they retire. Even so, mobility is great enough that only one-fifth of the workers who are nominally covered by pensions have vested pension rights. Only a small fraction of all workers in each age group have vested pensions, so that only a minority of workers of any age can expect to receive a pension with any certainty. The spread of vesting that appears to accompany the maturing of pension plans obviously has a long way to go before retirement income will be secure for a majority of nominally covered workers.

The general economic policy objective of efficiency has not been thwarted by the decline in labor mobility which has probably occurred. Thus, even if it could be shown that mobility had definitely declined and that this decline could be traced to the spread of unvested pensions, there is no presumption that remedial action is needed for reasons of economic efficiency.

The principal reason for public regulation of vesting is equity. The pension system receives a substantial subsidy in the form of tax deferral for contributions to qualified plans because pensions presumably serve a public function. The receipt of pensions by retiring workers is capricious. Many workers with long service never receive pensions because they are laid off or quit before retirement age. The worker who quits presumably moves to a more desirable job but this does not mean that his loss of unvested pensions is not exploitation, at least in the temhnical sense. An unvested pension plan is a lottery system, in which only the small proportion of workers, who by choice or chance stay with the firm until retirement age, receive a prize. There is no presumption that winners have performed a public service that deserves a subsidy or that the workers who do not receive pensions do not deserve a subsidy. Those who have attempted to justify unvested pensions sometimes ground their arguments on a collectivistic theory of wages (inconsistent with a capitalistic labor market) in which the workers as a group receive pensions to which no individual has a severable interest. Without special tax treatment, of course, the employer could not deduct pension cost as a business expense, unless the cost could be credited to specific persons who could then be currently taxed for the value of the benefit earned.

Proposals to require certain standards of vesting and funding for pensions, which have been proposed, seldom include full and immediate vesting because of the considerable expense and administrative inconvenience involved. Any requirement of vesting is likely to make pensions more equitable and to increase mobility. If mobility increased, the vesting provision would appear to have a cost but this would be fallacious. If the worker moves because his pension is vested and would not have moved if his pension had not been vested, then a pension would have been paid for his completed service in any event, so that vesting costs can be based on actual turnover rates, without an allowance for any mobility increase attributable to the adoption of vesting. Vesting imposes additional cost on the plan only to the extent that mobility is already high. Under the excessively conservative turnover assumption of little or no turnover among employees with long tenure, made by many firms, the projected additional costs of vesting