Why paying employees to be healthy doesn’t work

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Employers pay people to meet sales goals, hit productivity targets, put in overtime. It works — people show up, do what they need to do and collect a paycheck. It’s the way of capitalism, and it’s woven into the very fabric of every business transaction.

By that logic, paying people **cash incentives** to lose weight, quit smoking, lower their blood pressure or engage in other healthy behaviors also should “work”.

But it doesn’t. Or at least, not in the long run.

In a study conducted by Carnegie Mellon University, obese U.S. military veterans were paid to lose a pound per week for 24 weeks. Eight weeks after the incentive program ended, the vets had regained the weight they had lost.

Why would employees behave this way? Why not get paid for doing something that is also beneficial to them?

Dan Ariely, a behavioral economist and author of "Predictably Irrational," has some answers. One of the book’s chapters describes the difference between “money markets” and “social markets.”

Paying employees to lose weight is an example of a money market. When the money goes away, so does the exchange; this is exactly what studies have found when weight-loss incentives end. A social market, on the other hand, offers only the satisfaction of achieving the goal. Research has shown that people typically work harder on a task when they were doing it for free than they did when they were paid, because volunteering triggers what social scientists call **intrinsic motivation** — or an internal pull to do something driven interest in or enjoyment of the task itself.

An employer would achieve longer-lasting results by tapping the employees’ intrinsic motivation for improving health to help carry them farther and maintain healthy choices longer.

Ariely is among other researchers working with employers to test ways of motivating employees to make healthy choices. Meanwhile, the **Patient Protection and Affordable Care Act** and many wellness vendors still are promoting money incentives. The health care reform law allows employers to reward healthy employees with up to a 30% discount on their health premiums. It also leaves open the possibility for the discount to rise to 50%.

Money incentives will likely become more and more common, despite evidence of their limited effect. The core premise makes logical sense to business people, and therefore it will continue. When Ariely shares the results of his employer experiments, we may have new, innovative, and effective strategies to promote employee health. Until then, conventional wisdom will keep doing what makes sense, but doesn’t succeed.

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