— John Hyde.

THE 17½ % HOLIDAY LOADING.

Instead of " Bosses lose pay claim" a headline like "W.A. Industrial Commission sacrifices 3,500 jobs" should have greeted that august body's callous decision to retain the 17½% holiday pay loading. Callous sounds a harsh word, but the commission has not even the excuse of ignorance. It is quite plain from the judgement itself that they understood the consequence of their decision.

The W.A.Confederation of Industry asked businesses what they would do if the loading were abolished, and submitted their survey in evidence before the commission. 1,326 businesses replied and of those 24.5% claimed they would employ more people. Because surveys of this type are liable to reflect wishful thinking, the figure should not be taken as any precise measure. However, nearly one quarter of a large sample is more than a straw in the wind. Further, the survey data is what common sense would expect it to be - namely that firms which pay less to an existing workforce will use some of the savings to employ additional workers. There will be circumstances, even though it is difficult to put a finger on them, where the loading is the difference between the decision to produce or not to produce.

A better estimate of the number of jobs lost because of the loading can be made by relating the cost involved to the total workforce by using the economists' concept 'elasticity'. In theory elasticity is simple enough; in practice it is often difficult to measure. Broadly, if a small change in wages produces a large change in jobs the demand for labour is elastic; if a large change in price produces only a small change in jobs demand is inelastic. If a 1% reduction of the cost of employment produces a 1% increase in employment elasticity is unity, if it produces .5% it is .5 and so on. If we can find an estimate of labour elasticity which we accept as sufficiently reliable, we can use that to work out how many jobs are being lost as a result of the cost of the 17½% loading, and conversely how many would be restored by its abolition.

First the cost: 17½% of four weeks is the same as 1.35% for 52 weeks. But since some people don't stay in their jobs to collect holiday pay or are employed on a

casual basis let us say that labour costs are increased by only 1.2%.

Next a measure of elasticity: Professor Freebairn, publishing in the Australian Economic Review, has done this job for us. He assembled all the estimates of demand elasticity for labour that he could muster. The estimates varied over a wide range - the calculation as I said is not easy - but they are of the same order. By choosing .5 from the assembled estimates I am generous to the Industrial Commission.

The West Australian workforce is 570,000. The cost of their employment is increased by 1.2% by the loading and half of that increase is mirrored in lost jobs The Commission's decision cost 3,420 jobs.

Abolition of holiday loading could have been the greatest job creation scheme so far, if only it had not been set aside for a misguided idea of equity.

So as not to make workers under West Australian awards 1.35% unequal with those quarter or so of workers covered under federal awards, the Industrial Commission is prepared to have nearly 3,500 people out of the workforce altogether. Strange logic that ought to raise questions that go to the very relevance of the wage fixing procedures themselves.

My calculation is of course not very precise. Perhaps others will come up with better measures, but even if they halve or double 3,500 that won't alter the conclusion that the wage fixing tribunal doesn't give a damn about unemployment.