

Accepted Manuscript

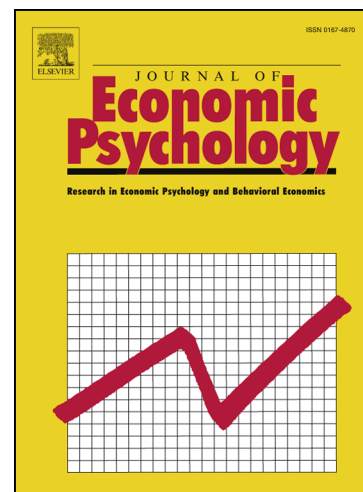
Is personality related to permanent earnings? Evidence using a twin design

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PII: S0167-4870(17)30387-2
DOI: <https://doi.org/10.1016/j.joep.2018.01.001>
Reference: JOEP 2051

To appear in: *Journal of Economic Psychology*

Received Date: 28 June 2017
Revised Date: 5 January 2018
Accepted Date: 5 January 2018



Please cite this article as: Maczulskij, T., Viinikainen, J., Is personality related to permanent earnings? Evidence using a twin design, *Journal of Economic Psychology* (2018), doi: <https://doi.org/10.1016/j.joep.2018.01.001>

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Is personality related to permanent earnings? Evidence using a twin design**Is personality related to permanent earnings? Evidence using a twin design**Terhi Maczulskij^a and Jutta Viinikainen^b

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ABSTRACT

Using twin survey combined with register-based panel data on labor market outcomes, the authors examine the association between personality characteristics and long-term earnings among prime working-age individuals. The long-term earnings were measured over the 1990-2008 period. The sample contains 4,642 twin pairs, of which 53% are females. In contrast to previous studies, this paper uses the within-twin dimension of the data to control for shared family background and confounding genetic factors. The results suggest that unobserved genetic differences may introduce omitted variable bias in standard ordinary least square results. After controlling for shared environment and genetic background, the authors find that a facet of extraversion (activity) is related to higher ($\beta = 0.046$), and neuroticism is related to lower ($\beta = -0.060$) permanent earnings in the labor market. The lower earnings of more neurotic individuals are likely explained by the weaker attachment in the labor market.

Keywords: personality; earnings; labor market outcomes; unobserved heterogeneity; twin studies

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