



Talent 2020: Surveying the talent paradox from the employee perspective

The view from the Oil & Gas sector

Deloitte Consulting's September 2012 *Talent 2020: Surveying the talent paradox from the employee perspective* report is based on a survey conducted by Forbes Insights of 560 employees across three global regions and five industries, comprising 17 sectors. Oil & Gas respondents made up 7% of the participants. The Oil & Gas sector is noteworthy for thriving in an era of economic turmoil and weak growth for many industries, providing more opportunities for employees—especially those with critical skills—to move on to other organizations. In fact, surveyed employees in the Oil & Gas sector have experienced an increase in voluntary attrition, which seems highly concentrated in certain employee segments.

Deloitte's January 2012 *Talent Edge 2020* report, which examined the perspectives of 376 senior executives, noted that within the Oil & Gas sector, retaining critical and high-potential talent was a significant concern. This finding, coupled with the results of the September 2012 employee survey, demonstrates that retention of talent is a critical issue for Oil & Gas.

The Oil & Gas sector stands out in other respects as well. Although Oil & Gas survey respondents were only half as likely as those in other sectors to receive a promotion (11% for Oil & Gas versus 22% overall), they were happier with their compensation. Specifically, surveyed Oil & Gas employees were twice as likely to describe themselves as very satisfied with their bonus (52% versus 23% overall) as well as more likely to say they were satisfied or very satisfied with their raises (75% versus 57% overall).

The broad comparison

The September 2012 *Talent 2020* report highlighted several overall key findings across a broad range of sectors, all of which apply to Oil & Gas.

80% of survey respondents overall (81% in Oil & Gas) say they plan to stay with their current employer in the next year—a 45-point overall shift from our 2011 employee survey. In light of this, employers should focus their retention efforts on three talent segments: employees with critical skills, employees with high flight risk likelihood, and capable leaders.

Employees value meaningful work over other retention initiatives. Oil & Gas survey respondents who report their company uses their skills effectively are more likely to remain with their current employer (88% of this group plan to stay versus 57% of those who definitely feel their skills are not well used).

A strong majority of survey respondents (56% for Oil & Gas) who have been seeking new employment do not believe their jobs make good use of their skills and abilities. Moreover, the surveyed employees who feel this way constitute more than a third of the respondents (35% in Oil & Gas, 36% overall). Surveyed employees planning to switch companies cite a lack of career progress (37% overall) and a lack of challenge in their existing jobs (37% overall) as the two top factors influencing their career decisions.

Oil & Gas workforce segments at risk of attrition

Operating company segments

- Production/operations engineers
- Drilling and completion engineers
- Reservoir engineers (including R&D and economic functions)
- Geologists and geophysicists
- Specialized geoscientists (petrophysicists, sequence stratigraphers, etc.)
- Field staff (foremen/operators)

Service company segments

- Directional drillers
- Tool pushers
- Fracking and completion engineers
- Mud loggers

Overall industry segments

- Mid-senior level management

“Turnover red zones” are particularly hot. Turnover intentions are concentrated among employees at certain points in their careers, creating employee segments at high risk of departure. This is even more the case for Oil & Gas compared to the overall results: In fact, these turnover zones could be called “red hot” for Oil & Gas. Retention strategies should focus specifically on critical talent that belongs to these groups. Employees with less than two years on the job make up the group likely to move on, so retaining high-performers beyond the two-year mark can be especially important. Overall, 34% of surveyed workers expect to leave within a year. For the Oil & Gas sector, however, this number reaches a startling 60%. While 26% of Millennials (age 31 and younger) surveyed overall report that they plan to leave their employer in the next year—the highest percentage of any generational group—that number rises to 40% in Oil & Gas (Figures 1 and 2). Perhaps the lure of higher paychecks at competitors without the loyalty that comes from extended tenure with an organization is creating this surge of Oil & Gas employees with turnover intentions.

Leadership matters. Survey results indicate employees are more committed when they trust their leadership, receive clear communications about corporate strategy, and believe their leaders are capable of executing that strategy. Employee retention should be driven by business leaders, not simply left to Human Resources. In fact, business leaders should consider developing the next generation of workers as a core component of their day-to-day jobs and be held accountable for regrettable attrition.

Overall, 62% of surveyed employees who plan to stay report high levels of trust in their corporate leadership versus 27% of surveyed employees who plan to leave. Furthermore, 27% of those who plan to leave in the next year cite lack of trust in leadership as a leading factor. Oil & Gas is in line in the trust factor: 57% of Oil & Gas survey respondents express trust in leadership versus 55% overall. Lack of trust in leadership, however, is slightly more likely to trigger a job search for surveyed Oil & Gas workers than for those overall (22% versus 17% overall). These results reflect a need for Oil & Gas companies to identify high performers within their organizations and provide leadership development programs, competency and skills identification, and mentoring opportunities, so that these employees can be groomed for leadership positions.

Figure 1. The effect of tenure on retention (Oil & Gas sector)

Do you expect to stay with your current employer for the next 12 months or longer?

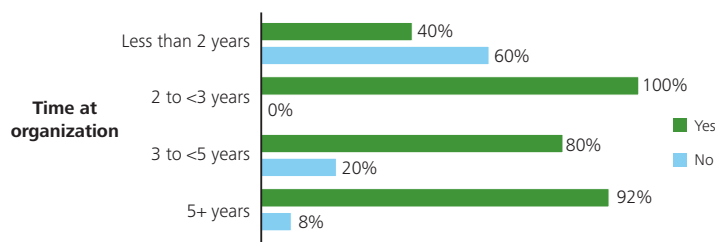
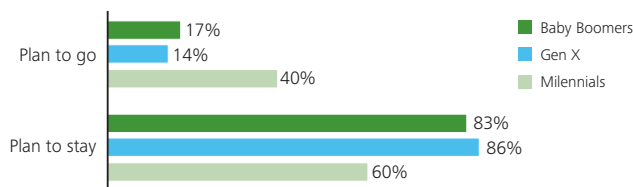


Figure 2. The generational effect on retention (Oil & Gas sector)

Do you expect to stay with your current employer for the next 12 months or longer?



Oil & Gas-specific findings

First, the bad news...

More surveyed Oil & Gas workers report seeing an increase in voluntary attrition and predict it will continue to rise. Fifty-four percent of surveyed Oil & Gas employees, versus 40% overall, say voluntary attrition has increased or increased significantly in the past 12 months in their companies (Figure 3). And 46% of survey respondents in the Oil & Gas sector, versus 36% overall, predict it will increase or increase significantly over the next 12 months (Figure 4). It appears that Oil & Gas employees are increasingly becoming free agents in a business that can't seem to find enough people. Along with that trend is the effect of a generational shift that sees younger employees looking for a job that suits their lifestyle, rather than just a providing a paycheck.

Figure 3. Voluntary attrition (last 12 months)

Based on your observation, over the past 12 months, what has happened to the rate at which employees have left your company voluntarily (e.g., gone to new jobs at another company or otherwise resigned)?

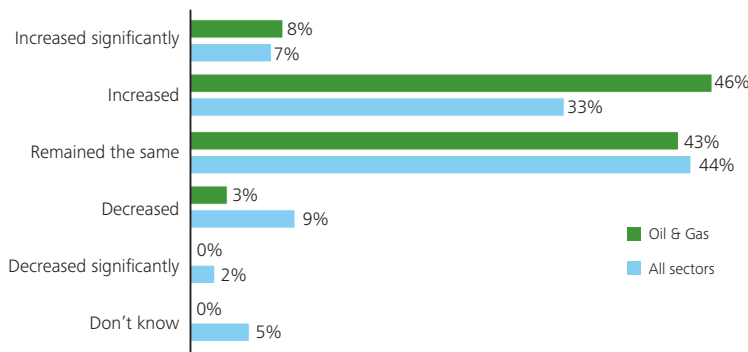
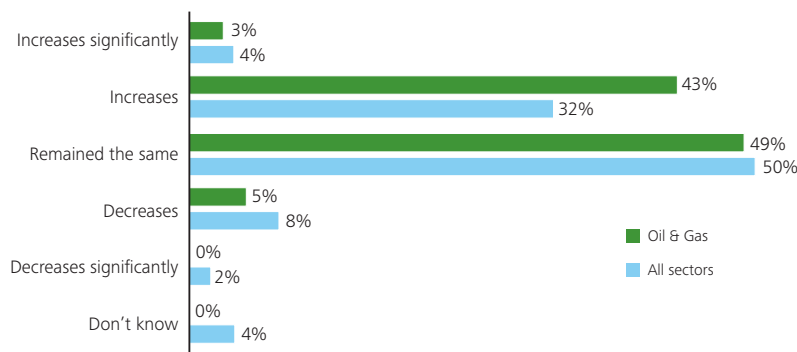


Figure 4. Voluntary attrition (next 12 months)

Looking ahead 12 months, do you expect the rate at which employees leave your organization voluntarily to increase or decrease?



The sector falls short on retaining top performers.

One area of concern: Oil & Gas falls short on retaining leading performers (only 19% of Oil & Gas survey respondents rated their company's efforts on this front as very good or excellent, versus 29% overall). In addition, Oil & Gas provides fewer flexible work options (21% versus 34% overall) and is less likely to use Web-enabled collaboration tools and social media (7% versus 22% overall).

The factors most likely to trigger a job search

among surveyed Oil & Gas employees include new opportunities in the market (30% for Oil & Gas versus 22% overall), lack of career progress (30% versus 27% overall) and lack of challenge in the job (27% versus 21% overall). Surveyed Oil & Gas workers were also somewhat more likely to cite lack of trust in leadership (22% versus 17% overall).

Now, for the good news...

The uptick in turnover in Oil & Gas is not related to job satisfaction. It may simply reflect the number of opportunities in this sector. In fact, surveyed Oil & Gas employees are in alignment with employees overall in terms of overall satisfaction at work in believing that their job makes good use of their talents and abilities, and in trusting in their leadership.

Fewer promotions but better compensation.

Although surveyed employees in Oil & Gas were less likely than those overall to fill a new role (30% for Oil & Gas versus 37% overall) and only half as likely to win a promotion (11% versus 22% overall), they were more likely to get a raise (76% versus 71% overall) and much more likely to be satisfied or very satisfied with it (75% versus 57% overall). There was no difference in the frequency of bonuses (73% versus 71% overall), but surveyed Oil & Gas employees were more than twice as likely to describe themselves as very satisfied with their bonus (52% versus 23% overall). These results highlight the opportunity for Oil & Gas companies to provide comprehensive total rewards packages that focus on more than just compensation.

Oil & Gas gets high marks from its employees on career mobility and international assignments, with 41% of Oil & Gas survey respondents ranking their company very good or excellent (versus 23% overall),

as well as on managing a globally diverse workforce (49% very good or excellent versus 35% overall). An organization's commitment to career mobility and international assignments is more attractive to Millennials and should be highlighted in recruiting materials. Similarly, Oil & Gas organizations should investigate the potential for developing global rotational programs.

Focus on retention...

The most effective incentives for keeping employees at their current employer are the same for Oil & Gas as for other sectors: additional compensation, additional bonuses, promotion, and support and recognition from supervisors or managers (Figure 5). Surveyed Oil & Gas workers, however, were less likely to cite promotion (32% versus 42% overall), yet more likely to mention leadership development opportunities (27% versus 22% overall). They were also twice as likely (11% versus 6% overall) to be interested in more discretionary perks, such as per-diem allowances and transportation.

Surveyed employees in the Oil & Gas sector care about sustainability, with 41% stating that an employer's commitment to sustainability is very important to them, versus 35% overall. They're also much more interested in working abroad: 51% said an employer's commitment to opportunities to work abroad was important or very important, versus 31% overall. Surveyed Oil & Gas workers seem relatively hungry for mentoring (important or very important to 73%, versus 65% overall) and leadership development (81% versus 76% overall).

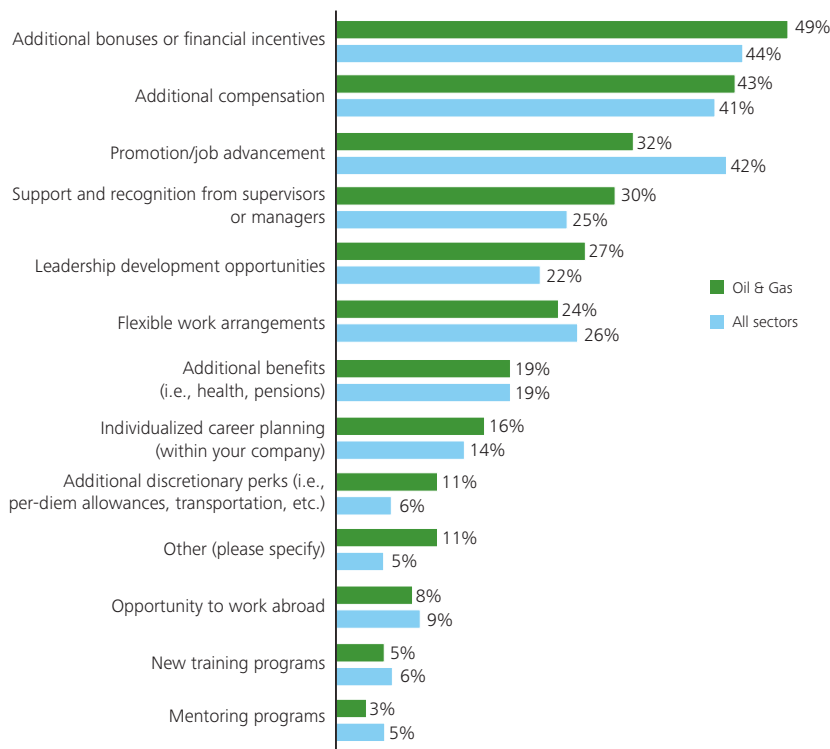
Layoffs are less likely. Only 14% of surveyed Oil & Gas workers, versus 41% overall, report their company experienced layoffs within the past six months, and only 11%, versus 36% overall, anticipate layoffs at their company in the next six months. Only 5%, versus 9% overall, report having been out of work involuntarily in the past three years. Moreover, those who were out of work found new jobs more quickly: Not a single survey respondent in Oil & Gas was out of work for more than six months, versus 26% of those who were laid off overall. We recognize that the Oil & Gas business runs in cycles and layoffs will probably return again, just as they did in 1986 and 1999, but it is noteworthy that Oil & Gas employees have been able to find new jobs quickly.

Managing resources is crucial. The Oil & Gas industry is not new to the challenges of a talent shortage. With an aging workforce, increasingly complex skills requirements, and strong industry growth, Oil & Gas companies should proactively identify new sources for talent, develop their existing talent, and increase the efficiency of how existing talent is used.

The most commonly cited incentives that might persuade surveyed Oil & Gas employees to delay retirement include flexible work arrangements (cited by 57% for Oil & Gas versus 45% overall), additional bonuses (38% versus 31% overall), changing job status—such as to part-time, contractor, or consultant—(27% versus 21% overall), and the opportunity to mentor others (22% versus 14% overall). In the next few years, we believe there will be a large contingent of retired PetroExecs and PetroTechs who will desire a continued role in Oil & Gas—albeit in part-time positions with flexibility and the ability to work virtually.

Figure 5. Incentives

What incentives would be most effective in keeping you with your current employer?



Note: Survey participants were asked to pick their top three choices

In conclusion

There are three clear takeaways for Oil & Gas corporate leaders to address emerging turnover red zones and to retain top talent:

- 1. Focus on using, engaging, and developing employee skills.** The most satisfied employees are those who believe their talent and skills are being well used by their employers. Oil & Gas companies that neglect development challenges and promotion opportunities run increased risks of losing their best employees.
- 2. Emphasize—and reward—authentic leadership.** Trust in leadership translates into a more satisfied, committed, and engaged workforce that is likely to stay. Oil & Gas leaders who do not build trust, or cannot demonstrate a commitment to execute strategy, may not be building an organization that is an employer of choice.
- 3. Don't underestimate the returns on communication.** Oil & Gas companies that communicate effectively and transparently are more likely to engender trust, strengthen employee job satisfaction, and retain top workers.

Survey demographics

Seven percent of the overall survey respondents, 37 in total, were from the Oil & Gas sector. The Oil & Gas respondents represented all global regions, with 48% located in the Americas, 41% in Europe, the Middle East and Africa and 11% in Asia Pacific (Figure 6). The Oil & Gas survey respondents were employed by companies with annual revenues of more than \$500 million, and 67% work for companies with more than \$10 billion in revenue (Figure 7).

Figure 6. Geographic distribution (Oil & Gas)

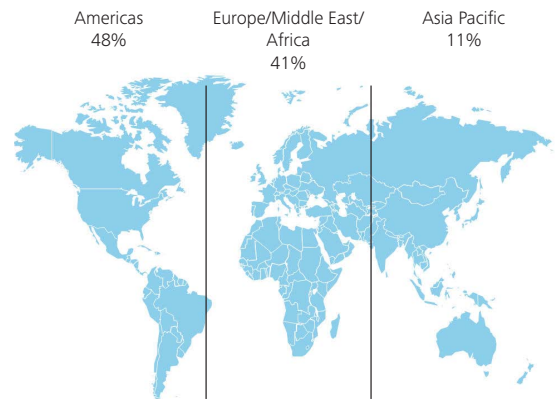
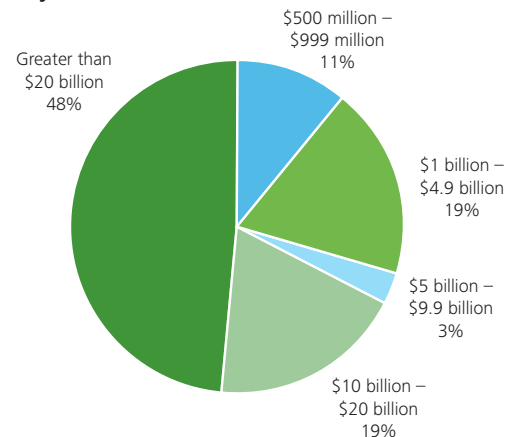


Figure 7. Company revenues during the most recent fiscal year (Oil & Gas)



Contacts

Joe Kelly

Human Capital Energy Leader
Principal
Deloitte Consulting LLP
United States
+1 713 982 3750
joskelly@deloitte.com

Ron Harman

Human Capital Oil & Gas Leader
Principal
Deloitte Consulting LLP
United States
+1 713 982 4865
jharman@deloitte.com

Michelle Seale

Principal
Deloitte Consulting LLP
United States
+1 713 982 2432
mseale@deloitte.com

Ryan Isherwood

Director
Deloitte Consulting LLP
United States
+1 713 982 2839
risherwood@deloitte.com

Felicia Lyon

Senior Manager
Deloitte Consulting LLP
United States
+1 714 436 7463
flyon@deloitte.com

Robin Erickson

Specialist Leader
Deloitte Consulting LLP
United States
+1 312 486 5368
rerickson@deloitte.com

Talent 2020: Surveying the talent paradox from the employee perspective

Talent 2020 is a follow up to the Managing Talent in a Turbulent Economy longitudinal talent survey series. This survey explores the changing priorities and needs of employees at global and large national companies. This report features results from a survey that polled 560 employees at large businesses in the Americas, Asia Pacific, and Europe, the Middle East, and Africa. For more information see www.Deloitte.com/us/talent.



The statements in this report reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any other entities. All survey data and statistics referenced and presented in this report, as well as the representations made and opinions expressed, unless specifically described otherwise, pertain only to the participating organizations and their responses to the Deloitte survey conducted April 2012.

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