

Discussion - Graying and Staying on the Job:
The Welfare Implications of Employment
Protection for Older Workers
(by Todd Morris and Benoit Dostie)

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Context and findings

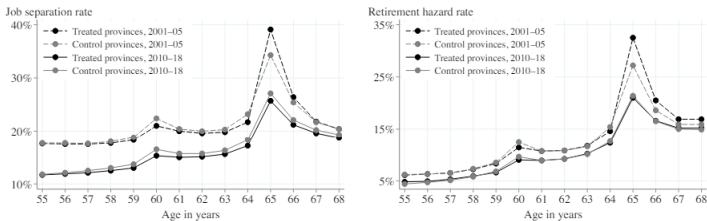
- ▶ What is Mandatory Retirement (MR) and how did it work?
 - ▶ under MR: legal to keep working after you reach age 65
 - ▶ employers could now fire you *without just cause*
 - ▶ MR was used by select employers in e.g. highly unionised industries and larger firms
 - ▶ outside of these type of firms, Canadian workers had poor baseline worker protections
 - ▶ MR bans: increased workers' rights by reducing employers' "rights"
- ▶ Key finding: MR bans improved workers' welfare e.g. employment outcomes and spillover effects

General comments about research approach

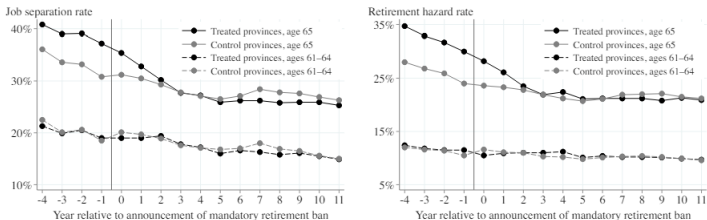
- ▶ Comprehensive analysis of the effects on workers' welfare
 - ▶ DD estimation strategy - Figure 1 clearly shows parallel pre-trends
 - ▶ stacked DD - tackles a recently recognised issue with using DD when policy timing is staggered
 - ▶ wide range of outcomes demonstrate overall welfare improvements

Figure 1

(a) Mean rates by age, treatment status and time period (pre/post reforms)



(b) Mean rates in event time by age group and treatment status



Notes: Authors' figures

Suggestions summary

- ▶ DDD estimation strategy - using 61-64 year old workers as an additional counterfactual group - opens approach to criticism and unnecessary
- ▶ generalisability of the results - more discussion
- ▶ firm impacts?
- ▶ impacts on 'outsider' workers - within firm but outside retirement age bracket and outside of firm - below age 60

DDD estimation strategy - the 61-64 y.o. group as an additional control group

- ▶ purpose of an additional counterfactual group
- ▶ conditions 61-64 year old workers must satisfy:
 - ▶ similar differential trends in Treated and Control provinces as 65 year old workers and
 - ▶ been unaffected by the policy ban
- ▶ a-priori, expect policy ban to have affected them: forcing firms to hold onto older workers may hamper the careers of younger workers in the same firm and outside the firm

DDD estimation strategy cont'

- ▶ Authors find no statistically significant evidence of effects for 61-64 year olds
 - ▶ using a post-hoc justification opens up potential criticisms
 - ▶ suggestive evidence, albeit statistically insignificant, of adverse effects (increased job separation after policy announcement, lower earnings in year after bans)
 - ▶ spouses of this age group adjusting employment behaviour
 - ▶ any true but non-significant effects? offsetting impacts due to firms reacting in different ways

DDD estimation strategy - suggestions

- ▶ rely on DD estimations; very strong parallel pre-trends anyway
- ▶ add industry-by-year-fixed effects if concerned about T-specific secular trends
- ▶ alternative counterfactual group: workers in industries definitely unaffected by MR such as those in industries covered by federal rules
- ▶ add firm fixed effects if concerned about selective sorting into these types of firms

Generalisability of results

- ▶ policy learnings to inform potential impacts of bans elsewhere
- ▶ suggestion of more discussion on:
 - ▶ MR was part of a package for workers: what was package of benefits (deferred wages, employer-provided pensions, more flexible working conditions)
 - ▶ would workers elsewhere be as responsive if they did not have this package of benefits?
 - ▶ nature of selective sorting into the firm (worker characteristics) and % of workers directly exposed to MR before bans

Potential impact of MR bans on firms

- ▶ productivity of workers near retirement relative to younger workers - likely to be a key element
- ▶ differing views in the literature about the productivity - age profile: competing skills
 - ▶ experience and firm-specific knowledge
 - ▶ adoption of new technologies and aspirations
- ▶ bans interacting with other distortions in the labour market
 - ▶ productivity may not keep up with pay - especially for heavily unionised industries (accrued pay rates, pay schedules, compulsory pay rises)
 - ▶ previously, MR prevented these downward rigid wages; now, MR bans take away this corrective measure for firms
 - ▶ expect $MPL/\$$ of wage to decline

Potential firm impacts: suggestions for outcomes to examine

- ▶ short-term: impacts on profits, productivity, survivability of firm, are they bearing the extra cost burden?
- ▶ long-term: if wages don't change, do firms substitute away from labour to more capital intensive production, greater automation, more outsourcing, reduced hiring, regular restructuring

Potential firm impacts: suggestions for heterogeneity to examine

- ▶ how firms respond or fare depend on this productivity - age profile
- ▶ examine effects by:
 - ▶ industry
 - ▶ occupation or nature of job of the older worker
 - ▶ size of firm

Effects of MR bans on 'outsider' workers

- ▶ Tier 1 Outsider because away from retirement age but inside the firm - Suggestion: examine younger (even below age 60) workers (within firm) and their promotional opportunities and wages
- ▶ Tier 2: Absolute outsider - Suggestion: examine job opportunities for younger (again, even below age 60) workers

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