

pany while employed; and hold him in a company-attached labor pool when unemployed.³

Robert Tilove writes:

* * * the conclusion seems inescapable that most private pension plans, in the form in which they commonly exist today, exercise a retraining influence on labor mobility. They often involve forfeiting accrued pension benefits upon any shift in employment; and they inhibit hiring in the upper ages, either because pension costs are thought to be greater or because the older worker may be reluctant to take a job on which he may not have a sufficient prospect of accruing pension rights.⁴

There are also dissenting opinions. Michael Puchek suggests that experience denies “* * * a widely held opinion that private pension plans restrict labor mobility.”⁵ Arthur M. Ross denies that pensions, seniority systems, and welfare plans have reduced quit rates.⁶ Herbert S. Parnes, in a study of two closely comparable firms found no significant relation between pensions and mobility. In an earlier paper, the present author concluded that “* * * the immobilizing effects of pensions which might be significant for manpower policy are likely to be important principally for older workers who stand to lose large unvested benefits, are close to retirement, and face special difficulties in finding new jobs.”⁷

After examining the evidence, the President's Committee concluded:

Private pensions, along with seniority and other benefits based on length of service, tend to reduce labor mobility by tying workers to a particular employer. While the effect of private pensions on mobility is significant, it is limited and selective. However, there is cause for concern in the selective impediments to mobility now erected by private pension plans and in the possibility that such plans in the future will not permit a rate of mobility among mature workers sufficient to accommodate a rapid rate of technological change.⁸

EFFECTS OF MOBILITY ON PENSIONS

When a worker leaves his job he forfeits any unvested pension rights. If the job change is voluntary, the worker presumably prefers the new job. If involuntary, there is no such presumption, and the worker may have been deprived of part of his compensation. Whether the move is voluntary or involuntary, it will ordinarily reduce the amount of retirement benefits the worker eventually receives.⁹ Thus, unvested pensions do not fully serve the objective that is used to justify special tax treatment for pension plans. A worker who changes jobs

³ “Social and Economic Consequences of the Pension Drive,” *Handbook on Pensions* (National Industrial Conference Board, Inc., Studies in Personnel Policy No. 103, 1950), p. 85.

⁴ Robert Tilove, *Pension Funds and Economic Freedom* (Fund for the Republic, New York, 1959), p. 23.

⁵ *Pension Plan Policies and Practices*, Ithaca: New York State School of Industrial and Labor Relations, Bulletin 21, July 1952, p. 49.

⁶ “Do We Have a New Industrial Feudalism?” *American Economic Review*, December 1958, pp. 903-920.

⁷ “Effects of Private Pension Plans on Labor Mobility,” *Monthly Labor Review*, March 1963, p. 287.

⁸ *Op. cit.*, pp. viii-ix.

⁹ This is because the new firm is unlikely to provide a pension benefit offsetting the rights forfeited, even though the new firm may pay higher wages.