MANAGEMENT AND LABOR CONSIDERATIONS IN THE ESTABLISHMENT OF PRIVATE PENSION PLANS

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The considerable interest evidenced in recent decades in this country in the problem of old-age income maintenance is attributable to many factors. Limited employment opportunities for the aged in a highly industrialized economy and the relatively low asset and nonpension income levels for many of the aged have combined to generate considerable interest in public and private pensions as mechanisms for old-age income assurance. Furthermore, improvements in longevity and shifts in birth rates in the 20th century has resulted in absolute and relative increases in the population of persons age 65 and over. In 1900, there were approximately 3 million persons age 65 and over, whereas there were about 18 million such persons in 1965. By 1975 and 1985, it is estimated that persons age 65 and over will number about 21 million and 25 million, respectively. The proportion of the U.S. population age 65 and over is currently about 9 percent, whereas the proportion of the population in these age brackets in 1900 was about 4 percent. The problem of old-age economic security, therefore, is of concern to an increasing number and percentage of the U.S. population.

Lastly, we should not ignore the impact that a sustained period of economic prosperity has had on interest in this issue. Fiscal and monetary policy questions, in a partially managed economy, the economic capacity to provide higher levels of old-age income assurance, increased concern in an affluent economy with the well-being of non-income and low-income groups are factors that have directed our attention to this problem and to the various mechanisms designed to alleviate the problem.

One can undoubtedly add many additional reasons, or variations of the above points, in support of the significance of the issue of old-age economic security. However, further elaboration on this point is not fundamental to the analysis in this paper. Suffice it to say that the analysis here accepts the hypothesis that the problem of economic security for the aged is a serious and increasingly important problem.

RATIONALES OF PRIVATE PENSIONS

In the above discussion, the thesis was accepted that income security for the aged is a problem of significant proportions. However, the mere existence of the problem does not explain the phenomenal growth of private pension plans. The existence of the problem, while it is a necessary condition, is not a sufficient condition to account fully for the growth of these programs. Stated differently, given the existence

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