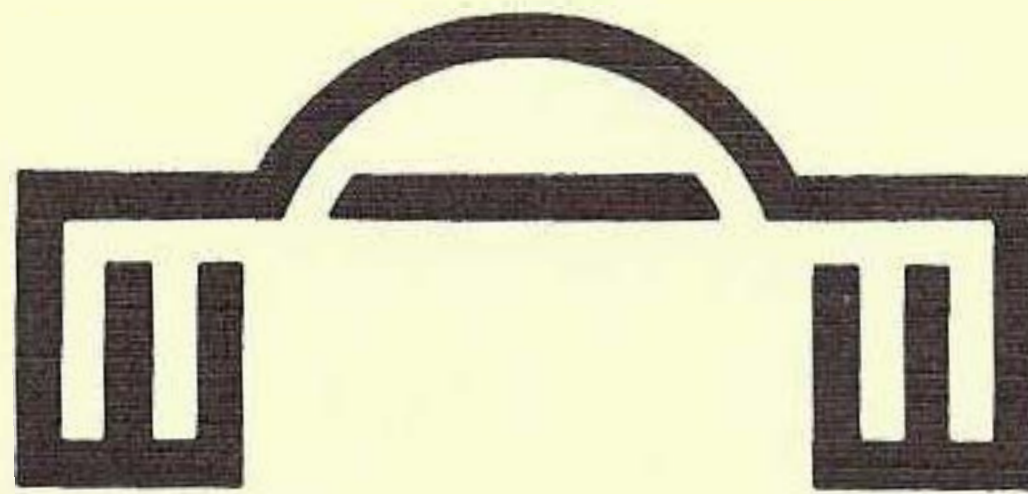




NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.

NEWS RELEASE

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N.C. CENTER CRITICIZES STATE ANNOUNCEMENT OF "PHANTOM JOBS"

For years, the N.C. Department of Commerce has announced glowing reports of tens of thousands of new jobs created in North Carolina by new and expanding industries. But about half of these are "phantom jobs" that never existed, reports the N.C. Center for Public Policy Research. Two recent studies -- one commissioned by the N.C. Department of Administration and one by the N.C. Center -- found that only 47 to 61 percent of the new jobs announced in a given year ever became actual jobs. The N.C. Center released these findings today in the latest issue of its quarterly magazine, North Carolina Insight.

"These studies demonstrate for the first time what many have long suspected," said Bill Finger, editor of Insight and author of the "phantom jobs" article. "They have found that the Department of Commerce data are misleading. The Commerce figures vastly overstate the number of jobs generated in North Carolina." The Center recommends that the Department begin publishing a new report on actual new and expanded industry.

A study commissioned by Gov. James G. Martin's Department of Administration reported that only 47 percent of the announced new jobs -- less than one of every two -- for new and expanding industries actually came to exist. That study, conducted by three N.C. State University researchers, said that the announcements of industrial growth were used for "promotional purposes," and added, "The announcement series have very little independent value as a leading indicator" of the state's economic growth.

Another study of announced versus actual jobs found similar results. Under the supervision of the N.C. Center for Public Policy Research, three University of North Carolina at Chapel Hill researchers tracked actual job creation, based on announcements previously made by the Department of Commerce. "Only 61 percent of the total number of employees that the department reports as existing actually do exist," the study discovered.

"It is important to point out that these criticisms are not directed at the Martin Administration because all governors since Luther Hodges have produced the same kind of job announcement reports," said Finger. "However, we do recommend that Governor Martin ask the Department of Commerce and the Employment Security Commission to take actions to make the state reports more accurately reflect actual growth in jobs and investment," he added.

This is not the first time the Department of Commerce data have been criticized. On March 24, 1980, The Charlotte Observer pointed out that all 37,000 new jobs announced by former Gov. James B. Hunt Jr. for 1979 would not be in

place that year. Hunt acknowledged at the time that all 37,000 jobs might not have come on line in 1979, but he refused to acknowledge that many of the announced jobs would never come to pass.

Until 1985, no detailed studies had been undertaken to determine whether the state's announcements on the creation of new jobs matched reality. But last year, the Martin Administration contracted for the N.C. State University study, which examined all new and expanding industries from 1971 to 1984 for Wake and Chatham counties. The study checked both the number of jobs and the amount of investment announced by the state, comparing that data with Employment Security Commission records, county tax records, and a Department of Commerce report.

The Center's study used a different methodology. The research team reviewed Department of Commerce data on new and expanded industry from 1978 to 1984 and found that the top-ranking job sectors were electronics (most "new industry" jobs listed at 19,192) and textiles (most "expanded industry" jobs listed at 20,842). The researchers then examined all new and expanding industries announced statewide for the electronics and textiles sectors for 1978-84. They checked the data by sending surveys to each company and following up with telephone calls.

Applying the findings of these two studies to past years' data shows the number of "phantom jobs," as the Center called them. For example, in 1979, Commerce officials under former Governor Hunt proclaimed that 37,000 new jobs would come to North Carolina. Based on the N.C. State University study, 20,000 of the 37,000 new jobs would not actually exist. Using the Center study figures, about 14,000 of the 37,000 announced jobs would not exist.

Nevertheless, the Department of Commerce persists in using this flawed data, the Center reported. The study commissioned by the Martin Administration also questions the wisdom of that practice. "The apparent unreliability of the data does raise a question regarding why decision-makers find these data to be useful," the NCSU researchers said. Despite these studies, the 1984 annual report by the Department of Commerce makes no corrections in past figures reported for new jobs and expanding industries that are now known to be wrong. The 1985 report will be released on Tuesday, April 22nd.

While none of the researchers faulted the state for the way in which it compiles data on job announcements, they suggested the Department of Commerce's historical emphasis on announced jobs was bound to give erroneous impressions to the general public. Using announcement data only as preliminary figures -- to be updated later to reflect the actual number of jobs created -- would reduce the possibility that the public would be misled about the actual number of new jobs in North Carolina.

To correct these problems, the Center made three recommendations, as follows:

- ° The Department of Commerce should publish a new report on actual new and expanded industry, which would include actual jobs and capital investment added each year. Companies already report the actual number of employees to the Employment Security Commission (ESC), which is in the Department of Commerce. The ESC could then forward this data to the Industrial Development Office, also within Commerce, for publication. The report should show a cumulative year-by-year account of jobs and

investment actually added (new and expanded). This year-by-year adjustment to the announcement data would provide an additional barometer in itself -- indicating which job sectors actually produce the highest percentage of jobs and investments that were announced.

- ° The Department of Commerce should continue to publish its existing series of reports on job and plant announcements, but it should further emphasize that these are preliminary announcement figures only.
- ° Finally, the Department should also consider reporting the number of plant closures or reductions in jobs as well. Current reports show only the growth or expansion side of the state's economy, which does not give citizens a complete picture of the state's economy.

"We think these recommendations would lead to a more accurate picture of the state's financial health," said Insight editor Finger. "Until some changes are made, we're all just playing a shell game where we don't know which shell the peas -- or jobs, in this case -- are under," he added.

The North Carolina Center for Public Policy Research is an independent, nonpartisan, nonprofit corporation created to examine state government policies and practices. The Center is supported in part by grants from the Z. Smith Reynolds and Mary Reynolds Babcock Foundations, both in Winston-Salem. Other funding comes from 81 corporate contributors and 600 individual and organizational members. In addition to publishing a quarterly magazine called North Carolina Insight, the Center also issues research reports. Past studies have been published on all the boards and commissions in the executive branch of state government, teacher certification, and regulation of credit insurance. The Center also recently released evaluations of the effectiveness of all 170 members of the N.C. General Assembly, as ranked by the legislators themselves, registered lobbyists, and capital news media.

For more information, call Bill Finger, Insight editor, or Ran Coble, executive director of the Center, at (919) 832-2839. The research on "Phantom Jobs" is contained in a special issue of North Carolina Insight magazine focusing entirely on state economic development policies and programs. Copies of the magazine are available from the Center for \$6.00, plus \$1.00 postage and handling if mailed. Write the N.C. Center, P.O. Box 430, Raleigh, NC 27602.

Other sources of information:

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Tim Pittman, Governor's Press Secretary, at (919) 733-5612