PHOENIX CENTER FOR ADVANCED LEGAL & ECONOMIC PUBLIC POLICY STUDIES
www.phoenix-center.org

5335 Wisconsin Avenue, NW
Suite 440
Washington, D.C. 20015-0234
Tel: +1 (202) 274-0235
Fax: +1 (202) 318-4909
www.phoenix-center.org

Press Release

Contact: Lawrence J. Spiwak
Phone: +1 (202) 274-0235

FOR IMMEDIATE RELEASE
Wednesday – October 5, 2010

FCC's Regulatory Agenda May Have Serious Adverse Impacts on New Job Creation

New Phoenix Center Economic Analysis Shows Proposed New Wireline and Wireless Regulations May be a "Job Killer"

WASHINGTON, D.C. – In a new analysis released today, the Phoenix Center estimates the relationship between employment and investment in the Information sector using advanced time-series econometrics, and concludes that various regulatory proposals under consideration at the FCC could have significant adverse affects on employment. This new analysis, which shows that job losses could exceed 300,000 at the upper end for a 10% decline in capital expenditures, is a significant contribution to the existing literature, which primarily use multipliers based upon U.S. Bureau of Economic Analysis' ("BEA") Regional Input-Output Modeling System ("RIMS II"). Such studies have recently been used to evaluate the employment effects of the proposed regulation of broadband Internet service by the Federal Communications Commission.

The Phoenix Center's analysis makes several important findings:

- That 10% negative shock to capital expenditures in the information sector results in an average loss of about 130,000 information-sector jobs per year in the following five years. Including indirect jobs, the job loss could be as high as 327,600 jobs.

- Per million dollars of investment, the Phoenix Center finds that 10 jobs are affected in the information sector and perhaps 24 jobs across the entire economy, about a 40% larger effect than found in most earlier studies.

- Lost earnings over a five-year period for a 10% decline in investment could be $36 billion in the information sector and $100 billion for all affected jobs.

- Communications jobs are not typical jobs. The average earnings of a communications sector employee are about 45% larger than the typical U.S. private-sector job. Thus, each job lost or gained in communications is equivalent to about 1.5 average jobs lost or gained (in income terms). Employment in the sector has also been relatively robust to the business cycle.

- About 17.7% of communications sector jobs are union jobs, versus 7.2% in private industry.

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"At a time when unemployment is high and the economy is faltering, anti-investment telecom and broadband policies are ill-advised," observed Phoenix Center President Lawrence J. Spiwak. "The data reveal that increasing investment in communications networks increases sector employment, and these jobs are relatively high-paying jobs. The heavy-handed regulatory mindset of the current FCC is not good for investment, so it is not good for jobs. Moreover, there is no evidence that the proposed regulations are good for consumers."

"Our analysis of the historical data indicates the presence of sizeable and sustained employment effects from investment changes in the communications sector," says Phoenix Center Chief Economist Dr. George S. Ford and one of the study's co-authors. "If expanding employment is now a key policy objective, then public policy must carefully consider how regulations alter the attractiveness of the sector to investment capital. Given already below-average financial returns, the flow of capital to the communications sector is likely to be highly sensitive to further regulatory intrusion."

Paper co-author Phoenix Center Senior Fellow and Auburn University Economics Professor T. Randolph Beard adds, "The number of jobs lost or gained from expanding expenditures is not the full story. Telecommunications jobs are very good jobs, with median pay nearly 50% higher than average. These jobs are also relatively resilient to the business cycle and have a union participation over twice the national average." The study was authored by Dr. Ford, Dr. Beard, and Phoenix Center Adjunct Fellow Professor Hyeongwoo Kim, also at Auburn University.

PHOENIX CENTER POLICY BULLETIN NO. 25: *Jobs, Jobs, Jobs: Communications Policy and Employment Effects in the Information Sector,* may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/PolicyBulletin/PCPB25Final.pdf.

The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of telecommunications and high-tech industries.

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