

Forced overtime doesn't pay off

market watch

John Vernier

Mid-term outlook sparks optimism

A growing number of Wall Street analysts are becoming increasingly optimistic concerning the medium-term outlook for stock prices.

While each individual has a pet reason for expecting a better market to emerge, there seems to be almost unanimous agreement that many of the current negative influences are gradually diminishing, and some slight evidence of improvement is beginning to appear.

The principle depressant of stock prices has been the continuing increase in interest rates over the past two years.

A reduction from the peak of 15.75 percent to 15.25 percent in the past few days has lent encouragement that the peak has been seen. It is much to early to assume that this is true.

But there is reason to hope that the rate has reached its top, or at least close to it, because several banks have stated that the demand for loans has declined considerably at this high interest level.

STATED SIMPLY, a bank is little different from any other retail operation. Instead of selling toothpaste or soap, banks sell money.

It is not their own money they sell, but it is the money that they have borrowed from others — basically from their depositors.

The success of a bank's operation rests on its ability to loan money at a higher rate of interest than it costs them to borrow it.

There is a point, however, at which the high cost of borrowing money may make it prohibitive to the borrower.

If the businessman cannot employ

the borrowed money in a fashion to earn more income than it will cost him to borrow the money, then he obviously will decline to incur the debt.

As the demand for loans diminishes, and the supply of lendable funds increases as a result of the fall on demand, the natural result should be a trend toward lower interest rates.

It appears that we may have reached this condition.

ANOTHER FACTOR on which the analysts generally agree is a potentially bullish factor — the high amounts of investment funds that are currently placed in short-term interest-bearing instruments.

The unprecedented high level of interest rates has encouraged money managers to take advantage of the unusually high income offered by short-term debt instruments of various kinds. These highly favorable investments have overshadowed other types of investments, and have caused funds to leave these other areas in favor of them.

A decline in interest rates, however, will cause the reverse to happen. Any quick reduction in interest might cause a very interesting stock market.

There is common agreement that, by historical comparisons, common stocks generally offer the best values that have existed for many years.

THE MOST broadly accepted yardstick for measuring common stock values is the price-earnings ratio. This is a ratio of market price to annual earnings. It tells us how much we have to pay per share for the common denominator of \$1 in earnings.

The writer is with Manley, Bennett, McDonald & Co. in Plymouth.

Business firms intending to schedule overtime rather than hiring new workers may find the move cheaper only if the overtime workers want the extra hours and are productive during the extra time.

Robert W. Hollmann, a management consultant and professor at the University of Arizona, surveyed members of a scientific research organization and reviewed other research findings. He concludes that it is important for firms to consider employee preferences and willingness to work overtime.

Writing in the summer issue of Human Resource Management, published by the U-M Graduate School of Business Administration, Prof. Hollmann presents these major findings in his study:

• The higher an employee's job satisfaction, the more willing he or she is to work overtime.

• The greater an employee's identification with the organization, the more willing he or she is to work overtime.

• The greater an employee's perception of the fairness of the rewards

received for overtime work, the more willing he or she is to work overtime.

• Those individuals who are generally willing to work overtime do so because (a) overtime is necessary to get the job done; (b) overtime results in more money for them; or (c) the job is interesting and satisfying.

• Those individuals who are generally unwilling to work overtime feel this way primarily because overtime work takes time away from family and social activities.

• Willingness to work overtime does not appear to be affected by an employee's age, sex, education, marital status or family responsibilities.

• The factors correlated with employee willingness to work overtime — job satisfaction, identification with the organization, fairness of overtime rewards, and importance to overtime pay — are also intercorrelated with each other.

• These findings can be combined to suggest that the individual more willing to work overtime is the

one who has high job satisfaction, identifies strongly with the organization, believes the overtime is necessary to get the job done, and feels that he or she receives equitable rewards for the overtime work performed," says Hollmann.

"It is important to note that the factors relevant to overtime willingness are not personal factors but rather job organization-related or overtime-related factors.

"Thus, while a manager should not ignore the personal needs of workers in making overtime decisions, too much attention to these at the neglect of job organization-related and overtime-related factors could be detrimental to the overtime effort."

It is important to make sound evaluations of an organization's overtime situation, Hollmann explains, because "if imprudent overtime decisions and assignments are made, the savings may be considerably less than antici-

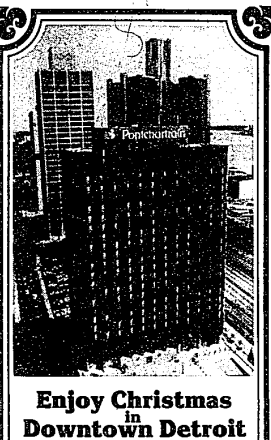
ated. Or even worse, the poor overtime decision may be reflected in less-than-anticipated quantity of output, poor quality, increased waste and even damage, and deteriorating morale — the combination thereof resulting in overall costs greater than if the organization had hired new workers.

Young GOP to hear Kuhn

Drain Commissioner George Kuhn will speak at today's meeting of the Oakland County Young Republicans.

The meeting will begin at 8 p.m. in the home of Hal Stephenson, 68 Grosse Pointe Drive (northeast of Old Perch and Walton roads), Rochester.

Kuhn will discuss his ballot proposal to regionalize control of the Detroit Water and Sewerage Department, which sells water and sewer services to most suburbs.

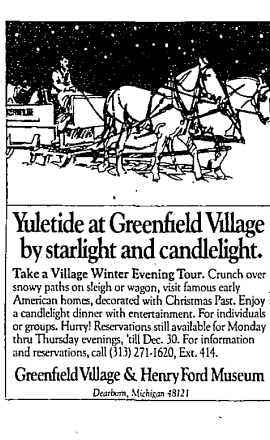


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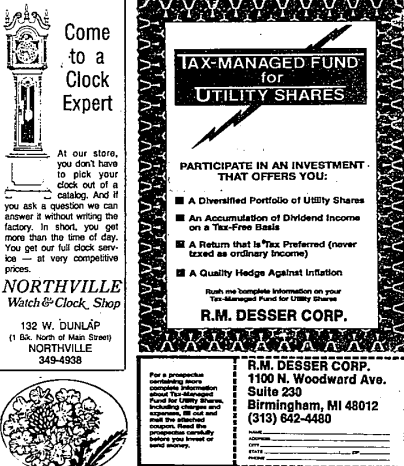
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