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2006 Energy and Resources
Talent Pulse Survey Report

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A large, abstract graphic in the bottom half of the page consisting of several thick, curved, metallic-looking pipes or tubes that appear to be glowing from within. They are set against a solid blue background.

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2006 Energy & Resources Talent Pulse Survey Report

Executive summary

Every leader and executive in Canada knows that our nation is on the verge of a serious talent shortage that is expected to last for decades. What many do not realize is that the impact will vary widely from one industry to the next. One of the hardest hit will be the energy and resources industry.

Over the past 15 years, career opportunities and market growth in mining, utilities, oil and gas have been relatively stagnant, prompting many young people to choose careers in other fields. At the same time, general interest in the skilled trades has significantly declined as more and more people pursued college degrees and white collar jobs. For industries such as the energy sector, the result is a chronic shortage of qualified workers. And the problem is only going to get worse.

In the spring of 2006, Deloitte, with the support of the Energy Council of Canada, conducted a talent pulse survey of Canadian oil and gas, utilities and mining organizations to better understand the full extent of the talent crisis – and what organizations in the energy and resources sector are currently doing to combat this issue. This survey was produced on the heels of Deloitte Touche Tohmatsu's successful global talent survey, "Becoming a magnet for talent" conducted in 2005. The global talent pulse involved 1,396 respondents from 60 countries, including Canada.

This survey examines specific resource shortages, today's critical talent issues and how they are perceived to impact performance, how organizations are addressing this issue through new initiatives, and where they are currently investing to shore up their talent base. This report provides insight into how organizations in the energy sector are responding, what still needs to be done and Deloitte's perspective on implementing an effective talent strategy.

Key findings

Industry in a pinch

The Canadian energy sector is in a labour “pinch” and, if predictions hold true, it is only going to get worse. It is expected that by 2025, the province of Alberta could face a shortfall of 332,000 workers¹. The impending shortage has already caused concern among energy sector organizations.

Respondents identified a clear link between talent management and organizational performance: 80% of the respondents indicated that the talent shortage has limited productivity and efficiency in their organization. Fifty-five percent indicated that the talent shortage will limit the ability to meet production requirements and customer demand, while 47% said the lack of skilled workers will affect their organization’s ability to innovate.



¹ Source: Alberta's Labour Shortage: Just the Tip of the Iceberg. Insights You Can Count On, The Conference Board of Canada, June 2006.

Critical people issues

When asked to identify the three most critical people issues affecting respondents' organizations, 67% cited attracting specific types of labour as one of the top three issues. Attracting new talent was noted as critical by 60% and the retirement of the Baby Boom generation was cited by 49% as a critical people issue.



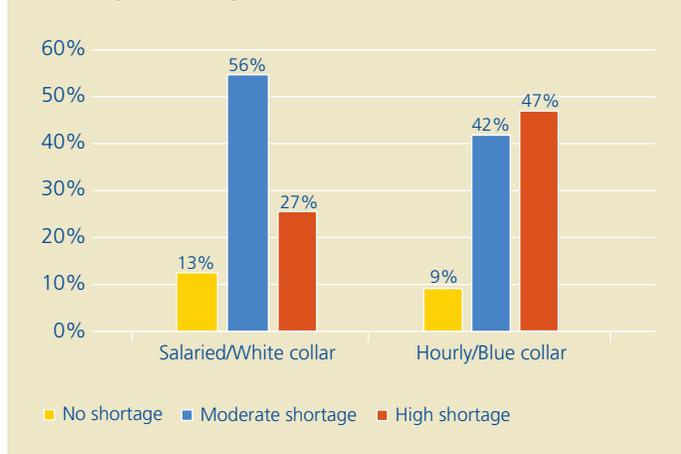
“To prepare for the impacting talent crisis, organizations must identify their critical workforce segments. What skill sets are (or will be) necessary to effectively grow their business?”

Stephen Diotte, Partner, Deloitte.

Impact on the workforce: shortages touch all segments

While some segments may be hit harder than others, the survey results indicate that the shortage will have an impact on all aspects of respondents businesses. Respondents indicate that the blue collar workforce segments will be hardest hit. It should also be noted that energy sector respondents also expect a serious shortage of white collar workers.

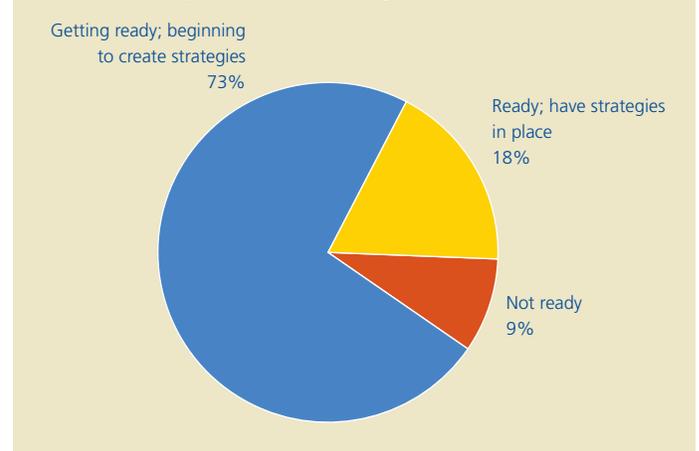
Figure 3. Percentage of organizations expecting a shortage of salary and hourly workers



Awareness of the issue

The majority of Canadian energy organizations are aware of the severity of the talent shortage and its likely impact on their industry. Survey results show 82% of participants have discussed the talent issue at the Board of Directors level. Compare this to the 51% for organizations across Canada, and 46% worldwide, the awareness of the issue within the energy sector is front and centre². While the energy sector is concerned about the talent issue, Deloitte research shows that Canada's energy executives are not just talking about the problem – they are starting to take action. Respondents to the survey indicate that 73% are getting ready to address their talent issues.

Figure 4. How well is your organization positioned to address anticipated talent shortages?

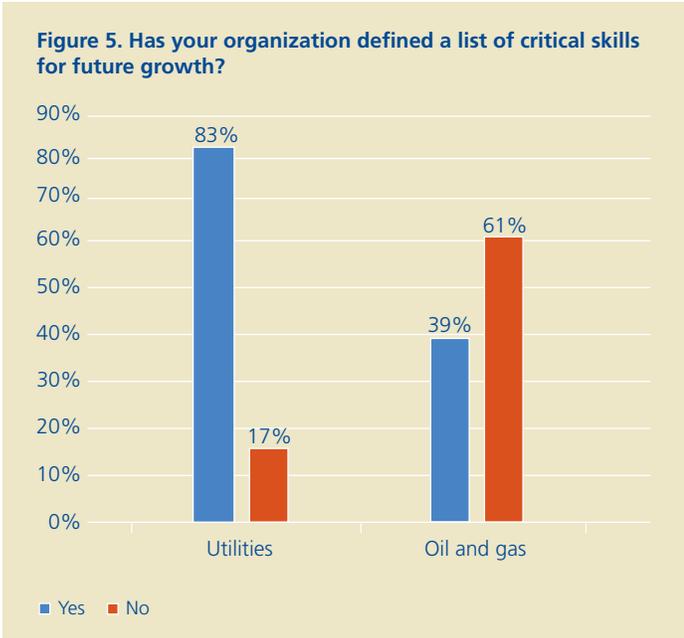


“Traditionally, talent management programs in the energy sector have focused heavily on the acquisition and retention of talent. This uneven emphasis ignores the importance of deploying, developing, and connecting employees. In other words, talent programs need to move from expensive band-aid solutions to becoming long-term solutions that will revive the industry.”

Dick Cooper, Partner, Deloitte.

² Source: “Becoming a magnet for talent”, Global Talent Pulse Survey Results 2005, Canadian Edition, Deloitte.

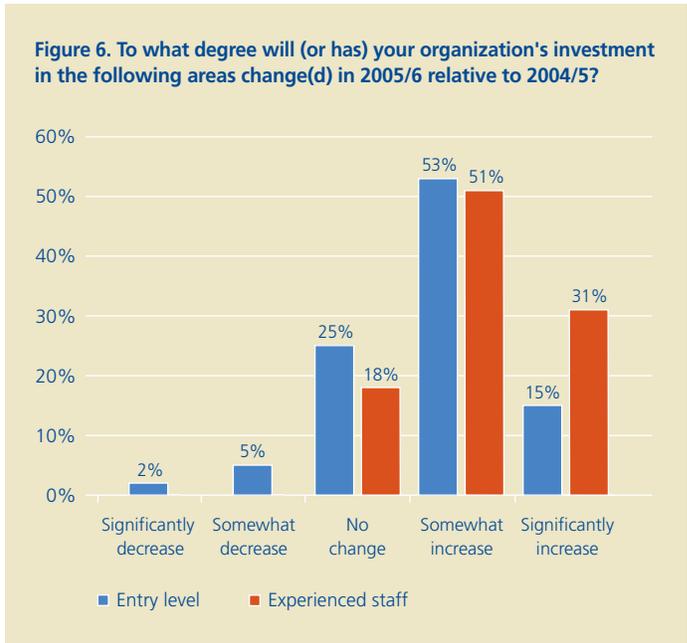
The challenge for the energy sector is the great divergence among sub-sectors when it comes to level of preparedness and understanding of the problem. Compare the utilities sub-sector to the oil and gas sub-sector, 83% of utilities respondents defined a list of critical skills for future growth as compared with only 39% of oil and gas respondents. The result – respondents in the utilities sector are in a much better position to understand their workforce needs.



Tough challenges require new thinking

In the late 1990’s dot-com organizations relied heavily on large bonuses and salaries. Those organizations with the deepest pockets attracted the best talent. This proved to be a failed strategy. While the talent crisis facing the energy and resources sector may look and feel in some respects similar to that of the dot-com phase, the pressure now will be on organizations to find more permanent and sustainable solutions.

Many organizations continue to fall into their old habits. Since last year, 31% have “significantly increased” their investment in recruiting experienced staff, while another 51% have “somewhat increased” their investment. Investment increases for entry-level recruiting, while still significant, are not quite as dramatic.

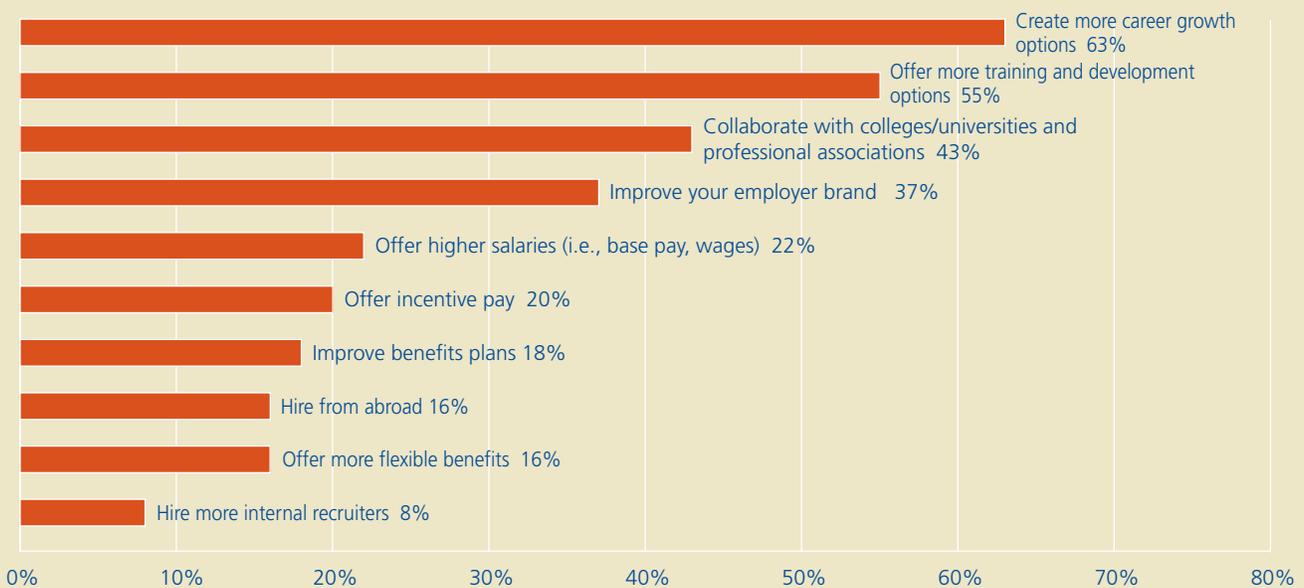


Winds of change

In the short-term, survey respondents indicate that they are relying on old recruiting tactics to meet changing needs. In the longer term the ability to attract and retain qualified staff will be a function of an organization's ability to recognize that the promise of big salaries and bonuses is not the only motivator for employees. In fact, in a recent Conference Board study, respondents ranked salary and benefits 5th and 6th in order of importance in ranking critical expectations of employers.³

More than 60% of the surveyed organizations say they are considering enhancements to their organizational culture to improve their ability to attract, retain and develop talent. Clearly the majority of respondents have embraced the need to change the way they manage their talent. Results like these would have been hard to imagine 10 or 15 years ago.

Figure 7. Please identify the top three strategies your organization is using to continue to attract talent in an environment of demographic changes and impending skills shortages.



³ Source: HR Executive Review: Implementing the New Employment Compact (New York: Conference Board)

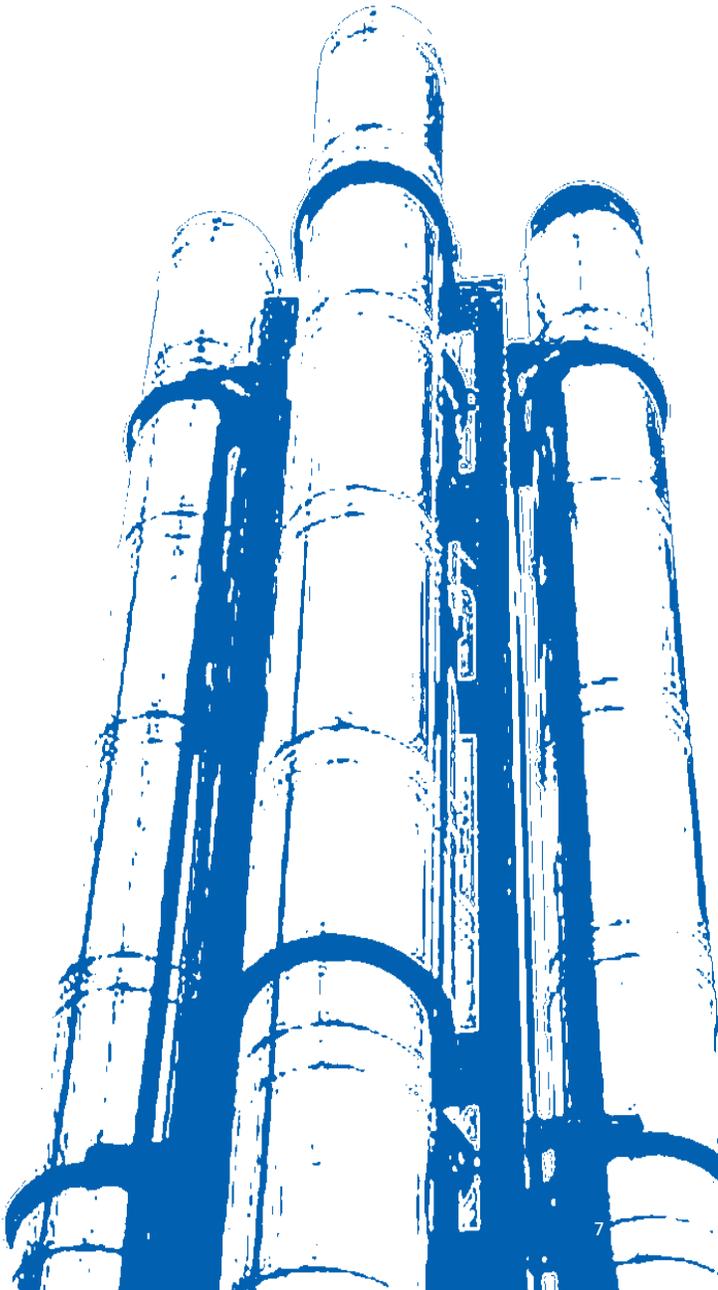
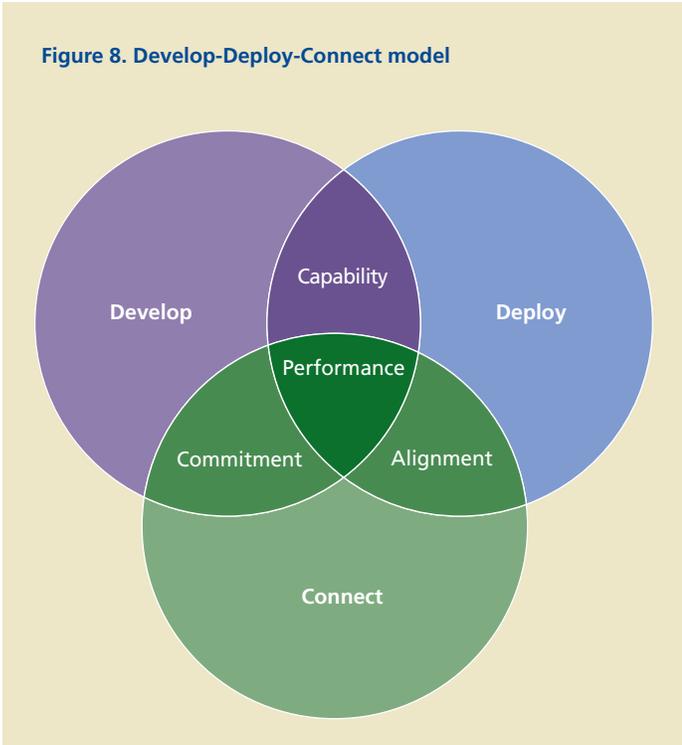
Addressing the talent issue

The impending talent crisis has deep roots, and will not be resolved with just a few quick fixes. Yet there are a number of strategies organizations in the energy sector can do to help alleviate the problem.

Develop-Deploy-Connect. The new model for talent management

Although workers expect compensation that is reasonable, competitive and fair, they are also looking for opportunities that money cannot buy. Employees today are placing greater importance on opportunities for growth, development and communication, rather than on pay alone.

Deloitte's model for talent management is designed to optimize the employee experience in an environment where employees expect opportunities for personal growth, challenging work, and a sense of responsibility.



Develop. Personal growth is a powerful motivator. Employers need to give employees the opportunity to develop their skills and capabilities, to grow within their roles, and to achieve their personal and business goals. This kind of personal development is good for them – and good for the business.

According to our survey results, 55% of organizations are investing in training opportunities to attract and retain employees. Training is an important aspect of Develop that organizations can build on to create additional opportunities for personal and business growth. Organizations can use the following practices to support effective development:

- **Stretch assignments** – Challenge employees and provoke them to think and act outside of their comfort zones while providing support to succeed.
- **Peer assist programs** – Seasoned practitioners and experts share knowledge and experiences with a less experienced team so learning can occur before engaging in a complex, expensive task or project.
- **Mentoring and coaching** – Individuals with experience pass along insights to those who need it. A coach guides a person toward an end result by assessing his/her unique capabilities and strengths, providing advice, and monitoring his/her progress.

Greater investment in training will assist in employee development but organizations must also recognize the importance of developing skills and competence on the job.

Deploy. Employees work harder and enjoy their jobs more when their work is interesting and challenging. Organizations need to focus on bringing out the best in their people by understanding what they are passionate about and then deploying them on assignments that align with their skills, interests and growth goals. Deploy was the number one strategy identified by respondents to effectively attract and retain talent. Organizations must continually re-evaluate the alignment between employees and roles to ensure a positive impact on business. Organizations can use the following tools to support effective deployment: electronic job boards, skills inventories and interest inventories in support of a well designed performance management framework to ensure effective deployment.

Connect. Personal relationships help bind employees to the organization and create a sense of shared values and purpose. Also, as business problems become more complex, who you know becomes just as important as what you know. Help employees connect with each other through coaching and mentoring programs, and through social networks that enable employees to tap one another's knowledge and experience.

The concept of Connect should be considered from three dimensions:

- **Connecting people with people** through Communities of Practice. Bring people who share similar interests, roles or purpose together so they can discuss issues, solve problems and share critical knowledge.
- **Connecting people with resources** through web logs and e-rooms.
- **Connecting people with purpose** through coaching for performance and career planning.

Respondents are also considering enhancements to their organizational structure and culture to build on the tangible aspects of **Develop-Deploy-Connect**. More than 60% of the surveyed organizations say they are considering enhancements to their organizational culture to improve their ability to attract, retain and develop talent. These structural and cultural improvements need to be focused on the extent to which the opportunity to connect can be facilitated within an organization.

Improving productivity through **Develop-Deploy-Connect**

In an environment of limited resources, organizations have to do more with less. One of the best ways to deal with this challenge is through improved productivity. Eighty percent of respondents have indicated that the talent crisis has already impacted productivity.

Develop-Deploy-Connect is key to boosting productivity – and to attracting and retaining top talent. Workers with improved skills and capabilities create more value for the business. They work harder and more effectively when deployed on assignments that fit their skills and interests and are able to accomplish more by connecting into the knowledge and expertise of those around them.

Most organizations overlook productivity as a solution to the talent crisis, perhaps because it is seen as more difficult and complicated than hiring additional people. In the current environment, when there simply are not enough qualified workers to go around, improving productivity is the single best option for maintaining top-line growth. Rather than a strategy of throwing money at the problem, productivity delivers benefits to the bottom-line.

This new approach is effective for all types of workers; however, it is particularly useful for attracting and managing the types of people who are just now entering the workforce. Unlike their predecessors, many of these “generation nexxers” work to live, rather than live to work. They expect work to be interesting and challenging, and insist on constantly improving their capabilities. One way to help these new workers grow would be to hire retirees as part-time contractors to serve as mentors and coaches. It is often suggested that 70% of an employee’s work knowledge is learned while on the job. Bringing retirees back to train new staff would allow an organization to harness this valuable experience, while significantly accelerating the learning process.



Understanding your workforce needs

The impending talent crisis has deep roots, and will not be resolved with just a few quick fixes. The best way to protect your organization is to implement a new model for talent management and plan for future shortages to mitigate risk.

Organizations identified that they require a better understanding of their future workforce needs and a strategic perspective on critical workforce shortages. While some organizations have identified a list of critical skills needed for the future, only 18% have strategies in place to deal with impending workforce shortages.

The following are fundamental questions organizations can use to evaluate and target their future workforces needs.

- Which segments of your workforce create value?
- Which areas of your business will be most impacted by retirement?
- Where will talent demand outpace talent supply?
- What skills will you need over the next five years that you do not have now?
- What is your turnover rate and what is it costing you?
- Are you actively developing a workforce plan and do you understand the financial consequences to your business?

Only 18% of survey respondents indicated they have strategies in place to deal with the impending shortage.

Conclusion

Future success in Canada's energy and resources sector may very well hinge on how well an organization addresses the talent shortage. And that future is already here.

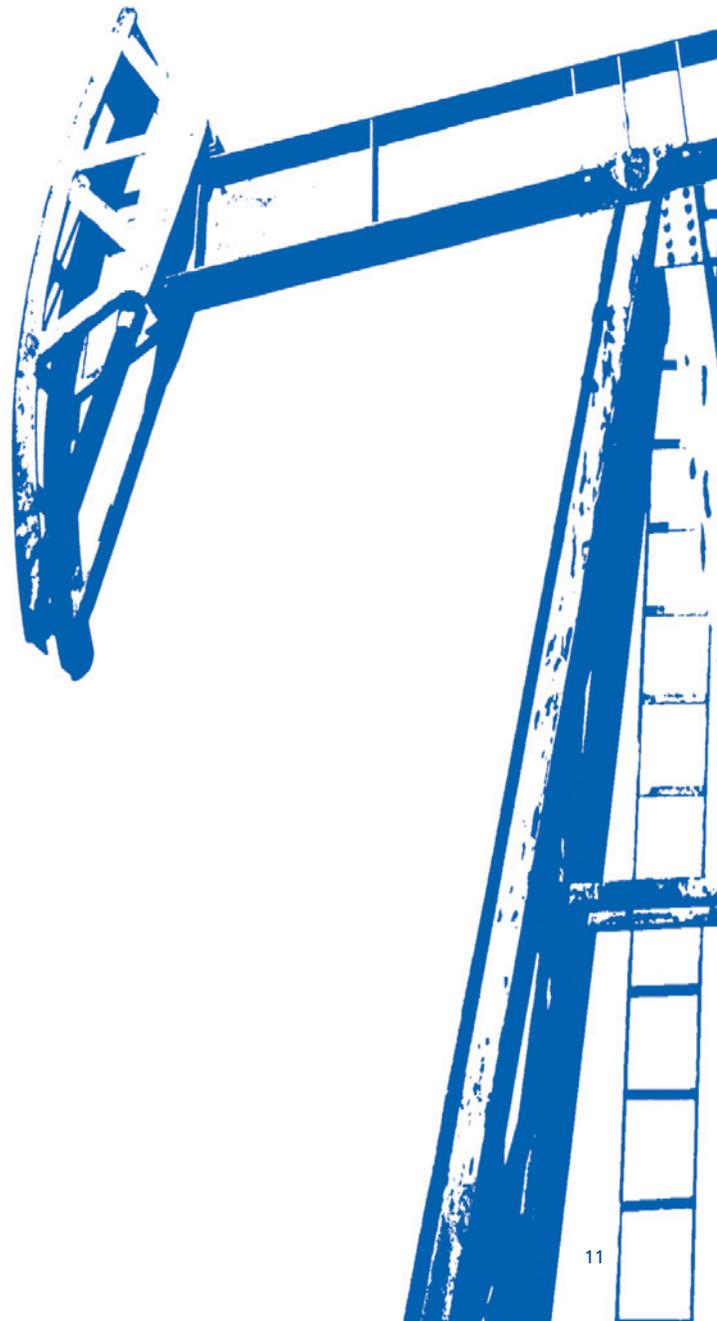
Energy organizations know the current talent shortage will only get worse in the years and decades ahead. They are also beginning to recognize that traditional approaches – which typically focus on acquisition and retention – will not be sufficient to address the full scope of the problem. Big salaries and bonuses might buy organizations a little time, but over the long-term they must use the principles of **Develop-Deploy-Connect** to increase workforce productivity and loyalty. After all, in a labour market where there is not enough talent to go around, the best approach is to grow your own.

About the survey

The 2006 Energy and Resources Talent Pulse Survey of 55 Canadian sector respondents was conducted during March and April 2006. The survey supports a Deloitte Research report entitled: "It's 2008: Do You Know Where Your Talent Is? Why Acquisition and Retention Strategies Don't Work". This report examines two emerging trends that are rapidly changing the talent landscape: the retention of Baby Boomers and a worsening skills shortage. The report challenges organizations to shift their mind-set beyond traditional talent retention approaches.

About the participants

The participants represent a cross-section of the Canadian energy sector, including oil and gas, mining and utility organizations of varying sizes. Other respondents include industry support groups, professional associations and regulators.



About the Energy Council of Canada

The Energy Council of Canada (ECC) is a founding member of the WEC and one of 98 national member committees. The ECC is made up of representatives from across the full spectrum of Canada's energy sector, including the federal government and many provincial and territorial energy departments and agencies. As with the World Energy Council, the ECC pulls stake holders together to get the facts out and to facilitate action where necessary.

The World Energy Council (WEC), formed in 1923, is the sole global body looking at energy in its totality. Its mission is to promote the wise and sustainable supply and use of energy for the greatest benefit of all people. It covers all energy sources and uses, together with energy efficiency and best practices, and conducts extensive research and analysis, typically with a longer term perspective.

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