

the negotiated mix as between direct wage increases, pensions, and other fringes is likely to be more responsive to utility in any particular case than a legislatively mandated allocation. The assumption here is, of course, the subordinate place of the negotiated pension to the public system.

This exploration of union pension interests has implications for several of the issues raised in the ongoing appraisal of private pensions and particularly in the Joint Committee staff document, *Old Age Income Assurance: An Outline of Issues and Alternatives*, and the somewhat more moderate report of the President's Committee on Corporate Pension Funds. The issues selected for discussion in this paper are primarily those with a special bearing on negotiated pensions and will be examined under the following heads: (1) the rationality of the collective-bargaining decision for pensions, (2) the effect of the union pension interest on the employee's freedom, (3) negotiated pensions and the public interest.

The rationality issue centers on the efficacy of collective bargaining as an instrument for negotiating pensions. The sectional interests which constrain the union decision on pensions are the need for immediate benefit for those employees about to retire, the allocation of the wage increase increment among the claimants for direct wage increases and other rights in the pension plan, the employer's ideology and ability to pay, the external effect on other employers' bargaining with the union, the enhancement of power, pride, and prestige for the union and its leaders.

As this recital makes apparent the union negotiators seek to enhance values that are not always directly relevant to the most efficient pension planning because, of course, pension transactions are not the union's primary business. It is, however, very difficult to judge how far the collective bargaining settlement has forced departure from the maximum efficiency ideal. First, there is no ideal standard of efficiency with operational significance. Moreover, every other context in which pensions occur is heavily infused with comparable political, nonpension elements. The history of old-age protection under social security reflects one expedient compromise after another.

But collective bargaining may have some affirmative attributes favoring rational pension outcomes. It makes possible diversified and relatively rapid adjustments to the changing economic situation. The short-run time horizon of collective bargaining makes possible experimentation at relatively little incremental risk. If an arrangement doesn't work out it can be changed at the next negotiations, or in the case of the pooled funds, at the next meeting of the board of trustees. In any case, a relatively small number of workers are affected. The power of incremental changes to achieve major alterations has been demonstrated in the liberalization of vesting, the widening scope of pension portability, the strengthening of funding, and the accretion of alternate and supplementary benefits. At the same time experience decreed the passing of the OASI offset and the tempering of union demands for joint administration. Collective bargaining also makes possible more flexible arrangements as among diverse market structures and groups of employees. Nor have the unions or management had to rely solely on commonsense but have been able to turn increasingly to a corps of experts for technical guidance and advice.