

EXCERPT FROM LECTURE BY JANNETTE M. BARTH, Ph.D.
FRACKONOMICS, April 2012, Ethical Culture Society, New York, NY
(Full Lecture Available at <http://www.youtube.com/watch?v=uKRBeHZHYzs>)

Let's take a look at some of the employment estimates made by industry funded researchers, and compare them to publicly available, and unbiased data.

An early estimate of job creation by industry was that 88,000 Marcellus related jobs were created in PA in 2010. Public data, available at that time, showed that only 65,000 jobs were created statewide in all industries in PA in 2010, and half of those were in education and health and in leisure and hospitality.

Later, industry claimed that 48,000 jobs were created in one year. At least they came down from the 88,000 number, but the Keystone Research Center (not industry funded) found that in three years, less than 6,000 net new jobs were created in Marcellus core and ancillary industries. Yes, less than 6,000 net new jobs in three years!

And more recently, as OHIO has begun to be exploited for shale gas, an industry funded study claimed that 200,000 jobs will be created over the next few years. An independent study (not industry funded) estimated that there will be only 20,000 jobs created (one-tenth of industry's estimate).

Perhaps of greatest concern is the statement that President Obama made in his State of the Union address, that 600,000 jobs will be created by shale gas development. This number is also from an industry funded study that is flawed. I also wrote a critique of this study.

The honest to goodness truth is that we don't yet know how many good, long-term, jobs will be created in the Marcellus Shale region, but we do know that industry is exaggerating many things. Surely there will be short-term jobs created during the short term boom, but we don't know how many of these jobs will be going to state residents, how many are long term and how many are good jobs. The industry and industries' coalitions like to tell anecdotes about job creation. How somebody's son got to come back to rural PA because he could get a job in the gas industry. Well, that's very nice, but there are anecdotes on both sides of the issue. There was a recent report of a gas company in PA having hired 60 workers from out of state. The workers relocated a long distance, were staying in a hotel, they were promised good long-term jobs, and then they were fired within a month. The company suddenly decided to curtail production.

I don't think we should pay attention to anecdotal clips that support either side. We should look at real data, analysis and research done by highly qualified and unbiased experts.

We can learn a few things about the economic impacts of shale gas development by looking at some data and research from two states where shale gas drilling is taking place.

First, Pennsylvania:

There have been some interesting findings in several studies:

Experience in PA tells us that environmental and economic justice may be issues. Increased homelessness has become a problem as rents have been bid up by new workers moving in, and some landlords have increased rents dramatically.

Dr. Bonita Kolb of Lycoming College did a study funded by the Pennsylvania Housing Finance Agency. She concluded that “while the effects are broad based and include some positive impacts on housing, the negative impacts are most severely felt by those who live on the economic fringe --- the working poor, seniors, the disabled, and the non-working poor.” (pennfuture.org)

By 2012, almost 5,000 wells had been drilled in PA. A study out of the Penn State Cooperative Extension shows that only one of the 50 wealthiest school districts in PA had a single Marcellus well by the middle of 2010.

And, it found that “school districts WITH drilling on average experienced declines in total local revenues”

The same study found that “districts with more drilling activity on average lost a somewhat larger percentage of students than did districts with less activity or no drilling.” The study speculates that “the negative association between enrollment size and drilling activity may be due to the exodus out of the districts of lower income and renting households who are leaving because they can’t afford the higher rents and costs of living those communities are experiencing due to the influx of transient workers arriving without families.” ---

This is all further evidence that many of the workers are indeed temporary and from out of state, and they are not paying local taxes or spending much locally.

Another study by the Penn State Cooperative Extension was done on the impacts on dairy farms. It found that higher drilling is associated with large average decreases in the number of dairy cows and that declines in milk production are higher in counties with gas drilling. While it is too early to draw definitive conclusions for PA, early evidence shows that dairy farming may be suffering due to shale gas development.

Let’s look at Texas for a minute.

The Barnett Shale has been fracked since around 2001, longer than

Pennsylvania. So, I decided to take a look at some data to see how the folks in the core Barnett Shale counties are doing. There are four counties in Texas that are considered the Core (Denton, Johnson, Tarrant and Wise Counties).

Back in early 2010, I wrote a paper called “Unanswered Questions about the Economic Impact of Gas Drilling in the Marcellus Shale: Don’t Jump to Conclusions”.

In that paper, I explained that comparing the economic impact of shale gas drilling in the two states, NYS and TX, is like comparing apples to oranges. Texas has had a well established oil & gas industry for many years and they have a labor force with the requisite skill sets; Oil & Gas headquarters and main offices are in Texas, and they have all of the established ancillary industries there. New York does not have a lot of workers with the required skill sets nor the O&G headquarters nor extensive ancillary industries. So, Texas is likely to do better than NYS economically from shale gas development.

It was kind of amusing, once when I explained this to an audience that included some Texans, they jumped up and said that TX gas counties are not doing so well!

When I looked at unemployment rates, growth of median household income, and the number of people in poverty, it doesn’t appear that the Barnett Shale core counties are doing better than the rest of the state.