Analysing job exit for older workers –
a practical guide

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Abstract

Demographic change induces ageing populations and, consequently, ageing workforces throughout developed countries. The phenomenon of an ageing workforce shifts policy interest towards older workers. Arising questions concern the effects of health, public policy and personnel policy on job exit and on retirement entry.

Compared to prime-age workers, the analysis of job exit for older workers evokes several methodological issues. First, job exit of older workers may depend on elapsed duration and on individual age. As job exit is less likely to occur by increased job duration, it becomes more likely at a higher age. Both effects are likely to occur simultaneously and should be taken into account. Second, sampling older workers deserves more caution than sampling prime-age workers. The inflow into employment of older workers is a selective sample of individuals who start a new job at an old age. A stock sample, on the other hand, is not selective regarding age at job start, but overrepresents long jobs as compared to short jobs. Sampling problems have to be taken into account appropriately. Third, start and end of a job are often unobserved for older workers, also in long panel data sets.

We illustrate the consequences of ignoring these issues one by one. Further, we present technical solutions to these issues. In an empirical application, we estimate age-specific transition rates out of employment for older workers. Finally, we derive and implement a flexible specification of a proportional hazard model that takes the discussed issues into account.

Keywords: old workers, age, employment duration, transition, proportional hazard.  
JEL-Classification: C41, J14, J21, J26

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