

assuming the employer pays him the value of his current productivity (marginal revenue product). The employer may pay less in current wages than his value to the firm and accumulate the difference in deferred payments, such as pensions, that will be paid to the worker if he stays at work but will be forfeited if he leaves employment too early. Where this does occur, however, it seems to me unfair that the worker's entire accumulated withheld compensation should be used as a pledge against his quitting.

We have derived a number of predictions about employer and worker behavior from simple assumptions about the profit maximizing and cost minimizing behavior of employers and the utility maximizing behavior of workers. We found that (1) workers will have lower mobility when they are covered by an unvested pension plan, unless they attach no value at all to the pension—the effects should be larger with higher earnings and greater age; (2) workers will favor pensions more if there is a tax advantage (as there is in the United States); (3) workers pay for part of their pensions through reduced wages, if they value pensions at all; (4) employers will adopt a pension if it increases their profits and it will increase their profits only if it reduces mobility and allows turnover savings (such as preventing the loss of employer financed training), except when tax savings to the worker are great enough that he prefers a lower outlay by the employer with a pension to a higher outlay without a pension; (5) in equilibrium, the value of the accrued pension rights of a worker will exceed or equal the capital value of the worker to the firm (the value to the firm of the employer investment in the worker's job skills); (6) employers can allow partial or graded vesting for most workers at all ages and full vesting for many older workers without paying more to workers than they had planned—if they do not, they are exploiting the worker.

The analysis suggests that unvested pensions will reduce mobility if workers value pension and that profit maximizing employers will adopt pensions unilaterally only if they believe mobility will be reduced. Direct evidence of the association with low mobility is quite limited and does not provide unequivocal support for the effect of pensions on mobility. There is good evidence that mobility has decreased considerably since World War II:

(1) the manufacturing quit rate has declined, even when account is taken of variations in economic conditions;

(2) annual voluntary job changing declined between 1955 and 1961;

(3) average length of job tenure increased from 1951 to 1966.

Although this is not direct evidence of association between the spread of pensions and the decline of mobility, the change in prevalence of pensions has been larger than changes in other factors that might have influenced mobility.

The lengthening of job tenure that is both an indicator and a result of reduced mobility necessarily has resulted in an increase in the proportion of workers who can expect to receive private pensions when