The validity of the human depreciation concept of private pensions has been challenged by many pension experts.[7] The process of aging is physiological and is not attributable to the employment relationship. Admittedly, the hazards of certain occupations undoubtedly shorten the lifespan of the employees involved. In those instances the employer can logically be held responsible only for the increase in the rate of aging due to the hazards of the occupation. More importantly, the analogy between men and machines is inherently unsound. A machine is an asset owned by the employer, and depreciation is merely an accounting technique for allocating the costs of equipment to various accounting periods. Employees, on the other hand, are free agents and sell their services to employers for a specified wage rate. An employee, unlike a machine, is free to move from one employer to another. The differences between men and machines are so great that one must question the value of the analogy as a basis for a rationale of private pensions. As Dearing notes: "Any economic or moral responsibility that is imposed on the employer for the welfare of workers after termination of the labor contract should be grounded on firmer reasoning than is supplied by the machine-worker analogy."[8]

DEFERRED WAGE CONCEPT

In recent years, a view of private pensions that has achieved broader acceptance is the *deferred wage concept.* This concept views a pension benefit as part of a wage package which is composed of cash wages and other employee fringe benefits. The deferred wage concept has particular appeal with reference to negotiated pension plans. The assumption is made that labor and management negotiators think in terms of total labor costs. Therefore, if labor negotiates a pension benefit, the amount of funds available for increases in cash wages are reduced accordingly. This theory of private pensions was expressed as early as 1913:

> In order to get a full understanding of old-age and service pensions, they should be considered as a part of the real wages of a workman. There is a tendency to speak of these pensions as being paid by the company, or, in cases where the employee contributes a portion, as being paid partly by the employer and partly by the employee. In a certain sense, of course, this may be correct, but it leads to confusion. A pension system considered as part of the real wages of an employee is really paid by the employee, not perhaps in money, but in the forgoing of an increase in wages which he might obtain except for the establishment of a pension system.[9]

The deferred wage concept has also been challenged on several grounds. First, it is noted that some employers who pay the prevailing cash wage rate for the particular industry also provide a pension benefit. Thus, it can be argued that in these cases the pension benefit is of-

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[7] For example, see Dan M. McGill, *Fundamentals of Private Pensions* (2d edition; Homewood, Ill.: Richard D. Irwin, Inc., 1964), p. 16. See also Charles L. Dearing, *Industrial Pensions* (Washington, D.C.: Brookings Institution, 1954), pp. 62–63 and 241–43; and Mittelman, *op. cit.*, pp. 28–34.

[8] Dearing, *op. cit.*, p. 243.

[9] Albert de Roode, "Pensions as Wages," *American Economic Review*, vol. III, No. 2 (June 1913), p. 287.