

**Title:** Unhappiness and job finding rates

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**Abstract:**

It is well-known that many workers experience a large drop in life satisfaction when they become unemployed. In this paper we investigate how this drop in life satisfaction affects their job finding rate. The main conclusion of the paper is that men and women who experience a large drop in life satisfaction have a higher job finding rate. The results show that it is not so much a matter of being happy or not that affects the unemployed's search intensity, but rather how one's happiness in unemployment relates to happiness in other labor market states experienced before. Across individuals there is substantial variation in the change in life satisfaction. This variation originates from variation in pre-unemployment life satisfaction and variation in the life satisfaction when unemployed. It does not seem to be the case that the variation in life satisfaction when unemployed is related to expectations about job finding probabilities. The variation may have to do with some unemployed enjoying the leisure part of unemployment while other unemployed have a more forward looking attitude. We find no effect of happiness on the wage of post-unemployment jobs suggesting that the higher job finding rate is achieved through higher search intensity and not through a reduction in reservation wages. However, job satisfaction and life satisfaction in post-unemployment jobs are lower for individuals who experienced a large drop in life satisfaction when entering unemployment. If the perspective of such reduced job and life quality makes workers reluctant to accept a new paid job alternative incentives, such as active labor market programmes or benefit sanctions, are needed to get people back to work.