

vanced age, he is a liability rather than an asset to the employer. That is to say, at some advanced age, an employee's contribution to the productivity to the firm is less than the compensation he is receiving. The employer has several courses of action open to him when an employee reaches this point. First, the employee can be terminated without any further compensation or any retirement benefits as soon as the value of his service is less than the salary he is receiving. Second, the employer can retain the superannuated employee in his current position and at his current level of compensation. Third, the employer could retain the superannuated worker but transfer him to a less demanding job at the same or a reduced level of compensation. This approach does not solve the problem of superannuation; it merely defers it, since a point will be reached where the employee's productivity is considerably below even a minimum level of wage. The fourth alternative available to the employer in meeting the problem of superannuation is to establish a formal pension plan. The problem of superannuation, then, exists in all business firms. Any solution, except the unlikely alternative of arbitrary termination of older workers without any retirement benefit, results in some cost direct and/or indirect to the employer. The decision, therefore, is which solution is best suited to the needs and financial position of the employer. For a large number of employers, the formal pension plan approach has proved to be the superior solution.

Qualified pension plans offer significant tax advantages to participants generally, and in particular, to employees currently in high income tax brackets. For the latter employees, deferred compensation schemes may be favored over equivalent cash wage increases. Since the high salaried senior officers of corporations often make the decisions regarding the establishment and design of employee benefit plans, their role as participants under the plan may influence their decisions on these matters. However, in the case of large corporations, cost and other considerations minimize or eliminate the personal tax situations of key employees as factors influencing the establishment or design of a pension plan. In the case of a small, closely held corporation, on the other hand, one can readily see how the tax implications for stockholder-employees may be a decisive factor in the establishment and design of a pension plan.

Under wartime wage stabilization, employers in competing for labor could not offer the inducement of higher wages. The War Labor Board attempted to relieve the pressure on management and labor for higher wage rates by permitting the establishment of fringe benefit programs, including pensions. This policy further stimulated the growth of pension plans during this period.

Labor leaders have had mixed emotions over the years regarding the desirability of employer-financed pension plans. In the 1920's, labor generally did not favor such plans for its membership. It held the view that pensions represented an additional form of employer paternalism and were instituted to encourage loyalty to the firm. In the latter part of the decade of the 1940's, there was increasing antagonism on the part of the public against what were viewed by many persons as excessive union demands for cash wage increases. Some union leaders argued that social security benefits were inadequate and a supplement in the form of private pension benefits was