

It was feared that progress in negotiated pensions would be made at the expense of the proportionately greater loss in social security pensions. In point of fact, the first major revision of the Federal old-age insurance system only came after the negotiated pension takeoff. And as this is written, the unions once again constitute the major force behind the current push for improvement in the federal system. To be sure the union pressure for improvement in social security reflects a social policy objective; it also reflects a pressure-group strategy of shifting to the public system part of the cost currently carried as a charge against the wage increase increment so as to maximize the collective bargaining buying power in pension benefits. There is some evidence already that the unions are asking for insurance improvements to replace the medical-care benefits for retirees now covered by the medicare provisions of the Federal old-age system.

The unions have been taken to task for "the willingness which they have shown to bargain for plans with large promised benefits but weak vesting. They have therefore been parties to these discriminatory arrangements which in actual practice favor the old company and union male hands at the expense of younger workers and women * * * upon whom the incidence of high turnover mainly falls."

This way of formulating the criticism presents many difficulties. First, the criticism and recommendations based on it—the President's Committee, for example—misunderstand the nature of the problem and as a result the recommendations while worthy are not especially helpful. The unions are not opposed to vesting and full funding. The question which the critics have to deal with is (a) what standards of vesting and funding should the unions press for and (b) what should the union give up in return because, of course, vesting and funding represent costs and the union, as we have seen, bargains within a fairly narrow cost constraint.

There is, second, the failure of critics to specify why vesting is worth delayed benefits or possibly no plan at all; or conversely why the union choice of immediate benefits for retirees and a gradual liberalization of vesting and funding is necessarily less rational. As noted earlier there are grounds for arguing that the negotiated pension as a supplement to the public pension may contribute toward a more rational allocation of the wage increase increment than would a legislatively mandated funding and vesting standard. But in any case the resolution of the question is not self-evident.

Third: What is the basis for the assumption that the job-changing young man or woman worker, those most affected by a lack of vesting, will not be reemployed in an establishment covered by a pension plan where he or she will acquire a vested right? "There is," as Tilove points out, "at least a 50-50 probability that [the] next employment is covered by a pension plan and since most turnover occurs before age 40, that he has adequate time on the new job to become eligible for a pension."

Fourth: No account is taken of the strong likelihood that the contract viewed as a whole has provided compensating benefits for those separated before their pension rights accrue, in the form of severance pay, prorated vacation benefits, and life insurance and maternity benefits under the welfare plan.

A second order of issues has to do with the implication of pensions for freedom of employee choice. Lester has studied the survey results