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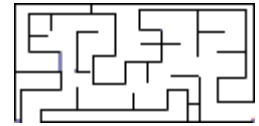
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## Study shows that 96 Telecom Act boosted employment

**17 October 2003 Washington, D.C. Lightwave** -- Despite job losses attributable to a weak economy and the burst of the Internet investment bubble, total employment in the telecommunications' industry's wireline sector has increased significantly because of the additional competition and investment stimulated by the 1996 Telecom Act, contends the [Phoenix Center](#) in a new Policy Bulletin. The Bulletin shows total industry employment was 92,000 higher in July of this year than it would have been without passage of the 1996 Act.

An examination of government data shows a steady drop in telecom industry employment in the five years before passage of the 1996 Act. On average, telecom employment fell 2.3% per year between January 1990 and January 1995. Total employment in the industry fell by nearly 80,000 during that period (from 676,000 to 595,600 jobs). The Department of Labor's Bureau of Labor Statistics had predicted that the down trend would continue at least through 2004.

But the employment trend reversed dramatically after enactment of the 1996 Act. With the entry of new competitors in the wireline market for local phone service, employment in the sector climbed 5% annually between February 1996 and April 1, 2001.

Employment has fallen from the April 2001 peak (Internet stock bubble ended in March 2001), but has still climbed significantly because of the Act. The study also noted that new entrants in the local phone market (Competitive Local Exchange Carriers--CLECs) are responsible for virtually all of the job increases, finding that each additional CLEC in a state increased telecommunications employment by nearly 200 jobs, other things constant. Thus, public policies that raise entry barriers by increasing the fixed and sunk costs of entry should be expected to reduce employment by shrinking the numbers of firms in the industry.

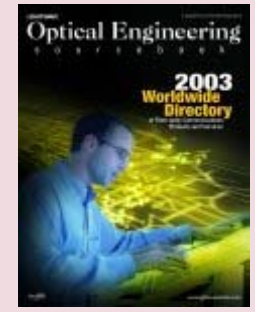
"The data shows that the Telecom Act has provided a substantial boost to the economy," asserts Phoenix Center president Lawrence J. Spiwak. "By opening the door to competition, it has generated substantial new investment and employment. Jobs created by new entrants into the phone marketplace have substantially surpassed job losses by incumbents."

"Any effort to blame recent employment declines on unbundling is contradicted by the empirical evidence," adds the study. Such a conclusion should not be a surprise because "investment and employment are higher than would be expected if monopoly in local telecommunications had been allowed to persist. Accordingly, albeit an inappropriate measure of achievement, the 1996 Act is a clear success if measured in terms of labor and capital re-directed to the industry."

The study also notes that these job gains could be jeopardized by changes in FCC policy and the possibility that competitors will lose access to Bell company networks as a result of the "impairment review" now beginning at state utility commissions. In response to the FCC's recent Triennial Review order, state regulators will consider whether new entrants face entry barriers or impairments that require their continued access to the phone network at regulated wholesale rates.

The CLEC business plans and jobs "are persistently at risk of eradication by the government" as part of the regular reviews of network access, reveals the report. Government policies that raise the cost of market entry are likely to reduce jobs by reducing the number of competing firms.

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Phoenix Center Policy Bulletin No. 7, "The Positive Effects of Competition on Employment in the Telecommunications Industry," can be downloaded free from the Phoenix Center web site at [www.phoenix-center.org/PolicyBulletin/PolicBulletin7Final.pdf](http://www.phoenix-center.org/PolicyBulletin/PolicBulletin7Final.pdf).

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