

# Could Performance-Based Pay Lead to Depression Among Workers?

When companies transition to pay-for-performance, prescriptions for depression meds go up.

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*Mature Adult man working in the office*

A recent study from researchers at two universities suggests that switching to a pay-for-performance compensation plan leads to an increased use of antidepressant medications by workers.

The study, by researchers at the business schools of Washington University and Denmark's Aarhus University, is based on a big-data analysis combining objective medical and compensation records with demographic data. The researchers examined comprehensive records from the government of Denmark covering 318,717 full-time employees in 1,309 Danish companies of at least 25 workers. They found that when firms implemented pay-for-performance plans (compensation based on bonuses, commissions, piece rates, profit-sharing, etc.), the number of employees using anxiety and depression medications such as Xanax or Zoloft increased by 5.7 percent over an existing base of 5.2 percent over a period from 1996 to 2006.

However, that's Denmark—a small country where medical costs are borne by a government-run healthcare system, not employers. What about the U.S.?

Applying the findings from the study to the U.S., study co-author and Washington University professor Lamar Pierce said this means an estimated 100,000 more American prescriptions per year for anxiety and depression medications for workers at firms that

move to pay for performance. Aside from direct medical costs, depression also exacts a heavy price in terms of reduced productivity, absences and turnover. Depression costs the U.S. economy an estimated \$210 billion a year, according to a study published several years ago in the *Journal of Clinical Psychiatry*.

Most if not all of the workers in the Danish study who started taking medications for depression and anxiety in the wake of a PFP plan were over age 50.

“Basically, older workers seem to be driving all of this effect,” says Pierce. “One, it’s harder for them to move, so they have less labor mobility. And, two, they have less flexibility: learning new roles, adapting to change, they have more

fully-formed preferences at this point.”

The study’s findings show that pay policies have broader health and wellness ramifications, says Pierce.

However companies may choose to address mental health in the workplace, experts generally agree that the key is “de-stigmatization,” helping employees feel comfortable about acknowledging their poor mental health and making it easier to find help (<https://hrexecutive.com/address-mental-health-at-work/>).

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