

women in the
pipeline

Can career equity help solve
energy's talent shortage?



Gender diversity is the stabilizer that will reinforce energy's talent pipeline.

The most important pipeline in the energy industry isn't in the wilds of Canada or Russia. It's energy's talent pipeline — a necessary stream of enthusiastic, engaged new employees excited about bringing power to the world's homes and industries. Unfortunately, if the industry does not act quickly to include more women, that pipeline is in serious danger of restriction and disruption.

Energy companies must move now to address serious gender-diversity shortfalls, managing career equity more proactively and introducing more accelerator roles for women into the talent ecosystem. If they do not, a talent pipeline crisis is almost certainly on their horizon.

Much news has been made in recent years about the demographic and economic changes that threaten the energy workforce. The realities of unstable pricing, digital disruption, multiple generations in the workplace and negative perceptions among potential new hires are all issues companies are rightly scrambling to address. Most leaders recognize the ground shifts taking place as workers age out of the talent pool, and they understand the need to quickly attract and train a new generation of experts.

But that "great crew change" isn't the only challenge facing today's energy companies. For decades, energy has been a male-dominated industry. Even today, when women comprise 50% of the available global workforce, they still hold less than 30% of available careers in energy. The industry is lagging seriously behind many others.

Energy companies understand this and are beginning to pay serious attention to hiring practices and pay equity within their organizations. Statements from 2018 annual reports (opposite) demonstrate that many energy companies have begun to recognize this reality.

Our business and sector traditionally lack diversity. But we are confident that the actions we are taking to improve will, over time, help ensure our workforce reflects our labor markets.

By embedding D&I into our operations, we have a better understanding of the needs of our people, as well as the needs of our varied customers, partners and stakeholders ... In 2018, 46% of our graduate recruits were female.

Our company takes part in national and international initiatives with the aim of constantly enriching its processes and operation practices to achieve gender parity. Our company also regularly monitors the pay gap between the female and male population for the same position and seniority, and has found that wages are substantially aligned.

However, hiring and pay alone are not enough. Energy companies must tackle the bigger challenge of total career equity if they want to establish this industry as a destination for women and diverse talent. With the demographic changes coming over the next few decades, the energy industry simply must make the effort to engage the female half of the world's talent pool.

Our research shows that companies that are unflinchingly addressing gender diversity — not only in hiring practices but in overall career equity — are the companies most likely to greet the future of work with a healthy talent pipeline.

Diversity amid disruption

Since the commodity downturn that started in late 2014, the global energy industry has been preoccupied with rightsizing, managing costs and driving productivity and efficiency in order to survive in an environment of lower and more volatile energy prices.

Companies have also been impacted by reorganizations and efforts to prepare for the future of work, driven in part by societal changes and advancing technology. In Mercer's 2019 *Global Talent Trends* survey, 73% of C-suite leaders across industries (and an even higher 87% for those in energy) reported that they anticipated significant business disruption in the next three years, an eye-opening increase in just one year from 26% overall in 2018.

Though the impact of technology such as artificial intelligence and robotics has been well documented, the energy industry hasn't published as much data on the impact of diversity and inclusion on the future of work.

To understand the impact of gender diversity and inclusion in the energy industry specifically, we analyzed global data from Mercer's *When Women Thrive, Businesses Thrive* survey (WWT) between 2014 and 2018 (covering more than 4 million employees) and US energy industry data from the *Mercer Total Compensation Survey for the Energy Sector* (MTCS) between 2014 and 2018 (covering more than 575,000 employees).

Our MTCS data show that during the downturn, the percentage of women in the energy industry temporarily increased by as much as 2.2% overall, as roles predominately held by men were cut in higher volumes than roles held by a higher percentage of women. However, as the industry started to build back from the downturn, we saw a greater number of male-dominated roles return, causing the overall female proportion of the workforce to once again decline to pre-downturn levels.

This lack of growth in female employment over the past five years is concerning on its own, but is magnified by energy's lagging female participation rates (overall and by job level) relative to other traditionally male-dominated industries (see Table 1).

Table 1. Female participation rates, by industry and level

Sector	Support staff	Professionals	Managers	Senior managers	Executives	Overall
Services (including financial and insurance)	62%	46%	39%	30%	23%	48%
Information and technology	46%	33%	31%	26%	20%	33%
Manufacturing	35%	33%	27%	22%	18%	31%
Energy	37%	29%	24%	22%	17%	28%

Source: Mercer WWT survey data, 2014–2018

¹ Mercer. *Global Talent Trends Study*, 2019, available at <https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html>.

² For Mercer research on the impact of technology, see "Have you started building your energy workforce for the future?" available at <https://www.mercer.com/our-thinking/career/have-you-started-building-your-energy-workforce-for-the-future.html>.

³ Mercer. *When Women Thrive, Businesses Thrive*, available at <https://www.imercer.com/ecommerce/products/when-women-thrive-global-report>.

⁴ Mercer. *Mercer Total Compensation Survey for the Energy Sector*, 2019, available at <https://www.imercer.com/ecommerce/products/energy-sector>.

Creating career equity for women in energy

Gender diversity is about more than hiring practices or pay disparity. “In our substantial work with organizations to help achieve gender pay equity, we find that unexplained pay disparities — those that remain after accounting for relevant factors that legitimately influence pay — are relatively small and getting smaller in larger employers,” says Haig R. Nalbantian, a Mercer Senior Partner and recognized authority on human capital measurement and management. “Raw pay gaps persist and remain large, but this reflects the continued reality of significantly lower female representation in higher professional and managerial ranks.”

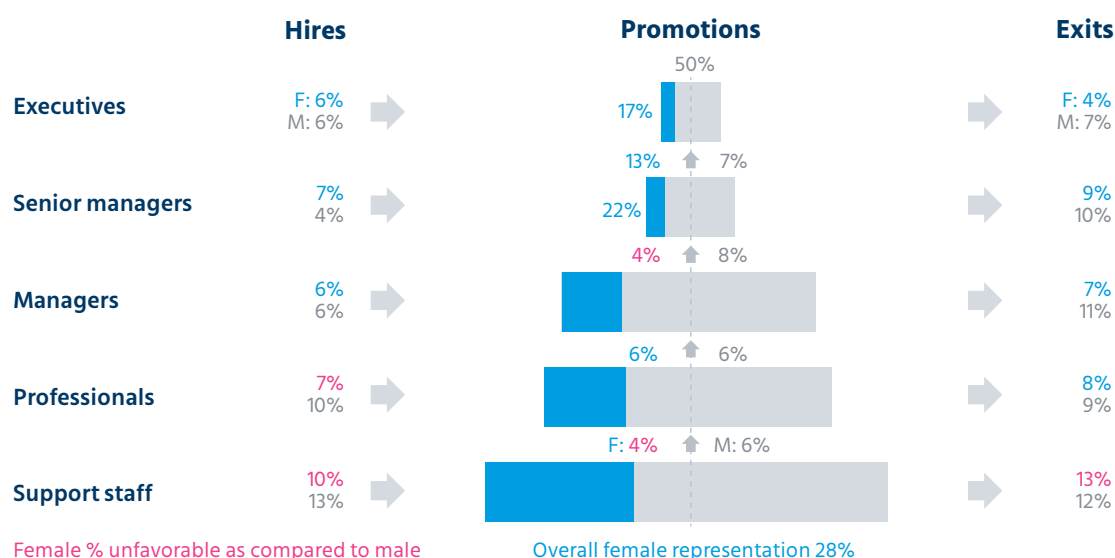
Pay equity and hiring diversity are certainly table stakes in paving the way for gender diversity, Nalbantian explains, but a great discrepancy remains between men and women when it comes to career opportunity, the ability to advance into the same roles and levels. “The bigger challenge, by far, is the substantial gap in career equity, not pay equity.”

Organizations that have seriously pursued gender pay equity are now recognizing the importance of addressing underlying career inequities. This requires uncovering systemic barriers to the advancement of women up the hierarchy.

“A big impediment,” says Nalbantian, “is the failure to get women into the ‘right’ roles — those critical ‘feeder’ or ‘accelerator’ roles which are associated with enhanced opportunities for advancement. Often these are supervisor or people manager positions. Organizations would be well-advised to proactively assess the career prospects of their up-and-coming female talent to ensure they are in the right positions and/or in the right part of the business to succeed.”

Our data support these observations: A high percentage of women in the industry occupy more junior and back-office, administration and support function roles, which were hit during the downturn and will be disproportionately hit hard again by artificial intelligence and digital transformation.



Table 2. Average energy company internal labor map

Source: Compilation of Mercer WWT energy industry data, 2014–2018

In Table 2, we have used Mercer's Internal Labor Market Analysis® to model the average percentages and overall movement of women compared to men into, up and out of the energy companies in our database.⁵

As you can see, the percentage of women decreases as career level increases. Second, outside of the support-staff level, women left energy companies at substantially lower rates than men. Career flows negatively impacting women compared to men included:

- Hiring at the support-staff and professional levels (around 30% more men than women were hired in at these levels)
- Promotion rates between support staff and professionals (men's promotion rates were around 50% higher) and

between managers and senior managers (men's promotion rates were approximately double that of women's)

- Exits at the support-staff level (women were 8% more likely to leave)

Do you have a clear understanding of not only who occupies what levels of your organization but the patterns behind their talent flows that ultimately determine the distribution of talent across career levels and jobs? By tapping into your HRIS data and applying advanced workforce analytics, your organization can empirically determine what drives or predicts those talent flows and associated rewards. You can then use that knowledge to improve the representation of women across your organization's hierarchy in a way that is sustainable and consistent with business needs.

⁵ Mercer. Internal Labor Market Analysis, available at <https://www.mercer.com/about-mercer/lines-of-business/talent/internal-labor-market-analysis.html>.

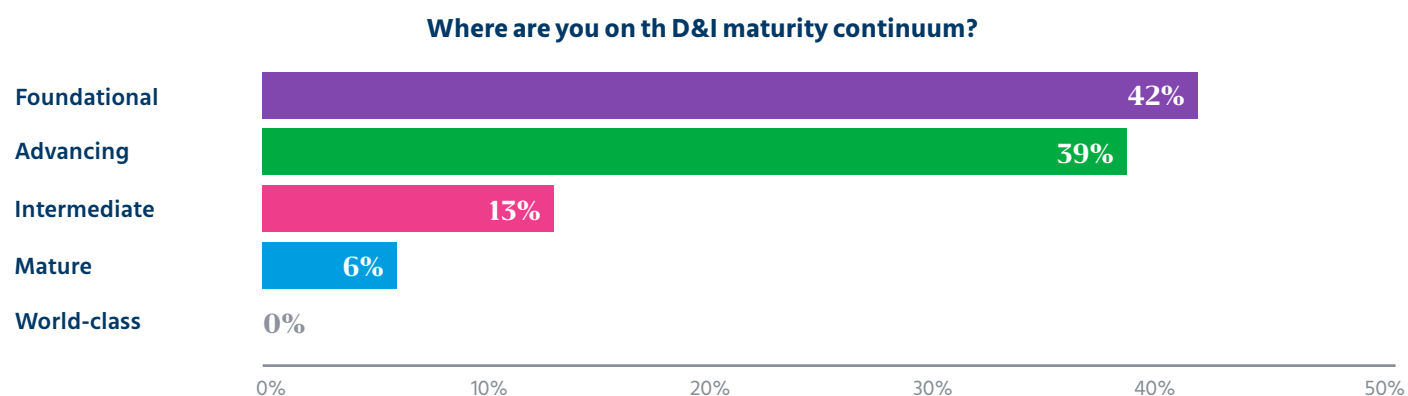
Energy kicks off its D&I journey

While momentum is gathering among energy firms seeking to increase female employment, industry leaders admit that their organizations have a long journey ahead. During Mercer's October 2019 Energy Forum in Houston, we asked energy HR professionals to plot their company's current status on a D&I maturity continuum. In Table 3, we see that these leaders largely placed their companies at early stages of D&I efforts.

Energy leaders' self-reflection on D&I demonstrates an admission that they are just getting started on this journey, but how committed are their organizations to moving forward along the D&I maturity continuum, and how rapidly?

Energy C-Suite executives appear firmly committed to improving D&I as an immediate imperative. In Mercer's 2019 Global Talent Trends study, energy executives listed the need to develop an increasingly diverse talent pool in terms of race, ethnicity, nationality and/or culture as the top workforce trend they were most concerned about (the only industry to do so).⁶ Inadequate diversity in both workforce and leadership also ranked in their top five (out of 19) human capital risks (along with declining employee engagement, excessive time to fill open positions, leadership pipeline and unwanted delays in retirement).

Table 3. Who's actively engaged in D&I programs?



Source: Mercer's 2019 Energy Forum Poll

⁶ Mercer, Global Talent Trends Study, 2019.

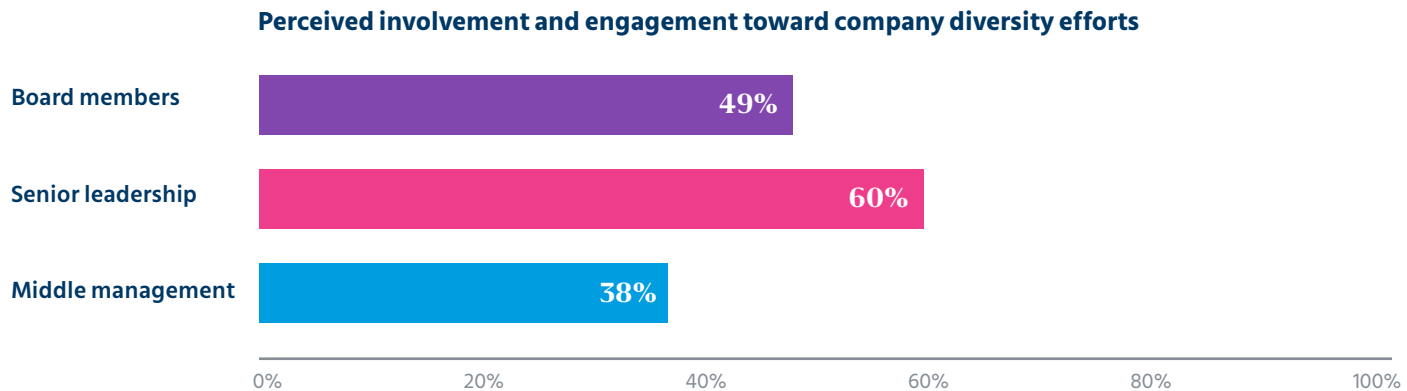
Though D&I certainly appears to be one of the leading business transformation priorities for energy company executives, our 2014–2018 WWT research shows that urgency isn’t necessarily cascading throughout all levels of the organization. Table 4 shows the perceived involvement and engagement within energy companies in diversity efforts from board members, senior leaders (C-suite plus direct reports) and middle management.

What’s important to realize here is that good intentions are not enough. Senior leaders undoubtedly have good intentions regarding D&I, but that intention sometimes gets diminished or loses visibility as it extends down the organization.

Unfortunately, that’s where the majority of women are waiting for opportunities to progress. To be effective, diversity programs and practices require:

- A strong gender balance at all levels
- Equitable career opportunity in recruitment, promotion and leadership development training and mentoring
- Flexible working arrangements
- An inclusive culture

Table 4. Who’s actively engaged in D&I programs?



Source: Compilation of Mercer WWT energy industry data, 2014–2018

Action on gender diversity impacts profitability

Addressing gender diversity in energy is much more than a “feel good” branding exercise. Research shows that businesses with high inclusive engagement have an operating profit almost three times higher (27%) than those that do not.⁷ Plus, when employees feel their organizations are diverse and inclusive, they are 83% more likely to share ideas to develop innovative solutions, 31% more likely to meet customer needs and 42% more likely to work collaboratively to achieve team objectives.⁸

The downside of not acting on gender diversity can be substantial. As attracting, retaining and motivating talent becomes more and more challenging, employers can ill afford to alienate — or take a half-measured approach to — up to 50% of their potential talent pool. By not acting, organizations risk being out-of-step with their competitors for talent, being subject to litigation or damaging their brand and reputation by being “named and shamed” by news media, activist investors, the ESG community and/or various outside agencies (for example, Arjuna, Just Capital), which are increasingly evaluating and scrutinizing companies on the basis of gender equity and workforce diversity.



⁷ Kouzes, James and Posner, Barry. *The Leadership Challenge: How to Make Extraordinary Things Happen in Organizations*. John Wiley & Sons, 2017.

⁸ *ibid*

How to attract more women and diverse talent to the energy industry

Another issue needs addressing here: Women simply aren't as interested in energy careers as men are. Only 24% of 16-to-35-year-old women say they find a career in energy appealing.⁹ Even the best-intentioned companies can struggle to find candidates to build out a more gender-diverse workforce.

This issue can be addressed at both an industry and individual company level.

Several key reasons explain why women are firmly in the minority in energy companies. To begin with, they represent a lower percentage of graduates with STEM and appropriate degrees for key skilled positions in energy. Trending in this area is for the better, so this issue should be waning more over the next decade.

Our anecdotal evidence also points to a number of other factors contributing to female disinterest in the industry, including environmental concerns, perceived lack of job stability and less flexibility in work routine. In short, we have found that millennials, and millennial women in particular, want to work for responsible-growth companies that are attentive to the environment and social causes, and energy firms are not viewed in that way (at least not yet).

Some key variables increase women's job interest and improve their perception of the employee value propositions, including:

- Visibility of other females in key leadership roles within the company

- Role models — both men and women — who are leading the life they want to live and who appear happy, productive, energetic, healthy and balanced
- Flexibility to choose the benefits that fit their lifestyles
- A vision of themselves thriving in the organization

To build this future workforce environment, companies (and the industry as a whole) must reimagine a different world where women thrive in underrepresented roles in energy — not just in HR or marketing. And companies that attract a more diverse gender mix are also likely to see the quality of their talent rise across the board, as more and more talented young professionals seek out companies that show a commitment to diversity and inclusion.

Transforming energy into a destination for diverse talent requires more than brochures, slogans or a few tweaks in practices; it requires a serious focus on cultural transformation, new D&I policies and programs, a comprehensive communications effort and buy-in from top to bottom. Senior leaders and managers must be on board and share in driving the D&I agenda throughout the company.

"The authenticity of an organization's response is critical," says Milan Taylor, Mercer's Global Energy Leader. "If the reality is that companies are saying the right things but not doing enough of the right things, then you'll find women will say no and go."

Taylor adds that, behind company efforts, the industry as a whole needs to change the way it views this issue. The world is changing, consumer attitudes and beliefs are changing, shareholders are asking difficult questions about company D&I efforts, the way we do work is evolving rapidly. Now, the industry, leadership and individuals need to change along with it.

⁹ EY, "How Do We Regenerate This Generation's View of Oil and Gas?" 2017, available at https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/oil-and-gas/ey-how-do-we-regenerate-this-generations-view-of-oil-and-gas.pdf.

This journey won't happen overnight, Taylor says. Many multinational organizations will have the added complexity of weighing global initiatives against varying local customs and traditions. The process could take two to three years to make significant progress, but organizations must continuously monitor and measure the impact of new programs through employee engagement surveys and internal data for attraction and retention figures.

Now's the time for energy companies to try bold new approaches to build the talent pipeline and to answer for the industry's lack of female representation.

Every organization will have its own unique path to gender equity, but there are three general points to consider in order to move your organizations more rapidly toward this important goal:

1. Assess where you are, not only through anecdotal evidence, marketing and messaging but through disciplined workforce analytics. Third-party organizations can provide an objective assessment and/or help offer an outside perspective with regard to your employee value propositions, equity measures, rewards, career pathing and more.

2. Identify gaps and create a data-driven solution via a thorough independent review process and certification, such as through Mercer | EDGE. This openness will resonate with your current employees and demonstrate your commitment to prospective employees.

3. Act, now that you have the facts — not as part of a five-year plan or through a bureaucratic internal committee, but as a business priority. Be forward-thinking and add D&I as a strategic business imperative. All levels of your organization must be intentional about making a change and building a diverse workforce for the future, today.

Companies that don't act now on gender diversity will feel the effects acutely in the coming years. But companies that seize this moment stand to benefit exponentially from a stronger, more diverse stream of talent. Former US President John F. Kennedy once said, "In the Chinese language, the word 'crisis' is composed of two characters, one representing danger and the other, opportunity. In a crisis, be aware of the danger — but recognize the opportunity."

Yes, energy faces an impending talent crisis, wrought with danger, but overlaying that is an opportunity for your organization to bring more women into the workforce, stabilize your talent pipeline and create a thriving, diverse workforce ready to tackle not only the industry's but the world's most critical challenges.

About Mercer Energy

Mercer Energy is a leading provider of strategic people advice and execution support to more than 1,500 organizations across the globe. We maintain constant observation and interpretation of global, regional and local dynamics impacting our clients today and tomorrow, as well as the disruptive forces transforming the industry and its future workforce. Using extensive data and benchmarks, the deep project expertise of our 600+ energy consultants and in-depth analysis and forecasting, we partner with our clients to develop a strategic performance platform designed to create and maintain a thriving workforce and deliver long-term business success.

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