Abstracts of Papers Included in Part IV: *Employment Aspects of Pension Plans* of OLD AGE INCOME ASSURANCE

Joseph J. Melone: MANAGEMENT AND LABOR CONSIDERATIONS IN THE ESTABLISHMENT OF PRIVATE PENSION PLANS

Many attempts have been made over the years to explain private pensions in terms of an underlying concept, rationale, or philosophy. These various attempts all seem to fall within one of the following general concepts or rationales: (1) business expediency, (2) human depreciation and (3) deferred wage. Business expediency, by the very nature of the concept, implies that the establishment of a plan is a management prerogative and that the primary motivation for the creation of such plans was the economic benefit, direct or indirect, that accured to the employer. But as the economy became more and more industrialized and pension plans became more prevalent, there was increasing interest in the view that employers had a moral obligation to provide for the economic security of retired workers. The view that employers have a moral responsibility to provide for older employees was expressed as early as 1912 by Lee Welling Squier as follows: "From the standpoint of the whole system of social economy, no employer has a right to engage men in any occupation that exhausts the individual's industrial life in 10, 20, or 40 years and then leave the remnant floating on society at large as a derelict at sea." This rationale of private pensions has come to be known as the human depreciation concept. The validity of the human depreciation concept of private pensions has been challenged by many pension experts. In recent years a view of private pensions that has achieved broader acceptance is the deferred wage concept. This concept views a pension benefit as part of a wage package which is composed of cash wages and other employee fringe benefits. The deferred wage concept has particular appeal with reference to negotiated pension plans. The assumption is made that labor and management negotiators think in terms of total labor costs. Therefore, if labor negotiates a pension benefit, the amount of funds available for increases in cash wages is reduced accordingly. The deferred wage concept has also been challenged on grounds that only a small proportion of the plans provide for the full and immediate vesting of all benefits. However, it can be logically argued that full and immediate vesting is not a necessary condition to acceptance of the deferred wage concept of private pensions.

A systematic method of meeting the problem of superannuated employees can be easily justified on sound management ground. Practically every employee eventually reaches a point where, due to ad-