

# MONTANA PETROLEUM ASSOCIATION ISSUE BRIEF



## JOBS

### *OIL AND NATURAL GAS INDUSTRY HELPS KEEP MONTANA ECONOMY AFLOAT DURING RECESSION*

**While unemployment in Montana is at a 26-year high and the state grapples with revenue shortfalls, the oil and natural gas industry continues to add jobs and contribute significant revenues to the state general fund and producing counties.**

Initiatives aimed at restricting the ability of energy companies to explore for and produce oil and natural gas in Montana or changing Montana's tax structure, if successful, would not only hurt one of the state's most viable industries but would also affect its thousands of Montana employees.

Speaking before the Montana Economic Outlook Seminar, held in February 2010, University of Montana's Patrick Barkey, Director of the school's Montana Bureau of Business and Economic Research, told the audience, *"It is rather remarkable how bad the job declines were in Montana."*

For example, he said, construction activity declined by 40 percent in Montana. When asked, *"Can you find any industry that is doing well?"* Barkey said that there are *"pockets of growth, especially in areas of energy."*

According to Dr. Scott Rickard, Center for Applied Economic Research, Montana State University, Billings, *"With a total economic impact of over \$9 billion and over 12,000 jobs directly or indirectly supported, Montana's oil and gas industries are a significant force in Montana's economy. While (oil and natural gas) production is concentrated in the eastern and northern parts of the state, over \$450 million in taxes and revenues feed into state and county budgets, which benefits everyone."*

More than half of Montana's counties have oil and natural gas exploration and production activities. Despite the pain the recession has inflicted on energy companies, along with other American businesses, the oil and natural gas industry remains the second largest in Montana, after agriculture. It is responsible for approximately 4,500 direct jobs in exploration and production, refineries and transportation. These jobs pay well above most state wages, with an average income of \$60,000.

While Montana's unemployment rate, at 6.4 percent, remains below the national average of 10 percent, it is still more than double what it was two years ago, in December 2007.

A November 2009 report on non-farm labor from the Montana Department of Labor indicates that, of the 20 industry segments it surveys every month, only a handful have shown job increases since December 2007, considered the start of the recession. Mining and logging, which includes oil and gas, increased its employment by 1.2 percent, adding 100 jobs. Petroleum is included in a non-durable manufacturing segment, which added

200 jobs, or 2.6 percent, since the start of the recession. By comparison, construction lost 21 percent of its jobs and transportation/utilities lost 17 percent.

The oil and natural gas economic engine has helped our state weather the recession. Now, as the state faces severe budget cuts, the taxes it pays to the state and producing counties will ensure that Montanans continue to benefit from quality education and other services.

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