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OIL INDUSTRY FRETTS ABOUT RECRUITING ITS NEXT GENERATION OF WORKERS

A growing distaste for the oil business among potential young employees, combined with the economic crisis of the pandemic, could make it harder to tackle competition from renewable energy and electric vehicles.

By Rebecca Elliot
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Two years out of college, Leah Sanders was making as much as \$19,000 a month servicing oil wells in Kuwait. After getting laid off in May by oil-field services giant Schlumberger Ltd., she's back with her parents in Tennessee, earning \$15 an hour helping out at her father's construction business. She recently began considering switching careers and going to law school.

"I don't think it's going to recover as fast as I hoped it would," said Ms. Sanders, 24. "Do you want to wait and go back to something that you spent two years training in? Or do you want to start over?"

The economic crisis caused by the pandemic, combined with a growing distaste for the oil business among potential young employees, is creating a new problem for the industry.

Energy giants including Chevron Corp. and BP PLC are trying to avoid creating a generational gap in their staffs—a problem they've faced in previous downturns—that could make it more difficult to tackle industry-changing competition from renewable energy and electric vehicles.

Muqsit Ashraf, who leads the energy practice at consulting firm Accenture PLC, said he often asks energy CEOs what keeps them up at night. A few years ago, many cited the race to secure drilling locations. Now, as executives stare down a transition from fossil fuels to renewable energy, it's "How do I find new talent that I need to reinvent myself?" Mr. Ashraf said.

America's oil-and-gas industry has cut about 105,000 positions, or roughly 20 percent of its jobs, from March 1 through the end of June, according to Accenture.

At its low in April, global oil demand was down more than 20 percent from a year earlier, according to the International Energy Agency. Demand has been climbing since, but it isn't expected to surpass 2019 levels until 2023, said analytics firm IHS Markit. Even by the end of the decade demand is expected to be 3.5 million to 4 million barrels a day lower than previously forecast, IHS said.

Even before the pandemic, many investors and banks that financed the American shale boom had grown weary of the companies' inability to consistently turn a profit.

Companies, including BP and Royal Dutch Shell PLC, are feeling pressure to pivot away from oil and gas and invest more in low-carbon energy sources.

And the public, especially younger people, increasingly sees the industry in a negative light. A career in oil and gas was unappealing to 44 percent of 20- to 35-year-olds, according to a 2017 survey by Ernst & Young LLP. An even greater portion of 16- to 19-year-olds, nearly two-thirds, held that sentiment.

The attitude, among other things, makes hiring more difficult and expensive. Petroleum engineering was the highest-paid undergraduate field of study in the US, with a median salary of \$140,000 a year for employees aged 25-59, according to a 2018 Georgetown University analysis.

Amid the current cutbacks, companies are wary of repeating the mistake they made during the oil crash of the 1980s. US oil-and-gas extraction jobs fell by nearly 30 percent from 1982 through the end of the decade, according to Bureau of Labor Statistics data. Many firms sharply curtailed hiring or stopped it altogether, leading to a generational gap that haunted them for years.

Some two decades later, in the early days of the shale boom, many firms had to pay retirees to return as contractors to train younger workers, said Rachel Everaard, a principal at Ernst & Young.

"We don't want to repeat history," said Rhonda Morris, who leads Chevron's human-resources division. Chevron last froze hiring and internships in the 1990s, she said, and subsequently had to recruit people who were later in their careers to fill the void. Ordinarily the company prefers to hire early and train people internally.

This time, Chevron plans to maintain at least some university recruiting despite being in the process of cutting up to 15 percent of its workforce. The company also continued its internship program virtually. Half of the class are racial or ethnic minorities and 37 percent are women, a more diverse group than Chevron's workforce overall.

Reducing the hiring of recent graduates threatens the industry's efforts to increase diversity. Last year, 88 percent of people working in oil-and-gas extraction were white, and just 22 percent were women, according to the BLS.

"What I think the industry has learned from the '80s is that we cannot turn the pipeline off," said Amy Patton, who leads early career recruiting for BP in the US.

BP made its summer internship program virtual and honored full-time offers to some 300 recent graduates, even as it cuts nearly 10,000 jobs, or 14 percent of its global workforce.

Others, including Schlumberger, have laid off employees and rescinded internships and full-time job offers.

Scott Beautz graduated in 2018 from Louisiana State University, which has one of the largest petroleum-engineering departments in the country. He estimates that less than half of his classmates remain employed in jobs tied to oil-and-gas production.

Mr. Beautz was earning about \$120,000 a year supervising a drilling rig for Marathon Oil Corp. in New Mexico before being laid off in April. He applied for more than 100 jobs, including roles in general engineering and project management, before landing his first offer in mid-August, for an oil-field service role in West Texas.

Mr. Beautz didn't hesitate, even though he thinks the coming transition away from fossil fuels might make it harder to get and keep jobs in his field.

"It's going to be tough, don't get me wrong," Mr. Beautz, 24, said of staying in the oil business. "I still think there's enough to make a career out of it."

Enrollment in petroleum-engineering departments surged in the early years of the US shale boom, peaking above 11,000 students during the 2014-15 school year, which began as oil fetched around \$100 a barrel, according to data collected by Texas Tech University Professor Lloyd Heinze.

By the time many of those students graduated, job prospects had dimmed. Oil prices started crashing in late 2014 and eventually fell below \$30 a barrel in early 2016, resulting in sweeping job cuts.

Oil production subsequently rebounded and eventually hit a world-leading 13 million barrels a day earlier this year, but employment never fully recovered. There were about three-quarters of the number of jobs in oil-and-gas production or services at the end of last year as there had been five years earlier, according to the BLS.

Companies were able to shrink their workforce while increasing production, thanks in part to automation and greater use of data science, artificial intelligence and machine learning.

Some of the steepest cuts have come at oil-field service companies. Schlumberger is cutting more than 21,000 jobs, or about one-fifth of its workforce, and supporting more of its drilling operations remotely. The company told investors last month that it wants to double the size of its digital business.

"We're way more data-driven now," said Tracy Josefovsky, vice president of human resources for oil-field services company Halliburton Co., noting that the company increasingly is looking to hire people for roles that are less labor-intensive.

Halliburton hasn't said how many jobs it has cut during the pandemic but reported recently that it employed more than 40,000 people as of the end of the second quarter, down from around 55,000 at the end of last year.

Universities' petroleum-engineering departments are remaking curricula in light of demands for digitally savvy employees. LSU began requiring additional data-analytics course work last year, and it plans in the spring to introduce an elective about carbon capture and storage, which involves removing carbon dioxide from exhaust, ambient air or other gas streams and burying or repurposing it.

Mitchell Petras graduated from LSU last year and works as a reservoir engineer at ConocoPhillips. He estimated that at one point this spring he was receiving three or four messages a week from people he knows who were looking for work.

Rather than planning for a 40-year career, many younger oil workers now hope to take advantage of the industry's high salaries for several years before leaving for something more stable once they have families, said Mr. Petras, 24.

"The uncertainty is always kind of eating away at your confidence that you're going to make it a whole career in the industry," he said.

"There's a mentality out there that oil and gas is finished," said Jeff Spath, who leads Texas A&M University's petroleum-engineering department, adding that there is "a growing disdain" for the industry.

Dr. Spath said he thinks a generation or two of students will still be able to build a full career in oil and gas, because fuels are widely expected to make up a large share of the global energy supply for decades.

But the downturn is hitting Texas A&M's students hard. As of early August, only a third of the petroleum engineers who graduated this spring with a bachelor's degree had a job, Dr. Spath said. Some 70 percent of the class of 2019 had found a job by that time last year.

Tanner Gullett, a 24-year-old petroleum engineer by training, fired off applications to every engineering role he could find after Houston-based service company Apache Industrial Services Inc. laid him off in March.

He ended up with an offer for a civil-engineering job in his hometown of Little Rock, Ark. It pays around \$70,000 a year, some \$30,000 less than Mr. Gullett was making in Houston. He jumped at the opportunity anyway, figuring the cost of living would be lower and the role more secure.

Mr. Gullett's first assignment was consulting on a local wastewater treatment project. He has found petroleum and civil engineering to be more similar than he expected and has filled in the knowledge gaps by doing extra reading and leaning on a mentor. He will eventually need to take professional engineering exams as well, but the pandemic has delayed that process.

He doesn't plan on returning to the oil business, even if prices rebound.

He grew tired of the uncertainty and the personal sacrifices his schedule demanded. "If I'm worried about job security, how can I be financially stable and take care of my family?"