Workforce Housing as a Recruitment and Retention Strategy in Oil, Gas, Mining and Construction Operations: The Other 12 Hours
By Graham Chandler, Ph.D.
EXECUTIVE SUMMARY

North American oil, gas, mining and construction operations are facing an unprecedented shortage of professionals and skilled tradespeople this decade and beyond. Record numbers and percentages of workers will be retiring due to the aging boomer population and many newer workers are reluctant to take jobs requiring them to be away from home for extended periods. Moreover, many companies have difficulties retaining existing workers due in large part to poor living conditions at remote worksites. Several strategies can be implemented to face these problems; one is to address the “other 12 hours” when workers are off-duty by offering top-quality housing to attract and retain these valuable employees. Such an approach can substantially increase profitability, boost productivity, enhance morale, reduce turnover and improve safety. This paper addresses how examining and focusing on the other 12 hours can be a useful strategy for recruitment and retention.
INTRODUCTION

This white paper discusses a serious problem facing North American oil, gas, mining and construction operations and how it can be addressed: a mass exodus of professionals and skilled tradespeople from their industries over the coming decade. It’s not just the exodus. However, replacing them is the larger problem, which means stepped-up strategies to attract new workers and then keeping them. The paper examines the problem and its origins, and approaches to seek and apply solutions, concentrating on one often overlooked solution: that of offering attractive, welcoming and comfortable housing for workers needing to be away from home and family for weeks at a time – the importance of a home for the other 12 hours. Benefits of such a strategy are addressed and recommendations offered for executives and managers seeking to engage and keep workers on board, thus reducing the devastation of high turnovers and growing their companies’ productivity, competitiveness and shareholder value.

THE PROBLEM

The labor challenge in the North American oil, gas, mining and construction operations can be summed up simply as a steadily growing gap: demand for labor is expanding and the pool of workers is dwindling. According to a Petroleum Human Resources Council of Canada major annual study, the gap will grow regardless of industry growth rate.¹

The report says three factors will drive demand for workers in Canada over the next decade. Industry activity growth will create between 18,300 and 38,700 jobs. Age-related attrition will result in 44,200 to 45,300 open jobs as 23% of the workforce becomes eligible to retire. Intense competition for talent within and outside the oil and gas industries will create even more demand: a 3% non-retirement turnover rate will add 62,600 to 65,800 job openings between 2013 and 2022, the report predicts.

Together this means 125,000 to 150,000 new hires will be needed by 2022. There’s no relief in sight as oil and gas operations will experience a tight labor market in all sectors: oil and gas services (highest, with turnover up to 50%), conventional exploration and production oil sands and pipelines.

¹ “The Decade Ahead: Labour Market Outlook to 2022 for Canada’s Oil and Gas Industry.” Petroleum Human Resources Council of Canada, May 2013
This trend has already begun: rapid growth in Canada’s Bakken oil play between November 2010 and November 2012 increased total employment by 25,100 jobs. The top challenge reported by employers is attracting and retaining workers – with half reporting retention and employee turnover problems.

In another survey of 41 companies from seven petroleum industry sectors taken from December 2012 to January 2013, respondents indicated fierce competition for experienced technical staff. The top three workforce issues were attracting and retaining workers in remote locations (67%), labor and skills shortages (53%) and employee turnover (47%).

The oil and gas industry labor situation in the U.S. is not much different: solid growth and shortage of skilled labor are forecast. A 2013 report by GL Noble Denton surveyed 428 senior professionals from oil companies and their suppliers from around the world. The U.S. topped the list as the most attractive location in which to invest and 42% said North America offers the most growth opportunities. With the International Energy Agency forecasting that the U.S. will become the world’s biggest oil producer by 2017, clearly skilled labor will be in demand.

Skills shortages ranked as a top-five issue among companies polled in 2011. Since then, the report said, worries have risen steadily: in this year’s research, 55% cited skills shortages as their number one “acute” barrier to growth; two years ago, this concern ranked fifth.

North American mining is up against many of the same challenges. U.S. Energy Information Administration projections have the mining industry growing by approximately 50,000 workers by 2019, but will need 78,000 replacement workers due to retirement – a total of 128,000 new positions by 2019. The report said the shortage was serious enough that the U.S. could be strategically exposed; relying on foreign suppliers for critical metals.

And from an international survey of 10,000 mining respondents, North America stood out in terms of skills shortages. Over 35% see these shortages as a major concern, the most in any region of the world.

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4 “Seismic Shifts: The outlook for the oil and gas industry in 2013.” GL Noble Denton, 2013
6 “Resources and Mining Global Salary Guide 2013.” Hays/InfoMine
In Canada, mining skills shortages will be exacerbated by the pending retirement of boomer-age workers, too. An industry study projects retirements will rise from 2.2% in 2013 to 2.8% by 2023, a 27% increase.\(^7\) That will mean 34,500 to 52,240 new hires by 2015. Over the decade, needs could exceed 145,000 workers – more than half the current Canadian mining workforce.

Intensifying the problem, workers routinely look for better jobs. A world survey found that in the Americas, 79% of all workers in all fields report either having changed jobs or having considered changing jobs in the past year.\(^8\) In the U.S., 42% have changed jobs in the past year.

Moreover, oil, gas, mining and construction operations face higher turnover due to the need for remote site working. An Australian mining study team estimates a 25% annual turnover rate for 50,000 fly-in, fly-out (FIFO) workers in Western Australia.\(^9\) Turnover costs can be considerable: one of the researchers, Dr. Alan Brown, estimated the cost to replace one FIFO worker at A$10,000 to A$50,000. An earlier study estimated that employee turnover costs for a typical mine with 300 employees and an average annual turnover rate of 17.2% exceed A$2.8 million per year.\(^10\) North America is much the same.

**SOLUTIONS**

With such a challenging labor environment looming, it is critical that oil, gas, mining and construction operations focus on the recruitment and retention of workers. Corporations need to turn to as many traditional and non-traditional sources and methodologies as are available.

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\(^7\) “Canadian Mining Industry Employment, Hiring Requirements and Available Talent 10-year Outlook.” Mining Industry Human Resources Council, 2013

\(^8\) “Employee Engagement and Retention.” Kelly Global Workforce Index, September 2013


\(^10\) “Workforce Turnover in FIFO Mining Operations in Australia: An Exploratory Study”. University of Queensland 2003
In a recent *Alberta Oil* article, industry Human Resources consultants and professionals explored six viable options. First, hang on to retiring boomers, creating talent management programs for individuals aged 50 to 65. Second, hire non-temporary foreign workers. Third, engage more contractors – many workers prefer this approach. Fourth, target workers from other areas by offering new opportunities to existing talent, also known as ‘smart hires.’ Fifth, reach out through labor and professional organizations to underutilized workers like aboriginal populations and women. And finally, improve the industry’s image to attract the younger ‘Gen Y’ environmentally aware demographic.

All these strategies, singly or collectively, can help tackle companies’ looming skills shortages. But significantly, in the end, all of these solutions have one underlying aspect in common: the need to attract workers to workforce accommodations by addressing the other 12 hours during which they are not working. Regardless of the approach for recruitment and retention, mines and oilfields cannot be relocated – companies must situate the worker with the resource.

Offering attractive housing therefore needs be a strong element of any strategy. Business researchers such as Professor Alan Brown say housing is highly important, and workers will accept minimum standards. Isolated mining sites are often long flights from cities, and workers typically do 11- or 12-hour shifts for rosters from 7-21 days. Without any town infrastructure, these sites must be comfortable homes with amenities like recreation and premium dining facilities for the other 12 hours.

Quality housing has become more critical as rapid growth has created an increase in projects with remote locations, with high employment allowing workers to be more selective as to where they work. Fly-in, fly-out appears a functional solution, allowing workers to combine big-city lifestyles with high-value remote working.

The provision of premium accommodations can be an attractant even where operations are close to cities. For example, many workers are reluctant to move to Fort McMurray, Alberta, because of the severe shortage and cost of housing. Vacancy rates in this oil sands city are consistently zero and it is short some 6,000 new housing units. So where an employer offers ready and welcoming accommodations it can easily tip the scales.

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11 Chandler, G. “Steady State”, *Alberta Oil* August 2011: 28-33
12 Pers. comm. Professor Alan Brown, School of Business, Edith Cowan University
13 “Business risks facing mining and metals 2013-2014.” Ernst & Young 2013
14 “Two Tales of One City” http://www.nationalpost.com/news/story.html?id=a2f47b96-fd8f-427b-9928-e6df18bd7561&p=1
Indeed, a study of labor issues in Canada’s Bakken oilfield found employers had difficulties attracting workers where they couldn’t offer accommodations. Companies reported that the region’s remote location and high housing costs made attracting workers difficult. The report recommended companies offer accommodations as a recruiting and retention strategy.

And on the employee side, reports such as those from the Alberta government advise workers seeking jobs in remote operations to proactively ask about prospective employers’ housing offerings. They’re advised to enquire directly during the interview about specific details of accommodations offered. In fact, some companies such as Target Logistics report workers regularly want to apply only to companies with good housing solutions. Thus, it behooves those companies to establish a housing edge when competing in the limited talent pool, and to realize the significance of the other 12 hours.

In fact, companies advertising premium accommodations consistently have the most success in recruiting and retaining workers. Where food or conditions are unacceptable, workers just switch employers. Moreover, in the mining industry, remote locations and long periods away from families are frequently cited as unattractive aspects by graduates considering career paths.

Premium housing is an increasingly recommended strategy. At a recent industry talk in San Antonio, a solutions company executive said his advice to oil and gas companies active in the Eagle Ford Shale is to think more creatively when trying to find ways to keep employees happy and on the payroll, beyond just offering them more money. Finding ways to make their lives more comfortable after a day spent working in the hot South Texas sun could be one approach, he said.

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17 Pers. comm Mark Salkeld, President & CEO, Petroleum Services Association of Canada
18 Wylie, Jon, “Solving the Mining Industry’s Skilled Worker Shortage.” Engineering and Mining Journal, February 2013
A 2011 North Dakota case study drives home the point. A global oilfield services company initially got by with local hotels, motels, trailer parks and apartments for workers. But as activity skyrocketed, so did accommodation rates and problems. Consequently, some of the best workers wouldn’t sign on and productivity lagged. Target Logistics’ answer is to focus on the other 12 hours: constructing the best home away from home for the workers, providing housing in the form of lodges. Productivity now has improved through their offering security, nutrition, rest, relaxation and a positive workforce environment with zero tolerance for drugs, alcohol, firearms and cohabitation.

Workers enjoy unlimited quantities of nutritious, four-star food 24/7, bedrooms with private or Jack and Jill bathrooms, individual temperature control, flat-screen TV/DVD players, oversized towels and The Hibernator Sleep System™ with a pillow-top mattress, high thread count sheets and overstuffed pillows. State-of-the-art recreation and fitness centers, an internet café, a convenience store, meeting rooms and transportation to the worksite round out the lodges’ features. It is 12 hours of pure luxury.

As a result, the company quoted an increase in employee retention by 66%, saving them over $10 million a year. Here is where workforce housing actually produces an ROI.

Such a housing solution will indirectly affect all six of the potential solutions previously described. Regardless of their permanent residences, workers need to be accommodated. Companies that offer accommodations and transportation support are more attractive to workers from across the country. They will enhance their success attracting and retaining other untapped labor pools including foreign workers, minorities and boomers contemplating retirement. And women will feel more comfortable in secure, safe housing with all the amenities. Reduction or elimination of alcohol and drug abuse amongst workers will be a bonus as well – research has shown transient workers often show high susceptibility to alcohol and drug abuse due to loneliness, social distancing and lack of social support where inadequate local accommodations are used.

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20 “The Economics of Comfort: Case Study by Target Logistics and Client.”
In the end, resolving workforce shortages – both current and future – is crucial to long-term profitability and sustainability. Playing a leadership role in offering high-quality accommodations is an effective component of these success measures because they help retain workers who may struggle with the challenges of living in a remote location, away from home or family.\textsuperscript{23}

**THE LONG-TERM FOCUS**

The premium housing approach will complement potential solutions to this serious near-horizon challenge. It’s not a short-term problem with a short-term solution: it will persist for a decade or more. Solutions require every ounce of help. Companies can ill afford to ignore the problem or hope for some magic bullet. World GDPs are growing, and fueling them are the resource providers: oil, gas, mining and construction figure prominently.

World energy production will keep growing. The boom in shale oil and gas production in the U.S. and Canada will continue. An upcoming related development will soon accelerate the demand side of the equation for natural gas: liquefied natural gas (LNG). Both the U.S. and Canada have facilities on the drawing board and pending applications to export billions of cubic feet of LNG per day for world markets. Not only will new remote production fields need housing; so too will constructing the massive liquefaction plants and shipping terminals, particularly on Canada’s Pacific Coast and the United States’ Gulf Coast.

Existing mines and oilfields are depleting, driving companies to new and more remote frontier areas. The need for FIFO and remote accommodations will only become more acute and those companies not offering the best soon will be suffering the worst of the worker shortage. Those companies leading in benefits, such as housing, will emerge with the best efficiencies and profits. Employee turnover, employee shortages or having to take on lesser-skilled workers and train them is a huge expense on firms’ income statements. Too large, they directly diminish the bottom line, and consequently shareholder value.

Important summary papers have been written on the importance of food, sleep and quality housing to worker efficiency at remote camps and how they impact a company’s sustainability\textsuperscript{24}, this white paper shows it can be used as a strategy for worker recruitment and retention too.

\textsuperscript{23} “HR Trends and Insights: Workforce Conditions in Canada’s Bakken Oil Play.” Petroleum Human Resources Council of Canada. May 2013
\textsuperscript{24} For example, Rothaus, Richard, “Return on Sustainability: Workforce Housing for People, Planet and Profit.” Target Logistics white paper, August 2013; Rothstein, Nancy, “Optimizing Sleep for an Optimal Workforce in the Oil, Gas and Mining Industries.” Target Logistics white paper, October 2013
A CALL TO ACTION

All this research points to companies’ needs to introduce a workforce housing policy to complement, enhance and bolster any of the suggested six strategies, regardless of combinations being employed, to attract and retain skilled workers. All companies have operational strategies to extract the most resources with the best efficiency, least cost and best safety record – while the workers are on the job.

Now create a strategy that will focus on the other 12 hours.

Salary, benefits and advancement opportunities cannot be overlooked, of course. But for new recruits, considering their premium homes away from home for the other half of their day can be the tipping factor for deciding to work for a company, and once they have signed on, that can make them stay for a long and satisfying career experience. By concentrating on housing as a recruitment and retention strategy, companies will increase profitability and boost productivity by reducing turnover, safety incidents and social ills.

View provision of top-quality housing with the perspective, “I can not only recruit but also retain more employees if I spend a little more time thinking about those other 12 hours.” An entire company shares the burden of having to bring in and train new people and fill the holes every time someone leaves dissatisfied.
About the Author
Graham Chandler is a full-time freelance writer, specializing in the oil, gas and mining industries; principally the business and technological aspects. He has published several hundred articles in magazines such as Oilsands Review, Alberta Oil, Earth Explorer, Far North Oil & Gas and dozens more. Other clients include industry organizations and companies, for whom he has prepared advertorials, speeches, case studies, white papers, reports and brochures. He holds a B.Sc. in physics, an MBA in finance and a Ph.D. in archaeology. He served 17 years in the RCAF/Canadian Armed Forces, during which time he graduated in flight test engineering from the US Naval Test Pilot School. He spent ten years in corporate finance in the oil and gas centers of Calgary, Denver and Houston, attaining the position of Vice President. When not writing resource-related stories, he contributes features to aviation magazines such as Air & Space/Smithsonian and Canadian Skies; and archaeology and heritage stories to international magazines like Saudi Aramco World. He can be reached at www.grahamchandler.ca

About Target Logistics
Target Logistics, an Algeco Scotsman company, is a global provider of workforce housing and the largest operator of turnkey solutions in the United States. It operates in some of the world’s most remote environments supporting oil, gas, mining and construction operations, government agencies, disaster relief and large-scale events with temporary workforce lodging, mobile crew camps and extended-stay hotels. Named by Inc. magazine in 2012 and 2013 as one of “America’s Fastest Growing Private Companies,” the company has administrative headquarters in Boston; operational headquarters in The Woodlands, TX; and offices in Williston, N.D.; Denver; Edmonton, Alberta; and Sydney, Australia. Visit www.TargetLogistics.net or call (800) 832-4242.