How Does Raising Women’s Full Retirement Age Affect Labor Supply, Income, and Mortality? Evidence from Switzerland

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Key Findings and Policy Implications

This paper examines how women changed their employment decisions in response to a Swiss reform that increased the full retirement age from 62 to 63, and then from 63 to 64. It links data from several sources: a 25% random sample of individual pension account contributions, providing labor market histories from 1982 to 2012, data on all disability and old age pension claims, and income tax records from a large region of Switzerland. The paper finds that:

- Raising the full retirement age strongly affects women’s labor supply. A one year increase in the full retirement age delays labor market exit by 7.9 months and claiming of retirement benefits by 6.6 months.
- There was no measured effect of increasing women’s full retirement age on the labor supply or benefit claiming behavior of their spouses.
- Increasing the full-retirement age has no statistically significant effect on the level of social security benefits but lowers social security wealth. Increasing the full retirement age by two years reduces the present discounted cost of a retiree by 10%

The findings have significant policy implications; reinforcing and extending a substantial literature on the how Social Security policy characteristics and incentives affect labor market behavior at older ages.

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