

Other effects more conjectural and therefore subject to further analysis, but nevertheless tenable are:

1. The "shock" effect on the installation of pensions by nonunion employers to forestall unionization and to compete in a tight labor market.

2. On the assumption that the employee, in the absence of a pension plan, would have received the cost equivalent in the form of a direct wage increase, negotiated pensions generated a more efficient and rational allocation of the employees wages; more efficient because the pension rights were purchased more economically on a group basis, more rational because the negotiated pension plan increased the incidence of retirement protection among wage earners beyond the level likely through individual saving for retirement.

3. If this last is open to question on the ground that the allocation of wage increase increments to retirement is not necessarily more rational at any given level of income, it is nevertheless probable that the negotiated "mix" as between direct wage increases, pensions, and other fringes is likely to be more responsive to utility in any particular case than a legislatively mandated allocation. The assumption here is, of course, the subordinate place of the negotiated pension to the public system.

This exploration of union pension interests has implications for several of the issues raised in the ongoing appraisal of private pensions and particularly in the joint committee staff document, *Old-Age Income Assurance: An Outline of Issues and Alternatives*, and the somewhat more moderate report of the President's Committee on Corporate Pension Funds. The issues selected for discussion in this paper are primarily those with a special bearing on negotiated pensions and will be examined under the following heads: (1) The rationality of the collective-bargaining decision for pensions, (2) the effect of the union pension interest on the employee's freedom, (3) negotiated pensions and the public interest.

The rationality issue centers on the efficacy of collective bargaining as an instrument for negotiating pensions.¹⁶⁵ The sectional interests which constrain the union decision on pensions are the need for immediate benefits for those employees about to retire, the allocation of the wage increase increment among the claimants for direct wage increases and other rights in the pension plan, the employer's ideology and ability to pay, the external effect on other employers' bargaining with the union, the enhancement of power, pride, and prestige for the union and its leaders.

As this recital makes apparent, the union negotiators seek to enhance values that are not always directly relevant to the most efficient pension planning because, of course, pension transactions are not the union's primary business. It is, however, very difficult to judge how far the collective bargaining settlement has forced departure from the maximum efficiency ideal: First, because there is no ideal standard of efficiency with operational significance. There is to be sure actuarial science but it is now commonplace to say that the science is no better than the long-range assumptions on future employment levels, turnover, mortality, investment return, and so forth, which have

¹⁶⁵ Kerr, "Social and Economic Implications, etc.," *op. cit.*, p. 4.