

Abstract:

In the last three decades, the wages of older workers in many high-income countries grew at a much faster rate than the wages of younger workers. This paper uses extensive administrative data from Italy and Germany to provide an analysis of this age wage gap. First, the widening of the age wage gap stemmed from the increasing difficulty of younger workers to reach high-paying jobs. Second, a large part of the deterioration in the careers of younger workers occurred within firms. Third, different appropriation of firm-specific rents can explain more than half of the widening in the age wage gap. The last portion of the analysis shows that the effects are larger for firms with constraints in adding higher-ranked jobs to their organization, highlighting the role of career spillovers in widening the age wage gap.