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Press Release

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Phoenix Center Finds Blanket Claims that Wireless Carrier Mergers Reduce Employment to be Implausible

Data Reveal that Employment For Both Wireless Sector and Wireless Equipment Sector Increased After Cingular/AT&T Merger

WASHINGTON, D.C. In a new study released today entitled *Wireless Mergers and Employment: A Look at the Evidence,* the Phoenix Center explores the question of whether wireless industry mergers invariably reduce sector employment and finds that such blanket claims are unsupported by the data. The Phoenix Center reaches this conclusion by looking at a total of four years of data on employment trends surrounding the largest wireless merger to date—the AT&T-Cingular merger in 2004. These data are supplied by the Bureau of Labor Statistics and are publicly available.

In particular, the Phoenix Center's analysis indicates that in the two years preceding the AT&T-Cingular merger, wireless sector employment was in decline, falling 4.7% over the two-year interval. In contrast, sector employment rose 9.4% over the two-year period following the AT&T-Cingular merger. Similarly, the Phoenix Center found that wireless equipment manufacturing exhibits a similar pattern in employment: According to the data, wireless equipment employment had negative growth pre-merger (-11.8%) and positive growth after the merger (4.6%)—a huge turnaround. A broader employment measure and consumer income had positive and mostly stable growth over the period, providing some evidence the employment recovery in the wireless sector was not simply the result of broad economy recovery.

Given such results, the Phoenix Center concludes that the evidence does not support a simplistic argument that wireless sector employment is diminished by wireless carrier mergers. If anything, the data suggest that mergers may have a beneficial impact on employment, driven possibly by investments in infrastructure. However, the Phoenix Center explicitly recognizes that this evidence does not establish a causal link between mergers and employment and encourages further analysis.

"Policymakers should appropriately scrutinize the competitive and efficiency effects of significant mergers," said study co-author and Phoenix Center President Lawrence J. Spiwak. "However, whenever simplistic political arguments such as 'mergers mean less employment' are raised without supporting evidence, policymakers should ignore them."

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"In the recent past, mergers in the wireless industry occur contemporaneously with impressive recoveries in wireless sector and wireless equipment employment," said study co-author Dr. George S. Ford, Chief Economist of the Phoenix Center. "In light of this evidence, it is implausible to claim mergers are job killers. In fact, the evidence actually points in the opposite direction, though we cannot claim to predict whether any given merger will produce significant employment effects."

The complete copy of the study, PHOENIX CENTER POLICY PERSPECTIVE NO. 11-02: *Wireless Mergers and Employment: A Look at the Evidence,* may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/perspectives/Perspective11-02Final.pdf.

The Phoenix Center is an international, 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.