Kesavayuth, D., Rosenman, R.E., Zikos, V.

Retirement, personality, and well-being


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a Research Institute for Policy Evaluation and Design (RIPED) University of the Thai Chamber of Commerce Bangkok 10400 Thailand
b School of Economic Sciences Washington State University Pullman 99164-6210.WA

Abstract
This study investigates how two sources of individual heterogeneity-personality and gender-impact the well-being effects of retirement. Using data on older men and women from the British Household Panel Survey and its continuation, Understanding Society, we estimate the causal effect of retirement on satisfaction with overall life and domains of life in the presence of personality characteristics. As retirement is often considered to be a choice and thus may be endogenous to individual-level characteristics, we use the eligibility ages for basic state pension in the United Kingdom as instruments for retirement. We find that retirement increases leisure satisfaction of both males and females but not necessarily life satisfaction and income satisfaction. We further show that certain personality characteristics affect the well-being of female retirees. For males, however, personality does not seem to matter in how they cope with retirement. © 2015 Western Economic Association International.