

More layoffs as global oil price slump continues

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Oilfield service company Schlumberger Ltd., headquartered in Houston, Texas and Paris, France, announced late Thursday that it was planning to cut a further 11,000 jobs. These cuts come on the heels of 9,000 layoffs announced in January. With these 20,000 layoffs, the company will be eliminating 15 percent of its total global workforce.

The company reported to shareholders that first quarter profits fell 39 percent due to a worldwide slowdown in drilling for oil and gas. The company posted a profit of \$975 million in the first quarter of this year, down from \$1.6 billion in the same period last year.

“The abruptness of the fall in activity, particularly in North America, required us to take additional actions,” Schlumberger CEO Paal Kibsgaard told shareholders. The company also reported a decline in drilling activity in Russia, Brazil and Colombia.

The additional layoffs at Schlumberger point to further job cuts throughout the energy industry, which has been shedding jobs at a significant rate amidst a dramatic collapse in the price of oil over the last several months. Prices have been pushed down by near-record oil production in the United States and the decision last year by Saudi Arabia to maintain its rate of production in the face of a global oil surplus.

While the cost of a barrel of crude oil has risen slightly in recent weeks, partially due to concerns about Saudi airstrikes against Houthi rebels in Yemen, the price remains near a six-year low. The fall in the cost of a barrel of oil, down nearly 50 percent since a recent peak last year, has had a negative impact on drilling operations in the US states of North Dakota, Oklahoma, Louisiana and Texas, as well as in Mexico.

The Texas Workforce Commission reported 400 layoff notices last week, including 194 at FTS

International, and 149 at Lufkin Industries, a subsidiary of General Electric.

Tim Cook, an oil and gas recruiter and the president of PathFinder Staffing, told the *Wall Street Journal* that the roughnecks who work on the rigs have been the most affected by the layoffs. “The closer your job is to the actual oil well, the more in jeopardy you are of losing that job,” he said. “Each time an oil rig gets shut down, all the jobs at the work site are gone. They disappear.”

Energy companies have announced the layoff of more than 100,000 workers worldwide since the price of crude oil plunged last year. At least 91,000 of these layoffs have already taken effect. Pemex, the Mexican state-owned oil company, announced in January that it was laying off 10,000 workers.

According to the Bureau of Labor Statistics, the number of workers directly employed in oil and gas extraction in the United States has fallen by 3,000 since a peak of 201,500 in October. The number of workers employed in the wider energy support sector has declined by 12,000 since a peak of 337,600 in September. According to Baker Hughes, the number of active oil and gas rigs in the United States has declined by nearly 50 percent to 988, the lowest number in five years.

Halliburton and Baker Hughes, the two main competitors of Schlumberger, which agreed to a \$34.6 billion merger late last year, announced the layoffs of a combined total of 13,400 workers in February. It is expected that they will follow Schlumberger in announcing further job cuts.

Schlumberger’s Kibsgaard indicated to investors that the company did not expect a recovery in demand for oil drilling or oil prices in the near future. “We believe that a recovery in US land-drilling activity will be

pushed out in time, as the inventory of uncompleted wells builds and as the refracturing market expands, “he stated. “We also anticipate that a recovery in activity will fall well short of reaching previous levels, hence extending the period of pricing weakness.”

The impact of the slump in oil drilling has extended to the segments of the American steel industry that manufacture oil-drilling pipe. Last month US Steel announced 2,080 layoffs with the idling of its steel pipe factory in Granite City, Illinois. Since the end of March at least 731 jobs have been cut at the company’s Fairfield, Alabama facility, which also manufactures pipes used for drilling. The layoffs were part of a cut of 4,500 jobs nationwide announced by US Steel last month. Republic Steel also announced the layoff of 200 workers at its steel pipe factory in Lorain, Ohio last month.



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