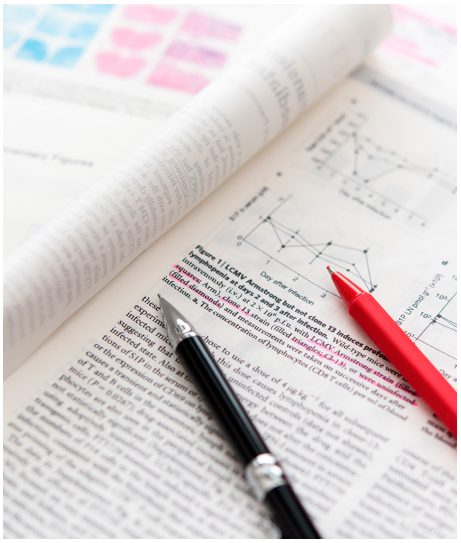
UNIVERSIDAD DE GRANADA

Departamento de
Teoría e Historia
Económica

Working Paper: Stress and Retirement

14/10/2022

Working Papers



Raquel Fonseca & Hugo Morin & Ana I. Moro-Egido, 2022. "Stress and Retirement", ThE Papers 22/14, Department of Economic Theory and Economic History of the University of Granada..

Abstract: This paper investigates the bi-directional causal relationship between retirement and stress. We use PSID data for the period 2007-2015. Using a simultaneous equations approach, we find that a rise in stress increases the probability to retire by roughly 49.8 percentage points, while retirement decreases stress by 23.1 percentage points. We find the same results when we disaggregate by individuals' characteristics such as gender, occupation, wealth and ethnicity. We show that official retirement ages are a strong instrument for actual retirement age, and that lagged physical activity levels are a non-linear instrument for perceived stress. We also confirm that objective measures of mental health are a strong instrument for perceived stress. Our result is especially interesting in terms of policy, and further research should be done to analyse the effects of physical activity on economic and well-being variables at older ages.

Copyright© 2026 Universidad de Granada