

Firm Response to Raising Women's Retirement Age: Spillovers on Coworkers and External Hiring *

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Abstract

Worker careers are interdependent. Hence, in light of the reforms raising the retirement age, it is essential to understand whether increased competition for promotions and employment at older age hinders the career progression of coworkers, and influences external hiring practices. Drawing on administrative data from Germany, the novel findings reveal that the extension of working years for women, driven by the abolition of women's pathway to retirement, leads to significant shifts in labor market outcomes for their colleagues. These crowd-out effects are particularly pronounced among middle-aged female coworkers. The results suggest that retirement age increase policies may unintentionally hinder other employees' career advancement through complex interactions between retirement age reforms and intra-firm employment patterns, exacerbated by the friction associated with worker turnover.

Keywords: retirement age increase, gender-neutral retirement ages, spillover effects, labor demand, coworker careers, local labor markets, worker substitutability,

JEL Codes: H55, J21, J23, J24, J26, J63

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