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Conseil canadien des
ressources humaines
de l'industrie du pétrole



Petroleum Labour Market Information

Current and Short-term HR Trends within the Canadian Petroleum Industry

Q1/Q2 2011 HR Trends Report

April 2011



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of Alberta

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CURRENT AND SHORT-TERM HR TRENDS WITHIN THE CANADIAN PETROLEUM INDUSTRY

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INTRODUCTION

The Petroleum Human Resources Council of Canada has developed a web-based survey to gather and report on current and short-term labour market issues and trends within the Canadian upstream and midstream petroleum industry. This report provides a glimpse of labour market conditions within the industry for first and second quarter of 2011 (Q1/Q2 2011). Comparisons are also made to past survey results.

The Q1/Q2 2011 Short-term HR Trends survey was sent to 140 companies. A total of 43 companies responded (31% response rate) representing at least 40,000 employees in the following petroleum industry sectors (see Figure 1):

- Exploration and production (E&P): onshore activity for conventional and unconventional reserves excluding oil sands.
- Offshore: exploration, production and servicing of offshore oil and gas projects.
- Oil sands: extraction, production and upgrading of bitumen.
- Pipeline transmission.
- Services: petroleum services, drilling and completions and geophysical services.

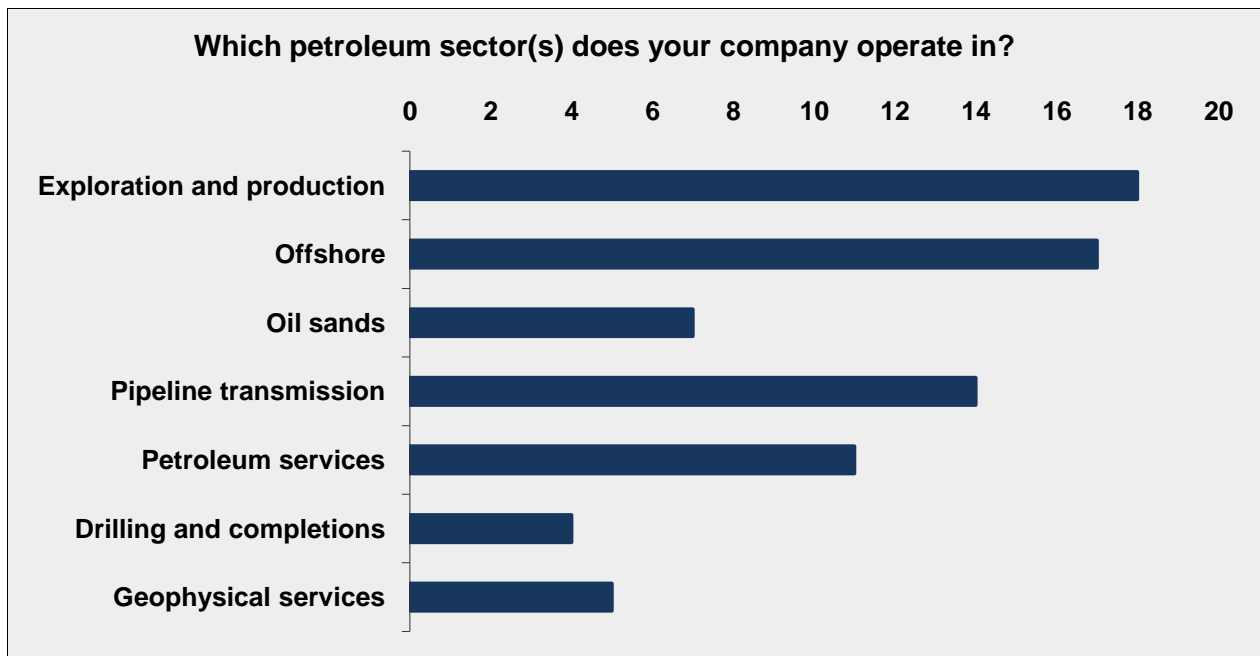


Figure 1: Petroleum sector breakdown (n=43)

**Respondents were asked to indicate as many categories that apply to their respective companies.*

It should be noted that there was more than a 100% increase in response between the last survey and this current survey (20 responses in Q3/Q4 2010 versus 43 in Q1/Q2 2011). This may be a result of increased awareness of the survey and continued recovery in the industry from the slower recessionary period of late 2009/early 2010. In addition, all petroleum operating regions in Canada are represented in the survey with the highest concentration in Western Canada (refer to Figure 2 on Appendix A: Profile of Respondents). There is an even distribution amongst small to mid-size versus large companies where organizational size is based on number of employees (refer to Figure 3 on Appendix A). As a result, regional and organizational analyses have been conducted for this survey period.

The information collected for this survey is qualitative and is not intended to be representative of the petroleum industry in Canada; this should be taken into consideration when interpreting results. It should also be noted that current and short-term information gathered through industry stakeholder consultations conducted in Q1 2011 has also been included in this report.

The Petroleum HR Council is focused on ongoing improvements and enhancements to its programs to ensure they are responsive to industry and other stakeholder needs. For comments on the report or requests for additional information, please email info@petrohrsc.ca.

EXECUTIVE SUMMARY

- Companies need to prepare for a return to a tight labour market. Workforce issues in the petroleum industry have shifted from cost-cutting/cost management in late 2009/early 2010 to addressing labour and skills shortages as well as attraction and retention issues in hard-to-recruit locations. These issues may not be at the levels they were prior to the economic slowdown but they have increased from the last survey period. The trend is definitely heading that way.
- Companies need to continue to be flexible and creative in what they offer employees to attract and retain them, as well as where they look for potential employees. While petroleum companies have increased their recruitment efforts in most traditional and non-traditional avenues, they are still seeing an overall shortage of skilled and experienced workers.
- The challenge in attracting prepared workers with full training and certification comes with the need to ensure safety requirements are understood and met by new staff. New regulations and new technologies make this a more critical issue.

INDUSTRY HIGHLIGHTS

- The continued economic recovery and increasing industry activity levels are driving the need for increased staffing activities across all petroleum sectors. In fact, 70% of survey respondents intend to increase office staff and 85% intend to increase field staff. This is an increase from the past survey period by 15 percentage points in both areas of operations.
 - Some companies are still going through re-organization due to mergers and acquisitions in 2009 and 2010.
- Labour/skills shortages and attracting and retaining staff in hard-to-recruit locations not only remain the top workforce issues facing the industry, but they have become more prominent. Respondents reported an increase from 60% for both issues in Q3/Q4 2010 to 68% in Q1/Q2 2011.

IN-DEMAND OCCUPATIONS	LOCATIONS WITH REPORTED RECRUITING ACTIVITY
<ul style="list-style-type: none"> • Engineers in various disciplines (production, reservoir, facilities, process, drilling, completions, exploitation, pipeline, geological, mining, power, thermal, offshore drilling, etc.) • Geoscience professionals (geoscientists, wellsite geologists, geophysicists) • Technologists and technicians (instrumentation, power engineering, well testing) • Operators (plant and facility, field production, well services, experienced derrickhands and drillers, seismic) • Trades (electricians, welders, mechanics, rig 	<ul style="list-style-type: none"> • Northeastern BC • All of Alberta • Eastern and Southern Saskatchewan • Minnedosa, MB • St. John's, NL

IN-DEMAND OCCUPATIONS	LOCATIONS WITH REPORTED RECRUITING ACTIVITY
technicians) <ul style="list-style-type: none"> • Field workers (floorhands, leasehands, seismic workers, well services) • Business and operations support (administration/management, HR, accountants, IT, procurement, payroll, landmen, regulatory, environment) 	

- With more confidence and stability in the labour market, managing compensation and benefits expectations now ranks as the third most critical workforce issue with 40% of Q1/Q2 2011 survey respondents citing this as a challenge (versus only 11% of Q1 2010 respondents). This issue is expected to escalate when the economy returns to a tight labour market -- petroleum companies will have to deal with increasing workforce requirements amidst tighter competition for talent from other industries and potentially, other countries.
- With employee turnover rates increasing from the last survey period, companies also report employee engagement and productivity issues are on the rise.
- 91% of survey respondents indicated training is an increasing priority in Q1/Q2 2011, although it has always ranked high on the priority list for HR initiatives.
 - Safety is reported to be the key focus for training, which is mostly driven by new regulations and technologies.
 - Technical training is another key focus - there seems to be an increasing trend of companies hiring uncertified individuals into jobs that require certification and helping new hires gain the requirements once employed. This is reflective of a tightening labour market.
- The need for competent workers in a period of increased industry activity has led to companies utilizing various recruitment methods to find talent:
 - The traditional source of posting jobs to the internet (corporate websites, job boards) continues to be the most popular but most advertising methods for recruiting have increased.
 - Employee referrals and the use of search companies have almost become equally important in onshore Exploration and production as well as Oil sands sectors.
 - Social media increased in use as a recruitment tool, with 50% of companies now using this channel.
 - Companies have also increased their efforts in recruiting under-represented labour supply pools in Canada as they are partnering more with organizations working with individuals.
 - Respondents also reported an increase in looking outside of Canada for labour resources, including international recruiting and using temporary foreign workers to fill general labour requirements during this period.
 - Mention was also made of Canadian HR staff recruiting for US positions. This could reflect where the HR person is located, or could be an indication of the trend in cross-border work by Canadian employees, particularly along the Saskatchewan-North Dakota border.

SECTOR-SPECIFIC HIGHLIGHTS

Exploration and Production (E&P) – Onshore

- All survey respondents report they are actively recruiting during this period.
 - Recruitment activities in this sector are reflective of industry as a whole, although there is a slightly larger use of search firms and employee referrals than other sectors.
- To address the issues such as attracting in hard-to-recruit locations, the use of employee referrals, relocation packages and strong compensation and benefits packages seem to bring the most success.
- The two occupation titles commonly cited as being the most difficult to recruit for are production engineers and exploitation engineers.

Oil Sands

- The top workforce trend in this sector is employee training requirements, with 85% reporting an increased need for staff training.
- All traditional recruitment methods are in use. The focus on new graduate recruitment (91%) is one of the most active in the industry.
- High oil prices are positively impacting the sector's growth and labour force requirements particularly for in-situ or steam-assisted gravity drainage (or SAGD) operations.
- Industry is recognizing the need for generous and compelling compensation and benefits packages in order to counter the difficulty in recruiting for remote work locations. This includes offering relocation packages, generous amounts of time off and travel allowances balanced with traditional offerings of training and development.
- The occupations cited as being most difficult to recruit for are petroleum engineers, thermal engineers and power engineers. New skill requirements for in-situ extraction, as well as experience in horizontal drilling and thermal technology, are also impacting the type of skills needed.

Offshore (Exploration, Production and Servicing of Offshore Oil and Gas Projects)

- Like the other sectors, offshore survey respondents are in growth mode. This is the driving force behind HR trends and the focus on recruiting for both office and field workers.
- Compensation and benefits expectations are more pronounced here than in other sectors, being reported as a top workforce issue alongside attraction and retention in hard-to-recruit locations.
- Aside from recruiting for growth and attrition, internal transfers and training are key strategies to address current workforce challenges.
- To help address recruitment of workers for locations off the east coast, Newfoundlanders working in the industry in Alberta are being targeted with offers of work closer to home.
- Print media and recruitment from new grad sources top the focus for recruitment activity. There is also a strong reliance on employee referrals for new hires.
- Offshore drilling engineers and well-site geologists are mentioned as the occupations most difficult to recruit.

Pipeline Transmission

- All pipeline survey respondents are recruiting and are challenged to find skilled workers, particularly in hard-to-recruit locations. This is clearly reflected in the diversity of recruitment methods being used. There is no one approach that stands out as the “go to” method to find the workers required.
- Increased automation and oil sands production and development are driving growth and increased workforce requirements in the sector.
- Pipeline engineers are most difficult to recruit for.

Petroleum Services

- Compensation and benefits expectations have returned as a key issue and rivals labour and skills shortages as well as attraction and retention challenges in hard-to-recruit locations.
- All petroleum services survey respondents noted increasing needs around employee training -- and this has increased since the last survey period.
- Putting forward a strong employee brand combined with offering strong compensation and development programs are the current HR strategies in this sector.
- The occupations most difficult to recruit for are well testing supervisors and field workers.

Drilling and Completions

- More than 50% of survey respondents indicated increasing staffing levels, especially in field work.
- Safety is a key driver for increased employee training within this sector.
- Experienced rig crews (derrickhands, leasehands, motorhands, floorhands and drillers) are the most difficult to recruit at this point.

Geophysical Services

- The skill set of workers and attracting them to work in hard-to-recruit locations continues to be a leading issue.
- Safety and compensation expectations continue to be key workforce issues for the sector.
- A workforce increase is expected for field staff, while most respondents anticipate office staff to be maintained at current levels.
- There is difficulty recruiting for seismic field workers such as line crew helpers, observers, etc.

PROVINCIAL/REGIONAL HIGHLIGHTS

British Columbia

- The focus on hiring is in northeast BC. In order to address the staffing challenges being faced by the BC oil and gas industry, companies are relying more on increasing productivity to go along with recruitment for growth and attrition.
- Other recruitment trends have not changed much with the exception of a marked increase in the number of applicants from other industries, who seem to be good candidates. Consequently, hiring applicants from other industries is also reported to be increasing (58% report increase in applicants and 35% report hiring from other industries).
- Training is a priority within industry as whole but in BC, 100% of respondents indicated this was critical. Succession planning was noted as important given the increasing retirement intentions amongst eligible workers.
- Companies are recruiting for the following locations: Fort Nelson, Fort St. John, and Prince George.

Alberta

- Alberta survey respondents were just slightly more apt to increasing their office (72%) and field workforce (89%) than the total respondents as whole (70% and 85%). This is being driven by company growth with new projects coming on-board as well as the need to address attrition, which along with skills shortages are the leading workforce challenges for Q1/Q2 2011.
- Hard-to-recruit locations continue to be key areas for staffing but urban locations such as Calgary and Edmonton also have vacancies to fill.
- To address their workforce challenges, companies are reviewing business processes to ensure these are as efficient as possible for current and potential employees.

- Employee training clearly dominates as the workforce priority in the oil and gas industry in Alberta. They are also dealing with a strong increase in retirement intentions.
- Recruitment activities which are occurring at all respondents' operations are being addressed by using all methods available. Difficulty finding skilled workers has resulted in 46% of survey respondents reporting an increase in hiring from other industries.
- Companies are recruiting for the following locations: Bonnyville, Calgary, Cold Lake, Drayton Valley, Edmonton, Fort McMurray, Grande Prairie, High Prairie, Leduc, Lloydminster, Nottingham, Rainbow Lake, Red Deer, Rimbey, Rocky Mountain House, Slave Lake, Standard, Provost, Valleyview, Wabasca, and Willow Creek.

Saskatchewan

- Intentions to increase office and field staff in Saskatchewan are slightly lower than indicated by other regions and the survey results as a whole. The ability to attract and retain those workers that are going out to hard-to-recruit locations (79%) is more of a challenge here than other regions (68% overall).
- As in the other provinces, the increasing need for employee training is accompanied by an increase in retirement intentions.
- There is a reported trend in cross-border work by Canadian employees, particularly along the Saskatchewan-North Dakota border.
- Companies are recruiting for the following locations: Alida, Estevan, Lloydminster, and Nottingham.

Central Canada (Manitoba, Ontario, Quebec)

- The aging workforce is much more acute in this region (42% report as workforce challenge) than across Canada (18%). It's not surprising that the 58% report an increase in retirement intentions and 92% say there is an increase in training.
- It is no surprise that all respondents in this region are recruiting to replace these workers and attract more to meet growth. Recruitment trends do not seem to be changing from what has been seen in the recent past.
- Strategies to address workforce challenges in this region primarily reflect what is being done across the country. Although of lesser frequency than the main strategies, there are more reports of work sharing and reduced work weeks to address some of the issues than in the overall survey results.
- Recruitment is being conducted for Minnedosa, MB. No other specific locations were mentioned.

Eastern Canada (New Brunswick, Nova Scotia, Newfoundland and Labrador)

- With the majority of corporate positions being staffed in western Canada, it is not surprising to see a slightly lower increase in recruitment for office staff in the east. However, companies operating in Eastern Canada are reporting the need to increase their field workforce.
- As reported in the offshore summary, some companies are starting to recruit Newfoundlanders currently working in the industry out west to come back home to positions offshore of Newfoundland. Half of the companies mentioned however that managing compensation and benefits expectations is a key workforce issue.
- Companies are recruiting for St. John's, NL. No other specific locations were mentioned.

ORGANIZATIONAL SIZE HIGHLIGHTS

Small Companies (up to 100 employees)

- Small-sized companies clearly have fewer resources to get work done and the impact of someone joining the team or leaving the team is felt more acutely than in larger organizations that can more easily absorb the impact of some attrition. Therefore it is not surprising that unlike the survey results overall, the leading workforce issues for small companies aside from skills shortages are employee turnover and retention (50%) and employee engagement and productivity (50%).
- Improving productivity (67%) is much more prevalent as a workforce strategy amongst small-sized companies.
- Although there is some level of activity reported in all the recruitment methods, the clear choice (100%) is to focus on student and alumni websites and job boards.

Medium Companies (101 to 1,000 employees)

- A large portion of respondents indicated they are seeing an increase in office and field workforce needs and all companies are actively recruiting. A heavy reliance is put on internet sites to connect with the appropriate labour supply but surprisingly 85% indicated they still use print media to recruit for workers. Employee referral programs are used by all respondents in this group.
- Training is a key focus for medium companies and is expected to continue to trend upwards.

Large Companies (Over 1,000 employees)

- Close to half of all survey respondents (n=20 of 43) identify themselves with more than 1,000 employees so the trends reported in this group are also largely seen in the overall survey results.
- 100% of respondents indicated they are recruiting for growth with 94% increasing their field workforce alone. There is also a reported increase in retirement intentions.
- All respondents reported the need to increase employee training in a number of areas (e.g. safety, technical, succession planning).
- It goes without saying that large companies have more options and resources available for responding to workforce challenges. Many also have locations around the world. Considering this, it seems appropriate that 47% of this group report using temporary foreign workers as a strategy to face the shortage and that the use of international recruitment is slightly higher than the survey results overall.

APPENDIX A: RESPONDENT PROFILE

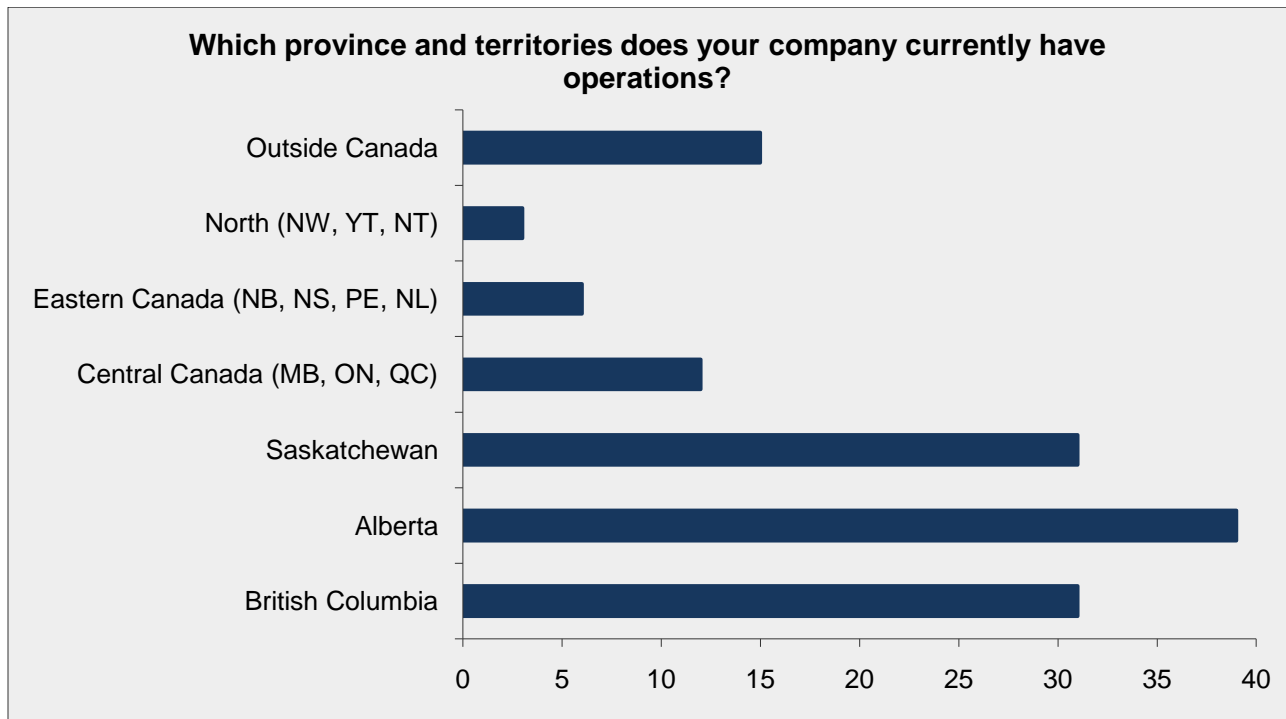


Figure 2: Geographic location of operations (n=43)

**Respondents were asked to indicate as many categories that apply to their respective companies.*

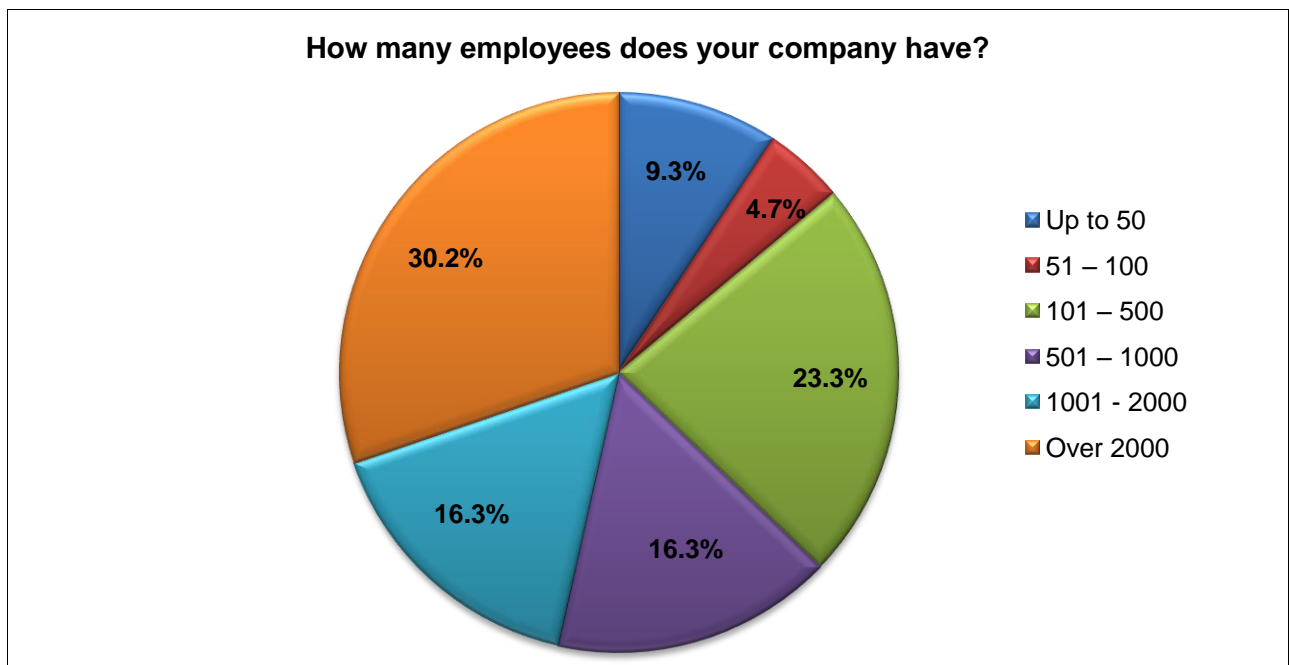


Figure 3: Size of operations by number of employees (n=43)

APPENDIX B: DETAILED SURVEY FINDINGS

WORKFORCE CHALLENGES

The top industry workforce issue in 2009 and in early 2010 was cost cutting, which is an indicator of the tough economic times the industry (and all of Canada) was going through. In the latter part of 2010, labour and skills shortages as well as attraction and retention in hard-to-recruit locations replaced cost cutting as the top workforce issue. This issue persists and in fact has increased in 2011.

Industry recovery has also increased the challenges around managing compensation and benefits expectations as well as employee turnover/retention from the last survey period.

TOP FIVE WORKFORCE CHALLENGES

Q1 2010 SURVEY RESULTS	Q3/Q4 2010 SURVEY RESULTS	Q1/Q2 2011 SURVEY RESULTS
1. Cost cutting (67%)	1. Labour/skills shortages (60%)	1. Labour/skills shortages (68%)
2. Employee engagement/performance/productivity (50%)	2. Attracting and retaining workers in hard-to-recruit locations (60%)	2. Attracting and retaining workers in hard-to-recruit locations (68%)
3. Attracting workers to hard-to-recruit locations (50%)	3. Employment engagement and productivity (40%)	3. Compensation and benefits expectations (40%)
4. Labour/skills shortages (50%)	4. Employee turnover/retention (30%)	4. Employee turnover/retention (35%)
5. Employee turnover/retention (39%)	5. Compensation/benefits expectations (30%)	5. Employment engagement and productivity (25%)

WORKFORCE STRATEGIES

The main strategy to address these challenges focuses on recruitment to support growth and address attrition. Increased training and redeploying/transferring employees are also being looked at as ways to address some of these challenges. These activities are also strategies to improve workforce productivity.

WORKFORCE STRATEGIES FOR Q1/Q2 2011

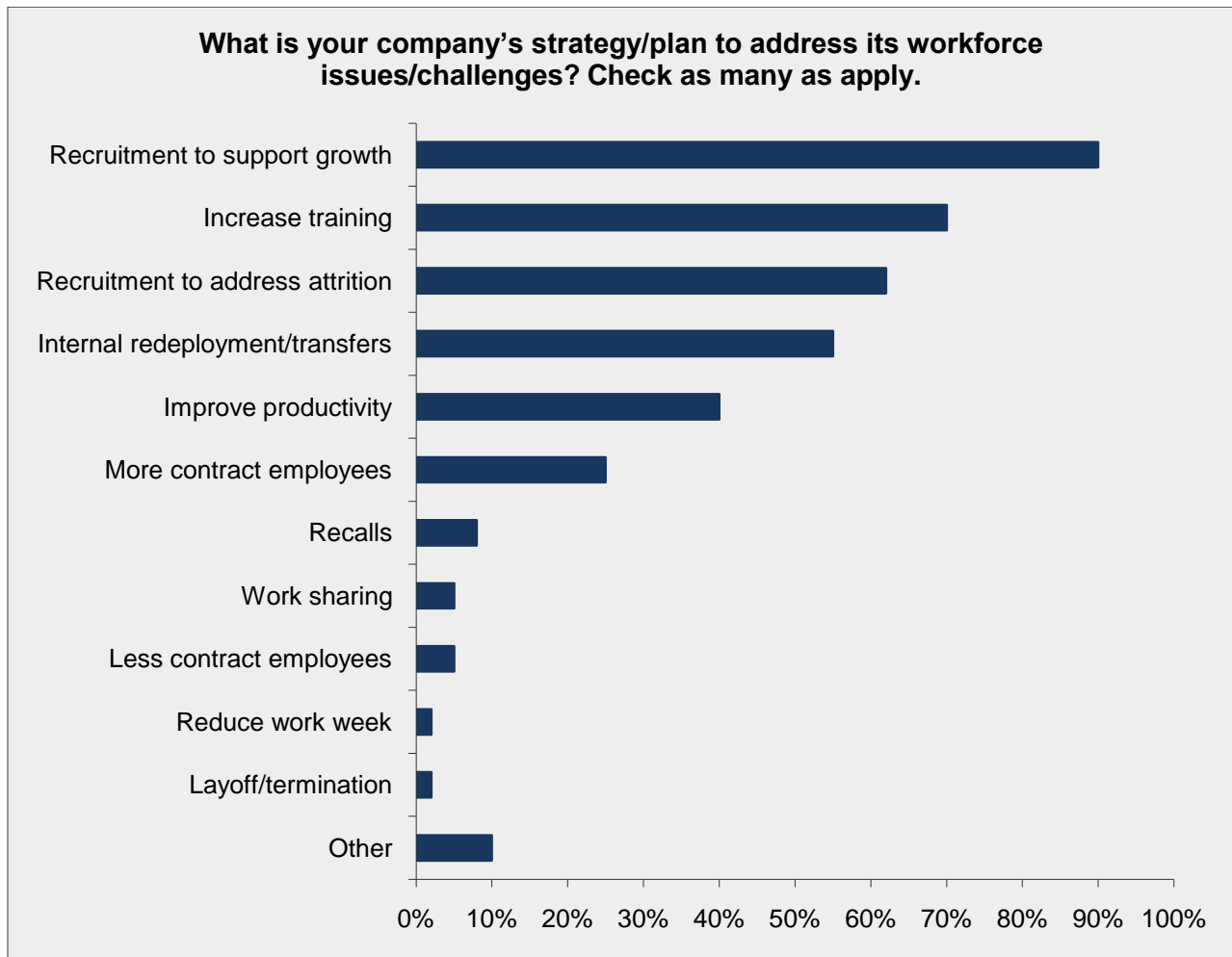


Figure 4: Strategies to address workforce issues/challenges (n=40)

RECRUITMENT ACTIVITIES

As mentioned in the workforce strategies section, recruitment is a key activity for industry. In 2010 there was still a focus on labour supply seeking out the company. The first half of 2011 sees that continuing but also increased effort to search out the labour. The level of recruitment activity increased almost across the board. The decrease in relying on recalls may reflect the continued return to growth reported in the last survey and therefore a dwindling number of workers available to recall. The company website gained in popularity as a place to advertise job openings, as did advertising directly with the industry/profession-specific association job boards.

The difficulty finding talent domestically is evident by the reported increase in the use of international recruiting and temporary foreign worker/provincial nominee programs, both moving from 12% to 32% between Q3/Q4 2010 and Q1/Q2 2011. Partnering with under-represented groups also moved from 6% to 29% in the same period. And although there was no increase reported in partnering with programs that target youth, there was an increase from 44% to 65% in those reporting new grad/campus recruitment as an activity used in the survey period. Advertising on college and university student career centres and/or alumni boards also increased from 56% to 74%.

RECRUITMENT ACTIVITIES

RECRUITMENT ACTIVITY	% OF RESPONDENTS	
	Q3/Q4 2010 (n=17)	Q1/Q2 2011 (n=31)
Advertising on company website	82%	94%
Advertising on industry-specific and/or professional association job boards	69%	84%
Advertising in print media	56%	77%
Advertising on College and University student career centres and/or alumni boards	56%	74%
Advertising on commercial job boards	35%	68%
Advertising on government job boards	29%	42%
TV/radio advertising	29%	19%
Employee referrals	82%	81%
Search and placement firms	50%	74%
New grad/campus recruitment	44%	65%
Social media	38%	55%
International recruiting	12%	32%
Temporary foreign worker and/or provincial nominee programs	12%	32%
Partnering with programs that target under-represented groups	13%	29%
Outreach recruitment drives within Canada	6%	19%
Outsourcing work	6%	19%
Partnering with programs that target youth	6%	6%
Recalls	17.5%	6%

BEST PRACTICES IN ATTRACTING AND RETAINING WORKERS

The following are what companies reported to be some of their most successful strategies for attracting and retaining workers for specific skills and locations.

For all skills and locations:

- Having a strong employer branding/company reputation
- Recruiting workers through online/internet stream, employee referral programs and networking
- Offering competitive salary and benefits packages including bonuses, profit sharing, company retirement plans, etc.
- Providing additional perks such as service awards, employee discounts offered through local businesses, etc.
- Offering time off, flexible work hours and at times, alternative work arrangements
- Conducting training and career development planning with employees and following up with support
 - Providing educational assistance and scholarship programs
 - Opening the doors for international job opportunities

For Calgary/office-based professional staff:

- Offering competitive salary and benefits package
- Outlining and providing career development opportunities

For remote locations:

- Site specific premiums and retention programs
- Providing allowances and support, such as:
 - Paid fly in and out arrangements or travel allowance
 - Company truck or allowing them to use their own truck (flexibility)
 - Camp accommodation and settings
 - Comprehensive relocation support/package
 - Educational and/or training assistance (e.g. trade school, safety training, etc.)
 - Paying for coveralls, boots, etc.
- Providing opportunity to work on ground level of new project
- Higher hourly rate and guarantee of 40 hours (min) per week

For specific locations:

- Target Newfoundlanders working out west who want to come home
- Hire seasonal workers from out east from Sept – April (return home for the summer)
- Northern Allowance
- Housing accommodations for Rainbow Lake