

The Effects of Increasing the Formal Retirement Age on Labor Supply: Gender and Family Considerations

by

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Abstract

Increasing life expectancy has led to increases in the retirement age in many countries. This is expected to increase labor supply of the affected population, but the effect may differ by gender and by marital status. The 2004-2009 gradual increase in the official retirement age in Israel, from 65 to 67 for males and from 60 to 62 for females, provides a natural experiment that enables an empirical investigation of this effect. We focus on 66 years-old males and 61 years-old females and examine their labor supply before and after the increase in the retirement age, using a difference-in-difference estimation strategy. We found that both labor force participation and hours of work have increased after the increase in the retirement age, for both males and females. The gaps between married and unmarried females have not changed after the increase in the retirement age, while the gaps between married and unmarried males narrowed. A possible explanation of this result is that married males enjoy the increase in family income due to the higher labor supply of their spouses, hence they increase their labor supply less than unmarried males. Depending on the spousal age gap, it could also be due to the coordination of leisure time among elderly couples.