familiar with the data available in this book. The author artfully illustrates each point by providing the relevant data in abundant tables and figures.

The second section details legislative reform efforts and suggests solutions to the PBGC's pricing and exposure problems. The provisions and interactive effects of the Pension Protection Act (1987) and the Omnibus Budget Reconciliation Act (1987) are evaluated and critiqued. The author formulates separate solutions from the perspectives of risk-adjusted pricing and controlling exposure. Details of actual terminations are used as illustrative examples.

Part III consists of two chapters which explore the efficiency of pension insurance and recommend a fundamental change in philosophy for the PBGC. The author suggests that a market-based framework for providing pension insurance would eliminate inefficiencies and distortions inherent in the present system. Also, specific details such as an assigned risk pool and the transition to the market system are discussed. The appendices, including the dissenting statements, comprise the final section of the book. These provide invaluable reference material which, along with the breadth of other data contained in the book, give the reader an appreciation of the scope and subtleties of our pension system.

This is a very informative and provocative book, but when presenting his point of view, the author is sometimes redundant in his criticism of the present pension insurance program. This book is recommended reading for anyone desiring to grasp the pertinent issues concerning pension policy. However, for classroom use, this book is probably best utilized, not as a text, but as a basis of discussion.

Private Pensions and Employee Mobility by Izzet Sahin (Quorum Books, 1989)

Reviewer: Jihad S. Nader, Assistant Professor of Finance, Concordia University, Montreal.

This book is addressed to a very wide audience which includes employers, employees, government policymakers, actuaries, accountants, employee benefit specialists, and financial advisors. The book is written around one main theme: Despite the fact that it may have far-reaching effects on a host of pension issues and pension-related decisions, employee mobility has largely been overlooked in the pension literature, which for the most part has evolved within a single-employer, no-mobility framework. The author rightly points out the limitations of applying this conventional framework to a private pension system in which mobility acts, through vesting provisions, as a key determinant of benefit accruals over time. To redress the balance, the book offers an entirely new perspective on private pensions, where the main emphasis is placed on benefit accumulation by the individual worker, and not on the estimation of periodic pension costs and contributions by the firm.

The book is organized into three chapters. Chapter One provides a fairly complete historical overview of the major institutional and legislative developments that have shaped the private pension sector in the U.S. and Canada during the past four decades. This exposition of pension coverage, portability, vesting, plan types, and specific characteristics of the two countries' pension systems is very well written, and it makes Chapter One extremely useful for readers who have little or no previous exposure to pension plans.

Chapter Two develops the work life perspective, which embodies the book's major departure from the traditional methodology of pension research. It is in this long chapter that the author brings the mobility factor to bear fully on a number of other important determinants of pension benefits. These other determinants include pensionable service in a single plan and over the work life, full and partial coverage, portability, plan types, and vesting provisions. Innovatively, the analysis employs four distinct benefit concepts and functions that pertain to the individual worker. These are accrued, termination, virtual, and work life benefits. Throughout this chapter, numerical and graphical illustrations of the effects of mobility are presented, using a wide spectrum of assumptions about mobility and each of the preceding determinants of the four pension benefit concepts.

Chapter Three reconciles the work life perspective of the previous chapter with the conventional firm perspective on pensions. The major innovation introduced in this chapter is the development of a modeling framework which permits the measurement of pension benefit and cost functions using two moments (mean and variance) instead of just one. This, in turn, permits the construction of probability distributions for pension benefits and costs, and again the author illustrates this process through the use of a wide variety of assumptions. Appropriately, the author brings the book to a most fruitful culmination, by applying the concepts developed to a static and a dynamic analysis of the pension reform package introduced in Ontario in the early 1980s.

The book has several shortcomings in style and substance. The single area in which the book could have been improved the most is the overall plan and effectiveness of the presentation. Specifically, the Table of Contents is sketchy and uninformative, and (partly as a result of this) the section sequence in Chapters Two and Three often leaves the reader feeling lost on a road that is poorly charted. The amount of technical detail within sections is at times so overwhelming that it becomes virtually impossible to see even the tree for the leaves, let alone the forest for the trees. Adding to this problem, each chapter ends abruptly without a summary of the main findings. In this reviewer's opinion, the book's most serious deficiency is the absence of a concluding chapter dedicated to summarizing the main findings, comparing them with those of existing theoretical and empirical research on pensions, and stating the major implications of employee mobility for corporate pension management, personal retirement planning, and public policy towards private pensions.

At the substantive level, the book's main theme (that mobility as a determinant of pension benefits should not be ignored) is somewhat weakened by two developments. First, job mobility, by the author's own recognition (p. 18), is "substantially lower than that which accompanied earlier transitions [in industrial composition]." Second, in recent years there has been a growing trend towards the relaxation of vesting rules and the liberalization of portability provisions in private pension plans. This would translate, at least in part, into a removal of the mechanism through which mobility affects pension benefits, and it would suggest that the conventional, single-employer no-mobility framework of pensions may not after all be terribly inadequate as an approximation of real life.

Another important shortcoming of the book is its failure to place pensions and mobility fully in their labor market framework. There is a rich theoretical and empirical literature in labor economics, which integrates pensions into the total compensation contract. For the most part, this literature appears to support the lifetime view over the spot-auction view of the labor contract. By emphasizing mobility as a labor market characteristic, the book seems to adopt a spot-auction view of the labor market without supporting this view in the face of evidence to the contrary. As well, the evidence on the compensating differentials model would suggest that the various attributes of pension coverage (e.g., vesting and portability which affect worker mobility) are factored into workers' wages through wage differentials. Thus, it is not at all clear why the effects of mobility on pension accruals should be emphasized separately, while mobility's presumably offsetting effects on wages are to be disregarded. In short, the conceptual basis for the book's emphasis on mobility is significantly weakened by this failure to build linkages with the recent labor market literature.

In his discussion of the adverse selection problem, the author categorically rules out the lump-sum option in defined benefit plans (p. 54). This is an inaccuracy which, though minor, should be pointed out. A look at some reference works on pensions (e.g., Beam and McFadden, 1985, pp. 367–68; McGill and Grubbs, 1989, p. 143) would reveal that the lump-sum option not only exists but has also received increasing attention as an alternative to annuities in defined benefit plans, although the use of this option remains far more prevalent in defined contribution plans.

To conclude, this book has three positive features which, to a greater or lesser extent, would weigh against the preceding shortcomings. First and foremost, the book presents a fresh, imaginative and innovative methodology for analyzing private pensions. Second, Chapter One would be extremely useful as assigned introductory reading in any pensions course, which makes the book also relevant (in part) to a student audience. Third, throughout the book the author provides both parallels and contrasts between the U.S. and Canadian pension environments. In this way, the book fills a gap in the existing pension literature which, all too often, has ignored the rapidly accelerating pace of integration among institutions and markets in the broader North American economy.