
Win-Win Vouchers

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This article is organized in terms of examples from economic policy (minimum wage vouchers), technology policy (workers and farmers productivity vouchers), social policy (housing and school vouchers), and political policy (decentralized education vouchers).

I. MINIMUM WAGE VOUCHERS (Table 4-1)

TABLE 4-1. THE PHILIPPINE MINIMUM WAGE PROBLEM

GOALS	C	L
ALTERNATIVES	Overpayment	Decent wages
C		
90 per day	+	-
L		
100 per day	-	+
N		
95 per day	0	0
SOS OR WIN-WIN		
101 to worker, 89 from employer, 12 wage supplement	++	++

As of 1991, business management in the Philippines argued that the maximum it could afford as a minimum wage would be 90 pesos per day. Otherwise, workers would have to be laid off or not hired, leading to a reduction in food, shelter, and clothing.

Labor argued that the minimum wage should be at least 100 pesos per day. Otherwise, workers would not be able to afford adequate food, shelter, and clothing.

The logical compromise would be somewhere between 90 and 100 pesos depending on the relative bargaining power of management and labor.

The SOS involves management paying 89 pesos, but the workers receive 101 pesos. The government makes up the difference of 12 pesos per day in return for management and labor activities.

To receive the 12-peso subsidy, management must agree to hire only unemployed workers and provide them with on-the-job training to bring their skills up to the 101-pesos level. The unemployed workers must accept the job and the on-the-job training, and perform both at a passing level.

II. PRICING FOOD IN CHINA AND ELSEWHERE (Table 4-2)

TABLE 4-2. SIMPLE FOOD PRICING

GOALS	C	L
ALTERNATIVES	Rural well-being	Urban well-being
C		
High price: 60	+	-
L		
Low price: 40	-	+
N		
Middle price: 50	0	0
SOS OR WIN-WIN		
1. 61 to firms 2. 49 to worker (with food stamps)	++	++

The intermediate totals in parentheses are based on the first three goals. The bottom line totals are based on all the goals, including the indirect effects of the alternatives.

The SOS of a price supplement involves farmers receiving 101% of the price they are asking, but urban workers and others pay only 79%, which is less than the 80% that they are willing and able to pay.

The difference of 22% is made up by food stamps given to the urban workers in return for agreeing to be in programs that upgrade their skills and productivity. The food stamps are used to pay for staple products (like rice or wheat) along with cash. Farmers can then redeem the stamps for cash, provided that they also agree to be in programs that increase their productivity.

Food stamps have administrative feasibility for ease in determining that workers and farmers are doing what they are supposed to do in return for the food stamps. They cannot be easily counterfeited. They serve as a check on how much the farmers have sold.

By increasing the productivity of farmers and workers, the secondary effects occur of improving farming methods, increasing exports, increasing the importing of new technologies, and increasing the GNP.

High prices are not politically feasible because of too much opposition from workers who consume, but do not produce food. The high prices are acceptable if they can be met by way of price supplements in the form of food stamps.

On the broader implications of the examples, food pricing illustrates the third party benefactor which can be a very useful SOS perspective for resolving conflicts between ethnic groups, economic classes, labor versus management, and landlord versus tenants. Other examples include:

1. The landlord-tenant resolution with regard to rent vouchers.
2. The labor-management resolution with regard to the minimum wage.

3. On the international front, the third party benefactor can be illustrated by the Camp David Accords.

III. TRAINING VOUCHERS

Table 4-3 is entitled “Central Government Versus Individuals on Training.” Conservatives would like to leave the decision to individuals as to whether to get training and what training to get in order to be able to adopt to changing times, especially technologies. Liberals would like to have the government set up training programs, possibly like the Works Progress Administration of the depression years, or like the public school system, but for adults.

TABLE 4-3. CENTRAL GOVERNMENT VERSUS INDIVIDUAL DECISIONS ON TRAINING

GOALS	C Responsiveness	L Uniformity or widespread
ALTERNATIVES		
C		
Individual decisions	+	-
L		
Government decisions	-	+
N		
Both	0	0
SOS OR WIN-WIN		
1. Vouchers from gov't		
2. Individual decisions on how to spend the vouchers	++	++

By leaving it to individuals to make training decisions, conservative argue that responsiveness to individual abilities and interests is more likely to be met. Leaving it to the individuals is also more likely to be responsive to market forces of supply and demand. Liberals justify a more governmental approach on the grounds that such an approach can bring everybody up to a certain level of computer literacy and knowledge of contemporary science. By raising virtually everybody above such a threshold, a desirable uniformity is obtained.

A win-win solution might involve the federal government giving a \$2,000 training voucher to every man, woman, and child or at least to every adult over age 18. Such a voucher could be used to pay for whatever training each individual thought best in light of their abilities and interests and in light of the present supply and demand for people with the training the individuals pursue.

Such a policy would be highly responsive. It would also result in a high degree of training, which would not occur if people had to use their own money. Some people do not have the money available. Those who do may not be farsighted enough to spend it on training. The voucher would be worthless unless it is spent for training. It would be an earmarked voucher like a housing voucher or food stamps that could only be cashed in by accredited training programs or on-the-job training. The existence of so many vouchers would stimulate entrepreneurs to develop worthwhile training programs in order to attract the voucher holders.

Such a policy would be highly decentralized in terms of the decision-making, but yet centralized in terms of the funding. This provides the best of both in a win-win way. The winners are not only conservatives and liberals but also (1) individual trainees whose training enables them to earn higher and more satisfying incomes, (2) their trainers who make money performing a service by upgrading those individuals, (3) the government which gets more revenue from the increased gross national product more than the cost of the vouchers, (4) the children and grandchildren of the trainees who now have better role models, (5) the customers, clients, patients, and other beneficiaries of the better trained individuals, (6) the savings to the taxpayers from various forms of public aid that might be paid to the trainees who might be otherwise unemployed without the training.