

CHRIS TOMLINSON

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Some skilled workers becoming consultants after layoffs

By **Chris Tomlinson** | May 26, 2015

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Photo: Handout

Peter Wang, a former Schlumberger employee, who has found work as a consultant after being laid off.

There are few things more dismaying than the long walk carrying a box to the parking lot after getting laid off.

Severance packages and platitudes do little to reassure someone of their value after an employer sends him or her home. There are always nagging questions: Why me? What will I do now? What will happen to my finances? My retirement plans?

Waves of layoffs in the oil and gas industry are nothing new, and many veterans brag about being laid off three or four times over a 25-year career. But deep down inside, there is always the question of where will the next paycheck come from, particularly for those past the age of 50.

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In addition to layoffs, many companies are forcing highly-paid employees to retire, even if that person wants to keep working. Sixty-five was set as the retirement age when retirees expected to live another 13 years. A person who is healthy at 65 today can expect to live to 90.

Whether laid off or retired, both groups will find it difficult to find another job, but they may find it surprisingly easy to get hired as consultants. Baby boomers, welcome to the freelance economy.

Working short-term gigs as independent contractors is nothing new for millennials, who entered the workforce during the Great Recession. The oil and gas industry is catching up with other employers who have long wanted to keep payrolls short and the on-call list long.

Peter Wang, a 53-year-old geophysicist from Houston with 29 years of experience, was laid off by the oil field service company Schlumberger in March. Within weeks he was considering two offers to work as a consultant. He's an expert on an industry software program called Petrel and was working for Houston-based consulting firm SCM E&P Solutions when I caught up with him.

"I started learning Petrel when I was 43, at an age when some might not have been willing to learn something new," he told me.

"I knew it was going to be my bread and butter."

OPINION



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Wang chalked up the consulting offers to keeping his skill set up to date.

"How you manage your career before you are laid off really determines the outcome after. You need to pursue as much training as possible in your field," he said. "Mid-career people have to keep challenging themselves to learn new stuff. I see a lot of people who have not kept up their skills and they are not working."

Finding work so quickly as an independent contractor also presents tax challenges. Wang's prior compensation combined with the consulting income would have cost him dearly at tax time, so he asked SCM to pay him in 2016.

To learn more about the challenges of moving from employee to consultant, I spoke to Scott Bishop, director of financial planning at Houston's STA Wealth Management. He said drafting business plans and meeting with expert advisers is critical to avoid making costly mistakes.

"You need to sit down and clear your head because anybody going into retirement or getting laid off is anxious," Bishop said. "You never make a good decision when you are scared."

Bishop said people who want to keep working should engage their professional networks. But they should also think about how much money they need, how much they want to work and, most importantly, how much will they charge?

The biggest mistake most people make is not charging enough. New consultants also don't think about liability insurance or whether they are getting the best possible contract.

"Some of these people, particularly in engineering, are still a hot commodity because of their gray hair and experience," Bishop said. "If you truly have a skill set, you can find a job."

New consultants need to decide if they want to be self-employed, start a company or employ others. They must pay a higher tax rate but also get more deductions. Bishop said he set up a defined-benefit retirement plan for one 55-year-old where virtually all of his consulting income went directly into a defined benefit retirement plan because he had other funds to pay expenses.

"When you are working for yourself you need to remember not to spend your taxes," he warned.

Earlier this year I wrote about how soon there may be no permanent jobs, and we'll need to develop valuable skills and move from gig to gig. In 1995, 93 percent of American workers had a job with a company, but by 2020 the Bureau of Labor Statistics predicts as many as 20 percent of American workers may be freelance or temporary workers.

Bishop said he's not surprised to see the oil and gas industry following the trend, or older people still working.

"I think you're going to see more of that. Most baby boomers have done a miserable job of saving up for retirement," he said.

Wang's advice to the newly laid off?

"Take care of your health, your mental, physical and spiritual health. It's a very stressful time," he said. "The thing that produces is you, and you have to take care of you."

Wang was ready for when the world shifted under his feet. Will you be?



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