

The unions have been taken to task for "the willingness which they have shown to bargain for plans with large promised benefits but weak vesting. They have, therefore, been parties to these discriminatory arrangements which in actual practice favor the old company and union male hands at the expense of younger workers and women * * * upon whom the incidence of high turnover mainly falls."¹⁷²

This way of formulating the criticism presents many difficulties. First: the criticisms and recommendations based on it—the President's Committee, for example—misunderstand the nature of the problem and as a result the recommendations while worthy are not especially helpful. The unions are not opposed to vesting and full funding. The question which the critics have to deal with is (a) what *standards* of vesting and funding should the unions press for and (b) what should the union give up in return because, of course, vesting and funding represent costs and the union, as we have seen, bargains within a fairly narrow cost constraint.

There is, second, the failure of critics to specify why vesting is worth delayed benefits or possibly no plan at all; or conversely why the union choice of immediate benefits for retirees and a gradual liberalization of vesting and funding is necessarily less rational. As noted earlier there are grounds for arguing that the negotiated pension as a supplement to the public pension may contribute toward a more rational allocation of the wage increase increment than would a legislatively mandated finding and vesting standard. But in any case the resolution of the question is not self-evident.

Third: What is the basis for the assumption that the job-changing young men and women workers who are most affected by a lack of vesting will not be reemployed in an establishment covered by a pension plan where they will vest? "There is," as Tilove points out, "at least a 50-50 probability that [the] next employment is covered by a pension plan and since most turnover occurs before age 40, that he has adequate time on the new job to become eligible for a pension."¹⁷³

Fourth: No account is taken of the strong likelihood that the contract viewed as a whole has provided compensating benefits for those separated before their pension rights accrue, in the form of severance pay, prorated vacation benefits, and life insurance and maternity benefits under the welfare plan.

A second order of issues has to do with the implication of pensions for freedom of employee choice. Lester has studied the survey results on worker preference as between direct wages and benefits and concludes that "workers generally, without much year-to-year change, place a high value on insurance-type benefits as part of their compensation" and lists pensions as one of the benefits for which "workers seem to have a strong preference, despite the inherent limitations on individual spending involved in compensation in these forms."

The "high valuation" which workers put on benefits Lester finds most marked in unionized, high-wage industry and high-wage areas, "appear to be largely separate from the tax advantages from employee

¹⁷² Nelson McClung in U.S. Joint Economic Committee, Subcommittee on Fiscal Policy, *Old Age Income Assurance: An Outline of Issues and Alternatives*, committee print, 1966, p. 23.

¹⁷³ Robert Tilove, "The Adequacy of Private Plans—Another View," *Annual Conference on Labor*, New York University, 1966, p. 43. See also Segal, *Pension Plans and Public Policy in California*, *op. cit.*, p. 65.