

# *The Department of Economics*

## *Visiting Speaker, John S. Heywood*



# "The Influence of Performance Pay on Alcohol and Drug Use"

Benjamin Artz, University of Wisconsin-Oshkosh

Colin P. Green, Norwegian University of Science and Technology

John S. Heywood, University of Wisconsin-Milwaukee

**Friday, November 16, 2018**

**3:00 – 4:30 P.M.**

**Bruneau Centre Room IIC2001**

Using a panel of young workers, we show cross-sectional evidence of greater alcohol and illicit drug use among those paid performance pay. Recognizing that this likely reflects worker sorting, we first control for risk and ability proxies. We then control for worker fixed effects and finally for worker-employer match fixed effects. These estimates continue to indicate that the risk of substance use increases when workers are moved to performance pay. While robustness tests examine heterogeneous responses, our evidence fits conjectures that stress and effort increase with performance pay as does the spillover coping mechanism of alcohol and drug use.

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John S. Heywood is Distinguished Professor of Economics and Director of the Graduate Program in Human Resources and Labor Relations at the University of Wisconsin-Milwaukee. An expert in the economics of personnel, he has held appointments in the United Kingdom, Germany, Hong Kong and Australia. His research examines performance pay, earnings discrimination, the labor market for older workers, the determinants and consequences of family friendly firm practices, public sector labor markets and the economics of trade unions. He currently serves as the Chief Editor of the *British Journal of Industrial Relations*.

He has consulted for national government agencies, the World Bank, major corporations, foundations and trade unions. The author of more than 150 articles, his research appears in the *Journal of Political Economy*, *Review of Economics and Statistics*, *Journal of Labor Economics*, *Journal of Health Economics* and *Journal of Public Economics*.