

Business world

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Carfa double film production

THE Swiss firm of Carfa has doubled its production capacity for carbon film based on Du Pont's Mylar polyester in a move to further improve deliveries and quality and make prices more competitive and cut down pollution.

Carfa is one of Europe's leading producers of carbon film, which is used for making sharp, non-smearing copies of texts prepared on typewriters and word processors.

Copies made with carbon film are said to be up to six times more economical than those made with photocopiers

The new coating plant at Péry, near Biel in north-western Switzerland, will help to meet

growing demand at home and abroad.

Rationalisation of production and new energy-saving measures will enable the company to be more price-competitive in European export markets, while a solvent-recovery system will cut down atmospheric pollution.

Hertz ally with SBB

HERTZ is to partner Swiss Federal Railways (SBB) in a car rental service at all manned Swiss railway stations

The service will be available at more than 600 railway stations nationwide. The SBB decided to introduce it after a poll among railway travellers.

Users of the service will be able to order, collect and return cars at any manned railway station and any Hertz reservation office.

A holder of an SBB general season ticket will be able to request a combined SBB-Hertz credit card.

This offers advantages such as renting cars without a deposit and a 10 per cent reduction of normal rates.



The Print Swiss Matrix

The 'very Swiss' printer!

BUYING an office computer can be an expensive business but a Swiss company, Wenger Datentechnik, is at least bringing down the cost of the printer.

The UK importers, Swiss-Tek of High Wycombe, have

announced that their printer is now available for £639 on quantity orders.

Among the machine's other advantages, say the manufacturers, are quality and reliability. Very Swiss!

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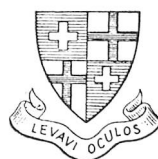
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THE economic recession of the mid-'70s and early '80s substantially increased unemployment levels in the industrialised nations.

Present figures show that in Western Europe and North America approximately 9 per cent of the labour force is without work, and despite the recent economic recovery the employment outlook for the next two years is not encouraging, especially for Western Europe.

Indeed, an analysis of the long-term determinants of employment, for example the labour force, general economic growth and advances in productivity, yields important insights into the unemployment problem but without providing remedial solutions.

The chances of success for an approach in which work-time reductions are seen as an important policy instrument are slight with regard to the effect on employment.

Focusing attention on the shortening of work periods as a possible remedy is a purely defensive strategy.

Logically, if one who is employed gives up part of his work, someone without a job can be newly employed (at least part-time).

Nevertheless, this process does not actually create new work or additional income; it merely distributes the available work to more people.

Such reductions can be achieved through earlier retirement and longer compulsory education and military service, or more directly by shortening the working week, extending break and holiday periods or expanding part-time work, and so on.

The idea of work-time reduction now enjoys an increasingly favourable social image as a means of combating unemployment.

The question follows: how much work-time reduction is needed to return to full employment?

According to a "magic formula", this economic and political

Shorter hours not the solution to Swiss unemployment

goal would be attainable if the work time were reduced by a percentage that corresponds to the unemployment rate.

In West Germany, calculations along these lines indicate that a 3.7-hour shortening of the work week would be needed to achieve full employment.

Switzerland, with an average of 25,000 unemployed, would require a reduction of 0.3 hours per work week.

The basic conceptual weakness is the assumption that labour is a homogeneous and interchangeable commodity, in that any given worker can be "plugged in" anywhere.

The considerable mismatch between the qualifications of today's unemployed and the skills currently in demand on the job market shows how unrealistic this assumption is.

Across-the-board reductions in working hours will perhaps benefit the less-qualified (and widely available) workers, but will also produce positions for which there are no suitable applicants, and put even more pressure on the already short supply of highly-qualified personnel.

These reductions therefore

prove especially inefficient for countries where the employment problems are largely structural in nature.

Work-time reductions are also of little effect in those countries which have a large number of small businesses. Firms with less than 10 employees could cut several hours from their work week and still not create new positions.

It follows that small and medium-size businesses, because of the frequent "indivisibility" of their work, will pay overtime rather than create new jobs.

Opinion is divided concerning the speed and strength of the job market's response to work-time reduction measures.

Various West German surveys have produced widely disparate results, placing the real gains in employment at between 20 and 70 per cent of the theoretical benefit.

Yet according to the latest IFO Institute for Economic Research investigations, the figure would be only 14 per cent.

There are other reasons why firms cannot automatically provide new job openings. This is most evident when a company is

saddled with both the extra wage costs and the equipment and other costs of the additional workplaces themselves.

Shorter work weeks or longer holidays and breaks may make time available for new workers to fill. Yet the physical workplaces have to be created, too.

A workstation equipped to the present technological standards in the industrialised nations costs over \$50,000, on average. This means a business's international competitiveness is considerably impaired by work-time reductions, which increase neither its output nor its income.

The cost problem is intensified if the employees end up working shorter hours under a special "compensation" agreement which allows them to avoid a corresponding cut in pay.

Investigations by the German Institute for Economic Research (DIW) clearly reveal the uneven impact of work-time reductions, depending on the nature of the associated wage adjustment.

Looking at the economy as a whole (for example considering the effect on corporate costs and changes in household purchasing power) it is desirable to have a pay

adjustment which takes account of the price and productivity consequences of the exercise.

A higher pay adjustment will be counter-productive if the costs of work-time reduction end up exceeding the financial possibilities of the firms, prompting the liquidation of plant facilities and workplaces.

A further reason why businesses are apt to react to work-time reductions with labour-saving measures involves fringe benefits.

When these personnel costs are higher (as in various West German industries) than the actual salary costs, and increase more steeply with the number of workers than with the number of hours worked, production costs are significantly higher.

This occurs even when the straight wage costs and capital outlays (workplace costs) associated with the additional employees can be covered without adding to the company's operating costs.

Much of the public discussion about work-time reductions leaves the impression that it is only the employers who object, and who are obstructing a measure calculated to improve the situation.

But this is simply not the case. For one thing, the redistribution of work affects not only production

costs, and hence corporate earnings, but also most private household incomes and government revenues as well.

Also, with less-than-full wage compensation, the position of the employee is worsened with regard to social security (if the savings on the unemployment-insurance side turn out to be smaller than the additional burden of social security contributions needed to maintain pension expectations at their original levels).

Income is certainly an important consideration when, for example, a majority of West German metal-workers are in favour of maintaining the existing working hours, and this probably applies even more to workers in other countries.

But other interesting conclusions can also be drawn from the various surveys. The advocates of work-time reductions, for instance, seem to be motivated more by their own personal attitude towards work than by their solidarity with the unemployed.

Besides this difference between the satisfied and the dissatisfied, it appears that men are more inclined than women, hourly wage earners more likely than salaried employees, and older workers more likely than younger, to reject a shortening of the work week.

This indicates that the opinion

on work-time reductions depends to a great extent on the age and job profiles prevalent today, and a change in the general attitude towards work is quite possible in the future.

Another implication of these different preferences is that work-time reductions cannot be equated with improvements in the quality of life in every case.

The government's revenues are also affected by the work redistribution schemes. When hours worked and income received are reduced for workers who tend to be earning relatively well, while the increase in taxpayers is comparatively modest and concerns mainly lower-income groups, the net result under a system of progressive tax brackets is that the state's income tax receipts also suffer.

The extra free time also allows people to produce more goods and services for themselves which do not show up in the gross national product or in the taxbase.

There is thus more scope for moonlighting for the underground economy, which not only take business away from "above-ground" enterprises and deny considerable tax revenue to the state, but also have their own implications for the job market.

A further uncertainty in the discussions on work-time reductions arises from the fact that the

adaptive response of the labour force as a whole has hardly been considered, or researched.

The lower income of a family's single wage earner can lead the housewife to join the labour pool.

Additional, hitherto inactive participants may be drawn into the labour market because the shorter hours make employment look more attractive.

Calculations with West German economic models show that work-time reductions elicit reactions mainly from married women, although the type of response depends strongly on the modalities of the new work schedules.

A shift to more part-time work will increase the participation rate of married women so much that it is very doubtful such a measure would really bring a statistical reduction in unemployment, at least in the part-time, female labour segment of the market.

From what has been presented here, then, it is clear that reductions in work time are no panacea for unemployment.

The experience of France and Belgium shows us that such tactics do not even lend short-term relief.

Work-time reduction is best understood as an expensive, long-term strategy which can only be realised on the basis of a flexible and growing economy.

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