U.S. Energy Sector Employment and Trends

Headwaters Economics
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QUICK POINTS

--During this year, according to the Bureau of Labor Statistics the energy industry has boomed adding roughly 10,000 jobs a month and drilling activity is approaching a thirty year high. This activity already has increased so quickly this year that the sector is starting to fear shortages of skilled labor and machinery.

--The impact of regulatory reforms on drilling activity is modest. Price, the "primeness" of a resource play, and technology all play a significant role in drilling activity—which is a good indicator of jobs in the oil and natural gas industry. By comparison, when it comes to land-based oil and gas drilling in the United States, there is little evidence that state and federal regulations are hampering industry's ability to respond to market signals.

--The energy sector remains highly volatile. While the energy sector is rapidly increasing today, there remains no long-term assurance of continued growth. In fact, history would suggest future repetition of boom-bust cycles.

QUOTE

"The energy sector today is experiencing rapid growth," said Julia Haggerty Ph.D. "Oil and natural gas drilling activity is now approaching a thirty year high, having made a strong recovery since reaching a recession-induced low in 2009. Market prices and advancements in drilling technology account for most of the increases in drilling activity."

SHORT ANALYSIS

The energy industry already is booming, approaching a thirty year high

A cursory review of the energy industry across the United States shows that energy-related drilling activity, jobs, and profits all have grown tremendously in the past few years and are now approaching a thirty year high.

During this year, according to the Bureau of Labor Statistics the energy industry has boomed adding roughly 10,000 jobs a month. This activity already has increased so quickly this year that the sector is starting to fear shortages of skilled labor and machinery.

It is not clear how this already booming industry could add an additional million jobs. In fact, drilling is increasing at such a fast pace that there now is the prospect of a shortage of skilled labor and machinery. As the Wall Street Journal noted in late July ("Energy Boom Fuels Hiring," by Ryan Dezember. July 26, 2011): "Some companies worry there may be a shortage of oil field workers." The same WSJ story noted: "Schlumberger Chief Executive Andrew Gould worries that a shortage of skilled workers will become a pinch point as the company responds to global demand for its services. 'The ability to provide both North American and international markets with required people in a continued growth phase will be a challenge,' Mr. Gould said."

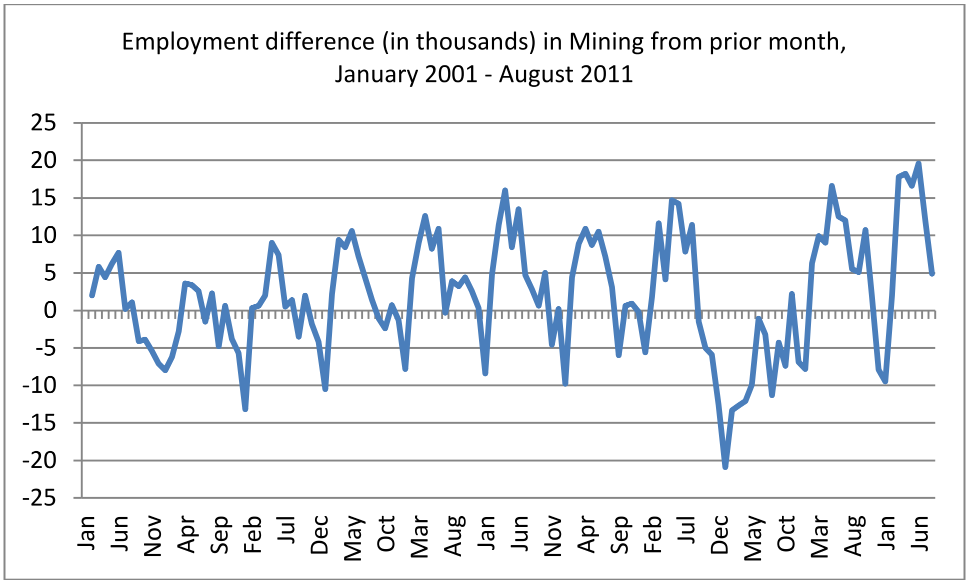
Drilling activity, a good proxy for energy jobs, and the primary drivers of drilling are price, "primeness" of the resource play, and technology

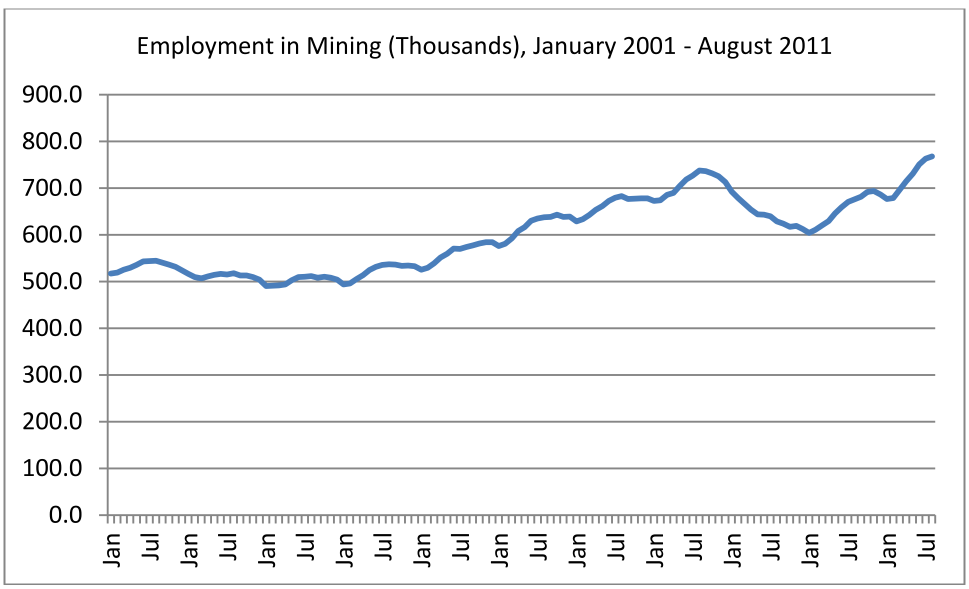
The level of drilling activity is a good indicator of trends in oil and natural gas employment. Because a majority of oil and gas industry jobs are associated with the drilling phase, drilling activity (as measured by rig counts from Baker Hughes) serves as a good proxy for employment trends. Today, the oil and natural gas sector, unlike the larger economy, has enjoyed a V-shaped recovery after the recession. Drilling activity today is nearing a thirty year high, and oil and natural gas drilling has made a strong recovery since the recession-induced low in 2009.

Having averaged about 600 during the 1990s, the number of rotary drilling rigs in operation in the U.S. tripled between 2002 and 2008, reaching a high of 2,031 active rigs in September, 2008. Rig activity plunged in late 2008 in response to the global economic downturn on energy prices. Since then, the national rig count has steadily recovered from its June 2009 low (875 total rigs). As of the week of May 27, 2011, the number of active drillings rigs was 1,847 (driven by oil).

Price, the "primeness" of a resource play, and technology all play a significant role in drilling activity. By comparison, when it comes to land-based oil and gas drilling in the United States, there is little evidence that state and federal regulations are hampering industry's ability to respond to market signals.

Energy industry employment remains volatile





Source: Bureau of Labor Statistics, Current Employment Survey

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