

Direct and indirect effects of mandatory retirement systems on workers of different ages^{*}

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Abstract

This paper investigates the effects of raising the mandatory retirement age and introducing a continued employment system on both older workers and younger persons. In 2006, Japanese firms were required to raise the mandatory retirement age from 60 to at least 62 or to introduce a continued employment system that creates flexible positions for older employees and allows them to continue working at the same firm. Relying on quasi-experimental variation in exposure to the policy change according to pre-reform norms by industry, region, and firm size, we find that the reform was effective in terms of decreasing the separation rate of older workers. We also explore possible spillover effects on the job-finding rate of younger people at firms that were more affected by the policy change relative to firms that were less affected.

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