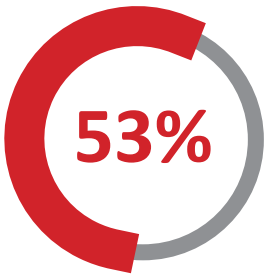
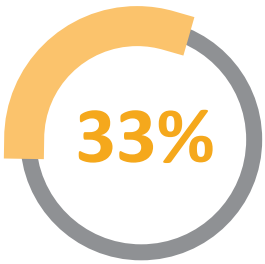
PETRO PRICES TO PETRO PEOPLE

4 PART SERIES

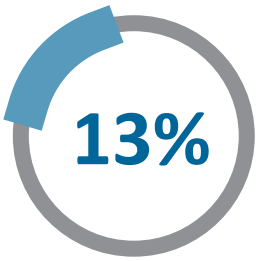
PART 1 - INDUSTRY PULSE



Decreasing workforce



Maintaining workforce



Increasing workforce

PHR recently conducted a poll, sampling 30 human resource professionals across several industry sectors, which reflects that some companies are, in fact, acting on the wisdom of holding on to staff. While there is a sizeable portion of companies implementing actual layoffs, 33 per cent of respondents indicated they are holding on to existing staff, while 13 per cent of companies expressed plans to increase their workforce within the next year.

So much depends on the price of one small barrel. With oil prices dipping to six-year lows in recent months, the livelihoods of many oil and gas workers hang in the balance. Although spirits have been intermittently buoyed by news of periodic rallying prices, and Statistics Canada reports of continued growth in new jobs over January, the theme in the media continues to be "layoffs." However, history has shown just how resilient this industry, and its people, can be. Despite the challenges it has faced over the last several decades, the Canadian oil and gas industry and the people who drive it to succeed have still managed to increase output, boost profitability and process efficiency, and deliver products out to new international markets year over year.

But getting here hasn't been easy. After the crude oil price collapse of 1986, much of the industry's talent and expertise was lost, slowing down potential research and development (R&D) advancements and overall industry progress. Again in the 2008-09 downturn, the Petroleum Human Resources (PHR) Division of Enform (formerly Petroleum Human Resources Council) calculated that Canadian companies shed approximately 6,300 direct oil and gas workers. But as is the nature with a cyclical industry, in both instances oil prices recovered, producers in Alberta's oil sands began re-staffing, and Canadian oil production skyrocketed. In recent years, worker shortages were the prevailing theme, an issue that has only been compounded by the looming retirement exodus.

The intellectual argument for holding on to industry workers is evident but not always easy in practice. The Petro Prices to Petro People four-part series will explore the impacts of declining oil prices on the Canadian oil and gas workforce while looking at short- and long-term solutions to manage these challenges. This first article takes a pulse check on the industry in order to illuminate the top factors currently influencing workforce activity.

A CANADIAN SNAPSHOT

While the impacts of the low oil price will be felt most strongly in the western provinces, the 550,000 Canadians directly or indirectly employed by the industry across the country (CAPP) will undoubtedly begin to feel the effects of reduced commodity prices to varying degrees.

"We are viewing impacts on the direct and indirect oil and gas workforce as short term," says Carol Howes, new Director of PHR. This outlook is also congruent with a Canadian Imperial Bank of Commerce prediction that Canada's oil industry will see a "mild and temporary" recession this year.

"Yes, there will be a slowdown on industry expansion activity and hiring, but this might actually provide temporary relief from labour and skill shortages challenging the industry in the long term," says Howes, suggesting companies will focus more on core activities in their business to continue with current production. "This means they will need to maintain their core workforce."

However, layoffs are occurring, especially of contract/contingent, temporary or project-based workers, as more long-term projects are deferred or cancelled, Howes adds. And these impacts can be seen in every province.

(continued next page....)

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PART 1 - INDUSTRY PULSE

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> Carol Howes, Director, PHR

In Alberta, oil and gas capital expenditure cuts are challenging, and the province's employment numbers reflect this. Statistics Canada (StatCan) recently reported that Alberta lost 14,000 net jobs in February. Analysts agree that these new numbers suggest job rates have caught up with the fiscal realities of the oil patch, pointing to the overall loss of 20,000 jobs in Alberta's natural resources sector over the last six months. The Alberta government has forecasted a total of 31,800 jobs to be lost for the remainder of 2015.

The latest StatCan labour force survey reports that employment in Newfoundland and Labrador declined by 3,000 in February. In Nova Scotia, employment fell by 4,400. Many Atlantic Canadians are feeling the pinch of reduced budgets in response to cheap oil. In 2014, an estimated $375 million was generated by "fly in-fly out" workers who commute to the oil patch and return to the Maritimes during off weeks. The Conference Board of Canada announced it is expecting the fiscal challenges facing Alberta will have a significant ripple effect on the East Coast, and economists are predicting that Newfoundland and Labrador's economy will slip in 2015 due to the province's reliance on the offshore oil and gas industry. Production growth is forecasted to slow and expansions will likely be put on hold or cancelled. Part of Suncor's $1 billion budget cut, for example, will include pulling back on expansion efforts off the Newfoundland and Labrador coast.

While the falling price of oil and the Canadian dollar has central Canada poised to revive its manufacturing sector, indirect jobs that supply oilfields in Alberta could suffer. For example, manufacturers of valves, steel, pumps and technology export millions of dollars' worth of parts and services to the oil sands each year.

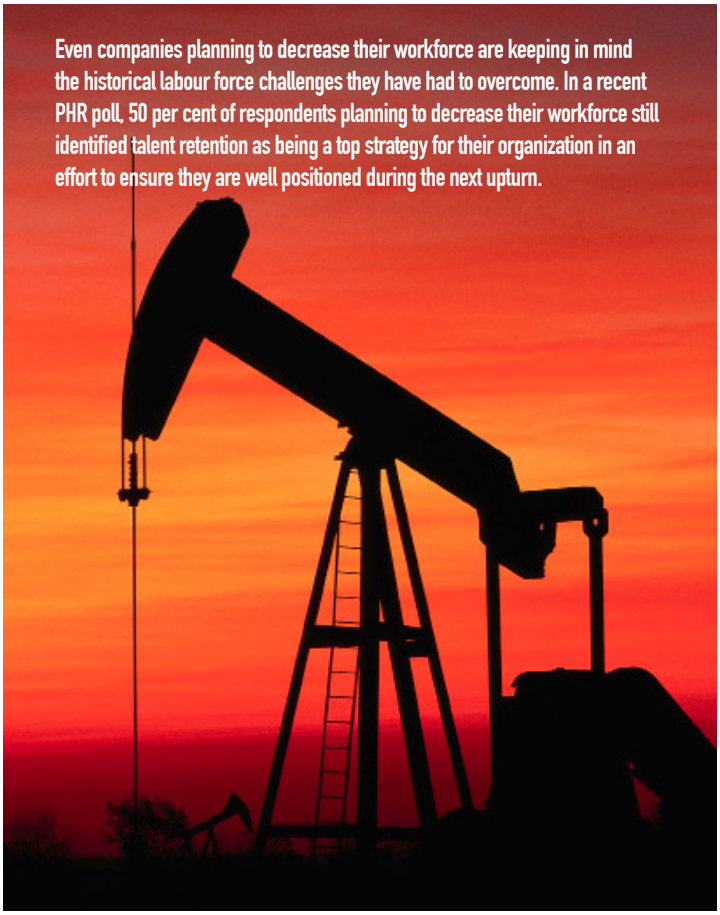
In Saskatchewan, Cenovus announced plans to suspend most of its conventional drilling program, and low oil prices are forcing potential buyers in the Bakken formation to be wary. Halliburton also announced it would be closing its Regina office as part of the oil service giant's sweeping layoff exercise that would impact 10 per cent of its global workforce (a total of 6,500 workers). StatCan also reported an approximate 1,000 job decrease in the province's natural resource sector from December to January.

Manitoba, a province characterized by one economist as more of a consumer than a producer of oil, has focused on the benefits of low prices. "Oil is not a huge part of the Manitoba economy, it is a growing part of the Manitoba economy," local economist Michael Benarroch was quoted to say in a January Winnipeg Sun article. He pointed to low pump prices and the subsequent lower Canadian dollar as being a benefit for Manitobans paying at the pumps, as well as for industries such as transportation, export, tourism and manufacturing. On the energy side, though, shale and gas exploration in southwestern Manitoba will be negatively impacted.

In the Northwest Territories, over $2.6 billion worth of energy-related capital commitments are threatened by plunging oil prices, according to the region's minister of industry, tourism and investment David Ramsay. Chevron Corp., for example, placed its Arctic drilling plans, totalling about $2 billion, on hold "indefinitely" in November, citing "economic uncertainty."

Meanwhile, in British Columbia the big topic is LNG. Despite a loss of prospects (only two of the 18 LNG projects currently proposed in the province are expected to proceed), Premier Christy Clark has maintained an optimistic outlook, supporting a tax break for LNG developers and even inviting trained workers in Alberta to "come back home to B.C." and fill her province's industry jobs once those successful projects proceed. Not everyone is as optimistic about the upstream sector in B.C. however. Malaysian company Petronas and the U.K.'s BG Group have both deferred final investment decisions on two large LNG projects in the province, and Apache Corp. exited the development of the Kitimat LNG project – despite being one of the original developers.

Having taken a wide-angle lens snapshot on the impacts across Canada, the following sections zoom in on specific activities and impacts of key sub-sectors including oil and gas services, E&P and pipelines.



OIL AND GAS SERVICES

Oil and gas service providers are most impacted when E&P companies defer or cancel projects. Compounding the pressure for this sector are cascading requests from clients to lower costs. Crescent Point Energy Corp. has predicted the average price for oilfield services could fall by as much as 30 per cent this year. Whitecap Resources Inc. has said it's already seeing service cost reductions in Canada between eight and 12 per cent for this quarter, a trend not anticipated to slow down soon.

How these difficult fiscal realities will impact jobs is best illustrated by recent numbers from two of Canada's oil and gas service associations. Petroleum Services Association of Canada (PSAC) announced its revised drilling forecast in January, estimating approximately 7,000 oilfield jobs will be cut. Of these, the drilling industry is anticipated to be the highest affected in the short term. With the 2015 drilling activity forecast from the Canadian Association of Oilwell Drilling Contractors (CAODC) predicting a 41 per cent reduction in active drilling wells and a 20 per cent reduction in fleet utilization compared to 2014, a potential loss of approximately 3,400 direct services jobs and up to 19,300 indirect jobs across Canada is predicted.

These predictions are starting to come to bear in industry activity. Despite winter traditionally being the busiest season for drilling in the oil patch, experts are saying service companies are disbanding for an early spring break-up ("But it's not an environmental breakup. It's economic," an AltaCorp Capital analyst mused in one media story). Precision Drilling reported earlier this year that it is operating with 1,000 fewer drilling rig crew members compared to last year due to a 20 per cent reduction in rigs. As well, several international drilling companies, including Schlumberger Ltd., Baker Hughes Inc. and Halliburton Co. have already announced job cuts totalling thousands. In the case of Baker Hughes, this may impact between 300-500 Canadian workers, according to one analyst, despite the company's history with labour shortages in its fracturing division.

> "While this sub-sector has the largest pressures, services companies are evolving to become more resilient, fine-tuning service costs, upskilling staff and adjusting worker numbers in a way that is least harmful to the industry as a whole in the long term."
> Claudine Vidallo, Project Manager Labour Market Information, PHR

"Because oil and gas services are the first positions to be trimmed during a downturn, they historically have been reactive," says Claudine Vidallo, Project Manager of Labour Market Information at PHR. "When the industry began to pick up again after the last downturn, service companies had to chase back those thousands of workers, many of whom did not want to return to the industry." A significant skills shortage subsequently became the next major headache for the services sub-sector.

The upside to this reality may be the resiliency of the services sector, a trait that comes from this history of volatility. "This time around, service companies may be more cognizant of the impacts layoffs could have once prices begin to really pick up," added Vidallo. In PHR's recent poll, while the majority of companies that provide oil and gas services were planning to decrease their workforce due to the downturn, some also stated that addressing a skills shortage was a significant workforce challenge.

"Training and nurturing staff has also been a big theme," Vidallo noted from the survey results. "While this sub-sector has the largest pressures, services companies are evolving to become more resilient, fine-tuning service costs, upskilling staff and adjusting worker numbers in a way that is least harmful to the industry as a whole in the long term."

NUMBERS AT A GLANCE

33% Estimated decline in short-term capital spending (CAPP)

$23b Predicted reduction in 2015 capital investment in Western Canada (CAPP)

550k Number of Canadians directly or indirectly employed by oil and gas industry (CAPP)

7,000 Number of oilfield jobs estimated to be lost in 2015 (PSAC)

$375m Income generated in 2014 by fly-in fly-out oil sands workers (Conference Board of Canada)

19,300 Number of indirect job losses predicted due to reduction in active drilling wells and fleet utilization (CAODC)

PART 1 - INDUSTRY PULSE

EXPLORATION AND PRODUCTION

Of the E&P companies (including oil sands) surveyed in the recent PHR poll, 50% flagged employee engagement and productivity as one of their top three workforce issues.

The E&P sub-sector, and the hiring decisions that drive it, are complex. Few companies want to cut production entirely as this is where cash flow is generated, so there will continue to be production growth, albeit on a smaller scale.

With some exceptions, exploration for long-term projects will likely take a pause, whereas ongoing operations in plays like the oil sands, off-shore and conventional oil, are simply opting to maintain production. While many long-term projects may proceed as companies are either locked into long-term contract commitments or wish to capitalize on lower rates, other long-term projects, like Canadian Natural Resources Ltd.'s (CNRL) Kirby North project, only two years away from production, Total's Joslyn oil sands mine and Shell's future phases of its Carmon Creek project near Peace River, are being halted for now.

Job cuts from companies in the E&P sector have come as no surprise. In January, CAPP released its updated 2015 forecast for total Western Canadian oil production, which estimated a 33 per cent decline in short-term capital spending, including an approximate $8 billion reduction in oil sands spending and $15 billion in conventional oil spending.

As such, Suncor Energy Inc. announced it would be reducing its workforce in Alberta by 1,000. Most recently, Cenovus announced a 15 per cent cut to its labour force, impacting about 800 jobs. In the majority of cases, companies are acknowledging that these cuts will mostly impact contractors.

Despite these cuts, E&P companies are still continuing on the path towards production growth: Suncor intends to push forward with the development of its Fort Hills mine and will also proceed with its current offshore work at Hebron. ConocoPhillips Canada has also said it will continue on with its Surmont 2 project, scheduled to begin production mid-2015.

"Again, within the E&P sub-sector, it's mostly impacting the contract, temporary and rotational workers as companies hold on to the permanent staff to man projects that are presently producing," says Vidallo. "But we're also seeing companies trim down on office workers, sometimes even re-deploying them to operational duties. By and large, companies are proceeding with caution. They are using more creative means to deal with their workforce, even reassigning skilled staff associated with deferred projects to other parts of the business where necessary."

Other approaches to managing the price crunch without significantly reducing the workforce have included cuts to labour costs, including salary freezes and reducing training and attendance at conferences, observes Brian Reidi, head of the Towers Watson Calgary office. Said Reidi in a January Financial Post editorial, "Typically in these cycles, companies have had a tendency to indiscriminately slash head counts. But we're not seeing that today, at least not yet." Reidi added that some organizations were using this opportunity to find talent in targeted areas where they have experienced a shortfall during the past few years of growth.

PIPELINES

Pipeline infrastructure is anticipated to be the sub-sector least impacted by the current environment, riding out falling commodity prices with little effect on overall activity. Companies like TransCanada and Enbridge have a significant portion of their business secured by long-term contracts, so the next few years is expected to be business as usual.

In the recent PHR poll, several pipeline transmission companies stated they were maintaining or increasing their current workforce and attributed planning for long-term growth as a key business driver for this strategy. One respondent, however, also acknowledged that while its current staffing strategy is to "maintain," it would consider looking at decreasing its workforce if its producing partners were forced to delay projects due to declining oil prices.

The large volumes of oil flowing from U.S. shales, along with OPEC's decision in November to maintain production levels, have only strengthened the argument that Canada must ensure it has the infrastructure in place to get its oil to new foreign markets. Following a Calgary Chamber of Commerce event in January, Federal Finance Minister Joe Oliver remarked that the drop in oil prices does not diminish the need for pipelines to be constructed, in fact it heightens it as lower prices make alternative transportation options uneconomical.

A representative from Enbridge's Liquid Pipelines division said in December that the company is "in this business for the long term," explaining that apportionment allows the company to finance its $36 billion worth of new projects over the next five years. The company did, however, affirm that at the end of the day, it all depends on where the prices go.

STAY TUNED

Ultimately, companies are wise to view current events and their business plans with a long-term lens. Both oil and gas services and E&P companies recognize they have to find efficiencies without cutting too deep; it's about finding short-term solutions to hold on to the current workforce while managing long-term labour supply issues. Stay tuned for a further exploration of this topic in future articles.

Part 2 Company solutions and alternatives: This article will focus on how individual companies are managing the current downturn (remaining competitive with less resources) while also recognizing long-term labour force needs (attraction and recruitment during future labour shortages).

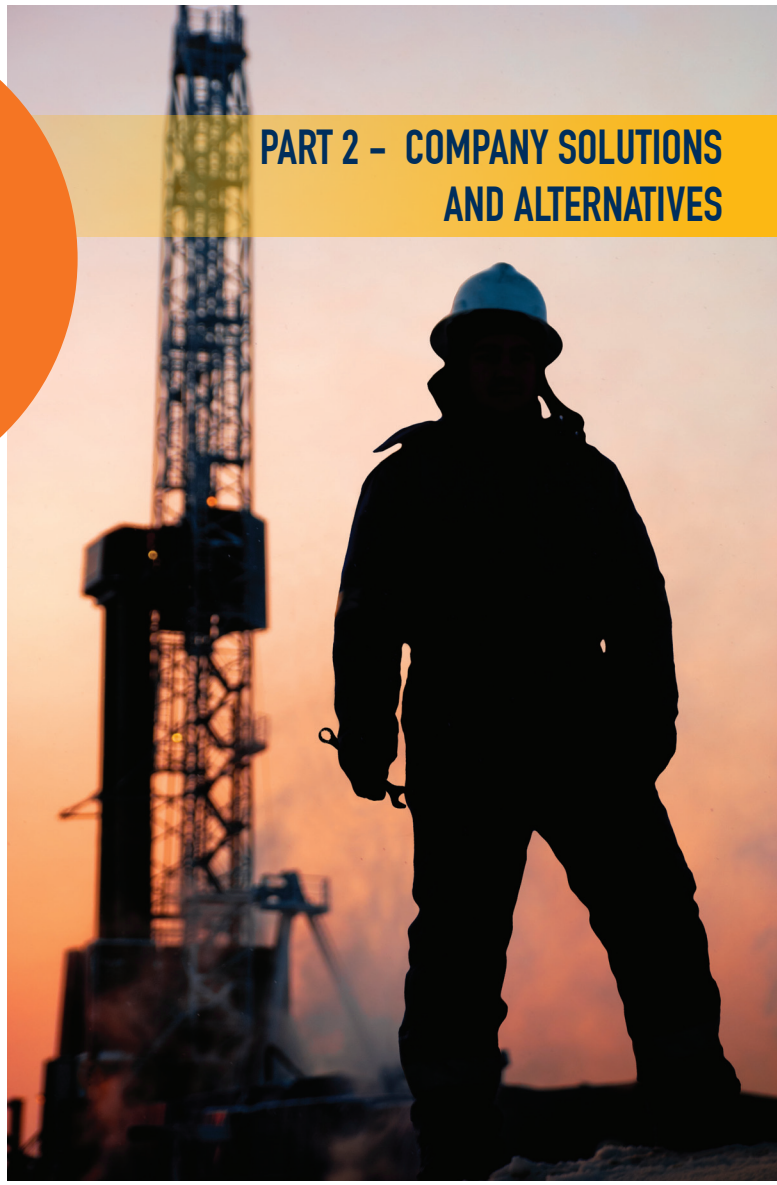
Part 3 Planning for the future: In the next issue, we will explore industry's challenges and needs dealing with long-term issues such as an aging workforce and a labour/skill shortage.

Part 4 Working together: This article will examine ways in which the industry can collaborate to ensure there are supply pools to recruit from over the long term with projections for skills/labour shortages.

PETRO PRICES TO PETRO PEOPLE

4 PART SERIES

PART 2 – COMPANY SOLUTIONS AND ALTERNATIVES



The current pressures facing Canada's oil industry with oil prices hovering around $50/barrel bring Peter Drucker's words to the forefront as companies and human resources (HR) managers grapple with the tension between managing their workforce during the short-term resource crunch and recognizing the long-term need for industry talent.

> "Long-range planning does not deal with future decisions, but with the future of present decisions."
>
> – Peter Drucker, business philosopher

"What we're seeing is that companies are largely using this downturn as an opportunity to revisit their business and workforce strategies. More progressive organizations are doing that in a way that enhances organizational performance and efficiency in the long term," says Carol Howes, Director of the Petroleum Human Resources (PHR) Division of Enform. "It is inescapable that jobs are being lost in the energy sector, especially on new drilling and expansion projects, but we're also seeing a lot of innovative approaches being considered before companies make the really tough decisions about the size of their workforce."

The impact of the downturn on jobs and the number of layoffs occurring in the industry does show that workforce decisions are catching up with fiscal realities. In February, Statistics Canada reported a loss of 16,900 natural resource jobs, 14,000 of which occurred in Alberta. Statistics Canada's March numbers showed little change to Alberta's employment level, as part-time job gains were offset by full-time job losses. According to the latest HR Trends survey by the Human Resources Institute of Alberta (HRIA), "Alberta's hiring binge is over."

"It is critical that companies keep sight of learnings from previous downturns," says Howes, adding that, in the past, some workers who were laid off and found employment outside of the industry tended not to return. "We know companies understand that when the oil price turns around they will once again be faced with both labour and skills shortages and will need to re-hire the talent lost through layoffs."

Mark Salkeld, President and CEO of the Petroleum Services Association of Canada (PSAC), has seen an evolution in how workers are viewed over his 35 years of industry experience. As one of the layoff casualties of the National Energy Program in the early 1980s, "I was just a heartbeat and workers were a dime a dozen," Salkeld recounts. "That's not the case now. We spend so much time training people on competencies, safety and certifications; it's a huge investment and a lot of intellectual capital you would do anything not to lose."

Having observed the impacts of the previous downturns on the availability of industry talent, labour market professionals like Claudine Vidallo, Project Manager of PHR's Labour Market Information team, have been talking to oil and gas companies across the upstream and midstream sub-sectors to gain an understanding of how companies are reacting this time around. The consensus across the board is this downturn is quite different than in 2008, which was more global and far-reaching in nature. "The trajectory of the current downturn, being more commodity driven, is very difficult to predict, and in many cases, potential workforce response strategies are still in the discussion stage," says Vidallo, adding that several energy services representatives believe they will be better positioned to do more planning in the second half of the year.

"But even while layoffs and hiring freezes are happening, we're finding that every effort to hold on to existing staff counts," says Vidallo. Through research and conversations with industry, PHR has witnessed companies employ the following approaches to keep their people.

Petroleum Labour Market Information

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REDUCING COMPENSATION AND BENEFITS

In a recent Mercer report, *Oil and Gas: Managing Human Capital Assets During a Market Disruption*, compensation freezes or cuts were rated among the top three most common HR responses for 2015. While this strategy has been implemented across many sub-sectors, it has been especially prominent with oil and gas services companies, which have been particularly hard hit by the downturn due to a slowdown in drilling activity and pressures from oil producers to reduce service costs. For example, in January, Ensign cut its director compensation by 20 per cent and executive salaries by 10 per cent after reducing its 2015 capital budget to $220 million. Calfrac Well Services Ltd. also reduced its director and executive compensation by a similar amount while halting projects in Columbia. Trican Well Services Ltd – although also implementing layoffs – instituted a 10 per cent average pay cut for employees across the board.

According to Steven Berg, Vice President, Operations at the Canadian Association of Oilwell Drilling Contractors (CAODC), the drilling industry has, for the most part, implemented wage rollbacks at a management level as opposed to the field level. These efforts have also included the elimination of performance-based bonuses, such as longevity and referral bonuses.

While actual wage roll backs might be a tough pill to swallow, some energy companies are finding little resistance when they ask their workers to take certain days off unpaid for a predetermined period (i.e. furlough). Another approach widely being used is unpaid sabbatical. One recruiter, Jeff Aplin, said in a February *Calgary Herald* article that people will sometimes welcome the option to take time off and be with their family with the assurance they will have a job upon their return.

The Mercer report goes a step further to recommend that beyond changes in compensation and benefits, companies can also reconfigure their programs by examining alternative delivery mechanisms, timelines of delivery, and configurations of total compensation.

There is also a larger piece of the puzzle when it comes to compensation and benefits that goes beyond salaries, bonuses and paid vacation. "The key is to look at the big picture of how you administrate the delivery of your benefits programs," says Vidallo. "Although workers are willing to 'take one for the team' when they agree to take unpaid vacation, you also run the risk that they may look to other industries that aren't being impacted by the downturn and can offer better benefits and pay. Companies should consider maximizing the cost effectiveness of service delivery so that they don't have to cut too deep into the actual substance of employee benefits."

JOB SHARING

Job sharing has become another common solution for many companies but it has to be done right, according to Cindy Hames, Director of Global Field Resources at Ensign. She has observed that while many efficiencies can be gained with job sharing, companies also run the risk of diluting the opportunity too much, spurring workers to find new jobs.

Many energy companies are actually taking advantage of government programs to optimize these job sharing initiatives. "We have had several companies say government job sharing initiatives helped them get through the last downturn," says Salkeld.

SERVICE CANADA WORK-SHARING PROGRAM

- Work-sharing is designed to help employers and employees avoid layoffs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer.
- Under work-sharing, income support is provided to employees eligible for Employment Insurance benefits who work a temporarily reduced work week while their employer recovers.
- Work-sharing agreements must include a reduction in work activity of the employees' regular work schedule between a minimum of 10% (one half day) and a maximum of 60% (three days).

MAINTAINING PROFESSIONAL AND WORKFORCE DEVELOPMENT

While professional development and training opportunities represent a prime target for budget cuts, companies should take caution before eliminating opportunities to upskill workers or have work-ready graduates available when activity picks up.

"Definitely there are going to be cuts to training for some companies, but in my experience, this is the time to train and get people caught up. Training should be the last thing companies cut," adds Salkeld.

REDEPLOYING WORKERS

Companies are also redeploying workers to ensure they stay within a company. One type of redeployment is moving high-skill workers to other roles, sometimes requiring less skill, that are still busy despite the downturn. "Our member companies are doing everything within their control to keep experienced people, like rig managers, drillers and operators, working," says Berg. "And sometimes that means placing these employees in lower skilled positions to keep them earning and to retain them through this time of low utilization."

Salkeld believes many operational efficiencies can be gained in the long term if companies redeploy workers to new roles to keep them working. "When times are busy, we tend to keep people in silos," says Salkeld, adding that now is the time for companies to get people learning new roles so that when oil prices come up and companies are ready to hire new inexperienced people again, the company will have experienced staff who can train for multiple roles. "Don't think that just because someone runs a frack pump or vacuum truck, that this is all they can do. Maybe they can perform equipment maintenance and service responsibilities on other company equipment."

Another form of redeployment is geographical. For instance, Tarpon Energy Services, an organization that prides itself on its highly entrepreneurial workplace culture, gave each of its workers the opportunity to relocate, prior to being placed on temporary layoff status, an offer some of those workers accepted. Julie Sullivan, Director of Human Resources, says one of Tarpon's strategies at this time is one of redeployment without subsistence (i.e. Tarpon is not paying for travel costs, living-allowance, accommodation, etc.). "What we're trying to do, first and foremost, is provide a retention opportunity, especially for the positions that are most difficult to fill, such as electrical and instrumentation roles at the journeyman level. We will be taking every effort to find work for our people in areas that are slowing down so we are ready to go when the industry bounces back."

> "When times are busy, we tend to keep people in silos. Don't think that just because someone runs a frack pump or vaccum truck, that this is all they can do."
>
> – Mark Salkeld, President and CEO of the Petroleum Services Association of Canada

Sullivan also notes another less foreseen benefit of redeployment is increased collaboration. "The collaborative effort of managers, supported by the leadership team, across all our branches to find new opportunities for our people has been phenomenal," says Sullivan, who notes her organization became much more prepared to manage the current downturn due to the lessons learned in 2008/09. "It was in everyone's interest to work together because we just came out of one of the toughest hiring periods in Tarpon's history," Sullivan adds.

Redeployment is also happening on the international stage. Salkeld believes international companies should take the opportunity to deploy people beyond Canada for the time being as many different jurisdictions are thriving with lots of work despite the low cost of oil globally. "Deploying people internationally can help with employee retention to offset the peaks and valleys for labour requirements in Canada."

CANADA JOB GRANT

- The Canada Job Grant helps employers train new or existing employees for jobs that need to be filled. This flexible program is designed to meet the needs of businesses of all sizes, in all industries and regions.
- The Government of Canada is investing $300 million annually into the grant program.
- For employers, this means the federal government could provide two-thirds of the cost of training, up to a maximum of $10,000 per grant. Employers will be required to contribute the remaining one-third of the training costs.
- The Canada Job Grant provides funding for training programs offered by eligible third-party trainers, such as community or career colleges, trade union centres or private trainers. Training can take place in a variety of settings, including a classroom, at a workplace or online, and can help individuals improve their skills or develop new skills in a variety of areas.
- Employers can apply for a Canada Job Grant directly through their province or territory.

FINDING OPERATIONAL EFFICIENCIES

Oil and gas producers and services companies are increasingly analyzing ways to tackle cost efficiencies. John Brannan, Chief Operating Officer of Cenovus, told the Oil & Gas Inquirer that, "the silver lining in this whole dark cloud of prices is that there will be efficiencies that are driven into the business. You will have reductions in cost; your cost efficiencies will go up."

"Pricing discussions are taking place throughout all levels of industry, but some companies can absorb these cost reductions better than others," says Vidallo. "For instance, fracking companies have less room to reduce pricing as their prices have only increased seven to 10 per cent from the lows in Q4/2013 due to oversupply."

Many companies are also thinking outside of the box. Energy services companies are passing on service cost reductions to their own vendors. "We've taken it upon ourselves to go to our vendors and find out what they can do for us, such as a quick pay vendor discount," says one energy services HR manager.

> "Caps can be placed and removed on wells, valves can be opened or closed, units can be shut down or ramped up. Employees cannot. Tangible assets also don't have what employees have – memory, emotion and the ability to make decisions to stay or leave an organization."
>
> – Mercer, Managing Human Capital Assets During a Market Disruption

Companies like Tarpon have also introduced their own internal training programs to teach their frontline supervisors how to execute and manage projects in tough economic conditions. "We're bidding competitively for this market in order to win work and keep our staff working," says Sullivan. "In turn, it's important to give our people the tools, resources and education to manage project costs efficiently."

"In addition to providing soft skills training, such as managing client relationships and supervising teams, we're also building a certain level of financial acumen so employees can understand the financial impact of their decisions," adds Sullivan.

CONCLUSION - THINKING LONG TERM

Hames notes an important observation that sums up the bigger human resources picture for the industry in times of declining oil prices. "We've been more interested in the retention after the downturn," she says, adding the learnings downturn survivors take from these experiences will influence their loyalty to their employer and even the industry. "Companies can be great during the good times, but how are they treating their employees during the hard times? It is after the downturn is over that they will judge and decide, 'Is this a company I want to stay with?'"

While there are short-term solutions to address the immediate market conditions, organizations must think beyond this year or next to prevent the movement of skills, talent and institutional memory from the oil and gas industry to other industries. And one thing remains clear: the need for strong leadership, strategy and rigor in workforce decision making will only continue to grow and evolve in the years ahead.

STAY TUNED

Part 3 Planning for the future: In the next issue, we will explore industry's challenges and requirements in dealing with long-term issues such as an aging workforce and a labour/skill shortage.

Part 4 Working together: This article will examine ways in which the industry can collaborate to ensure there are supply pools from which to recruit over the long term amid projections of skills/labour shortages.