

## Macro Roundup Article

**Headline:** Countries for Old Men: An Analysis of the Age Pay Gap

**Article Link:** <https://www.nber.org/papers/w32340>

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Publication	National Bureau of Economic Research
Publication Date	April 17, 2024

**Tweet:** Data on 38mm Italian and German workers in 3.7mm firms show that a large supply of older workers amidst slow growth has limited career progression for younger workers and led to an increasing wage gap between older and younger workers. @MatteoParadisi

**Summary:** Data on 38mm Italian and German workers in 3.7mm firms show that from 1985-2019, wages of older workers have grown much faster than those of younger ones. [We] introduce a frictional labor market in which firms cannot change the wage and job allocation of incumbent older employees in the short term and cannot always add higher-ranked positions to their organizations. [This] reduces the number of slots at the top of firms' hierarchies available for younger workers, who, therefore, experience longer waiting time for promotions and slower career progression. Empirical analysis uses confidential administrative data provided by the Italian Social Security Institute (INPS) and confidential employer-employee Social Security data for Germany, as well as labor survey data from the Luxembourg Income Survey (LIS) database for fourteen other high-income countries. These [latter] data sources confirm that the widening pay gap between older and younger workers and the progressive aging of the workforce are not exclusive features of the Italian labor market.

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**Primary Topic:** Wages/Income

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