

## *Book reviews*

*Book reviews for The Journal of Pension Economics and Finance reflect reviewers' own views and in no way represent the views of the institution(s) with which they are affiliated.*

---

*Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent.* By Ken Dychtwald, Tamara J. Erickson, and Robert Morison. Harvard Business School Press, 2006, ISBN 1-59139-521-6, 269 pages. doi:10.1017/S1474747207002867

The premise of this book is that companies will soon face a serious shortfall of workers owing to the mass retirement of baby boomers. Company surveys show that few understand the magnitude of this brewing crisis, and fewer still have a strategy to deal with it. This book, which targets human resources professionals, is designed as a wake-up call to American business and offers a battle plan for fighting the looming deficit of skills and talent.

The authors suggest somewhat different strategies for recruiting, retaining, and getting the most out of workers at different stages of their work lives. For seniors, they advocate ending long-standing corporate biases against hiring “mature” workers and offer suggestions for ways in which companies can recruit them. They emphasize the desire of many for flexible employment and recommend implementing flexible retirement options for older workers. The authors acknowledge that pension rules and health insurance costs constitute significant barriers to the hiring of older workers, and the most important policy recommendations in the book pertain to these issues. In particular, the authors recommend amending pension rules so that individuals can participate in flexible retirement plans without suffering reductions in their retirement benefits, eliminating penalties on early distribution of pension benefits and lowering the age at which 401(k) distributions can be made, allowing those age 55 to 65 to purchase Medigap insurance, and amending nondiscrimination tests for flexible retirement plans to allow employers to customize work arrangements for valued employees.

For midcareer workers, the authors emphasize problems of burnout and boredom, and offer a variety of solutions to keep workers fresh, committed, and productive, including assignment changes, sabbaticals, and training. In the case of young workers, the authors believe that many companies do a poor job at integrating new hires into the workforce and hence suffer from high turnover rates. Their recommendations here focus on innovative orientation programs and initiatives to rehire valued employees who have quit.

Many of the authors' recommendations for attracting and retaining talented staff apply to workers of all ages, however. Companies provide too few opportunities for formal and informal training, which is important for increasing productivity and worker commitment to the company, according to the authors. The authors also make a strong pitch for offering flexible compensation and benefits packages to accommodate preferences and work-life balance needs of workers at various stages of their lives.

The question remains, of course, why should companies be so accommodating to workers? Like a steady drumbeat, the answer in every chapter is the impending workforce shortage. Companies will need to accommodate workers' desires to attract staff in the near future. Yet,

this central premise of the book, asserted in the first chapter with little backing, is far from accepted as an inevitable outcome. A number of academic and government studies have questioned whether widespread shortages will develop, in view of continued national high growth rates of productivity and foreign outsourcing (including work by Peter Cappelli at The Wharton School, Richard Freeman at Harvard University, and Linda Levine at the Congressional Research Service). The purported workforce shortage is used as an angle to unify the book, to grab attention, and to stimulate debate and change. But reliance on this angle is not necessary and may be the weakest aspect of the book.

Another answer for why companies should be so accommodating to workers is simply that it pays to do so. Indeed, this argument is implicitly and explicitly made in many parts of the book. What the authors essentially do is to challenge the effectiveness of many traditional human resources practices, which they argue are particularly unsuited to the makeup of and work-life challenges facing today's workforce. Companies, they argue, can get a more committed and productive workforce by fundamentally altering the way they recruit, train, promote, and pay their workers.

Few of the ideas expressed in this book are truly new. But the authors present much empirical backing for their viewpoints with an extensive amount of new survey and case study evidence, succeeding in weaving together an impressive number of recommendations in a coherent and generally compelling way. Academic researchers considering reading this book should be aware that practitioners make up the targeted audience. The authors do not burden their writing with references to the extensive literature on the subjects they cover, nor do they provide any details about their survey or case study methodologies, which constitute the empirical contributions of the book and form the basis for their recommendations. All of this can be quite annoying to a researcher. Nevertheless, even for an academic, the book is interesting for its comprehensive vision of best human resources practices for the future.

SUSAN HOUSEMAN  
*The Upjohn Institute*

*The Japanese Employment System: Adapting to a New Economic Environment.* By Marcus Rebick. Oxford University Press, 2005, ISBN 0-19-924724-2, 214 pages. doi:10.1017/S1474747207002879

The West has long sought wisdom in the Japanese employment system. During the 1980s, we admired its perceived superiority in producing economic growth. Yet the Japanese economy grew slowly for a prolonged period beginning in the early 1990s, with unemployment rising to levels that the Japanese viewed as high (5 percent). More recently, Japan's employment system has attracted interest as to how it will adjust to the new economic challenges of the twenty-first century – rapid population aging and a shrinking workforce. The workforce has decreased due to Japan's low fertility rate (1.2 children per woman) and a policy discouraging immigration. Rebick's new book overcomes the barriers of language and culture. He surveys changes in the Japanese labor market since the late 1980s, and he focuses on the adjustment of the Japanese labor market to the economic slowdown, rapid population aging, and declining workforce and population.

In Rebick's opinion, the growth of the non-standard workforce is the single most important change taking place in the Japanese labor market. The first two chapters discuss separately the changes affecting regular workers and nonstandard workers. Regular workers are full-time, long-tenure workers. They receive more training, have higher job security, and higher wages than nonstandard workers. The proportion of the workforce with nonstandard arrangements rose from 26 percent in 1990 to 32 percent in 2001. Rebick suggests this change has occurred, in part, to enable employers to circumvent the growing requirement that men and women be treated equally if they are categorized as regular workers. Thus, he argues that the unintended

consequences of policy have weakened the intended consequences (the type of observation that often makes economists unpopular with policymakers!).

The next section presents separate chapters on four groups of workers – women, youth, older workers, and immigrants. Of particular interest to pension and retirement experts is the chapter on older workers. This chapter discusses the main features of the Japanese pension system and the labor market practice of mandatory retirement in medium and large firms. The Japanese pension system is in some ways similar to the US pension system in the early 1980s, before the widespread development of 401(k) plans. To deal with its aging population, the Japanese government has taken steps to encourage work at older ages and discourage early mandatory retirement by employers. It suggests that employers should not set mandatory retirement before age 65, but there are no penalties for firms that do otherwise. Nine out of 10 firms with more than 30 employees have a mandatory retirement age, and most have set that age at 60. This practice is in sharp contrast with practice in the United States, where mandatory retirement is illegal for most occupations. Starting in 2013, the early retirement age for receipt of the Employees' Pension, the earnings-related part of Social Security, will increase from its current age of 60 until it reaches 65 in 2025. That change may have a sizable impact on the age at which Japanese workers retire.

Rebick sometimes compares Japan with other countries, as when he notes that the percentage of the Japanese labor force which is foreign-born is one percent, with a large percentage of those being people of Japanese ancestry born in Brazil. By comparison, the fraction foreign-born in the UK and US labor force is 3.9 and 11.7 percent, respectively. Overall, however, the book's main frame of reference is Japan, particularly regarding historical developments. This approach provides a wealth of information about the Japanese labor market, making this book a valuable reference on the subject. For those interested in pensions and older workers in Japan, the chapter that discusses older workers provides a good introduction. Because of its breadth and depth, this volume will be required reading for anyone interested in the Japanese labor market. In addition, those interested in a new perspective on Western labor markets will find this book fascinating, both for the similarities in some areas that can be difficult to explain within the context of one's own country, and for the differences that provide insights on alternative ways of organizing labor markets.

JOHN TURNER  
Consultant

*A Manager's Guide to Strategic Retirement Plan Management.* By Daniel Cassidy. John Wiley & Sons, 2006, ISBN 0-471-77173-2, 279 pages.  
doi:10.1017/S1474747207002892

How often do we encounter books that claim to unlock the secrets of business success, long life, romance, etc., only to find that they contain only a compendium of platitudes and bromides? Such is *not* the case for Cassidy's recent effort. Despite two major shortcomings, on which we say more later, the book offers strategic and pragmatic "tell it like it is" advice on a variety of key issues such as:

- Why have retirement plans in the first place?
- What are the investment and demographic risks inherent in defined benefit plans?
- What are the opportunities to transfer such risks, particularly investment risk, to plan participants by adopting a defined contribution rather than a defined benefit plan?
- How should hybrid plans be used to capture investment gains otherwise credited to defined contribution participants?
- What are hurdles to tax-deductibility of sponsor's contributions to retirement plans?