

The foregoing reasons are arguments for some labor mobility, but they do not tell how much is desirable. If a worker stays on a job because he likes it despite the presence of alternatives, he is not a serf bound by a "new industrial feudalism." If a worker is more productive in his present job than in another, then the goals of maximum social output and of maximum private income are both served by his staying on the job, assuming the employer pays him the value of his current productivity (marginal revenue product). The employer may pay less in current wages than his value to the firm, and accumulate the difference in deferred benefits, such as pensions, that will be paid to the worker if he stays at work but will be forfeited if he leaves employment too early. It is not necessary that a pension be paid for by lower-than-competitive wages (as shown in section II). Where this does occur, however, it seems to me unfair that the worker's entire accumulated withheld compensation should be used as a pledge against his quitting.¹⁰ A worker who wants and needs a pension may freely choose a job that pays lower than competitive wages but offers a generous but unvested pension. The employer in most instances retains the right to modify or eliminate the pension at any time before benefit receipt begins. If he does so, he may have deprived the worker of part of his compensation. It is on these grounds of equity that the President's Committee urged the adoption of minimum standards of vesting in pension plans as a condition for qualification under the tax laws.¹¹

A low level of voluntary mobility may be highly desirable. It may be economically more efficient and may accurately represent worker choices. There is no presumption or convincing evidence that high mobility is more conducive to economic growth and individual liberty than is low mobility within rather broad limits.

II. THEORY OF WORKER AND EMPLOYER BEHAVIOR

The theory of employer and worker behavior with respect to pensions presented in this section is quite simple, but it predicts or explains seemingly inconsistent patterns of behavior. For instance, employees appear to value pension rights only slightly, but employers count on pensions to reduce turnover. Employers prefer unvested pensions for most of the worker's worklife, but commonly grant generous vesting on early retirement in the later years of the worker's worklife. Moreover, the theory permits us to answer some of the questions about pensions in economic terms that have previously been answered only by commonsense or in legal (i.e., conventional) terms. For instance, do workers pay all or part of the cost of the pension?

PRESENT VALUES

Throughout this analysis costs, wages, and benefits are usually expressed in present values. The worker is assumed to take into account the balance of his worklife. The worker's present value of a stream

¹⁰ Inequity is a personal judgment, but there are many who hold the same view, for instance, see the comments of Clark Kerr included in President's Committee, *op. cit.*, app. D, p. 15.

¹¹ *Op. cit.*, pp. ix-x.