



## Oil and gas industry pulse survey

Report of results

March 2017



Start

# Adjusting to a new normal

The global oil and gas industry is in the midst of a period of significant change as it adjusts to a new normal of reduced commodity prices, rising competition, and economic uncertainties. These changes are impacting how companies deploy their global workforce while managing increased pressures on cost savings, revising policies and procedures, and keeping a focus on the future. Deloitte has launched the Oil and Gas Pulse Survey to gauge how companies are responding to this new normal while still developing talent and deploying personnel to meet the needs of their business and customers. The pulse survey looked at the following key areas:

The following report explores how changes in the global oil market are impacting mobility today, and provides insights that will help your organization adjust to a new normal. Survey participants include:



Drilling—Onshore and offshore (32%)



Upstream exploration and production (18%)



Supporting industry—Engineering and Construction (32%)



Supporting industry—Other (18%)



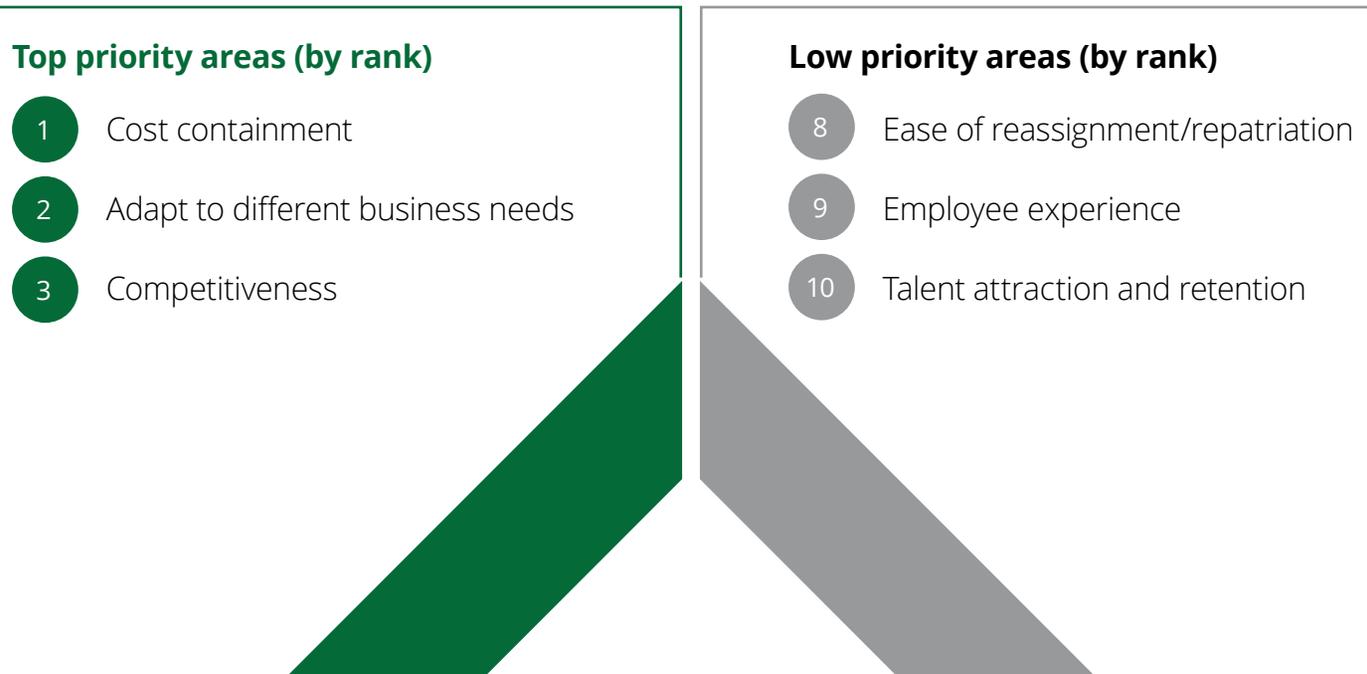
Oilfield services (23%)



Integrated oil company (14%)

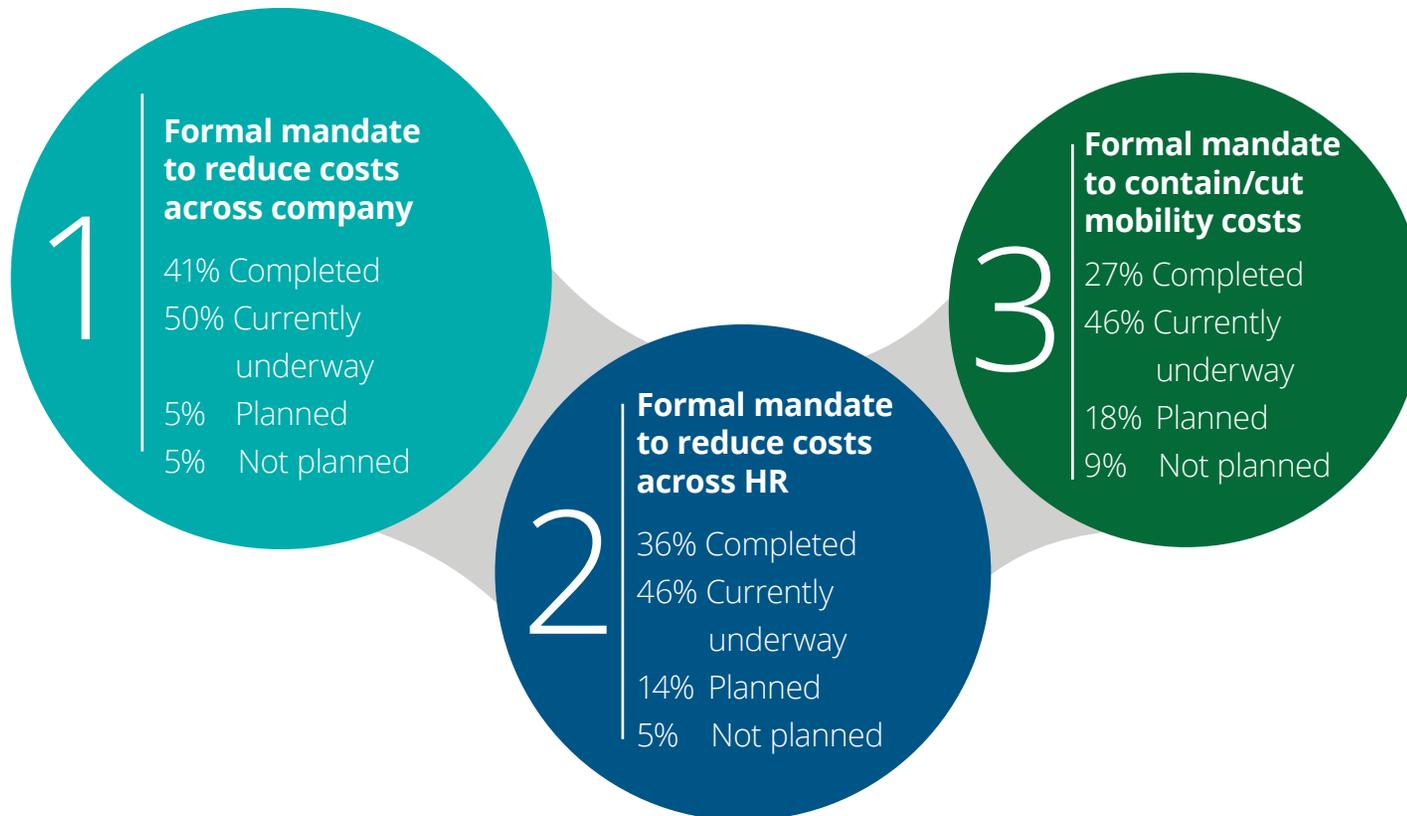
Companies are adjusting to the decline in commodity prices and the top priorities are focused on cost containment, adapting to different business needs and objectives, and remaining competitive with assignment related packages that are offered while supporting business objectives.

While the top priorities are primarily focused on costs this creates a conundrum for Human Resource and Global Mobility teams. Increased pressures on costs and getting assignment costs down does have an impact on the employee experience and could have a greater impact when the market turns on how a company will be able to attract and retain the talent they will need.



# Cost reduction and policy review

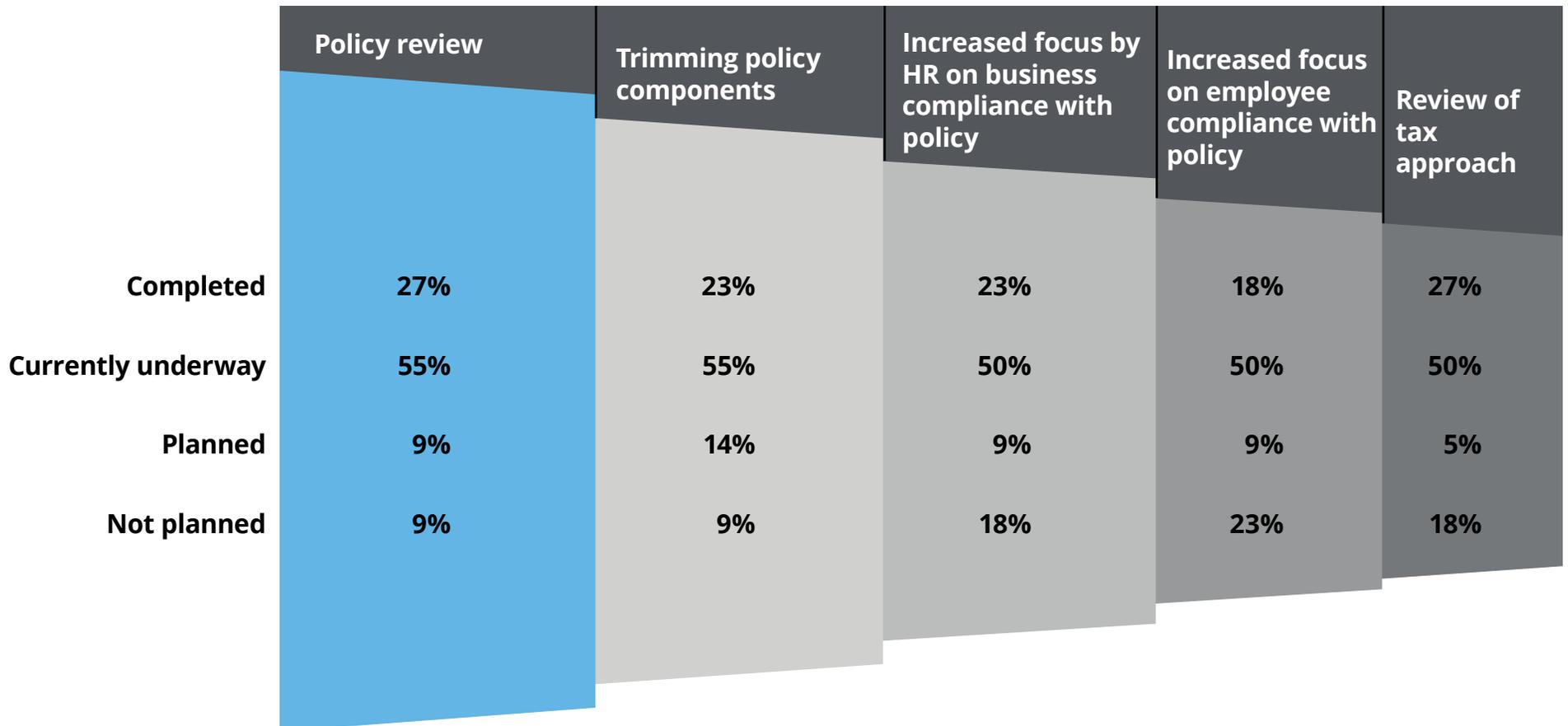
Organization-wide compensation and benefit adjustments are already underway to reduce or contain costs. By bringing opportunities to the business which reduce costs, stakeholders may have a stronger appetite to review policies, reconsider tax approaches for rotators and commuters, reconsider current service providers, and consider initiatives to increase policy compliance. The majority of survey participants have either completed or have projects underway to reduce costs across the organization, including mobility.



Complex compliance and regulatory requirements make these changes challenging for the mobile workforce as the assignment packages are impacted by compensation and benefits adjustments.

# Cost reduction and policy review (cont.)

As companies continue to focus on reducing costs, the mobility policy and tax approach is a top area that is being analyzed for savings. Companies are leveraging the downturn in oil prices to streamline policies and consider changes in tax approaches for their expatriates and commuters.



# Cost reduction and policy review (cont.)

Unique among this particular industry, is the ability to charge the cost of assignments back to customers or suppliers, with participants reporting 41% of short-term assignments and 35% of long-term assignments with their costs passed on.

## Assignment cost projection

Long term (1-5 years)	88%
Short term (3-12 months)	71%
Rotators/Commuters	59%
Local transfers	41%
Developmental	29%
International commuters	24%

## Periodic review of actual cost against budget

Long term (1-5 years)	35%
Short term (3-12 months)	24%
Rotators/Commuters	24%
Local transfers	24%
Developmental	12%
International commuters	12%

## Cost passed on to customer/suppliers

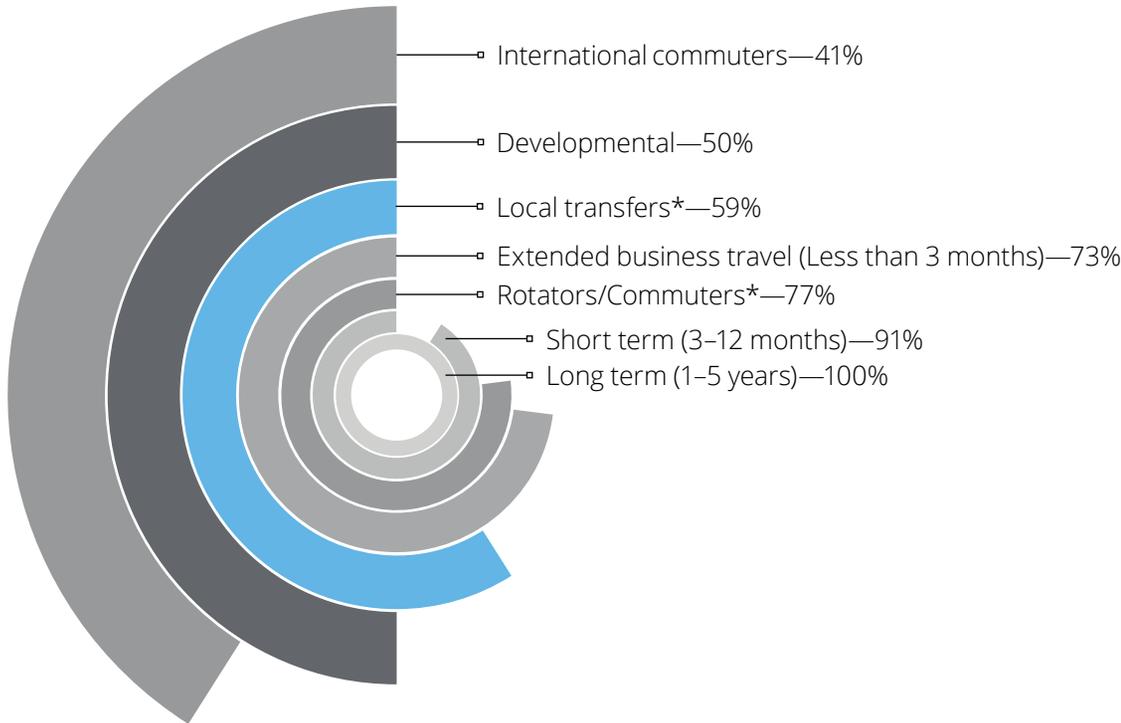
Long term (1-5 years)	35%
Short term (3-12 months)	41%
Rotators/Commuters	29%
Local transfers	24%
Developmental	6%
International commuters	6%



Companies are adjusting to the decline in commodity prices and the top priorities are focused on cost containment, adapting to different business needs and objectives, and remaining competitive with assignment related packages that are offered while supporting business objectives.

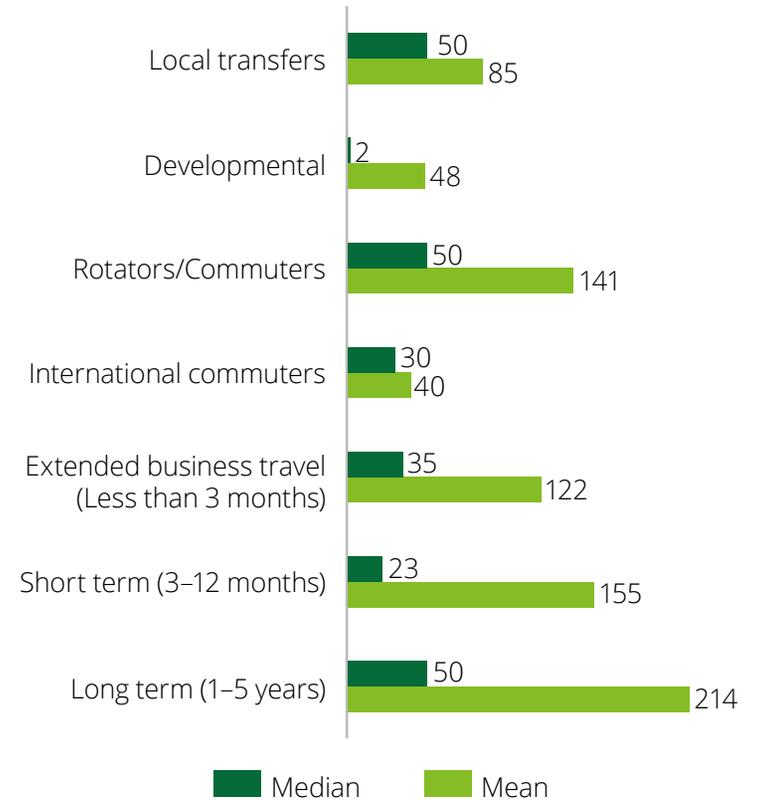
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**Available assignment types**



\*top priority areas looking ahead

**Anticipated deployments: next 6 months**



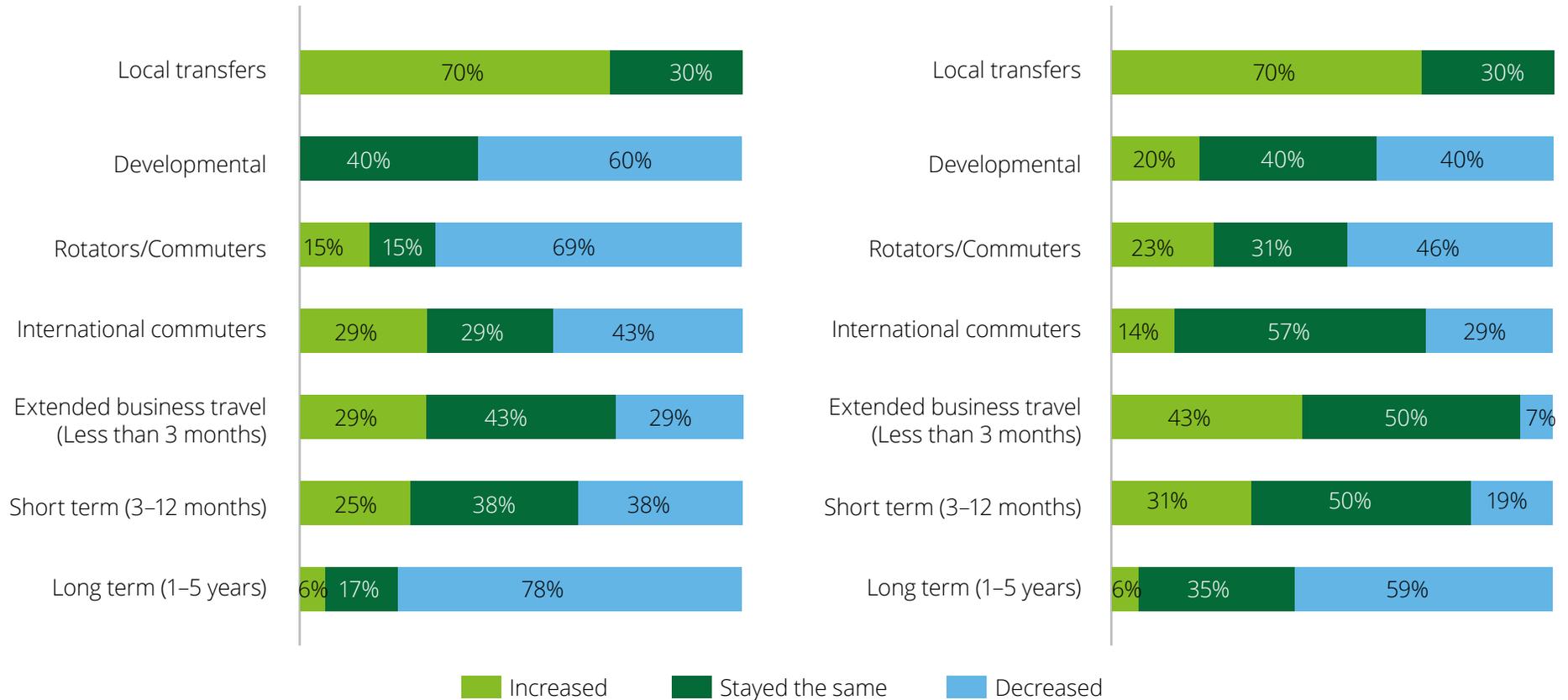
■ Median ■ Mean

# Fewer assignments | More transfers

While the need to have the right expertise in an international location is still a critical business need, the focus on costs has many companies decreasing the number of traditional expatriate assignments and increasing the number of local transfers. Survey respondents also indicate there will be a decrease in assignments, with the biggest decrease coming from long term assignments.

**Deployment numbers—Last six months**

**Deployment numbers—Next six months**



# Decreases in benefits

Of the 13 types of allowances included in the survey there are only three areas allowances that are being reduced: travel, housing, and per diems. For the other types of allowances, the participants indicated that there are not plans to make any changes at this time. The adjustments were limited to long-term, short-term, developmental, and rotator deployments. For the other types of deployments for extended business travelers, international commuters and local transfers, the majority response was that no changes are planned.

Many employees have experienced organization wide reductions in the level of benefits received as companies look to cut costs which has impacted global mobility's ability to implement broader cost saving initiatives outside of the reducing travel, housing, and per diem.

	<b>Long-term</b>	<b>Short-term</b>	<b>Developmental</b>	<b>Rotators/Commuters</b>
	N=18	N=18	N=18	N=18
<b>Travel allowance</b>	28% decrease	17% decrease	17% decrease	17% decrease
<b>Housing allowance</b>	17% decrease	17% decrease	22% decrease	No change
<b>Per diem/ Living allowance</b>	17% decrease	22% decrease	22% decrease	No change

No changes were projected for the following types of allowances: Camp, hotel or Extended Stay Accommodation, R&R, Cost of Living Allowance, Hardship Premium, Foreign Assignment Premium, Completion Bonus, Class of Travel, Paid time for Training, Travel Days, Spousal Assistance

# Will you be ready?

When considering the difficulties of the current business and mobility landscape, looking ahead the best organizations are already asking: "When the landscape does change, how will we be ready to address the changes to come? "

Increased due diligence and ownership for international rotators

New ways of hiring and paying employees

Preparation for mergers and acquisitions

Redefining what mobility means in our industry

# 2017: Industry recovery

Against a challenging business background, our survey shows HR and Global Mobility professionals are responding with a close review of the structure of their international assignment packages and policies, and increasingly shifting mobility towards transfers, business travel and rotational assignments and moving away from traditional assignments.

As the Oil & Gas sector begins to recover and companies expand their focus beyond cost containment, operational efficiencies and doing more with less, Deloitte's point of view is that mobility is partnering more closely than ever with the business and HR with global workforce planning. The key deployment questions mobility should consider as the market recovers are:

## Where?

Will the business return to former markets or enter new locations?



## When?

Is there a tipping point at which the business will look to make capital investments again?



## How?

Ramping up doesn't have to mean going back to 'business as usual'.



## Who?

Who will the business be targeting to fill the need with geo-political uncertainty?



## At What Price?

How to balance cost containment, talent acquisition, and new reward models?





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