serve a public function. The receipt of pensions by retiring workers is capricious. Many workers with long service never receive pensions because they are laid off or quit before retirement age. The worker who quits presumably moves to a more desirable job, but this does not mean that his loss of unvested pensions is not exploitation, at least in a technical sense. An unvested pension plan is a lottery system, in which only the small proportion of workers who by choice or chance stay with the firm until retirement age receive a prize. There is no presumption that winners have performed a public service that deserves a subsidy or that the workers who do not receive pensions do not deserve a subsidy. Those who have attempted to justify unvested pensions sometimes ground their arguments on a collectivistic theory of wages (inconsistent with a capitalistic labor market) in which the workers as a group receive pensions to which no individual has a severable interest. Without special tax treatment, of course, the employer could not deduct pension costs as a business expense unless the cost could be credited to specific persons who could then be currently taxed for the value of the benefit earned.

Proposals to require certain standards of vesting and funding for pensions which have been proposed seldom include full and immediate vesting because of the considerable expense and administrative inconvenience involved. Any requirement of vesting is likely to make pensions more equitable and to increase mobility. If mobility increased, the vesting provision would appear to have a cost, but this would be fallacious. If the worker moves because his pension is vested and would not have moved if his pension had not been vested then a pension would have been paid for his completed service in any event, so that vesting costs can be based on actual turnover rates, without an allowance for any mobility increase attributable to the adoption of vesting. Vesting imposes additional cost on the plan only to the extent that mobility is already high. Under the excessively conservative turnover assumptions of little or no turnover among employees with long tenure made by many firms, the projected additional cost of vesting are likely to be small. No doubt, this is one of the contributing influences in the spread of voluntary vesting among plans.

It is a paradox that if pensions reduce turnover in a firm the adoption of vesting is not very costly, but if turnover is high then vesting is not needed to counter excessively low mobility. Thus, if public policy is to regulate pension plans with respect to vesting it should do so on grounds of equity and fairness, rather than for supposed reasons of economic efficiency. Such grounds are hardly new. Public policy has long expressed itself on a similar question by requiring the payments of wages in cash, conceiving that the enhancement of the liberty of the many more than outweighed the loss of liberty suffered by the employers. With respect to pensions, of course, the question is much clearer, because tax deferral of contributions to a qualified pension fund is a privilege, rather than a right.