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STUDY TITLE: Labor Demand in the Offshore Oil and Gas Industry: The Louisiana Case

REPORT TITLE: Labor Demand in the Offshore Oil and Gas Industry in the 1990s: The Louisiana Case

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BACKGROUND: The surge in oil and gas activity during the mid-1990 was a result of technological and corporate changes, coupled with a steady increase in the global demand for oil. When this study began, the oil and gas industry was experiencing an 11-year high point in activity, yet growth in oil- and gas-related employment levels continued to be low. The supposition was that slow growth in employment was attributable to a shortage of qualified workers, although there was little evidence to support this supposition. The intention of this study was to shed light on this slow employment growth.

OBJECTIVES: The purpose of this study was to examine the demand side of labor in the oil and gas industry in the Gulf of Mexico during a period of economic expansion.

DESCRIPTION: The high level of production the oil industry enjoyed up through 1997 took a rapid downturn that year. The American Petroleum Institute reported that by 1999 oil production had its largest decline in a decade and the number of those employed in the upstream sector dropped by 60,000 between 1997 and late 1999. This decline resulted in mid-stream modification of the questions related to the current labor situation and led the MMS to address a more general set of questions dealing with changes experienced by firms in the oil and gas industry. The three issues related to labor demand addressed

1. organizational and technological changes in supporting the GOM oil/gas industry;
2. changes in interrelationships among firms; and
3. perceptions of the capacity of local communities to supply needed labor to firms.

A sample of firms was drawn from two multi-parish labor market areas in Louisiana—Lafayette and Houma. The companies were placed into four different categories: air and water transportation, metal fabrication, ship and boat building, and oil and gas services.

SIGNIFICANT CONCLUSIONS: The respondents' reasons for the labor problem fell into three categories: Human capital deficiencies (lack of job-related skills), attitudinal/motivational deficiencies (positive to negative work ethic), and industry-related conditions (erratic behavior of the oil and gas industry).

STUDY RESULTS: Research revealed there was no clear pattern to define the industry changes, although one-third of the companies reported they were less specialized in comparison with the 1980's, a situation that could be attributed to "being bought out" by another company. Despite the organizational changes, most companies maintained their core interests and activities. With regard to the interrelationships among firms, respondents mentioned very little change in the extent to which they contracted out for services. The sample included 36 firms and, when it came to the labor supply, 14 firms indicated they had no problems securing adequate labor, while 20 told of problems maintaining an adequate workforce.

STUDY PRODUCT(S): Deseran, F.A. and L. Tobin. 2003. Labor demand in the offshore oil and gas industry in the 1990's: The Louisiana case. U.S. Dept. of the Interior, Minerals Management Service, Gulf of Mexico OCS Region, New Orleans, LA. OCS Study MMS 2003-022. 26pp.