

Labor Demand Effects of an Increase in the Retirement Age

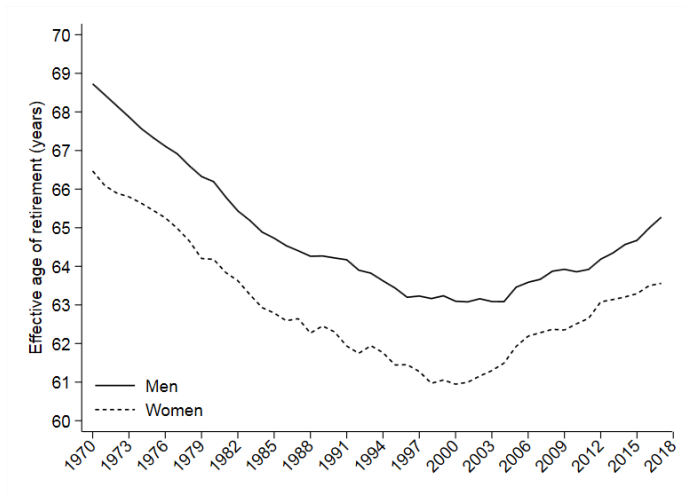
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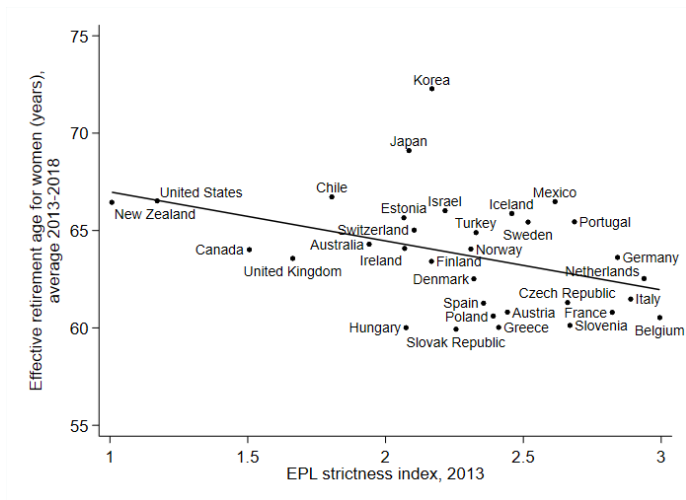
Demand vs. Supply

- Pension economists tend to model retirement as a labor supply decision
- However, evidence that labor demand matters....
- ... and deeply affects the short-run impact of pension reforms.
- The neglect of the role of labour demand in retirement prevents a full understanding the relevant trade-offs
- economists get out of touch in the policy debate

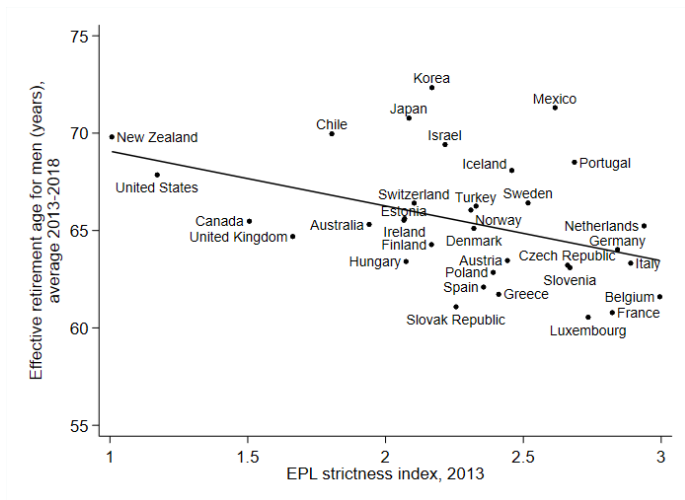
The effective retirement age in OECD countries



Strictness of EPL and age of retirement age of women in OECD countries

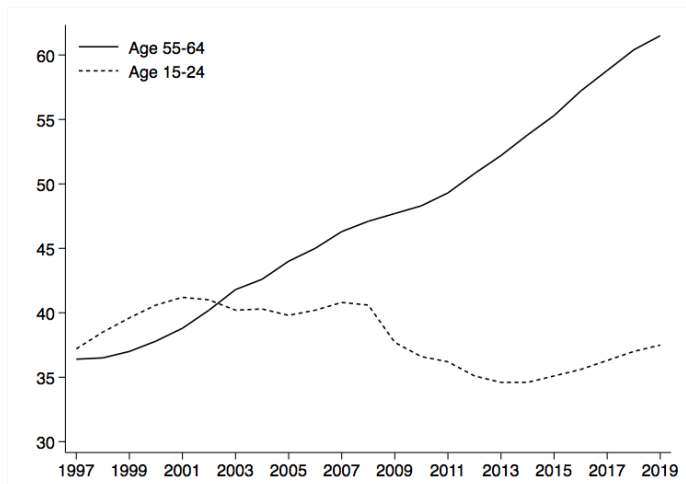


Strictness of EPL and age of retirement of men in OECD countries



Employment rate of young and older workers: a Lump of Labor?

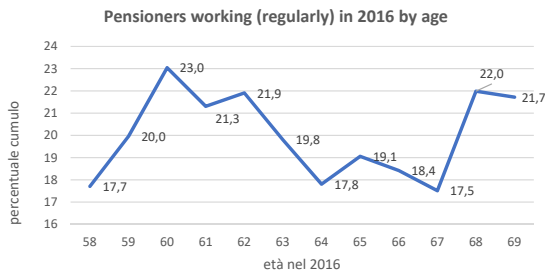
Figure: Employment rate for youth (15-24) and older (55-64) workers in EU15



Where pensioners come from



Is it truly retirement?



Issues related to demand driven retirement

- Two key issues overlooked
 - ① **Are reforms allowing for early retirement always in the interest the workers involved?**
 - ② **What should employment protection do for persons close to retirement age? // Indexing to age, tenure or none of the two?**
- An issue heavily debated:
- **Does it make sense to increase the retirement age when unemployment is so high?**

Related literature

Four strands of literature are relevant:

- 1 the cross-country literature on retirement and youth unemployment;
- 2 research on the age-productivity profile;
- 3 empirical work on job loss at older ages, and
- 4 studies on the labor market effects of reforms increasing the retirement age.

Main results of this literature

- 1 CROSS-COUNTRY: no evidence of lump of labor (but correlations and focus on the long-run);
- 2 AGE-PRODUCTIVITY: productivity at older ages tend to decline faster than wages;
- 3 JOB LOSS AT OLDER AGES: a one way street;
- 4 REFORMS INCREASING RETIREMENT AGE: positive effects on older workers employment (but not 1 to 1), some short-run negative effect on employment of young workers; in the long-run no lump of labor though.