

Oil, Gas & Chemicals

UNDER THE SPOTLIGHT



Deloitte.

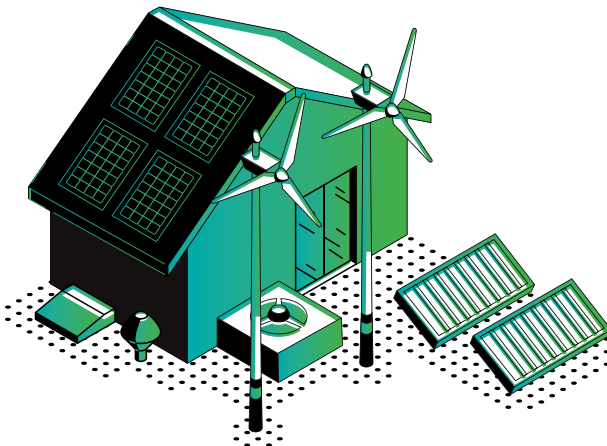
From Great Resignation
to Great Reimagination

Sector overview and 2022 outlook

Starting in 2021, the oil, natural gas, and chemical sectors recovered strongly, but uncertainty remains due to changing market dynamics, ongoing geopolitical tensions worldwide, and rising consumer and investor pressures over sustainability.

Demand has started to moderate, producers are balancing supply growth, digitalization has taken out inefficiencies, consolidation has reduced the overall footprint, and weak margins with volatile prices continue to hit the industry. All these factors have led to growth and talent instability in the industry.

Through the recovery, many companies have turned their focus into practicing capital discipline and improving their financial health, allowing them to commit to decarbonization efforts more aggressively, further expand digitalization of their operations, and transform their business models to enable the new energy era.¹





Some of the targeted areas demanding attention and transformation have been:

- Energy transition, with customers, shareholders, and regulatory bodies demanding clean energy standards and decarbonization targets, which drive changes in strategic goals, operations, and the need to increase transparency over Environmental, Social and Governance (ESG) reporting.²
- Smart and remote operations, increasingly leveraging new technologies across all aspects of production and distribution, from supply chain decisions to unit operations and optimization across all areas of the industry. This contributes to employee safety, efficiency, and environmental performance.
- Asset and energy optimization, applying technologies and advanced data analytics for real-time tracking of utilities consumption, as well as adjusting assets for efficiency to reduce energy consumption across operational assets and buildings.
- Digital transformation and the connected customer, recognizing the need for cloud transition and digital transformation to stay competitive, as well as the demand from customers for easy, simple, and positive experiences at every single touchpoint from downstream and chemical companies.

Current labor situation

All these critical industry transformations have diversified implications in the workforce, demanding a change on their own.

From navigating the evolving nature of work driven by accelerating connectivity, new talent models, and cognitive tools to the underlying shifts required in culture and mindsets. In addition, changing demographics and skills requirements are likely to require a more diverse workforce for both oil and chemical companies.³

Beyond forward looking transformation from new business imperatives impacting the workforce, companies need to solve for several lingering labor challenges due to the industry's cyclical hiring, layoffs, and pollutive image, impacting attraction and retention of top talent.⁴

It is imperative to overcome these complexities to enable companies to transition from where they have been to where they want to be to remain relevant and thrive.

The convergence of new business transformation demands can create many opportunities for organizations to also address ongoing workforce challenges.

Companies can leverage their transformation to rebrand themselves, embracing the energy transition and adopting more diverse talent models. They should align their workforce transformations to support their business imperatives and value drivers. These include not only the traditionally expected outcomes of reducing cost, gaining efficiencies, and boosting operational excellence and safety but also augmenting innovation, improving products and services, increasing organizational agility, and enhancing the employee experience end-to-end.





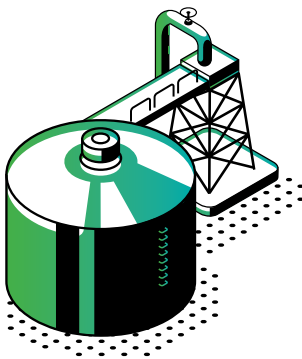
Drivers of staffing challenges

On top of what's required to support and make this energy industry's future possible, there is an ongoing battle for top talent. With many companies facing significant hurdles on talent acquisition, employee retention and engagement have been exacerbated over the last two years.

The oil price crash of 2020 triggered substantial layoffs and even when the industry has rebounded, there are still concerns about job security underpinned by uncertainty from industry cycles, adversely affecting the industry's reputation as a reliable employer.

The difficulties around acquiring, retaining, and engaging talent has been due to several labor dynamics and employment trends both pre-and-post-pandemic, including:

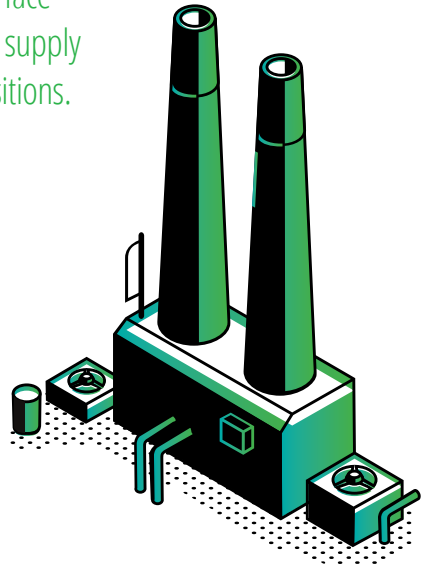
- Unfavorable reputation on climate change that hurt the overall industry brand and the ability to attract talent, more significantly within the new generations.
- Post-pandemic changes in employee expectations about where work should take place, desire for more control on career decisions, and shifts in what they really value in an employer.
- Rewards programs do not align with employee sentiment and the transformation needed in the industry where 30-year careers are no longer in line with realities or necessary.



- Perceived limited results from diversity and inclusion efforts, particularly on gender and race equality in North America and Europe.
- Lower barriers for job switching into other industries, enabled by work from anywhere policies and technologies being massively adopted across the board, especially impacting retention of back office and non-engineering workers.
- HR and procurement teams not working together to incorporate diversified workforce groups and craft employee experiences encompassing of all talent groups and not just formal employees.

Looking at the long term, it is expected that the industry will face scarcity of talent supply for technical positions.

In addition, looking at the long term, it is expected that the industry will face scarcity of talent supply for technical positions. This is likely to deepen with the transition of generations, the difficulty navigating emigration requirements in the United States, and other complexities for different regions in the world.



Implications for the organization

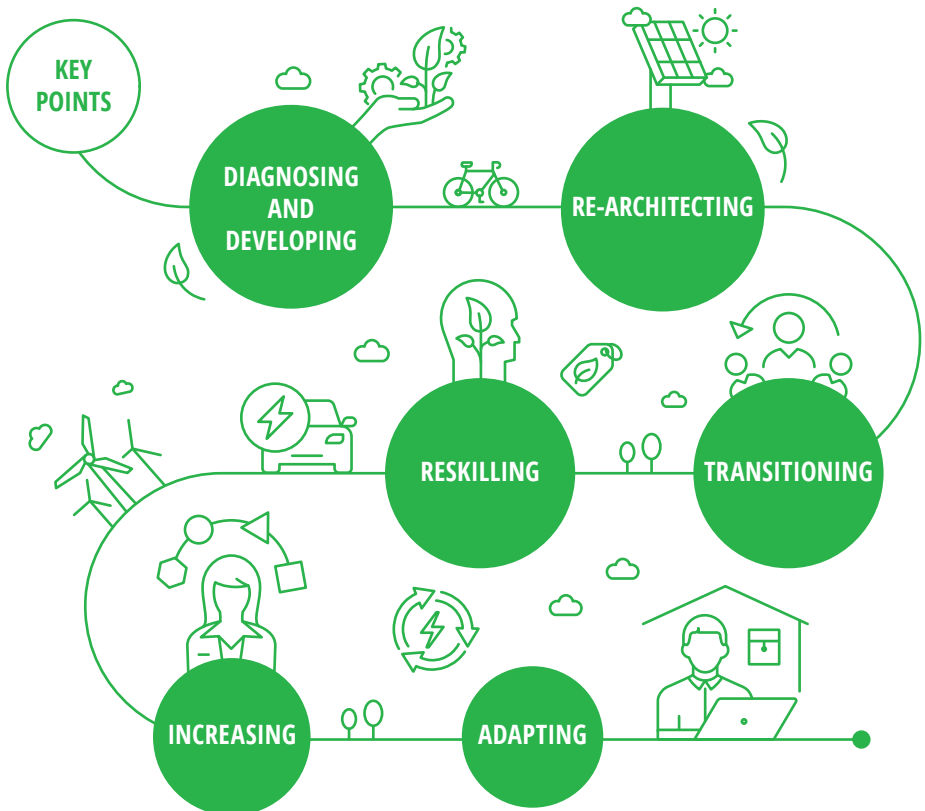
Recognizing the impacts not only on business operations but on the organization and even the entire talent ecosystem will help companies prepare and thrive through the needed transformations.

Some of these implications and opportunities include:

- Retaining critical capabilities and skills, as well as the reskilling to manage new software/technologies to support smart operations and develop a strong understanding of data analytics to interpret system outputs maximizing energy optimization.
- Reframing the narrative around sustainability efforts to reshape the industry brand by educating and involving diverse groups of employees on ESG compliance and reporting, as well as learning the systems, tools, and tactics to achieve decarbonization targets.
- Redesigning internal and customer-facing workflows to more tightly integrate hybrid teams composed of employees, contractors, and technologies that will demand new sets of skills and enrich roles.
- Reinvigorating the workforce with new career opportunities and exciting work requiring different capabilities to join new roles and organizations creating and operating completely new business models, products, services, or solutions.
- Augmenting most roles evolving to incorporate new technologies and processes, leading to a more efficient and effective output, as well as the managing of a collaborative workforce of humans and technologies.
- Making more data available to more employees quicker in more intuitive formats, requiring new approaches and policies on how to use and manage information to allow them to do their jobs more effectively and improve organizational productivity.
- Enriching organizational culture evolving to be more comfortable with experimentation and risk when safety and security is not at play.

It's time to take action

A transformational environment leads to unique opportunities to differentiate and improve. Six practical actions organizations can focus on to address the dynamics in the industry are:



#1 DIAGNOSING AND DEVELOPING

new Employee Value Propositions (EVPs) to redirect the narrative on the value of the energy industry to society, new commitments to sustainability, and the exciting transformations needed to enable the new energy era.

#2 RE-ARCHITECTING

the work, career paths, and incorporating greener jobs, together with creating differentiated benefits and talent management programs can help secure the return and retention of the workforce.

#3 TRANSITIONING

one-size-fits-all rewards strategies to flexible and more customized by employee personas that will help reimagine the employee–employer relationship by designing new employee experiences.

#4 RESKILLING

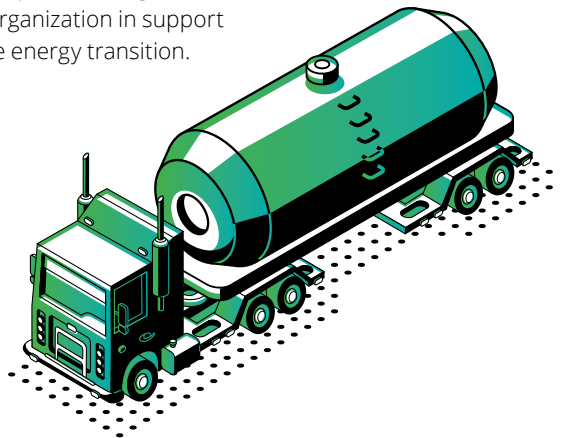
the workforce for technology adoption and new roles, as well as new business models, products, and services that will help re-energize multiple career paths throughout the organization in support of the energy transition.

#5 INCREASING

flexibility and employee preferences on internal mobility through transparent job marketplaces that will help secure complementary skills and experiences for a more dynamic and adaptable workforce.

#6 ADAPTING

the workplace, policies, and methods to create new physical, digital, and organizational environments to support hybrid work.



READY TO REIMAGINE WHAT'S NEXT?

¹ Deloitte, [2022 oil and gas industry outlook: Oil and gas companies build momentum as they look to reinvent themselves](#), 2021.

² Deloitte, [2022 chemical industry outlook: On track for a strong recovery](#), 2021.

³ Deloitte, [The future of work in chemicals. Redefining the work, workforce, and workplace of tomorrow](#), 2021.

⁴ Deloitte Insights, "[The future of work in oil, gas and chemicals: Opportunity in the time of change.](#)" October 5, 2020.

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