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Private equity transactions led to more jobs

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Acquisitions of large companies by some of the leading U.S.-based private equity firms during a three-year period resulted in net gains in employment, according to a new study released by the industry's advocacy group, the D.C.-based **Private Equity Council**.

The heads of two local economic consulting firms authored the study: Robert Shapiro, former undersecretary of commerce in the Clinton administration who is chairman of D.C.-based **Sonecon LLC**, and Nam Pham, founder and president of D.C.-based **NDP Group LLC**.

Shapiro and Pham, for the study, examined data from 42 companies acquired by eight private equity firms between 2002 and 2005 and found that overall employment rose from 310,420 to 336,634, a net increase of 8.4 percent.

More than 76 percent of the sample recorded job gains, while less than 24 percent reduced employment.

The companies studied represent 60 percent of all acquisitions valued at \$250 million or more made by the eight firms between 2002 and 2005, and 70 percent of the total dollars invested in deals above the \$250 million level during the period.

Manufacturing firms purchased by private equity funds achieved the greatest relative gains, increasing their worldwide employment by 8.6 percent. Domestic employment by private equity-backed manufacturing companies rose by 1.4 percent, compared to job losses in the entire U.S. manufacturing sector of 7.7 percent.

Non-manufacturing companies purchased by private equity funds, in areas such as health care, retail trade and food services, expanded their total employment by 8.4 percent.

"The data show that large private equity transactions produce significantly greater job gains than observed in other companies in the same sectors, especially other large companies," Shapiro said in a statement. "These findings reflect the role that private equity funds play in the economy: acquiring underperforming companies and reforming their operations."

Critics of the private equity industry say that the study from the Private Equity Council, whose members include D.C.-based **Carlyle Group**, is not reliable.

"This study is part of a multi-million dollar lobbying plan by an industry on the defensive," said Stephen Lerner, director of the Service Employees International Union's private equity project, in a statement.

"There is little reason to trust and no way to verify self-reported claims by the super-secretive buyout industry."

Last year, SEIU Healthcare, a large health-care workers union, held two demonstrations outside Carlyle's headquarters to express its concern over the D.C. company's \$6.3 billion acquisition of nursing home chain **Manor Care Inc.**

The union is worried about the transaction's effect on Manor Care workers, senior citizens and taxpayers.

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