

Human Capital: *The Key to Reliability Excellence*

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Greater New Orleans Roundtable
June 2008



Who is Talking About it?

"Labor Squeeze hits Energy" / *Global E&C Forum (October 2006)*

"Workforce Shortage" / *The Economist magazine (Cover - October 2006)*

"Construction Labor Symposium" / *LEAN Institute (May 05)*

"Oil Companies Worried about Industry "Age Gap" / *OTC – May 2005*

"The Perfect Storm: The Coming Workforce Crisis" / *Gulf Coast Construction User's Council*

"Getting What You Paid For" / *Engineering Construction Conference*

"Employee Retention is a Business Strategy" / *Construction Executive (Feb 2005)*

"Key Challenge in the Next 5 to 10 Years – Loss of Knowledge
as Baby Boomers begin to Retire" / *Jim Porter & DuPont – DaraTech 2005*

Knowledge Base as Baby Boomers Retire / *Karan Sorensen - Johnson & Johnson*

"Companies losing up to 60% of their experience in 5 years" / *John McQuary - FLUOR*



“When land was a scarce resource,
nations battled over it.

The same is happening now for
talented (skilled) people.”

72% of managers say that talent is crucial to the success of the company's future.

9% are confident that their actions will yield a strong talent pool in the next 3 years.

SUPPLY and DEMAND



SUPPLY

and

DEMAND



Supply

2003 – Baby Boomers start turning 60.

77MM people / Gen-X is 46MM

2005 – More people over 40 than under 40.

2008 – Workers age 25 to 40 decline by 1.7 million.

40% of the population eligible for retirement

2010 – First Baby-boomers retire.

1/3 of workers are over 50

2012 – Need for Science & Engineering grads increases 26%

30% of HS students will not graduate.

50% of minority HS students will not graduate.

2015 – ½ of utility workforce is eligible for retirement.

2030 - Skilled labor shortage could be 35MM

Occupations ranging from base welder to systems manager.

Supply

Today's workplace spans four generations.

With a fifth to enter in 5 years!

Supply

Traditionalists (Ages 63+)

Great Depression, WWII, New Deal

Baby Boomers (Ages 46 to 62)

Civil Rights, Vietnam, Cold War, Space Travel

Generation "X" (Ages 26 to 45)

Berlin Wall, Watergate, Desert Storm

Generation "Y" (Ages 18 to 25)

Oklahoma City School Shootings, Monica & Bill, Terrorism

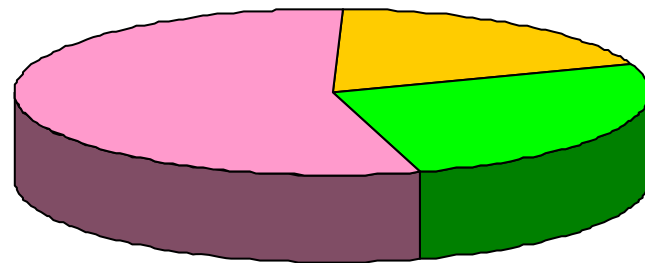
Supply

The Working Population:

26% Engaged

55% Not Engaged

19% Actively Disengaged





SUPPLY
and
DEMAND

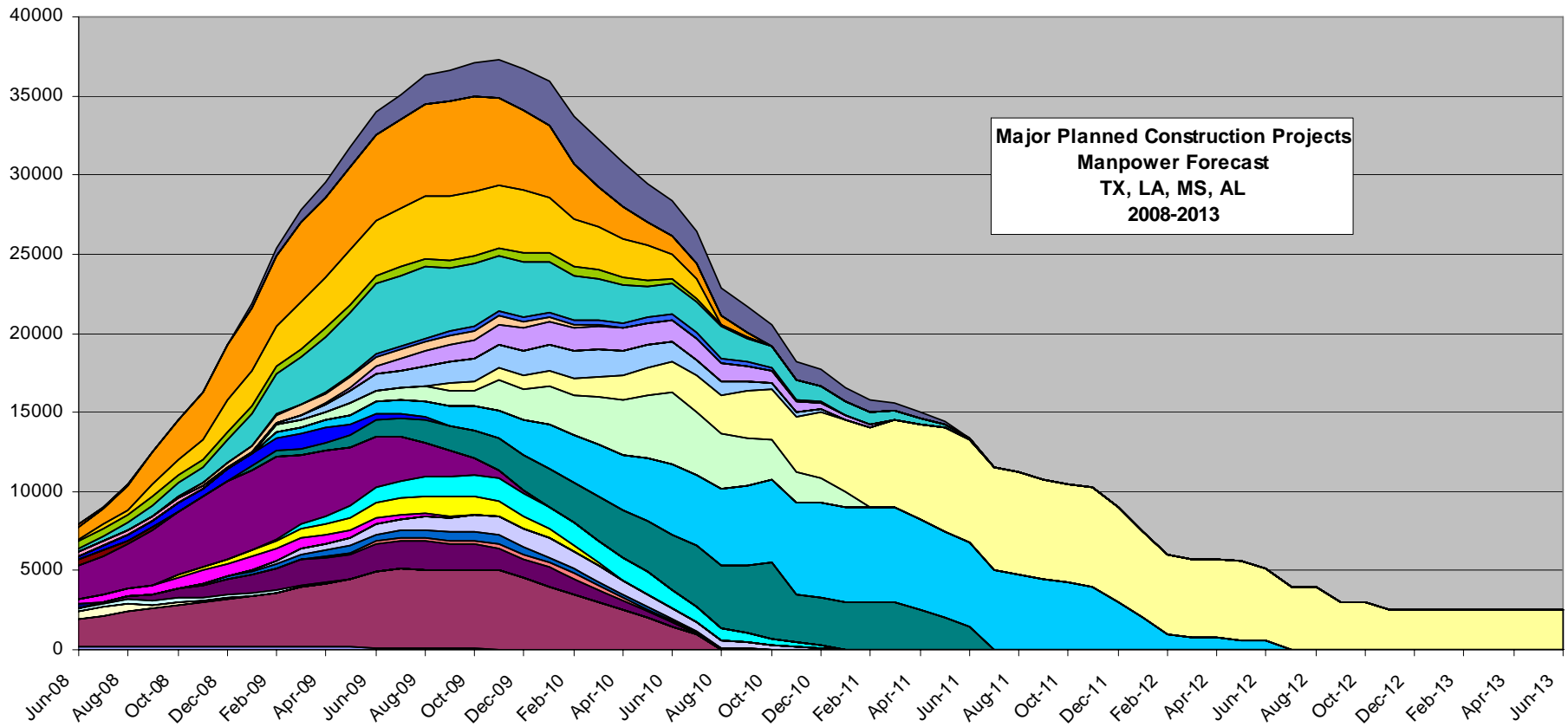
Demand

Lodging	\$14.5B 10% increase (8% annually thru 2009)
Offices	\$50.8B 10% increase
Retail	9% increase (7% next 4 years)
Healthcare	\$34B (2005) / \$45.4B (2006)
Education	49% increase (Colleges 24% increase)
Religious	2% increase thru 2007
Public Safety	4% increase
Recreation	6% increase (5% to 9% thru 2009)
Transportation	6% to 7% increase to \$34.6B for 2009
Communications	4% to 5% increase to \$17.1B for 2009
Manufacturing	18% increase

Demand

Power	12% to 15% annually thru 2009 \$37B to \$61B / 3.5BKw to 5.22BKw
Natural Gas (Constr.)	\$1.3B(05) / \$2.7B(06) / \$3.1B(07)
Highways & Streets	5% to 6% for next 5 years
Construction Materials	10% increase (20%+ aggregate and ready mix)
Sewage & Waste	7% in 2006 / 8% in 2007
Conservation	4% increase steady thru 2009
Offshore	\$20B annually by 2010
Deepwater	\$33B last 5 yrs / \$65B next 5 yrs

Demand



Demand

Potential Areas of Concern

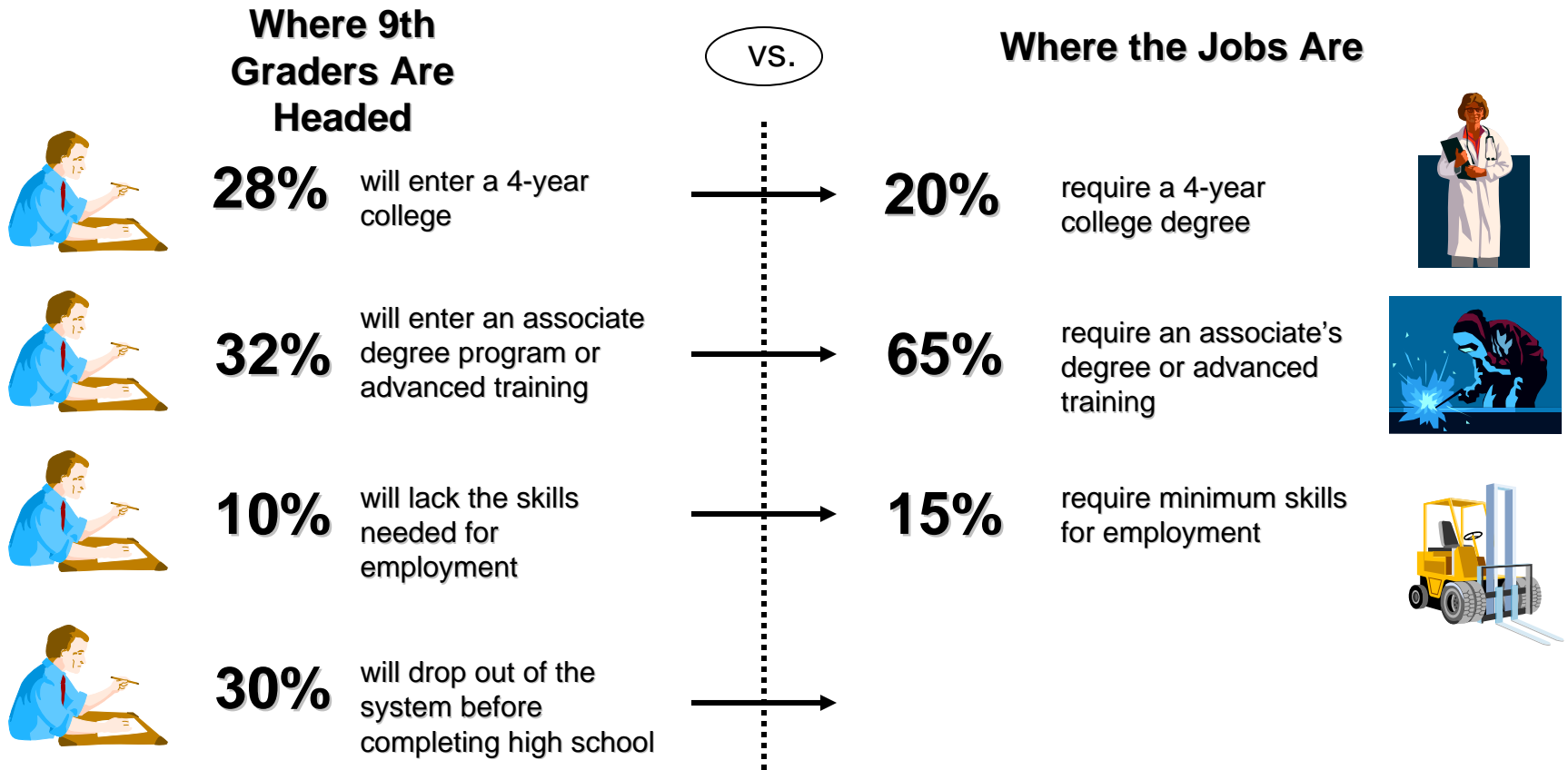
1. Increased Wages.
2. Higher overtime costs, bids, and budgets.
3. More competition from craft professionals.
4. Lower quality of work.
5. More competitive job market.
6. Contracts only awarded to companies that have the employees.

Retrace the Steps to Today

- Movement away from industrial arts in High School.
- Career Counselor recommendations at High Schools.
- Notoriety of “accidents” in the evening news.
- Perceived lack of concern for the individual.
- 249th out of 250 most desired jobs to be had.

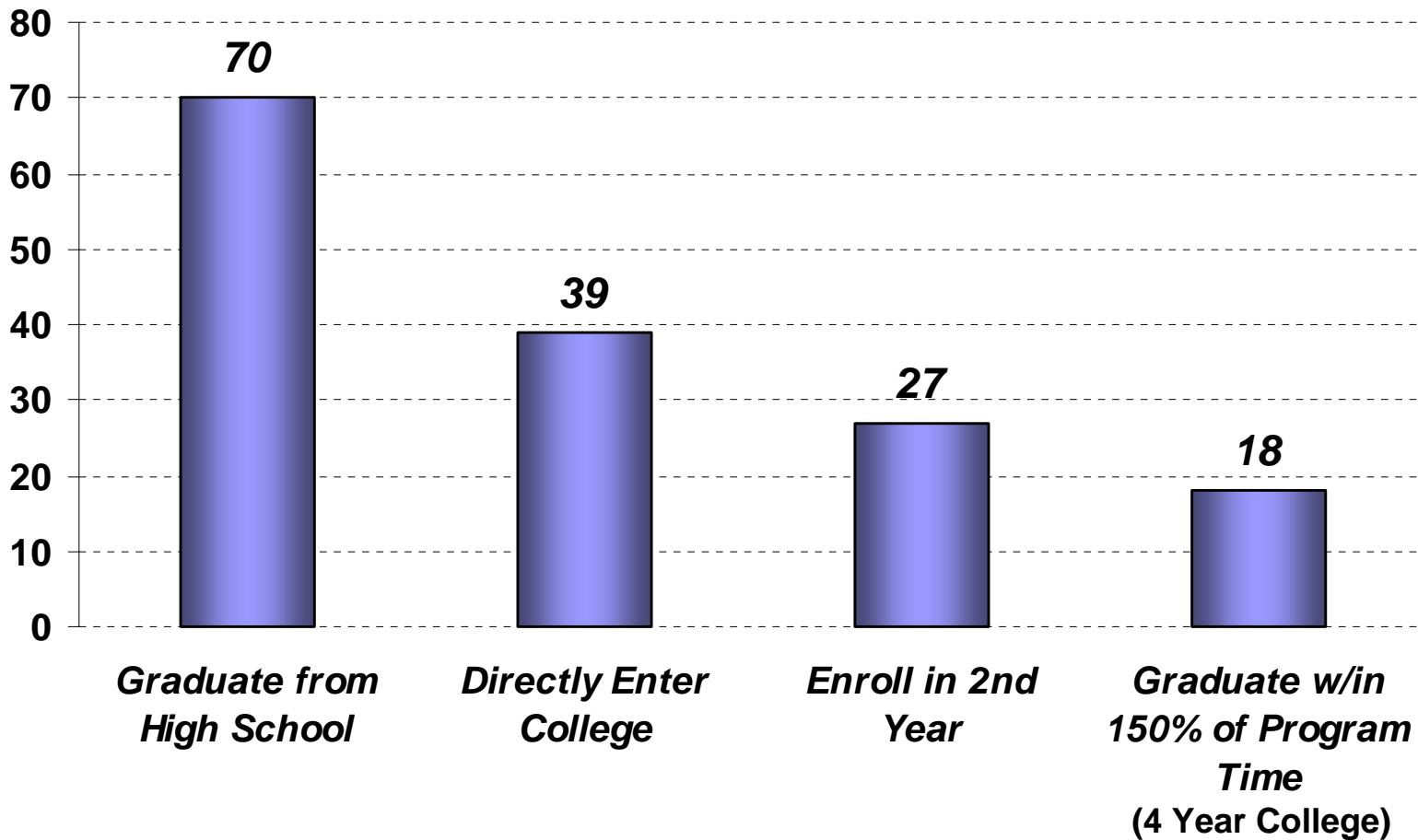
The Workforce Gap

Workforce 2020: Work and Workers in the 21st Century



Educational Pipeline (U.S. Average)

Of 100 9th Graders, How Many...



Source: NCES, IPEDS Common Core Data (Residency & Migration, Enrollment, and Completion Surveys)



SOLUTION



Immediate Term

Keep the People that we currently have.

Future of the Workplace

1. Diversity

International workers (language)
Female Workers, Minorities, etc.
Bilingual safety & training issues

2. Technology in the Field

Automation

3. Average Age / Younger Workers

Lowering of average age of 57
Less skills are "ready-made"

Short Term

Get more people to the field.

Control runaway wages.

Become Easier to Do business with.

Long Term

Grow more employees.

Employee Communication.

Become a great place to work.

"Grow" More Employees

1. Females / Single Moms
2. High School Students
3. Ex-Military
4. Minorities
5. Retirees
6. Unemployed
7. Dropouts / Underskilled
8. Incarcerated / Half-way House / "BootCamp"
9. Relocated Skilled Workforce
10. Skilled from other Industries

Communication -- Clear Career Path

1. Communicated “professionally” to targeted groups.
 - Re-educate the public / identify target markets
 - Professional Marketing firm (with “grassroots” effort)
2. Seek broader FUNDING options.
 - “GI Bill” of sorts to provide for funding (scholarships)
 - Similar to what is happening in LC (work/training)
3. Internship-type opportunities.
 - ABC Involvement in the Student
 - Similar to nursing and med school commitments
4. Develop Interest
 - Re-Ignite “Passion” in the High School outreach programs
 - Interest Kids in Construction sooner (image & career path)
5. Coordinated Education Efforts
 - Higher education (coordination with PTEC)

The System

1. Open Minded HR/Personnel Systems
 - Solution oriented
 - Rapid enrollment, rapid matriculation
2. Younger Students / HS Dropouts (18k/yr)
 - Large pool to choose from
3. Flexibility of Construction Stakeholders
 - Different rules
 - Modifying existing way of doing things
4. "Go to Them" Attitude
 - Take training to where potential workers are.
 - Virtual Training



LOUISIANA RESPONDS

2008 Regular Session of the Legislature

Monday, March 31, 2008 – Monday, June 23, 2008

HB 1018, SB420

Workforce Education Fund

HB1104, SB612

**Creates the Louisiana Workforce
Commission**



People.

The Stock Market Rewards it:

Review Just Market Cap.

Google
\$ 210 Billion

Fluor
Boeing
GM
+Ford
\$88.1 Billion