

THE EFFECT OF NONVESTED PENSIONS ON MOBILITY: A STUDY OF THE HIGHER EDUCATION INDUSTRY*

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Examining the higher education industry, this study tests the view that nonwage benefits such as nonvested pensions have resulted in the immobilization of labor. Separation experiences of institutions having vested and nonvested plans are compared, the data showing that, in the aggregate, faculty in institutions of higher education do not seem to allow their mobility decisions to be influenced by losses in pension plan equities.

In the past two decades, the American labor force has taken an increasing share of its income in the form of nonwage benefits. The impact of this change on the long-term voluntary quit rate has been regarded by many economists¹ as detrimental to the economy. Some of the reasons for this view have been summarized by A. M. Ross in this way:

"It is said that seniority systems, health and welfare plans, and negotiated pensions have chained the worker to his job; that the adaptability and flexibility of the labor force are being sacrificed; and that a new industrial feudalism is being built. The crux of the problem, it is held, is that the worker can no longer afford to quit his job."²

Ross, however, after studying the movement of quit rates in manufacturing industries from 1910 to 1956 dissented from the majority view and concluded that "little evidence can be found for the proposition that labor resources have become immobilized."³

The quit rate series computed by Ross showed that the two major causes of quit rate variation were the business cycle and the dislocations of war. Since Ross' interest was limited to the trend of quit rates, he removed the effect of the business cycle from his analysis by considering only years in which the rate of unemployment was between 3 and 6 percent of the civilian labor force. Furthermore, he omitted from his analysis the war periods, 1917-20 and 1942-47. With the remaining years, he estimated that the monthly quit rate in manufacturing had decreased from an average of 6.2 percent for the years 1910-12, 1920, and 1923, to an average of 1.5 percent for the years 1949-50 and 1954-56.

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¹For example, see Ewan Clague, "Long Term Trends in Quit Rates," *Employment and Earnings*, December 1956, vol. 3, p. vii.

²A. M. Ross, "Do We Have a New Industrial Feudalism," *American Economic Review*, vol. 48, December 1958, p. 903.

³*Ibid.*, p. 918.