

Title: How Mental Health Well-being and Life Satisfaction Help with Unemployment

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#### Abstract\*

There is a large literature showing that unemployment reduces people's well-being. Yet little is known about the reverse possibility, namely that well-being itself may influence unemployment propensity. Understanding the potentials of human well-being in relation to unemployment is important as many developed countries are currently facing high unemployment rates. As well-being is likely to be endogenous, we use British panel data and implement Lewbel's (2012) novel empirical approach for identification. We show that higher well-being implies a negative causal effect on the probability of being unemployed. The result holds for two very different well-being measures: life satisfaction and a twelve-item scale of mental health. As such, it provides new empirical evidence on the causal link between well-being and unemployment propensity.

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