Chevron to lay off 7,000 workers

Mass layoffs in US point to deepening slump

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31 October 2015

Chevron Corporation, the second-largest oil giant in the United States, announced plans yesterday to eliminate 6,000 to 7,000 jobs over the next few years, along with a "similar" number of contract workers. The downsizing is being carried out in response to falling revenues caused largely by the ongoing slump in oil and commodity prices internationally. Chevron had already announced plans to lay off 1,500 workers and 600 contractors in July, in response to its second quarter results.

The mass layoffs at Chevron, amounting to over 10 percent of the firm's work force, are part of a rash of job cuts in the United States and internationally, showing that the world economy remains mired in slump seven years after the 2008 Wall Street crash.

Chevron plans to cut capital investment spending by around 25 percent in the next fiscal year, to between $25 and $28 billion. In 2017 and 2018, the company expects to further slash capital spending to between $20 billion and $24 billion. This is in addition to a 15 percent cut in capital spending over the previous quarter.

Other oil companies, including ExxonMobil and ConocoPhillips, have likewise responded to plummeting revenue from oil and gas exploration by sharply cutting capital expenditures.

Chevron's net income has fallen by roughly half since 2012, according to *Bloomberg News*, and the company's revenue last quarter fell 37 percent to $34 billion. Nevertheless, earnings managed to beat the expectations of industry analysts due to cost cuts and profits from the company's refining operations, *Reuters* reported. Profits from exploration and oil production have dropped to virtually nil over the past year, from $4.65 billion to only $59 million.

Chevron and other oil giants are under pressure from Wall Street to slash capital investments in order to prop up share values and dividends. During a conference call with investors, Chevron CEO John Watson emphasized the need for greater "efficiency" within the company, while declaring that financing dividends for shareholders was the company's "first priority." In March, Chevron announced plans to sell off $15 billion of its assets through 2017 in order to boost dividends.

The price of West Texas Intermediate Crude, a key benchmark for global oil prices, fell from nearly $107 in June 2014 to only $46.40 today. While the collapse in prices is partly attributable to the decision last year of Saudi Arabia not to cut production in the face of global oversupply, it is more fundamentally the result of a slowdown in the real economies of the major economic powers, from the US to Europe, Japan and China, as well as the so-called "emerging market" economies.

US consumer spending in September posted its smallest gain in eight months, rising a mere 0.1 percent compared to 0.4 percent in August. Analysts pointed to the stagnation and decline of wages and salaries, which dropped by 0.1 percent in September, as a major factor behind the poor figures. "The labor market may be tight, but firms appear to be in no great hurry to raise compensation," one analyst told Yahoo Finance.

US gross domestic product growth also slowed dramatically in the third quarter, slumping to 1.5 percent from the previous quarter's rate of 3.9 percent.

Besides Chevron, a number of other energy and manufacturing companies are responding to the stagnant and uncertain world economy by carrying out layoffs. Announcements over the past week include:

* Minnesota-based manufacturing conglomerate 3M announced 1,500 layoffs in the face of a 5 percent drop in sales last quarter.

* Husky Energy announced 1,400 job cuts, mostly in its contractor workforce, in addition to a company-wide salary freeze.

* Cummins, which manufactures engines and generators for construction and farm equipment, announced 2,000 layoffs in response to poor demand in emerging markets such as Brazil and China.

* Baxter International, which produces products for hospitals, announced plans to lay off 1,400 people, or 5 percent of its non-manufacturing staff.

* Noble Energy announced an unspecified number of job cuts, the second round of layoffs for the mid-sized Houston-based oil company.