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If you have an interest in these types of companies, we feel you will find our service very useful.

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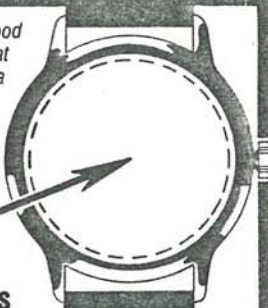
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NEWS & TRENDS

Committee. "But the difference is blurred. The Labor Department, spurred on by the unions, is busting these [sub-contractors] all over the map."

The most widely publicized "bust" occurred in Vermont last December, where more than 300 home-based knitters who subcontracted to retailers were ordered out of business by the federal government. Lee Bellinger, director of public affairs for the Center on National Labor Policy, claims that now the unions are also pressuring home-based business

"Homework is the wave of the future," says Charles Carroll, who is working to get new labor legislation passed.

through, for example, local zoning laws. Last year in Chicago a husband-and-wife freelance writing team, who worked on personal computers in their den, were ordered to close up shop because local zoning laws forbid the use of machinery in the home for commercial purposes.

Advocates of home-based work claim that unions fear this emerging trend because they cannot organize and collect dues from these maverick workers, but union leaders say they are just worried about labor abuses. "The biggest concern," says Max Zimny, general counsel for the International Ladies' Garment Workers' Union, "is the violation of the wage and hour laws. The problem with homework in the apparel industry is that inherent in it are gross violations. If we can't find out where the work is done, we can't enforce the laws."

Whatever the reasons for union concern, the fact remains that the AFL-CIO has called for a ban on computer homework, and the Service Employees International Union has passed a resolution opposing computer work by their members outside of corporate offices. To halt this union drive, Sen. Orrin Hatch (R-Utah) introduced an amendment to the Fair Labor Standards Act late last year to legalize industrial work in the home, including the previously excluded apparel industry.

"The Hatch bill won't allow 40 workers to operate out of one home," says Carroll. "We realize that's a sweatshop. But homework is the wave of the future. Still, the union can win this fight by simply blocking new legislation. With their consistent pressure, we may not be able to get [the Hatch amendment] out of committee."

—L.M.S.

NEWS & TRENDS (continued)

NEWS & TRENDS

ESOPs—could make ESOP loans more attractive to bankers.

As a result of the two provisions, "an employer can essentially take a smaller offer and still come out ahead," Blasi says. Not only does the employer benefit from the initial tax savings, but he can be assured that the employees will be able to secure loans to keep the company in sound financial health. —Joshua Hyatt

WHAT'S THE PENTAGON'S ROLE IN THE CHIP WARS?

In the high-stakes semiconductor business, Japan has the Ministry of International Trade and Industry (MITI) and the United States has the Defense Department. At least that is the way it has always been. In Japan, the powerful MITI coordinates research and development. In the United States, the Defense Department has played a similar—although less formal—role by funding military research, which helped to spur the growth of the industry and provided spin-off technology with commercial applications.

But now, according to a report due out sometime this fall, the Defense Department is no longer serving as MITI's opposite number. The recent Pentagon drive to create very-high-speed integrated circuits (VHSICs) won't help the U.S. semiconductor industry maintain its leadership position. In fact, the move could possibly hurt the industry.

The problem is that the Pentagon kept the technological advances away from the "dynamic small-merchant segment" that has accounted for much of the industry's success so far, says the report by the Berkeley Roundtable on the International Economy (BRIE). Its conclusion is that

the Defense Department can no longer promote commercial competitiveness in the semiconductor industry.

VHSICs (pronounced *vee-sicks*) are very fast chips that let computers react almost instantaneously to new input. They have wide applications in the military, so the Pentagon wants to start using VHSICs as soon as possible.

Contracts for the program have gone only to large companies, but that isn't the real problem, according to the report from BRIE, a public-policy center at the University of California. BRIE researchers Leslie Brueckner and Michael Borrus argue that ordinarily, small companies benefit by adapting techniques coming out of such a project. But Reagan Administration restrictions on the flow of information from Defense Department projects, the report suggests, may keep many research results secret.

"If only military contractors end up getting access to these innovations, small businesses would suddenly be confronted with a few military contractors that have access to innovations that small companies don't," says Borrus. Small business, crucial to progress in the U.S. semiconductor industry, would be locked out. The industry would be deprived of improvements and new products small companies could have made, leaving it at a competitive disadvantage.

Even without the restrictions, the Pentagon project may not help American business, the report says. Unlike commercial customers, the military is willing to trade off cost savings for earlier delivery of the chips. So companies involved in the project are developing techniques that may not be profitable commercially. Meanwhile, the Japanese, supported by

commercially oriented government programs, may take over the mass market.

"If you're talking about industrial policy, this ain't it," says Borrus. He envisions commercial programs establishing performance standards, similar to government-set military ones, for VHSIC technology. Companies would then bid for money to do research on the project. Once public money was invested, he says, the market could take over.

—Virginia Inman

HOME IS WHERE THE WORK IS

The scattered ranks of home-based business operators are forming up to battle an apparent attack on homework by unions.

Homework in the outerwear and women's apparel industries has been illegal since the early 1940s, when an amend-



The National Alliance of Home-Based Businesswomen's Marion Behr: Union zeal for government protection threatens homework.



Michael Borrus of BRIE feels that the Pentagon's policy of keeping some new semiconductor technology secret prevents small companies from taking advantage of innovations.

ment to the Fair Labor Standards Act of 1938 was passed. The Act was written to outlaw sweatshops—illegal factories, sometimes based in homes, that employed nonunion workers unprotected by minimum-wage and child-labor laws. According to Marion Behr, founder and past-president of the over-1,000-member National Alliance of Home-Based Businesswomen, now the union's zeal for government protection threatens all homework, including home-based proprietorships.

"The law makes a distinction between working at home as an employee versus working at home as an independent subcontractor," explains Charles Carroll, aide to Sen. Don Nickles (R-Okla.), who is working to get the legislation through the Senate Labor and Human Resources