

Reviews

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Gary Burtless and Henry J. Aaron (eds), *Closing the Deficit: How Much Can Later Retirement Help?* The Brookings Institute Press, Washington DC, 2013, 142 pp., pbk US \$22.95, ISBN 13: 978-0-8157-0403-4.

This short, five-chapter co-edited book is written primarily by economists from the Brookings Institute (Gary Burtless and Henry J. Aaron) and Urban Institute (Karen E. Smith and Richard W. Johnson), Washington D.C. Commentaries are also provided to Chapters 3–5 by other economists, as well as public policy experts from both the public and private sector. The basic questions investigated in this book explore the impact of individuals who choose to work longer on the Social Security system, and to a lesser extent, individual pensions and quality of life in retirement for older workers.

Lead co-editor Gary Burtless wrote the first two chapters which sets the stage for much of the rest of the book. In Chapter 1, Burtless examines the key question of who is delaying retirement, why and what impact this decision has on a wide variety of issues. He uses historical data from the Bureau of Labor Statistics to answer key questions such as, ‘How much has workforce participation increased at older ages?’ (significantly), ‘Do workers postponing retirement earn below-average wages?’ (no, relative hourly wages have actually increased), ‘Are workers who postpone retirement better educated than average?’ (yes, and more so for women), ‘How is the delay in retirement divided between part-time and full-time work?’ (delaying retirement has involved an increase in the proportion of older people who work both full-time and part-time) and ‘Is later retirement caused by a rise in ‘bridge jobs’ or by lengthening career jobs?’ (bridge employment rates have increased, but most of the increase in older workers’ labour force participation rate (LFPR) can be attributed to workers’ willingness to stay in their career jobs).

In Chapter 2, Burtless turns to forecasting future labour force participation. His analyses projected a higher LFPR at older ages than the Social Security Administration (SSA) projections. For example, while the SSA predicts a levelling off of the steady increase in LFPR at older ages seen in the last few decades, Burtless’ forecast predicts a continued, though slowing, rate of increase in LFPR at older ages. He also begins to address some of the major influences on the increased LFPRs at older ages in recent decades, such as increases in the Social Security full-benefits age, the shift from traditional defined benefit pensions to defined contribution pensions (e.g. 401k and 403b plans), reductions in retiree health insurance and increasing education levels of workers approaching traditional retirement age.

In Chapter 3, Karen Smith and Richard Johnson from the Urban Institute look to address the issue of how higher retirement ages are likely to impact

public budgets. They simulate these effects using the Urban Institute's Dynamic Simulation of Income Model (DYNASIM₃) to estimate the impact of a continued rise in LFPRs at older ages forecast in Chapter 2. They find that a continued rise in the LFPRs at older ages will in fact help to significantly reduce the current deficits via higher Gross Domestic Product, reduced growth of government spending, higher tax collections and increased household incomes. In addition, their simulations predict the biggest gains for those in lower-income and -education groups, who now tend to leave the labour forces at relatively younger ages. Eugene Steuerle from the Urban Institute and Joyce Manchester of the Congressional Budget office then provide commentary on many of the public policy issues raised by the findings in Chapters 1–3.

In Chapter 4, co-editor Henry J. Aaron discusses the policies used by employers and governments to encourage older workers to retire later, making the strong case for continuing to encourage those who can continue to work into older ages without undue hardship. However, his chapter has a decidedly stronger emphasis on improving the economic situation for the older worker, rather than an emphasis on public policy and broader macro-economic concerns such as deficits. Nicole Maestas from RAND Corporation, Richard V. Burkhauser from Cornell University and Debra Whitman from the AARP then provide commentary on Chapter 4.

Finally, in Chapter 5 John B. Shoven of Stanford University provides his thoughts on working longer, followed by comments from Steven Pearlstein of George Mason University and the *Washington Post*, as well as a general discussion of the entire list of contributors.

In summary, this book is unique in providing an analysis of both historical trends integrated with the implications of such trends on the changes that could be made in the future to positively impact the macro economy, public policy and the quality of life of older workers. This publication is relevant to both researchers and public policy decision makers who focus on ageing workforce issues. The overall message of this book is strong and clear, that making the choice to work longer, on the whole, is good for older individuals and their families, employers as well as the macro economy.

California State University, San Bernardino, USA
University of La Verne, California, USA

KENNETH S. SHULTZ
DEBORAH A. OLSON

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Vern L. Bengtson with Norella M. Putney and Susan Harris,
Families and Faith: How Religion is Passed Down Across Generations,
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Faith and Families was written to raise the curtain concealing ways in which faith is passed on from one generation to the next – a topic of great interest to parents, grandparents, religious leaders, educators and scholars working