

Performance-based pay: Is it affecting your workers' mental health?



by Lynn Cavanaugh
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Performance-based pay is likely the most common feature of the compensation structures of U.S. companies, experts say.

And guess what? It's also likely to be affecting your workers' mental health.

When employers transitioned to a pay-for-performance compensation plan (based on bonuses, commissions, profit-

sharing, etc.), workers showed an increased use of anxiety and depression medications: 5.7% over an existing base rate of 5.2%, according to [a study conducted at Aarhus University in Denmark and Washington University in St. Louis](#).

Workers taking Xanax or Zoloft

And this type of comp plan likely affects even more people because the study only accounted for those employees who sought medical help, said co-author Lamar Pierce, associate dean for the Olin-Brookings Partnership at Olin Business School.

“This is the tip of the iceberg, and we don’t know how deep that iceberg goes beneath the water,” said Pierce.

The study was quite extensive, examining more than 300,000 workers in 1,309 companies in Denmark. And researchers found a 5.4% increased likelihood that existing workers would use medications for anxiety or depression, such as Xanax or Zoloft.

Applying these findings to the U.S., Pierce estimates 100,000 more prescriptions per year, once employers move to a pay-for-performance plan.

The key group in this study: older workers.

For workers ages 50 and over, the rate of medication usage is almost double that of their younger counterparts.

The upshot of this phenomenon is higher incidence of mental health issues and higher medical costs.

What are companies to do?

Researchers say simply recognizing the issue should get employers on the path to strengthening wellness programs to reduce employee stress and anxiety.



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