the right work, by the right people, at the right time, as well as remove the need for individuals to navigate complex and disconnected ERP environments. Mobility, integrated scheduling and workflows,

resource management, and other new capabilities allow field workers to spend more time on core activities and less time performing administrative tasks.

### **Provide more leadership and management training.**

The complement to instilling institutional knowledge about process and procedure is understanding "how things are done around here" within a particular culture. Career oil and gas employees have learned how to manage people and personalities up and down the chain on the job, without necessarily benefitting from more formal leadership training and mentorship.

As the workforce diversifies, managers will need to expand their understanding of how to work with people from different backgrounds.

### **Calculate total cost of delivery rather than rely on full-time headcount for a better measure of the organization's cost base.**

The industry has long calculated its cost base using employee headcount, while continuing to rely heavily on contingent workers—sometimes at a significant annual expense that is otherwise not reflected in that cost base. Now is the time to lose the blunt bureaucratic idea of "too many heads," and instead focus on the value of the work those heads are producing.

Total cost of delivery is a better measure, especially as oil and gas companies try to operate efficiently through the economic slowdown and with low commodity prices. Organizations can look at the ratio of the cost base relative to the capabilities required to do the work, versus the capacity. This exercise also can help make the case for investing in hiring and training new talent as a more cost-effective means of increasing capacity.

### **Corporate employees: The pros and cons of increasingly remote work**

Oil and gas employees who work in office settings, similar to professionals in other industries, will experience the impact of COVID-19 on the workplace in different but still significant ways compared to their colleagues in the field.

There are positive implications for improving efficiencies and adding talent from this experience, but at the same time, there is the potential for negative impacts on workforce engagement and retention if not managed well. A few items to consider include the following:

### **Model scenarios for returning to the office, and update policies to accommodate more remote work.**

Consider which roles should come back to the office when, in what order, and on what schedule. Human Resources may also need to be prepared and develop new policies for employees who say they do not feel safe returning to the office, and for mitigating fears among the larger employee population.

Some disciplines may determine that working from home more often, or even all of the time, makes the most sense going forward. In addition to Human Resources considerations, companies also need to reinforce and tighten their ethics and compliance reviews and procedures, which can become lax in remote work situations.

**Reconsider the perks that are used to attract new employees, and determine what will have greatest impact from now on.**

Commuting to a large, beautiful campus may no longer be as appealing as it once was. This has obvious implications for the organization's real estate footprint and related costs, but it also impacts how office space is divided and used, and what employees would consider a desirable work environment.

At the same time, remote work arrangements coveted by a number of candidates may become widely accepted among most companies, and therefore no longer a differentiator. Employers will have to find the right balance.

**Attract a previously untapped pool of professionals.**

Take advantage of increased remote work arrangements and improved technology to widen recruitment efforts to talented professionals who live far from headquarters, including younger generations and those who did not previously consider an oil and gas career.

**Leverage technology and develop programs to build team comradery.**

It's hard for employees to connect personally with one another without sharing a physical space. Social engagement is especially important to attract younger employees who are more likely to want to blend work and home life. It's also important for retaining employees now that we expect the decision to change jobs will become easier, and workforces will become more fluid, in a remote-working world.

Successful employee recruitment, training, and management is critical for oil and gas companies to weather commodity volatility and compete globally. Despite the current challenges and uncertainty, the growing attention to building and preserving a talented workforce is a positive development for the industry.

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