

Did Government Intervention on Firm's Employment Policies Have an Effect on the Employment of Elderly Workers?

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Abstract

This paper analyzes whether government intervention on firms' employment policies have an effect on the employment of the elderly. As a result of the pensionable age increasing in Japan, this policy makes a difference between the mandatory retirement age and the pensionable age. The Japanese government has obliged firms to employ elderly workers until they reach the pensionable age. According to literature, the labor force participation rate of elderly male workers increased after the implementation of this policy. However, according to this paper's results, after omitting the unobserved heterogeneity and controlling for worker demographics, there is no effect on the employment of the elderly workers. Consequently, this paper discusses why the government intervention in the demand side of the elderly labor market has no effect on elderly employment. According to this discussion, it is possible that a firm avoids the costs from employing the elderly by using measures that are not illegal, while following the directives of the law.

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