Recruiting & Retention Opportunities for the Energy Industry in a Changing Environment

James Wright
Managing Director
Energy Practice

Arthur J. Gallagher & Co.
The economy is positioned to make gains, and at the top of the economic growth is the energy industry. Between the Bakken shale in North Dakota and other significant natural gas discoveries in the United States (U.S.), it is likely that the industry will continue to keep busy in the coming years. As a by-product of this growth, some challenges are becoming more prominent. One of the most important issues facing energy organizations are in the areas of recruiting and retention. While employers in some parts of the country are quickly gaining human capital, the rest of the U.S. struggles to keep the baby boomers around to mentor younger generations.

The Competitive Environment

Nearly 50 percent of the workforce in the energy sector plan to retire within the next 10 years, causing an intellectual gap in the industry. As a result, employers have embarked on a strategic planning process including new approaches to: recruiting and retaining, knowledge transfer, compensation, benefits, training, and development. Trends show that recruitment efforts in the energy industry have increased 15 percent since 2009.

While recruiting key talent is important, retaining this talent is an equally significant issue. Employers must understand why key talent quits and the best practices for retaining key talent. Additionally, it is important to identify the most valuable and efficient practices to create solutions for these issues.

As the industry becomes aware of an intellectual gap, the increased demand for experienced professionals has created a hypercompetitive environment. Studies indicate that the “poaching of staff, salary escalation and higher attrition rates,” may have serious effects on major projects and production capacity. Additionally, traditional benefit offerings consisting of health insurance, life insurance, disability insurance, and a retirement program are not enough to recruit or retain ideal employees. A few solutions to the competitive environment created by this intellectual gap are:

- Long-term incentives
- Training/Mentoring
- Enhanced work/life balance
- Total reward statements
Long-Term Incentives and Increased Training and Development

The long-term incentive movement began as a strategy for knowledge transfer. Employers hope that these incentives provide the older generation motivation to stay at work and engage in their organization’s training programs. Training and development departments are also creating innovative ways to void the intellectual gap. For example, some employers are recording detailed instructions for operating important heavy equipment. These videos are available through their intranet, and can be easily accessed onsite. Other programs to increase knowledge transfer include rotational assignments to broaden experiences. These programs offer a seamless knowledge transfer that is readily available at any given time. Additionally, these new training and mentoring programs allow organizations to hire workers with no or limited training. With such great mentoring and development programs, organizations hope to keep employees from being lured away by other organizations.

Enhance Work/Life Balance

Another solution to the changing environment in the energy industry is to enhance work/life balance. Employers have established new, attractive benefits for their populations such as: increased flexibility in schedules, casual dress, paid time off, sabbatical leave, child care, employee assistance programs, concierge services, and vacation banks. These additional benefits are particularly attractive to the younger generation. Modern technology allows employees to access their work anywhere at any given time; thus allowing expectations for flexible schedules to increase. Unlike previous generations, the current workforce is sharing more child and elder care responsibilities, contributing to the need for flexibility. The perks of an enhanced work/life balance may help create a friendly environment and overall workplace culture. Fostering a positive culture leads to higher retention rates with high performers.

Stay Competitive: Create a Total Rewards Program

To ensure sustained employee retention, a company’s strategic plan must create and efficiently communicate total rewards statements. A successful total rewards program will incorporate an attractive compensation and benefits bundle, along with the promise of potential growth in the company. Communication is the key to these programs’ success. Often times, employees think that the amount on their paycheck is the total amount they receive from their employer. A total rewards statement illustrates a complete overview of the employees’ rewards package. These statements contain a letter explaining their benefits, along with charts that clarify the organization’s investment in their people — their most important asset. Showing the full value of the employer’s commitment through long-term incentives, insurance programs, retirement savings, and government mandated program, allows employees to appreciate and increase loyalty towards their employer.
Summary

As the generational gap increases, so does the demand for qualified talent, thus creating a hypercompetitive environment in the energy industry. As a result, a strategic plan specific to recruiting and retention is vital to the success of energy companies. The following action items have been effective in helping clients:

- Long-term incentives such as enhancing life insurance or disability benefits, gives employers the opportunity to close the generational gap and bridge knowledge transfer.
- Mentoring incoming employees and working with managers to actively participate in the training of new employees.
- Enhancing work/life balance provides an alternative solution to attracting young employees. These perks may include: increased flex schedules, casual dress, paid time off, sabbatical leave, child care, employee assistance programs, and concierge services.
- Total rewards statements inform employees of their fringe benefits, health and welfare programs, retirement savings and long-term incentives—all of which are additional features aside from their base salary.

The generational gap represents an opportunity for employers to invest in their most important asset—their people. A well defined strategic plan addressing recruiting and retention will help energy sector employers to proactively separate themselves from their peers.
Recruiting & Retention Opportunities for the Energy Industry in a Changing Environment

About the Author

James Wright is a Senior Vice President and Energy Practice Managing Director for the Benefits & HR Consulting division of Arthur J. Gallagher & Co. In his role, Wright leads and manages marquee marketing events, as well as collaboratively developing strategic objectives focused on positioning Gallagher’s resources efficiently to optimize future opportunities. As the division’s Energy Practice leader, Wright is responsible for building energy industry-specific deliverables and branding the company’s value proposition to the oil and gas industry. Wright earned his bachelor’s in marketing and business from Abilene Christian University in Abilene, Texas.

James Wright
Managing Director
Energy Practice
Arthur J. Gallagher & Co.
james_wright@ajg.com
713.358.5208
www.ajg.com

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Neither Arthur J. Gallagher & Co., nor its affiliates provide accounting, legal or tax advice.

© 2014 Gallagher Benefit Services, Inc.

Arthur J. Gallagher & Co.