“Secular Changes in Employment of Older Individuals”

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Erik Hurst began the discussion by asking how much of the employment increase in older cohorts can be accounted for by increases in part-time employment. The authors noted that, while certainly part-time work did increase in some countries, it does not account for all the action. Discussant Mark Bils agreed, saying that between the years 2000 and 2018 there was a 50 percent increase in both the employment rate and in annual hours, indicating that part-time work rose in a roughly proportional way.

Daron Acemoglu then commented that while he is sympathetic to the idea that institutional differences matter greatly, he thinks that there are two other factors that should not be overlooked. The first is that shocks are not age neutral. For instance, as Nir Jaimovich discussed, occupational distributions differ across age groups, so shocks with heterogeneous employment impact will have a differential effect across age groups. The second factor is health, which may be improving differentially across age groups, and certainly has improved differently across countries. The authors agreed with these comments and pointed to a section in the paper saying that it is natural to think that certain shocks, such as automation, globalization, and changing technology, may affect older workers more, even within education groups. Daron Acemoglu responded by saying that automation affected older groups more before the year 2000, but afterwards has affected middle ages more because of their occupation distribution.

The discussion next centered on the question of whether the observed trend in employment can be explained by changes in health. Michèle Tertilt followed up on Daron Acemoglu’s comment and agreed that health appears to be an important component, because participation in the United States has increased for ages 65+, and even up to 70+, as emerged from Nir Jaimovich’s discussion. She also noted that employment increases are more extreme for the educated, who also tend to be healthier. The authors responded that it is useful to distinguish two separate phenomena. On the one hand, there are slow-moving elements, such as health and education, pushing employment in older cohorts up. On the other hand, there is a separate trend break in the employment of older cohorts in the mid 1990s which is not reflected in a change in the trend of the aforementioned slow-moving elements. While the authors recognize the importance of health, the focus of the paper is on the changes in trend. Loukas Karabarbounis followed up on this discussion by suggesting that the authors analyse labor supply outcomes by percentiles of the age distribution, as opposed to age, in order to address concerns about changes to the quality of usable time.
The authors thanked the discussants, noting they agreed with much of what was said. They commented that the discussants chose countries which bracketed the effect, with the US being moderate and Germany extreme. The US response is likely more moderate due to less policy changes relative to the other countries. The authors noted that the policy and institutions leading to the older cohort employment decline were a consequence of the lump of labor fallacy, that to reduce youth unemployment you needed to encourage older worker retirement.