Dear Convenor

Skilled Issues in the Oil and Gas Sector

I am writing on behalf of the Offshore Coordinating Group (OCG) which was established by the oil and gas unions (Unite, RMT, GMB, BALPA and Nautilus International) in February this year to lead on policy, campaigns and stakeholder engagement for the sector.

The OCG’s attention has been drawn to an exchange around the behaviour of oil and gas employers during the Committee’s meeting on 9 November. We have now had an opportunity to review the transcript. Before I provide the OCG’s response to issues raised during this exchange, it might be helpful to provide some background.

The OCG recognises the scale of the challenge currently facing oil and gas companies working in the UK continental shelf (UKCS). The global supply glut which led to the precipitate fall in the oil price was not widely foreseen nor was the US shale sector’s startling productivity improvement which has allowed production to remain much higher at lower prices than the consensus forecast even as recently as late 2014. In a world of over-supply, it is inevitable that high-cost offshore jurisdictions like the UKCS will come under severe pressure.

The OCG understands the imperative of lowering production costs in the North Sea which were already significantly higher than in the Norwegian sector; a difference that cannot be explained by wage costs. The OCG’s member unions have over the last two years worked tirelessly with Government, agencies, employers and regulators in trying to develop responses to the price collapse which lead to productivity growth and retain jobs and skills.

We note that some progressive employers – unfortunately a small minority – are proving successful in delivering precisely this type of change. Generally, it is disappointing to report that the pain caused by the price collapse has not been evenly shared nor fairly administered and the industry shows little sign of being able to shift towards the more cooperative and collaborative behaviours that industry leaders acknowledge are essential for a positive future.
Andy Samuel, the OGA’s Chief Executive, has publicly identified better ‘employee engagement’ as the most important factor in maximising economic recovery but too many oil and gas employers show little sign of being interested in the views or welfare of their workforce.

You will not be surprised therefore to learn that the OCG strongly endorses the comments made by Damien Yeates, Chief Executive, Skills Development Scotland and his colleagues at Wednesday’s meeting. The industry has responded poorly to current challenges on workforce issues as the following list of behaviours identified by our member unions testifies – this list is in no way exhaustive:

- Operators (oil companies) terminating long term contracts with Tier 1 and 2 contractors and awarding them to ‘body shops’. No application of TUPE and workers forced into sham status to retain work;
- Operators refusing to fund long established payments associated with delays forcing Tier 1 and 2 contractors to increase the use of short term/zero hour terms. This is a first for the industry;
- Contractors issuing "assignment" details stating the trip will be "1 to 21 days" to be determined by the operator. Workers don't know how long they will be away and how long they will be paid for;
- Employers (contractors) saying they will charge workers anything between £500 and £1,000 for missing a check-in/flight;
- Many hundreds of workers being offered "ad-hoc" contracts as an alternative to redundancy. Subsequently they sit at home for months waiting for work with no income. When they request redundancy they are told they aren't in a redundancy situation. They are effectively being duped out of any redundancy payments;
- More and more workers being threatened with charges for any training they have been provided should they leave the employment of the company;
- More and more workers being denied any holiday entitlement, indeed the OCA recently suggested it was necessary for production and safety operations that workers take holidays during existing field breaks (rest periods);
- Disproportionate disciplinary sanctions applied to avoid redundancy payment liabilities with spurious charges applied such as: failure to uphold company values; potentially bringing the company into disrepute; failure to stop the job (despite having raised with supervisors and told to proceed);
- Extremely subjective elements in redundancy selection processes;
- Operators ‘not requesting back’ workers, with contractors subsequently raising false disciplinary charges in justification;
- Companies ignoring TUPE requirements;
- Spurious redundancy ‘consultation’ processes, where decisions have already been made.

Specifically in relation to skills, the industry has not sought to engage with the unions in a strategic way to ensure that, should the price start to climb, skills will be available to sustain an upturn in production. The industry does not seem capable of appreciating that the loss of staff and skills today will inevitably constrain capacity in the future.

Mr Yeates was also correct to highlight the serious underinvestment in skills over the long-term; a failing that is sadly not unique to the oil and gas segment of the energy sector. The lack of investment in skills has clearly contributed to the high costs in the basin. Time and again industry fails to invest and then blames the public sector for skills gaps and shortages. The same dynamic is clearly at risk of being repeated once again in the oil and gas sector.

The OCG hopes that you find this contribution helpful and we are of course available to speak to the Committee at any time.

Yours Sincerely

Stephen Boyd
Secretary to the OCG