Oil crash puts strain on UAE energy sector jobs

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The oil price crash has started to hit expatriate employment in the UAE's energy sector, although the resilience of the country's spending on major projects has meant that the pain is nowhere near as severe as the industry faces globally.

Two new reports by large recruitment agencies underline the strains in the local sector's job market.

Hays, in its annual oil and gas salary survey, yesterday estimated that the expatriate workforce in the UAE had declined by 9 per cent compared with last year.

"That's reflective of the near demise of exploration activity," said Gary Ward, the head of Hays Oil & Gas for the region. "Also, there is some headcount reduction that is not necessarily linked to local projects but because companies, for example a number of the big oil services companies, have their regional headquarters in the UAE, so they will feel the effect of the global downturn," Mr Ward said.

That downturn has been severe as the oil price decline has reached 75 per cent since the slump began in summer 2014 – North Sea Brent crude oil futures hit a 12-year low below US$28 per barrel this week, down from $115 per barrel 18 months ago.

A survey by Monster.com recruitment portal confirms the jobs weakness.

"Oil and gas is the only sector [in the UAE] where employer hiring activity has plunged from a year-ago level, with the growth rate down by 10 per cent in 2015," Monster's report says.

In Hays' global survey, a third of respondents said they had been laid off last year, while 93 per cent of employers said they had to let people go.

About 250,000 industry jobs were lost last year.

In the UAE, the downturn has mostly affected projects still on the drawing board.

For example, Royal Dutch Shell on Monday said it would pull out of an $11 billion project to develop the Bab sour gas complex because the economics of the project no longer makes sense.

It was operator and 40 per cent owner, with Abu Dhabi National Oil Company holding the rest.

But that project was in the early, pre-Feed (front end engineering and development) stage, where the site is being evaluated.

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The pre-Feed project contractor is Fluor, which is running it from its Houston headquarters, according to a spokeswoman in Abu Dhabi. She could not say precisely how many people are employed on the project. Industry experts said that no more than 100 people would be working on Bab at this stage.

That contrasts with the similar-sized Shah sour gas project nearby, which is being operated by Occidental and employs thousands of people, directly and indirectly, having ramped up to full production in the middle of last year, despite the halving of international gas prices.

Bab is not the only local oil and gas project to be delayed or reevaluated.

The Abu Dhabi government-controlled International Petroleum Investment Company (Ipic) has plans to build a $3.5bn refinery near the Indian Ocean port of Fujairah but has still not picked its main contractor, even though it announced an all-Korean shortlist a year ago.

SK Engineering and Construction and GS Engineering and Construction, both of which helped to build the big extension of the refinery at Ruwais, are among those waiting to hear if they need to start hiring for the Fujairah project.

“There is definitely a slowdown without a shadow of a doubt,” said Mr Ward.

The UAE has endured a fair amount of turmoil, between the financial crash nine years ago and the oil sector slump.

“Looking at the past five years, we have seen a lot of fluctuations in the job market in the UAE,” said Sanjay Modi, Monster’s regional head.

But he said the non-oil sectors, such as financial services and tourism, have remained healthy. “Employer hiring activity was growing at an average rate of 16 per cent in 2015 [showing] how successful the Emirates has been in diversifying the economy when expanding the non-oil sector over the past couple of years,” he said.

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