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ENERGY GUEST BLOG -- JIM SAMUEL

Shale gas is already creating jobs, but the real wave of employment is yet to come

Jim Samuel is founder and principal of Capitol Integrity Group a fellow of the Levin College at Cleveland State University and a founding partner of the Ohio Shale Consortium. He has worked extensively in the economic development and public policy arena and serves as a consultant to the energy industry.

Depending upon whose research you believe, job growth in the shale gas and oil industry has been robust or tepid, but the key ingredients are in place for Ohio to follow Texas into a rich source of job growth.

In a recent discussion with a natural gas industry executive the question was posed to me, "So what's with all these conflicting jobs reports? Are the jobs out there, or not?"

My first reaction was to recite some recent statistics, but then I paused, stumped that a C-level executive engaged in the shale industry was asking this question.

In an effort to bring some clarity to the confusion, I turned to two recent Ohio-centric reports that might leave one to conclude they have differing outlooks. Both reports were issued in March, and both include statistically accurate data and come from highly credible sources. It seemed from both reports a middle ground could be found and the reality of the "jobs question" could be answered.

The first report I referenced was the Ohio Shale Quarterly Report, produced by the Ohio Department of Job & Family Services (ODJFS). It summarizes its findings in a pretty definitive statement on the second quarter of 2012: "employment in core shale-related industries was up 15.5 percent from the second quarter of 2011."

Clearly, the headlines for this report would say, "Jobs are booming in the Ohio shale industry."

The primary data source for the ODJFS report is the federal government's Quarterly Census of Employment and Wages (QCEW). According to the U.S. Department of Labor, "the QCEW program publishes a quarterly count of employment and wages, reported by employers, covering 98% of U.S. jobs, available at the county, MSA, state and national levels, by industry."

I like the ODJFS report because it uses NAICS codes, or the North American Industry Classification System, to identify specific industry groups, instead of just looking at general employment trends that could blend the fortunes of one industry with that of others.

Looking at the ODJFS report numbers more closely, core industry employment including pipeline construction and well drilling was up 15.5% or 1,064 jobs in raw numbers. Ancillary industry employment, which includes industries like trucking and environmental consulting, was up 2.7% or 4,564 jobs. And overall industry employment was up 1.7% for a total of 86,295 jobs.

In addition, the ODJFS report noted there were more than 6,000 online job postings in core and ancillary industries. The report also spoke to the relatively high wages being paid in the shale industries core jobs, with an average salary of $73,000 compared to the Ohio average for all industries at about $44,000.**Looked at another way . . .**

I then referenced a second study, this one from Cleveland State University's Levin College of Urban Affairs. Levin's Ohio Utica Shale Region Monitor would produce a headline that says: "Spending is up significantly in the shale play region, but job growth is stagnant."

CSU used Ohio sales and use tax data from the Ohio Department of Taxation and labor market data from the Ohio Department of Job & Family Services.

CSU's study breaks the data down to the county level and, using drilling permits, delineates the state's 88 counties into four categories of strong, moderate, weak and non-shale counties. I find this county breakdown helpful in tracking specific areas of economic investment growth.

In the 13 strong shale counties, there was an astounding 21.1% increase in total sales activity in 2012 compared to 2011. In raw numbers that's an increase of $2.6 billion of economic activity, rising to $14.9 billion in 2012 from $12.3 billion in 2011. But the report also concluded that employment increase in the same counties was a paltry 1.4%, slightly higher than, and leading, the 1.1% growth across all of Ohio.

Disappointingly, since the job growth data in the CSU report is not industry specific, it is not possible to see if job reductions of other industries netted out some of the gains in the core shale industry, blunting job figures as was reported in the first report. At the same time, the ODJFS report, not being specific to regions of the state, could be including job growth in ancillary industries that are completely unrelated to the shale play.

So, what is the real answer to the question of shale jobs? Clearly from both reports, real capital is being spent, and jobs are being created and the number of jobs created appears to be increasing in shale-rich counties.

But I do think it is a function of time. With less than 300 wells drilled, and only a fraction of those currently in production, the development in Ohio is just getting started.**Going forward**

So what can we expect as the development ramps up?

Nothing is guaranteed, but based on several national reports, many say the Utica has geologic similarities to the Eagle Ford Shale play in Texas.

A recent report on the Economic Impact of the Eagle Ford Shale from the University of Texas at San Antonio's Center for Community & Business Research concluded that the 2012 economic impact on a 20-county region showed $61 billion in economic impact and 116,000 jobs.

The Texas report combines the two qualities I liked from the Ohio-based reports including both industry specific job information and county specific data based on shale activity.

The Eagle Ford play is slightly older; it first began to grow in 2008 and then significantly ramped up in 2009 with explosive growth in 2012 and continuing today. In comparison, Ohio's first horizontal Utica well was in 2010. And Ohio does not yet have exploration resources working on the same level of South Texas. Today, the Eagle Ford has about 225 drilling rigs running, while the Utica is at 30.

It is hoped and expected that Ohio can remain on that kind of trajectory for jobs and economic impact. As midstream infrastructure is developed, more markets come into reach and more and more wells move into the production stage, the growth curve will steepen. Data will continue to be collected and reports will be written.

For now, it might be best to talk to those newly employed in the core industries and many small businesses reaping the benefits of the large local spending increase who see the promise of the play is real. They are on front edge of the wave of development beginning to grow in Ohio.
