

Permanent employment vs. contracting

Energy industry actively seeks new engineers to further frontier development

One of the biggest problems facing our industry today is a lack of qualified personnel. Our current boom cycle finds the industry struggling to fill engineering positions so that projects may move forward in a timely, cost-effective manner. Of course, we and our predecessors of a decade and more ago regretfully lost a number of excellent personnel to downsizing, mergers, and sadly during the mid- to late-1980s, to simply “no work and no investment funds”.

As an industry, we also have failed to effectively recruit and consistently train new personnel. Now that the median age in our industry is 54 years, we discover that up to half of our work force could retire in the next 10 years, leaving a vast void of seasoned personnel who have the expertise and knowledge to support and lead offshore developments.

A troubling aspect of this difficulty is an increasing trend among employees to select a contractual route vs. retaining permanent employees of an organization.

Those who move to contract status often expect to make more money and achieve more flexibility and freedom. These perceived benefits, however, are not often realized.

Compensation

While many employees regard their annual salary as compensation, they often overlook additional financial benefits, such as 401K programs with employer matching amounts; pension plans; bonuses; annual raises; paid vacation; and holidays. Many employees also naively expect that benefits, such as insurance for medical, vision, dental, and disability are easily obtained at little cost.

FICA payments and Medicare employment taxes, which equal 7.65% of the first \$94,200 per year as well as another 1.45% of an employee's total earnings, are also overlooked company benefits. While the cost of benefits varies among companies and industries, these costs are typically 30 to 40% more than an individual's base salary.

Flexibility

Employees work on assigned tasks consistent with a job description when they join a company, normally receiving more responsibility and compensation over the years. Most companies, including energy-related businesses, provide upward opportunities, such as employer-sponsored training and the potential to travel and even live in other locations.

Contract personnel, however, are often given tasks that other employees do not want to perform and are not provided soft benefits, such as training and advancement. A loss of ongoing training also could find a contractor deficient in certain key areas, making the individual less attractive on a long-term basis to a contracting employer.

Further, if a contractor wants to improve his or her professional skills, training is usually at personal expense and without compensation. Contractors also may suffer from a lack of support from a work “family” or an organization where social interaction and camaraderie complement the work environment.

Freedom

While employees often work within the constraints of a system affected by customers' needs, most employees enjoy paid sick leave and are encouraged to take earned vacation and holidays, normally scheduling time off when it best fits their schedule. Contractors, however, often work whatever days are required by the contracting entity.

This work schedule finds contract employees covering those hours/times as arranged by permanent employees eager to take off. Contractors also are not compensated for vacation or holidays and, therefore, are penalized financially when not at work. As a result, contractors often actually work more hours than do permanent employees.

This dilemma can add unexpected stress and potentially lead to burn-out. Medical problems can compound these issues, thus restricting a contractor's available work times, for which they also receive no pay.

“Down-time” between contracting assignments may be significant, again with no compensation. The need for ongoing income may cause a contractor to accept any available contract position, which may not be challenging or appropriately funded. Locked into an unsatisfying position, contractors then cannot look for better positions.

Marketing and networking opportunities for the contractor also may prove expensive and time-consuming. Contractors may spend up to 30% of uncompensated time marketing and networking and bear the cost of their efforts, including travel, in attending conferences and industry events.

Contractor vs. employee

In summary, individuals considering contracting may not fully appreciate the downside of a presumed easy opportunity to make more money. Benefits could represent up to 40% of an individual's salary, and bonuses or stock options are forsaken. The cost of benefits, loss of bonuses, plus additional business development efforts may find the contractor struggling to earn 1.5 to 2 times his or her base compensation as an employee just to stay even.

While some individuals flourish in a consulting or contracting mode, most individuals are better-served finding a permanent position with equitable compensation, good benefits, and challenging work among supporting company teams.

Intec Engineering, like so many service firms and operators in today's aggressive market, is eager to locate and hire qualified people, particularly engineers who can learn from seasoned players how to make a difference in the frontier arena. As an industry, we must replenish our retiring staff and develop people in environments that are rewarding, challenging and profitable. Consider a permanent position and a future within the energy industry.

Bruce Crager
CEO, Intec Engineering

Crager was named CEO of Intec Engineering, effective Feb. 14, 2006. He brings more than 30 years of experience in the oil and gas industry. He previously served as President of ABB Offshore Systems Inc. and Senior VP of Oceaneering International Inc.

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