

STUDY: PHONING IN A MAJOR ECONOMIC BOOST FOR U.S.? \$11 BILLION IN JOBS, INCOME POSSIBLE IF CELL PHONES PUT IN HANDS OF LOW-INCOME AMERICANS NOW WITHOUT THEM

Strong “Safety Blanket” Effect Seen as Half of Americans Already Have Used Cell Phones in Emergency Situations; Unique Study Reviews Looks at 100,000+ Consumers to Define Wealth-Creating and Safety Potential of More Cell Phones in U.S.

WASHINGTON, D.C.//March 26, 2008//Cell phones play a much bigger role in helping Americans get work, make money and respond in emergency situations than previously was thought to be the case, according to a first-of-its-kind study by Nicholas P. Sullivan, author of *You Can Hear Me Now: How Microloans and Cell Phones Are Connecting the World’s Poor to the Global Economy* and a visiting scholar at the Massachusetts Institute of Technology (MIT). Released today by the independent New Millennium Research Council (NMRC) think tank, the Sullivan report concludes that providing cell phones to the 38 percent of America’s 45 million poorest households now without them -- including millions of seniors, Hispanics, African-Americans and rural residents -- could help them get work or make money worth \$2.9 billion-\$11 billion.

Entitled ***“Cell Phones Provide Significant Economic Gains for Low-Income American Households,”*** the groundbreaking Sullivan study is based on two surveys: a scientific poll by Opinion Research Corporation (ORC) of 1,005 Americans and a statistically large online sampling of 110,000 prepaid cell phone users. The study is the first in the U.S. to zero in on potential economic and public safety benefits to those in the bottom two quintiles of household income (less than \$35,000), who are much less likely to own cell phones. According to the Sullivan report, those who do not now own a cell phone tend to be older (37 percent are retired), less educated (29 percent have a high school education or less), low income (38 percent make less than \$35,000 a year) or unemployed (30 percent).

In addition to the striking potential for more employment and wealth accumulation among low-income Americans, the Sullivan study finds a much stronger “safety blanket” effect from cell phones than commonly is assumed to be true. Majorities from every major demographic segment in the U.S. say the cell phone is “extremely important” for “emergency use,” and prefer a cell phone to a landline phone in emergency/crime situations. About half of Americans (48 percent) have used their phone to call or text during an emergency situation, a fifth (20 percent) have received an emergency call or text on their cell phone, and nearly a third (32 percent) have bought a cell phone for a relative to use in emergency situations, according to the ORC survey. Two telling signs that the rapidly growing “safety blanket” effect of cell phones: Nearly three out of five Americans (58 percent) say if they had to choose only one phone, it would be a cell phone rather than a landline phone; and, when asked to choose the most important phone in an emergency situation, Americans now favor cell phones over landlines by a more than three-to-one margin.

Study author Nicholas P. Sullivan said: **“Millions of Americans who are most in need are missing out today on the economic gains that other Americans attribute to their cell phones. The overall conclusion in this study is that the cell phone is extremely important to Americans for personal safety, and a huge boon to an individual’s potential economic productivity and earning power. The cell phone is particularly important to blue collar, minority, less educated and low-income segments of Americans, even though those groups are far less likely to own cell phones.”**

NMRC Director John Breyault said: **“This study has major implications for federal and state Lifeline and Link-up programs providing subsidized phone service to eligible consumers. These programs reach very few of those that they are intended to help and have a strong ‘last-century’ bias in favor of landline phone service. The results on the value of a cell phone for safety and emergencies are overwhelmingly uniform, segment by segment, in naming ‘emergency use’ as a primary reason for owning a mobile phone—and in naming the mobile phone as superior in that regard to the landline phone. If one of the drivers behind universal service is to insure that people have telephone access in a health or safety emergency, the phone of choice for the vast majority of Americans -- young and old, male and female, poor and rich -- is a cell phone.”**

Opinion Research Corporation Senior Researcher Graham Hueber said: **“A large percentage of Americans use their cell phones to find jobs and earn other income. This effect clearly would be beneficial to the millions of low-income households that have the greatest need for work and income, but do not have cell phones. To the extent that lower-income individuals face more exposure to the impact of crime, they too would benefit disproportionately from the ‘safety blanket’ effect of the cell phones they do not have.”**

KEY STUDY FINDINGS

More than three quarters of those polled by ORC use their cell phones to discuss work or money, and nearly a third of those working say their cell phone has helped them make money, get new work or customers. More respondents in blue collar-jobs say their cell phone has gotten them work or money (40 percent) than those in white collar professions (27 percent)—as do far more prepaid (43 percent) than contract/postpaid (28 percent) cell phone owners. The gains for low-income Americans are notable given that the average number of minutes (280 per month) was below the overall average (303), and income tends to rise with minutes used.

The average amount of money earned by all Americans who said they use their cell phone to get work or make money was \$748.50 last year, according to the ORC survey. For households in the bottom two quintiles making \$35,000 or less, the mean reported earning was \$530. This translates to income gains of \$4.5 billion, and suggests that – if the 38% of these 45.2 million low-income, bottom quintile households that do not now have cell phones were to start using them, and earn money at the same rate as those households that do own cell phones—it would add \$2.9 billion to household incomes.

In the online sampling of 110,000 prepaid customers -- where 30 percent of *working* households (not retired, student, unemployed) attributed gains to their cell phones -- the average annual gain cited was a much higher \$2,361 per household. (Respondents were asked to quantify sums up to \$10,000 and above.) Based on this data, if non-cell phone households in the two lower income quintiles were to acquire phones and earn money at the same rate, it would translate to \$11.1 billion in new income gains. As the study concludes: “... it is fair to use the ORC data as a lower bound and the [pre-paid] data as an upper bound, putting put the potential economic gain for low-income households in the \$2.9 to \$11 billion range.”

In the prepaid cell phone sampling, 65 percent of those who relied on just a prepaid cell phone had household incomes less than \$35,000. For example, 34 percent of Hispanics (1935 respondents) said they had a prepaid cell phone as their only phone. It seems likely that many of these households may have lost both landline and wireless phones, don't have the credit to re-subscribe, and adopt prepaid as a way to rejoin the communications grid.

For full study findings, go to <http://www.thenmrc.org> on the Web.

METHODOLOGY

The primary survey was a scientific probability sample of 1005 U.S. households, conducted by Opinion Research Corporation among 504 men and 501 women 18 years of age and older, living in private households in the continental United States, during the weekend of Oct 25-28, 2007. Random digit dialing to both listed and unlisted numbers was used. Respondents split roughly evenly amongst those who used landline only (233), used both cell and landline equally (292), used both but primarily landline (241), and used both but primarily cell (221). The margin of error for the full ORC sample is plus or minus 3 percentage points.

Among cell phone users, 167 (22 percent) said they were prepaid cell phone customers. Because all calls were made to landlines, the survey did not capture those who either had no phones, or had a cell phone only. There were 753 cell phone users in the survey (75 percent), and most of the follow-up questions were addressed to these respondents. Those with incomes less than \$35,000 and less than \$50,000 were less likely to own cell phones, while those with household incomes higher than \$50,000 and those

from dual-income households were more likely to own a cell phone. Households with three or more people, and those with more children, were more likely to use cell phones, as were those with more education.

The online sampling of more than 110,000 prepaid customers was conducted during September 2007. TracFone customers were notified by email, and self-selected respondents filled out a survey form on the Internet. The number of responses makes it a statistically significant drill-down survey on the attitudes of prepaid phone owners. More than one out of 10 respondents (12 percent) used a cell phone only, which gives a snapshot of a growing minority of Americans.

ABOUT NMRC

Created in 1999, the New Millennium Research Council is a Washington, D.C. think tank. The work of NMRC focuses primarily on the fields of telecommunications and technology. The contributors to NMRC reports develop workable, real-world solutions to the issues and challenges confronting policymakers. For more information, please visit <http://www.thenmrc.org> on the Web.

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EDITOR'S NOTE: A streaming audio recording of the news event will be available on the Web as of 6 p.m. EDT on March 26, 2008 at <http://newmillenniumresearch.org>.