

Labour force participation, human capital and wellbeing among older New Zealanders

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Abstract

Along with many other countries, New Zealand is experiencing a rapid rise in the population of older people, both in absolute terms and also as a percentage of the overall population. Previous research suggests that older people are increasingly likely to participate in formal employment beyond the age of pension eligibility (65 in New Zealand), but little research has been conducted into the impact that continuing labour force participation has on the wellbeing of older people. Cameron and Roskrue (2014a; 2014b) showed that working full-time reduces life satisfaction among New Zealanders 65 years and older. This relationship is robust to the inclusion of measures of job satisfaction or the desire to work more or fewer hours. Thus, the underlying reason why older workers in New Zealand have lower life satisfaction than non-workers remains unexplained.

In this paper we investigate the relationship between labour force participation and life satisfaction among older New Zealanders, with specific focus on the mediating role of human capital in the relationship. We utilise data from several waves of the New Zealand General Social Survey ($n=5856$), and account for the bias due to selection effects and endogeneity using instrumental variables analysis, and controlling for mental and physical health. Our identification strategy is to use gender as an instrument for labour force status – exploiting the fact that among those aged 65 and over, men have substantially higher labour force participation than women; and to use age of completing highest qualification as an instrument for education (our measure of human capital). Our results suggest that, should improving wellbeing for older people become an explicit government priority, investing in reducing the push factors for older people to remain in the workforce may improve wellbeing.