

To: Joint Committee on Government and Finance  
Legislative Oversight Commission on Education Accountability  
From: West Virginia Workforce Investment Council  
Re: §5B-2B-4a. Report to Legislature  
Date: October 16, 2012

The overall effect on specific industries in West Virginia due to activity within the Marcellus Shale gas field is becoming more evident as an examination of the most recent forty-eight month interim confirms. Data from the Quarterly Census of Employment and Wages (QCEW) reveals employment and wages, at least for two specific industry sectors, has risen appreciably in some areas of the state.

Statewide, employment in oil and gas extraction core industries in 2011 has grown by 917, which represents an improvement of 9.5 percent since 2008. The average wage has increased by more than \$8,100 during this period from a level of \$61,898 to an annual average pay of \$70,082 in 2011.

Primary employment and wage growth, however, has occurred in two industry sectors: (1) Establishments engaged in the construction of oil and gas pipelines, mains, refineries, and storage tanks have shown significant increases over the past four years. Employment in this sector stood at 1,276 in 2008 and in 2011 had grown by more than 50% to a level of 1,920. Wages during this period grew by approximately 18.9% from an average wage of \$60,329 in 2008 to an average wage of \$71,723 in 2011. (2) Similarly, businesses engaged in support activities such as excavation, well surveying, running and cutting casings and other well work showed employment and wage gains. In 2008 statewide employment was recorded at 2,782 and by 2011 had reached a level of 3,793. This represents an increase of more than 36%. Wages for this industry in the interim increased more than 28% from an average wage of \$46,615 in 2008 to a level of \$59,969 in 2011. Though both industry sectors include *oil and gas* in their definition of activities, there can be no doubt the recent upswing in activity within the two can only be attributed to measurable activity in the Marcellus Shale gas field.

### **Workforce Investment Board Regional Activity.**

Employment and wage activity within the seven state workforce investment areas was somewhat mottled at best. Of the six core oil and gas industry sectors in workforce investment area 1 there were some modest wage gains while total employment fell by more than 39%. Although total employment grew less than 5% in WIA 2 and average wages improved by 20% one core sector revealed a marked expansion in the four year analysis.

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The drilling of gas wells in 2008 employed 14. By 2011 this activity employed 178, a gain of more than one thousand percent. Only time will tell if other core oil and gas extraction industries show similar gains within this WIA. In a comparable manner, WIA 3 total employment lost 397 (-19%) over the four years. However, the oil and gas pipeline and related structures sector grew by 303 in this period, a gain of more than 168 percent. WIA 4 has a less impressive story to tell by posting a total employment loss of 409 in the analysis. As in WIA 3, the oil and gas pipeline and related structures sector provided some improvement by expanding modestly (+2%) adding nine jobs. WIA 5 revealed some development in nearly all core sectors with total employment expanding by 78 to a level of 232. The most notable gains occurred in support activities for oil and gas operations where employment increased from 2 in 2008 to a level of 68 in 2011. The average wage improved as well from \$21,862 to \$60,350 over the four years. This represents an improvement of more than 176 percent.

Workforce Investment Area 6 has the most activity related to Marcellus Shale. Of the 10,580 total employees in the state engaged in some form of oil and gas extraction, 4,275 or 40% of the workforce labor in this area. The region has increased its total employment by more than 1,000 over the four year analysis, representing an increase of approximately 31%. Most notably, however, support activities for oil and gas operations has expanded more than 112%, and boosting employment 1,106. The average wage has expanded 42% from a wage level of \$44,968 in 2008 to a level of \$63,889 in 2011.

Lastly, WIA 7's effect on this industry has been negligible, employing only 27 over all the core sectors in this region. Clearly, the early influence of the Marcellus Shale activity is centered in Workforce Investment Area 6. This is expected to continue in the months ahead with more measured growth anticipated in other regions of the state.

**Recommendations for the establishment of an overall workforce investment public education agenda with goals and benchmarks toward maximizing job creation opportunities in the State of West Virginia.** WorkForce West Virginia is actively working on this issue as a member of the State Workforce Planning Council, which includes leaders from the West Virginia Department of Education, the West Virginia Community and Technical College System, the West Virginia Higher Education Policy Commission, the West Virginia Development Office, and the Secretary of Education and the Arts.

**Additional information.** WorkForce West Virginia is currently in the process of compiling a detailed review of the Marcellus Shale industry. To the extent the data requested under this provision is collected and available to the agency, it will be incorporated into the report.