

# Where Health Incentives Work (and Don't)

Principles of behavioral economics have the potential to improve workplace health programs, and therefore employee health. Use these 4 strategies to improve employee engagement with these programs in your organization.



## Present Bias

People tend to prefer an immediate reward to a reward that is farther off in the future, even if the immediate reward is smaller. Workplace health programs and incentives can leverage this by:

- Providing ongoing feedback and encouragement to program participants.
- Designing rewards that are delivered closer in time to achieving a goal rather than, say, at the end of the fiscal year.



## Mental Accounting

People tend to create mental categories for different types of spending and savings. For example, an individual might have mental budgets for vacation, groceries, or holiday gifts, even though funds all come from a single pot of money. In the context of workplace health programs and incentives, this can be leveraged by unbundling rewards from employees' paychecks, so they perceive the rewards to be a separate—and therefore more visible—stream of income.



## Goal Gradients

People most in need of a health program may have a difficult time meeting a hard goal like going to the gym 120 times per year. This can be discouraging and lead people to drop out of a program. Providing interim milestones, and rewards for meeting each, can help people remain engaged.



## Virtual Accounts

Behavioral economics demonstrates that people are more sensitive to financial losses than they are to gains. Allotting program participants a specific sum upfront, then deducting from that sum for milestones missed, may be a more potent motivator than allocating small rewards for meeting program goals.