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Performance-based-pay linked to mental health issues, study finds



[Photo: Nathan Dumlao/Unsplash]

BY RINA RAPHAEL

1 MINUTE READ

Pay-for-performance is prevalent in the United States. In fact, the majority of companies depend on the incentive, either through bonuses, commissions, or profit sharing. But how does it affect employees?

Not very well, [a new study finds](#). Researchers at Washington University in St. Louis and Aarhus University in Denmark discovered that switching to a pay-for-performance compensation system negatively impacts the workforce.

They studied Danish governmental records covering more than 300,700 full-time employees in 1,309 companies over a 10-year period. [Findings show](#) that the number of employees using anxiety and depression medication increased by 5.7%. For workers over the age of 50, it nearly doubled to 8.9% over the base rate.

In addition, those employees dependent on benzodiazepines or SSRIs had a 5-9% increased likelihood to exit their company in a given year. Women, meanwhile, were more likely than men to quit their job when it began hurting their mental health.

In translating these findings to American companies, the study predicted this would mean 100,000 more American prescriptions for pay-for-performance workers every year.

“These types of mental health problems are incredibly costly to both the individual and firm,” the study’s co-author Lamar Pierce, associate dean for the

Olin-Brookings Partnership at Olin Business School, explained. “If this is reflective of a broader increase in stress and depression in employees, the costs are very high.”

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