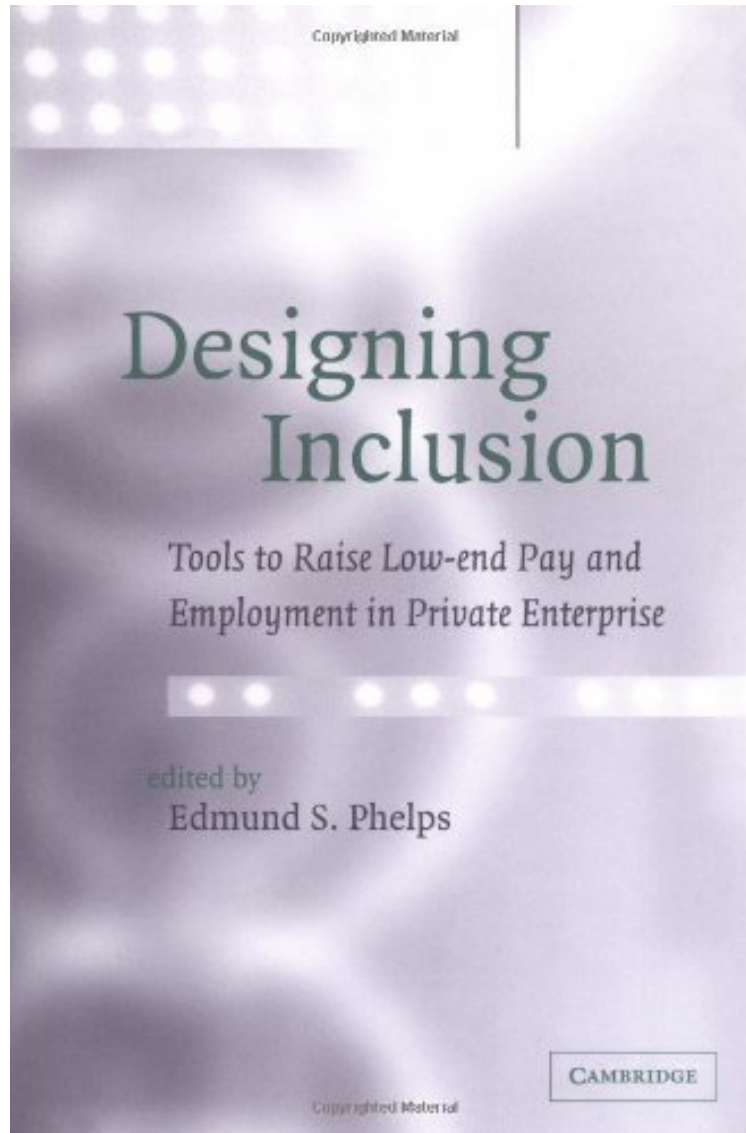


Designing Inclusion: Tools to Raise Low-end Pay and Employment in Private Enterprise

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1 of 1 people found the following review helpful. THE ECONOMICS OF SOCIAL INCLUSION By Denis Benchimol Minev Edmund Phelps is the very best economist to tackle employment as a problem to be solved. In this very short book, Phelps puts in policy making language the findings that have made him famous and earn a Noble Prize. The

problem is clear: how to improve the lot of low wage earners. Low wages, though they may seem economically efficient, carry along heavy social externalities, such as malnutrition, poor education, poor health, etc. Phelps explores the economic alternatives to improve the lives of low wage earners. He carries the reader through his thinking, presenting ample evidence and reasoning so that the reader arrives at his well thought out conclusion. Just as an advance of the book (in order not to leave one in suspense), his main conclusion is that a subsidy for companies to hire workers at a certain wage (a minimum social wage) is the best way to stimulate profit seeking companies to adjust wages to that level. A small subsidy is generally sufficient to achieve a good improvement in wages.

An inclusion failure has become highly visible in the advanced economies of the West. Too many able-bodied people are subject to chronic joblessness and, when employed, cannot earn a living remotely like that in the mainstream of the population. One policy response has been to give such workers a range of goods and services without charge, another has been to single out some groups for tax credits tied to their earnings. However, many of the welfare programs actually weaken people's incentive to participate in the labour force and wage-income tax credits appear to have made hardly a dent in joblessness. This volume brings together leading economists to present four studies of methods to rebuild self-sufficiency and boosting employment: a graduated employment subsidy, a hiring subsidy and subsidies for training and education. It is of interest to anyone with a serious interest in the economics of subsidies to raise inclusion.

About the Author Edmund S. Phelps is McVickar Professor of Political Economy and Director of the Center on Capitalism and Society at Columbia University.