Income losses, personality and well-being: Which personality types are the most psychologically resilient to losses in income?

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**Abstract:**

**Purpose:** What might happen to an individual’s well-being when their income reduces? Research that has attempted to understand how income changes relate to changes in well-being implicitly assumes that an income reduction should have an equal but opposite influence on well-being as an equivalent gain. Recent psychological evidence, however, shows that income reductions have a much greater association with well-being changes than equivalent gains. Here, we explore the extent to which this pattern of results is observed across different personality types as captured by Big Five personality measures (openness-to-experience, conscientiousness, extraversion, agreeableness, neuroticism).

**Methodology:** We use the German Socio-Economic Panel Survey from 2005 to 2012, which contains Big Five personality measures in 2005 for more than 10,000 individuals, to examine whether personality predicts how income reductions and gains relate to changes in life satisfaction. First we investigate the average sample effect of income reductions and income gains using multilevel analysis techniques and controlling for a multitude of correlated covariates, including changes in employment status, and household size. We then explore personality moderations by interacting standardized Big Five personality measures with income variables.

**Results:** On average there are differences by which losses and gains in income are associated with changes in well-being. However there are significant differences by personality. Conscientious individuals and those with lower levels of openness are even more sensitive to income decreases than the typical individual.
Conclusions: Our results suggest the relationship between income and well-being is primarily an artefact of the stronger influence of losses, and that some individuals are more sensitive to experiencing losses than others. This has important consequences for understanding the relationship between income and well-being, and highlights personality factors that may be important for resilience.

Keywords: Well-being, life satisfaction, income, Big Five personality, SOEP