

tension. There are large segments of industry for which it is hazardous to predict the establishment of pension plans. Small employers and highly competitive marginal enterprises may feel that they lack the ability to pay for pensions; if their workers are unorganized, they may never set up plans. In many industries, job turnover may make individual employer pension plans virtually meaningless. In making OASDI benefits more adequate, major emphasis should be placed on avoiding the erosion of benefit levels because of changes in wage and price (cost-of-living) levels. The problem can be broken down into two categories. One is the matter of determining benefits at the point of retirement on the basis of current or recent wage level. The other is maintaining the adequacy of benefits through the period of retirement. With respect to the former, one remedy proposed has been to base OASDI benefits on earnings in the 5- or 10-year period preceding retirement or on the 5- or 10-year period of highest covered earnings. This may not work out as equitably or effectively as a formula which would—for purposes of computing benefit amount—revise earlier wage credits in proportion to the change in general wage levels from the year in which the employment occurred to the year preceding retirement. Such an arrangement would take full account of a lifetime of earnings but adjust it to current conditions by correcting for changes in general wage levels. For adequate protection against increases in the cost of living after retirement, an automatic cost-of-living adjustment should be provided.

There are schools of thought that place little value on private pension plans. The viewpoint implied is that whatever private pension plans claim to accomplish in terms of public good could be accomplished better by a public program. Overlooked by that approach is the fact that what has been accomplished by employers and unions in supplementing social security with private plans was not accomplished and might never be accomplished at all through legislation. It also overlooked the value for a democratic, pluralistic, and dynamic society of arrangements that can be developed outside of Government on the initiative of employers and unions and without depending on majority consensus.

Vesting—particularly after a substantial period of service—and adequate funding are both desirable goals from the standpoint of employees and of the public. Whether those steps should be compelled by legislation is another question. Claims have been made that no more than 40 or 50 percent of the workers covered by private pension plans will ever receive a cash benefit from the plans because they will leave the employment covered before fulfilling plan eligibility conditions. Those findings have a certain plausibility but they are nevertheless inappropriate. The real question is not the probability that a young man or woman will remain with the same employer to retirement age but rather the following: what percentage of the older worker population is covered by pension plans and will be eligible for pension benefits? The observation that the great majority of older workers covered by pension plans will fulfill their eligibility requirements does not entirely resolve the question. The objection can still be raised that these older workers represent a select population, the survivors of a process of attrition, and that what is missing from the picture is the ultimate fate of the workers who left that employment. Whether private pen-