
Economic Policy Institute

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EMBARGOED UNTIL: Thursday, May 12, 2005, Noon, EDT

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TELECOMMUNICATIONS POLICY ERODES JOB QUALITY

The telecommunications regulations that were meant to promote competition and progress have, over time, become their greatest barrier. These unintended consequences are documented in [Racing to the Bottom: How Antiquated Public Policy Is Destroying the Best Jobs in Telecommunications](#), a new book released today by the Economic Policy Institute. Author Jeffrey H. Keefe, director of telecommunications research at EPI, meticulously illustrates how the regulatory vise-grip meant to tame the former Bell monopoly, is now wiping out the best jobs in the industry and perpetuating the digital divide.

“The findings in this book clearly show the need to level the playing field in the telecommunications infrastructure,” said Keefe. “Without substantial reform, current policies will continue to erode the quality of jobs in the telecommunications services sector.”

Industry watchers will be familiar with references to highly intricate regulatory and taxation restrictions placed on the traditional Bell companies, called Incumbent Local Exchange Carriers or ILECs. Those policies favor industry newcomers like wireless and cable TV carriers with significantly lower taxes and hinder Bell companies with price caps on the “rent” they can charge to the newcomers for using their infrastructure.

What is not so well known, even within the industry, is the degree to which these policies have degraded the telecommunications workforce. Here is where *Racing to the Bottom* makes an important contribution. Keefe examines dense policies and intricate regulations to illustrate how they have degraded the industry’s workforce, from service reps to technicians to managers, by comparing job quality between ILECs and local access carriers. Although the book is written in the language of the telecommunications industry, the message is clear to any consumer using today’s array of communications devices.

The book also suggests that these unbalanced policies not only destroy good jobs, but they also encourage a growing digital divide between those with access to cheaper high-tech telecom products and those with standard phone service as the only option. When the untaxed Internet is used for phone service, it relies on broadband – a technology only available in select communities and not easily affordable to most households. Households without access to, or unable to afford, broadband will continue to be subject to 17.9 percent tax rate for traditional phone service.

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Here are some of the comparisons in job quality between ILECs, or Bell companies, and local access carriers:

- Cable TV technicians earn only 65 percent of a Bell technician's total compensation, and a cable service rep earns just half the wages and benefits of a Bell rep;
- The wireless industry holds the record for the most layoffs, contrasted to the Bells, with the lowest rate of quits, dismissals, and layoffs of both technicians and service reps;
- The turnover rate within cable companies is 10 times higher than among the Bells, and cable TV providers have the lowest customer satisfaction scores in the industry.
- Unions represent 96 percent of technicians and 77 percent of service representatives at the Bell ILECs. That's more than double the average rate of unionization in any other telecommunications provider.

Jeffrey Keefe is an associate professor in the School of Management and Labor Relations, Rutgers University, New Brunswick, N.J. He is also director of the Telecommunications Program at the Economic Policy Institute. His research has been published in the *Industrial and Labor Relations Review*, *Industrial Relations*, and the *Brookings Papers on Economic Activity*. He recently concluded the second study of *Telecommunications Employment and Human Resources Practices* funded by the Sloan Foundation.

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