

Aging workforce, pension reform, and firm's dynamics

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We exploit unique employer-employee data combined with balance sheet information covering 4000 Italian firms for the period 2005-2015 to analyze the short-run impact of a higher retirement age on: i) turnover and wages of workers of different age classes, ii) capital and iii) productivity levels. To obtain exogenous firm-level variation in the shares of elderly workers we exploit an unanticipated pension reform taking place in 2012 and restricting public pension eligibility criteria in different ways for workers belonging to different demographic groups. We find that the increase in the number of elderly workers has a positive impact on total employment levels. Turning to wages, the increased supply of elderly workers implies a reduction in their daily pay, but has no impact on compensation for the rest of the workforce. Finally, an ageing workforce is associated in the short run to an increase in total capital and productivity levels, but a reduction in their per-worker amounts.