



Motivation “Ezio Tarantelli” Prize 2022
“Countries for Old Men: An Analysis of the Age Wage Gap”
Nicola Bianchi and Matteo Paradisi

The paper by Nicola Bianchi and Matteo Paradisi investigates the dynamics of the age wage gap. First, using matched employer-employee administrative data for both Italy and Germany, and survey data for a large set of high-income countries, the work by Bianchi and Paradisi documents an increase in the wage gap in favour of older workers. Second, it provides convincing and exhaustive explanations for such dynamics, ruling out alternative competing ones.

Among the others, the paper uses detailed administrative data from INPS (Italian Social Security Institute) for both workers and firms. The dataset comprises the entire workforce employed in the (non-agriculture) private sector, with detailed information on wages, age and other relevant demographic characteristics of individuals. The latter is matched to information on firms' characteristics, such as employment, the sector of activity, the area of work and year of entry into the market.

Armed with such a rich dataset, Bianchi and Paradisi first document that the increase in the age gap is related to a change in the relative position of young and old workers in the wage distribution. In particular, the analysis shows that most of the gap is related to the low probability of (young) workers in climbing the wage ladder (the rank-gap in their terminology) and not to changes in mean wages in different parts of the wage distribution. After ruling out alternative explanations based on changes in returns to labour market experience, in prices of skills for older workers, and skill-based technological change, the authors investigate possible reasons that may have reduced wage mobility of younger workers. First, they show that most of changes occurred within firms and within narrowly detailed sectors, supporting the idea that career dynamics can reasonably explain the patterns in the data. Second, they document lower probabilities of young workers to be appointed into managerial positions. Third, they show that most of the wage age gap occurs into larger and more established firms with lower employment opportunities. This result is compatible with explanations based on career spillover in which more mature firms are constrained in posting high-rank jobs to their organizational chart.

The AIEL executive board believes that the paper is highly deserving of the Tarantelli Prize because of its careful and thorough analysis applied to high-quality data. More specifically, the main findings of the work by Bianchi and Paradisi, based on a rich and rigorous analysis, contribute to better understand what forces can explain labour market dynamics in Italy and other industrialized countries.