Received: 23 June 2020 | Revised: 24 May 2021 | Accepted: 24 June 2021

DOI: 10.1111/1748-8583.12402

ORIGINAL ARTICLE

Human Resource Management Journal WILEY

The joy of gratifications: Promotion as a short-term boost or long-term success – The same for women and men?

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Funding information

Open Access funding enabled and organized by Projekt DEAL.

Abstract

Job satisfaction helps create a committed workforce with many positive effects, such as increased organisational citizenship behaviour and reduced absenteeism. In turn, job satisfaction can be increased through gratifications, such as wage increases and promotions. But human satisfaction is prone to being governed by the homeostatic principle and will eventually return to the individual's base level. Thus, we longitudinally examined the effects of promotions to managerial positions and pay raises on job satisfaction across a period of 27 years. Our analyses were based on a large-scale representative German panel (N = 5978 observations) that allowed us to separate the effect of a promotion from the effect of the corresponding wage increase. We found that promotions positively affected job satisfaction in the short term but diminished after 1 year. Furthermore, the influence of a promotion on job satisfaction was more pronounced for men than for women.

KEYWORDS

gender, job satisfaction, promotion, reward, wages

Practitioner notes

- A promotion seems to increase job satisfaction in the short term and no longer than about 1 year.
- The effect of a job promotion on job satisfaction is different for men and women, with men profiting much more than women.
- The effects are different for individuals promoted to a leadership position within the organisation and in combination with a change in employer.
- Employers should not view a job promotion as a tool for increasing job satisfaction per se. Instead, a differential view is needed.
- A flexible wage can more easily be framed as a temporary gratification; thus, wage models with a larger flexible portion might be preferable in this respect.

1 | INTRODUCTION

Companies view human capital as one of their most valuable assets. Thus, an increase in commitment and a reduction in workforce turnover will have substantial positive effects on business success (e.g., Meyer et al., 2002). Job satisfaction is a vital and ubiquitous ingredient for a productive and committed workforce with low turnover and other positive effects, such as increased organisational citizenship behaviours, reduced absenteeism and increased psychological well-being (e.g., Faragher et al., 2013; Judge et al., 2001; LePine et al., 2002). Whereas job satisfaction depends on a number of factors that go beyond the reach of human resource management (e.g., the overall image of a company), some factors that are primarily related to gratification on the individual level can be amended through human resource management. The most common gratifications are job promotions, wage increases, bonuses and performance-related pay. Several studies have reliably demonstrated the short-term effectiveness of such options by measuring the outcome shortly after the gratification was given (e.g., Francesconi, 2001; Pergamit & Veum, 1999; Schwarzwald et al., 1992), and some studies have pointed out differential effects, especially of gender. Furthermore, job promotions often coincide with a change in employer, which itself has a substantial effect on satisfaction (e.g., Boswell et al., 2009; Latzke et al., 2016). To our knowledge, no study has analysed all three issues together, that is, (a) the longevity of the effect of a promotion; (b) its differential effects, especially on gender; and (c) the role that a change in employer plays in determining job satisfaction.

1.1 | Longevity of the effect of a promotion

Determining the longevity of the effect of a promotion should offer important insights because individual human satisfaction tends to function according to the homeostatic principle; that is, even though being promoted may increase satisfaction, satisfaction will eventually return to the individual's base level (Fujita & Diener, 2005). Thus, the satisfying effects of promotions most often found in cross-sectional and short longitudinal studies will likely decline after some time and negative effects of the promotion like an increase in exhaustion and work-to-family conflict (Debus et al., 2019) might prevail. Even if certain gratifications are applied continuously or on a frequent basis, according to the homeostatic principle, they are likely to lose their effectiveness because they will become the new baseline. This cycle leads to a catch-22 for human resource management: If promotions are applied regularly, their effectiveness will decrease over time, but if they are not applied, there will be no positive effect at all.

1.2 | Gender effects of a promotion

For many employees, a promotion is one of the most powerful gratifications they can receive, and it has substantial effects on satisfaction (Francesconi, 2001; Kosteas, 2011; Lup, 2018; Pergamit & Veum, 1999). However, despite this general effect of promotions on job satisfaction, some caution and differential analyses seem appropriate so that the needs of different groups of employees can be served more individually. Gender in particular seems to moderate the effects of promotions (Lup, 2018). The main reasons for these effects are the still conflicting roles of female gender and leadership, reducing the positive effect of promotions on job satisfaction for women (Eagly & Karau, 2002). Thus, we investigated the differential effect of gender in the current study.

1.3 | Changing employers

Last but not least, for most people, changing one's employer is a more formative event than getting promoted while still working for the same employer. Thus, another aim of our study was to distinguish between the effect of a job promotion within a company and an increase in occupational status from changing employers. The latter is technically not a 'promotion', but for linguistic simplicity, we will refer to such a change as a promotion in this study.

Using a large-scale representative sample, we analysed the effects of job promotions on job satisfaction across a large time span of 27 years with data that were collected before and after the promotions. Our methodology thereby allowed us to consider the inter- and intrapersonal changes that come along with a promotion. To our knowledge, only a few studies have analysed the effects of promotions with longitudinal designs (Kosteas, 2011; Lup, 2018), but these studies only went up to 2 years after the promotion. Therefore, these studies did not allow conclusions to be drawn with regard to how long the positive effects of the promotion lasted. Our conservative sample selection allowed us to more clearly estimate these effects by controlling for many unmeasurable factors, such as a promotion in the civil service sector, where seniority plays a major role in promotion decisions. By separately analysing promotions within an organisation and promotions that were accompanied by a change in employer, we captured the effects of being promoted to a managerial position in a large representative sample. Additionally, we controlled for wage increases by separating the effects of promotions and wage increases, which naturally occur simultaneously (Pergamit & Veum, 1999). Furthermore, we looked at gender differences, which have been found to moderate the effects of pay raises and promotions (Lup, 2018) and controlled for changes in work hours in the year of the promotion.

2 | THE DETERMINANTS AND CONSEQUENCES OF JOB SATISFACTION

Satisfaction at work is highly beneficial not only for employees but also for the organisation itself; thus, it is not surprising that psychological research on job satisfaction has been conducted for more than 80 years (Judge et al., 2002; Locke, 1969). Job satisfaction has been found to lead to several positive outcomes, for example, increase in performance (Judge et al., 2001), organisational citizenship behaviour (LePine et al., 2002), reductions in fluctuation (Clark et al., 2012) and absenteeism. Organisations benefit from reducing turnover to avoid the related costs, such as a loss of knowledge-related capital or the costs of training new employees (Pergamit & Veum, 1999). However, we would like to point out that the avoidance of worker turnover is not always a preferable strategy for employers or employees. Some turnover might be preferable even from the employer's perspective if the costs of retaining a specific worker outweigh the benefits. However, especially in a job market in which certain specialists are scarce, optimally gratifying desired employees is important (Bloom & Van Reenen, 2007).

From an employee's perspective, satisfaction at work can reduce the risk of psychological problems and mental illness, such as depression and anxiety (Faragher et al., 2013). Job satisfaction seems to consist of a *state* component, which is sensitive to external events, and a *trait* component, which represents a relatively stable baseline of satisfaction (Judge & Ilies, 2004). Following a shift in well-being due to external events, satisfaction again converges to the baseline level, which is determined by dispositional factors. In order to understand the evolution of job satisfaction and to derive practical recommendations, it is necessary to investigate how job satisfaction is affected by external events in the work context and how these effects develop not just in the short term but also in the long term.

2.1 | Effects of job promotion in organisations

Because employees see job promotions as rewards (De Souza, 2002; Lazear & Rosen, 1981), promotions offer an important way to gratify and motivate employees and to increase their job satisfaction (Francesconi, 2001; Kosteas, 2011), which is expected to improve performance (Judge et al., 2001; Schwarzwald et al., 1992). Even the perception that one might get promoted in the future has positive effects on an employee's motivation and job satisfaction (De Souza, 2002; Lup, 2018). Moreover, organisations benefit from building long-term relationships with their employees (Felfe, 2008; Kyndt et al., 2009). Overall, promoting employees is seen as a win-win situation because both the employee and the organisation benefit from the promotion. However, in order to evaluate the effectiveness of promotions as a driver of job satisfaction and eventually performance, it is necessary to differentiate between short-term and long-term effects. To date, most studies on job promotion have used cross-sectional research designs, and the very few longitudinal studies that have been conducted have examined only short time intervals that have not allowed long-term developments to be uncovered (see Francesconi, 2001; Kosteas, 2011; Lup, 2018). Therefore, we extended previous research by differentiating between short-term and long-term effects.

2.2 | The short-term effects of being promoted to a leadership position

A promotion is usually accompanied by a wage increase (Baker et al., 1994; Pergamit & Veum, 1999), which itself leads to increase in motivation and job satisfaction (Grund & Sliwka, 2007). Besides the mere financial aspect of a pay raise, a promotion to a leadership position increases satisfaction in the short term due to changes in job characteristics and tasks (Hackman, 1980). A promotion to manager typically increases autonomy as well as the diversity of tasks, including new roles and more responsibility because one takes on the additional task of leading employees (Debus et al., 2019; Lup, 2018). This can, on the one hand, lead to increased time pressure, because the manager has to perform additional tasks with a higher complexity (Benjamin & O'Reilly, 2011). On the other hand, the promoted employee can demonstrate his or her competence and ability to learn in new and more work domains. According to Hackman and Lawler (1971) and Hackman and Oldham (1976), when employees take on a greater variety of tasks that are also more complex, they experience more meaningfulness, whereas increased autonomy enhances the perception of responsibility among employees, and these experiences then increase motivation and job satisfaction. As perceived job characteristics are related to job satisfaction (Fried & Ferris, 1987; Judge et al., 1998), changes in the perception of these characteristics are likely to result in higher job satisfaction for the promoted employee. However, research has yet to clarify the extent to which the shift in job satisfaction after a promotion to a managerial position (e.g., Lup, 2018) results from changes in job characteristics (e.g., the increased autonomy) and the extent to which it is driven by the financial gratification that accompanies most promotions (e.g., Pergamit & Veum, 1999) and is often not differentiated from the effect of the promotion itself.

Due to the described changes that play a role when an employee is promoted (e.g., Francesconi, 2001; Lup, 2018), we hypothesised: *Being promoted will have a short-term positive effect on job satisfaction beyond the effect of the corresponding wage increase (Hypothesis 1).*

2.3 | Long-term effects of promotion

We argue that a promotion has positive effects on job satisfaction in the short term but not in the long term because the increased feelings of autonomy and competence due to changes in job tasks and the greater room for manoeuvring diminish quickly (Van den Broeck et al., 2016). After a while, the promoted employee gets used to the new tasks, and habituation takes place. According to adaption level theory (Helson, 1964), the evaluation of a situation hinges on a reference point that is adjusted continuously but with a time lag that is based on an individual's experiences. Thus, shortly after promotion, individuals still base their reference point on the experiences they had before the promotion. By comparing this lower reference point with the new situation involving increased feelings of autonomy and competence, job satisfaction shifts upwards. However, these positive changes are absorbed into the basic level of job satisfaction in the long term, and the changes that are experienced directly after the promotion (e.g., greater responsibility) remain constant and take a back seat so that cognitive resources are available for addressing novel stimuli (Helson, 1964; Oerlemans & Bakker, 2018). Gradually over time, the reference point for comparison is slowly updated and adjusted to the employee's situation after the promotion, and the difference between the reference point and the actual situation diminishes. These homeostatic processes gradually cause the gains in the employee's job satisfaction that occurred shortly after the promotion to dissipate, and eventually, the level of job satisfaction comes back to the employee's individual base level. Thus, we hypothesised: *Being promoted will have no long-term positive effect on job satisfaction (Hypothesis 2).*

2.4 | Changing employers

The effect of a change in employer on job satisfaction is likely to follow a pattern of honeymoons and hangovers (e.g., Boswell et al., 2009). That is, similar to the hypothesised homeostatic development after a promotion, job satisfaction tends to shift upwards directly after the change in employer as a reaction to the new experiences and tasks (Latzke et al., 2016). However, after the transition, habituation processes take place and satisfaction is likely to decline (Boswell et al., 2009). Furthermore, following a change in employer, individuals learn more about their new job and the organisation and compare their experiences with what they had anticipated, which eventually leads to unpleasant surprises (Louis, 1980).

2.5 | Differential effects of gender

Gender has a strong influence on the effects of promotions (Blau & DeVaro, 2007; Lup, 2018). Thus, we suggest that gender has an effect on how a promotion affects job satisfaction (see also Lup, 2018). First, due to the commonly held belief that women are less able to fulfil managerial positions than men (e.g., Ridgeway, 2001), men are perceived as more legitimate when they hold a managerial position (Eagly & Heilman, 2016; Ridgeway, 2001). Moreover, men are generally preferred over women as leaders (Elsesser & Lever, 2011). Thus, after a promotion, women might perceive an incongruity between their female gender role and the leadership role, which may lead to a smaller effect of a promotion on job satisfaction for women (Eagly & Karau, 2002). Furthermore, women still perform the majority of domestic labour and childcare tasks (Blossfeld & Drobnic, 2001; Gwozdz & Sousa-Poza, 2010; Kan et al., 2011). Because promotions are often associated with an increase in work hours (Brett & Stroh, 2003; Feldman, 2002), women might experience more strain in combining their leadership tasks with their family or domestic work requirements (Dinh et al., 2017), which again might reduce the positive effect of promotions for women. Thus, we hypothesised: *The short-term positive effect of a promotion on job satisfaction will be stronger for men (Hypothesis 3).*

2.6 | Effects of wage increases on job satisfaction

Wage increases are another form of gratification that organisations offer employees to increase their job satisfaction and eventually their performance (Green & Heywood, 2008). Indeed, absolute wage levels as well as wage *increases* have been found to have positive effects on job satisfaction (e.g., Grund & Sliwka, 2007; Judge et al., 2010). However, wage increases have different effects depending on the previous wage level, such that individuals in lower income groups are likely to profit more from a wage increase (Judge et al., 2010). For instance, for an employee who earns $1500 (USD) a month, a $500 wage increase (i.e., a 33% pay raise) will probably have a strong influence on job satisfaction. By contrast, the same increase of $500 will probably have a smaller effect on the job satisfaction of an employee earning $10,000 a month. In line with this assumption, a saturation effect was found (Kahneman & Deaton, 2010). That is, for individuals earning more than $75,000 (USD) per year, the effect of a wage increase on emotional well-being was rather negligible. Moreover, continuous increase in wages become costly for the employer because the reference standard, which was set by the previous wage level, increases over time (Grund & Sliwka, 2007). To a large degree, this effect might be rooted in the fact that the effects of wages on job satisfaction also depend on how an employee's wage compares with peers' wages (e.g., Brown et al., 2008; Kosteas, 2011). These findings have their roots in individuals evaluating their own wages on the basis of comparison groups or expected wages (Drakopoulos, 2019; Grund & Rubin, 2017; Layard, 1980). Therefore, we hypothesised: *Wage increases will have a positive but marginally decreasing effect on job satisfaction (Hypothesis 4).*

3 | METHOD

3.1 | Sample and procedure

The data were drawn from the German Socio-Economic Panel (SOEP; Version 34; German Institute for Economic Research), an ongoing, nationally representative, longitudinal study of private households in Germany (for details, see Wagner et al., 2007). All members of the selected households 18 years of age and older were asked to participate in yearly interviews conducted by a professional fieldwork organisation (Kantar Public, Munich). Households were initially chosen by using a multistage random sampling technique with regional clustering; later, some refreshment samples were included to increase the sample size and to maintain the representativeness of the data for the entire population of Germany. In addition, new household members (e.g., new partners or grown-up children) were invited to participate and were interviewed in the yearly assessment sessions as well. To minimise attrition, individuals were followed even when they relocated or when household members separated; therefore, the stability of the panel is high (Bohlender et al., 2018). Data were collected during the annual interviews of 27 waves of the SOEP (1992–2018). Although we had access to the full SOEP data beginning in 1984, we did not use data from before 1992 to remove effects of the German Reunification, which was connected with a complete restructuring of the job market for the whole East German population. Because we were interested in the effects of promotion, we examined only respondents who were in the active private workforce. Thus, we restricted our sample to those participants who were employed in private sector firms at all three measurement occasions ($t-1$: 1 year before the promotion, t: directly after the promotion and $t+1$: 1 year later) and had no missing values in the dependent variable in $t-1$ and t. If individuals were demoted in $t+1$, these lagged values were excluded from the analysis. By restricting our sample to the private sector, the interpretation of our results became more straightforward, because we excluded, for instance, promotions within the civil service sector where seniority plays a major role in promotion decisions and the self-employed, where managerial positions are ill defined. In order to separate the effect of a promotion from the corresponding increase in pay, we restricted our sample to participants who received at least one promotion to manager. In order to avoid any confounding effects, we separately analysed promotions within the same organisation and 'promotions' (i.e., increase in occupational prestige) that were due to a change in employer because individuals who change employers are likely to experience greater job satisfaction after the change (Boswell et al., 2009; Latzke et al., 2016). Thus, our analyses were based on N = 1538 observations from persons without a change in employer in the promotion year (i.e., n = 162 individuals with a total of 163 promotions were measured on average 9.49 times, age: M = 37.58, SD = 9.53, age range: 19–68; gender: 38.9% women). Men received 99 promotions in this sample. For the sample with a change in organisation, N = 4440 observations were considered (n = 529 individuals measured on average 8.39 times, age: M = 38.74, SD = 9.55, age range: 18–74, gender: 29.93% women). From the 536 promotions in this sample, men were promoted 351 times.

All participants provided informed consent, and the Scientific Advisory Board of DIW Berlin granted ethical permission. Scientific use of the SOEP is available to universities and research institutes.

3.2 | Measures

3.2.1 | Job satisfaction

Job satisfaction was self-reported by participants on a scale ranging from 0 (*very unsatisfied*) to 10 (*very satisfied*).

3.2.2 | Life satisfaction

Because work is an important part of life, work satisfaction can spill over into general satisfaction (e.g., Demerouti et al., 2005). We therefore additionally analysed whether a promotion to manager had an influence on life satisfaction. The results are presented in Appendix A. Life satisfaction was also self-reported by participants on a scale ranging from 0 (*very unsatisfied*) to 10 (*very satisfied*). Job satisfaction was rated at the beginning of the survey and life satisfaction about 40 min later at the end. For an assessment of the validity of single-item life satisfaction measures, see Cheung and Lucas (2014).

3.2.3 | Promotion

A promotion can be defined and perceived in various forms (Pergamit & Veum, 1999). One of our aims was to differentiate between the effect of a promotion and the influence of the corresponding increase in pay. It was essential for a promotion to involve an increase in responsibility and not only a wage increase. Thus, we focused on promotions in which a person moved from a position without managerial duties into a leadership position, and we statistically separated the effect of the corresponding pay raise. Similar to Caliendo et al. (2012) and Hommelhoff and Richter (2017), we created a variable that indicated whether a respondent received such a promotion. Respondents provided answers to the question 'What is your current occupational status?' When employed in more than one position, respondents were asked to report on their main position only. If an employee without managerial responsibilities reported a position with managerial responsibilities in the following survey, we coded this as a promotion. For the specific classification categories, see Table 1.

We further controlled for the change in weekly work hours. Table 2 presents summary statistics for our main variables of interest. The average increase in workhours in the promotion year was M = 2.98 h (SD = 7.81) for the subsample without and M = 3.02 h (SD = 10.20) for the subsample with a change in employer. The promotion to a leadership position was accompanied by an average wage increase of M = 361.51 EUR (SD = 776.92) for those promoted within the organisation, respectively, M = 423.30 EUR (SD = 901.10) for individuals who changed employers in the year of promotion.

TABLE 1 Number of observations in the two samples (with and without a change in employer) and the different jobs (with and without managerial responsibilities)

Position	Without a change in employer *N*	With a change in employer *N*
Without managerial responsibilities		
Untrained worker	9	46
Semi-trained worker	39	145
Trained worker	117	531
Untrained employee with simple duties	19	103
Trained employee with simple duties	61	211
Employee with simple duties	564	1189
With managerial responsibilities		
Foreman, team leader	32	275
Master craftsman	28	148
Foreman (industry)	30	104
Employee with highly qualified duties or managerial function	615	1553
Employee with extensive managerial duties	26	135
N	1538	4440

Note: Total *N* = 5978 observations.

TABLE 2 Summary statistics

	Without a change in employer			With a change in employer		
	N	*M*	SD	*N*	*M*	SD
Job satisfaction	1538	7.17	1.84	4440	6.94	2.05
Life satisfaction	1535	7.36	1.46	4431	7.22	1.55
Promotion	1538	0.101	0.308	4440	0.121	0.326
Age	1538	37.58	9.53	4440	38.74	9.55
Male	1538	0.629	0.483	4440	0.701	0.46
Net income	1538	2090	1101	4440	1810	934
Gross income	1538	3413	1789	4440	2871	1586
Change in gross income in *t*	163	361.51	776.92	534	423.30	901.10
Work hours	1538	41.47	9.12	4440	42.60	10.74
Change in work hours in *t*	162	2.98	7.81	526	3.02	10.20

Note: Differences in *N* are due to missing values in an interviewee's responses to a particular question. *t* refers to the year of promotion.

Correlations are presented in Table 3. Job satisfaction was significantly correlated with life satisfaction, promotion and age in both subsamples. For the subsample of individuals promoted within an organisation, job satisfaction was negatively correlated with work hours. For those who changed employers in the year of the promotion, job satisfaction and gross income were correlated.

TABLE 3 Correlations

	1	2	3	4	5	6	7
1. Job satisfaction	-	0.464***	0.115***	−0.099***	0.014	0.038*	−0.024
2. Life satisfaction	0.39***	-	0.036*	−0.122***	−0.070***	0.101***	−0.056***
3. Promotion	0.039	0.024	-	−0.037*	−0.037*	0.000	0.041**
4. Age	−0.084**	−0.043†	−0.045†	-	0.127***	0.240***	0.049**
5. Male	−0.018	−0.010	−0.015	−0.036	-	0.197***	0.339***
6. Gross income	−0.001	0.033	−0.028	0.338***	0.230***	-	0.407***
7. Work hours	−0.041	−0.096***	0.095***	−0.046†	0.249***	0.308***	-

Note: There were N = 4440 observations for the subsample with a change in employer in the year of the promotion for all values except for life satisfaction (N = 4431) (above the diagonal) and N = 1538 for the subsample without a change in employer in the year of the promotion (below the diagonal) for all values except for life satisfaction (N = 1535).

$^{\dagger}p < 0.10$.

$^{*}p < 0.05$.

$^{**}p < 0.01$.

$^{***}p < 0.001$.

3.3 | Analysis

To investigate the effects of gratifications on job satisfaction, we utilised our panel structure to employ a regression of the following form:

$$\Delta y_{it,t-1} = \alpha + \beta_1 \Delta \mathrm{grat}_{1it,t-1} + \beta_2 \Delta \mathrm{grat}_{2it,t-1} + \delta_t + \rho_i + \varepsilon_{it} \tag{1}$$

where $\Delta y_{it,t-1}$ is the change from year $t-1$ to t in job satisfaction for individual i, $\Delta \mathrm{grat}_{1it,t-1}$ is the change from year $t-1$ to t in a dummy variable indicating a promotion and $\Delta \mathrm{grat}_{2it,t-1}$ is the change in monthly gross income in year t for individual i. δ_t and ρ_i are time and individual fixed effects (Mundlak, 1978), respectively, which are used to capture general time trends (e.g., the 2008/2009 financial crisis) and unobserved between-person heterogeneity that is constant over time (e.g., ability or personality). In our case, individuals who remained in the same organisation might have done so because they were already more satisfied than their counterparts who quit. Therefore, by considering individual fixed effects, we controlled for their inherent level of job satisfaction. ε_{it} is an error term. To eliminate the individual fixed effect and identify change in job satisfaction using within-individual variation only, we estimated the regression equation in first differences (i.e., considering changes between two consecutive years) and applied a fixed-effects transformation.[1]

Our research design had three significant advantages over cross-sectional (Schwarzwald et al., 1992) or short longitudinal designs (Pergamit & Veum, 1999). First, our estimates were not confounded with inherent differences in job or life satisfaction between individuals because we analysed only within-subject variation. Second, given the long time span (27 years) included in our data set, we were able to analyse long-term changes in job satisfaction following a *change* in gratification. Third, the size of our sample allowed us to examine potential gender effects.

4 | RESULTS

4.1 | Promotion

We estimated our model with the change in promotion status as an explanatory variable. Table 4 presents the immediate effect of a promotion on job satisfaction in both subsamples (columns 1 and 3). The effect of a promotion on job

TABLE 4 Effect of a promotion on job satisfaction

	(1)	(2)	(3)	(4)
	Without a change in employer		With a change in employer	
Promotion	0.21† (0.11)	0.21† (0.11)	0.24** (0.094)	0.24* (0.095)
Lagged effect of promotion		−0.073 (0.12)		−0.021 (0.091)
Change in employer			0.46*** (0.069)	0.48*** (0.071)
Lagged effect of change in employer				−0.16** (0.058)
Wage increase	0.000054 (0.000054)	0.000054 (0.000055)	0.000036 (0.000039)	0.000036 (0.000039)
Gross income	−0.000035 (0.000036)	−0.000033 (0.000036)	−0.000033 (0.000021)	−0.000035 (0.000022)
Change in work hours	0.00088 (0.0051)	0.00089 (0.0051)	−0.0065† (0.0039)	−0.0065 (0.004)
Constant	−0.20† (0.11)	−0.20† (0.11)	−0.20 (0.14)	−0.18 (0.14)
N	1272	1272	3577	3577

Note: Standard errors in parentheses. The table shows the effect of a promotion on standardised job satisfaction. Standard errors are clustered at the individual level.

†$p < 0.10$.

*$p < 0.05$.

**$p < 0.01$.

*** $p < 0.01$.

satisfaction was statistically significant and supported Hypothesis 1. In the subsample that changed employers, the effect of a promotion persisted when we controlled for the effect of the change.

In order to test the longevity of the promotion effect, we broke down the change in promotion into the immediate effect of a promotion and the lagged effect of a promotion (i.e., the effect of a promotion in the previous year on job and life satisfaction in the current year). Columns 2 and 4 in Table 4 show that, as expected, the direct effect of a promotion was indeed larger than the lagged effect. For those individuals with a change in employer, we further controlled for the lagged effect of the change, because job satisfaction is likely to decline after an initial peak as a reaction to the change in employer (Boswell et al., 2009). Figures 1 and 2 show the development of job satisfaction relative to the year of promotion for both samples.

Mean job satisfaction is plotted for the 2 years prior to the promotion and the 2 years after. In both figures, only mean satisfaction in the year of promotion lies above the confidence band.

Appendix B shows the effect of a promotion on job satisfaction with a lag of 2 years. However, a promotion had no significant effect on job satisfaction in the year after the promotion. Thus, the positive effect of a promotion on job satisfaction was short-lived, and Hypothesis 2 was supported.

4.2 | Wage increase

To distinguish the effect of a promotion from the effect of a wage increase, we controlled for the change in gross income as a form of gratification as well as income level. The results are shown in Table 4 in columns 1 and 2 for the subsample promoted within the organisation and in columns 3 and 4 for the subsample with a change in employer. The effect of wage increase was positive in both subsamples (0.000054), however, not significant. The size of this effect was comparable to the same effect for employees we excluded from our analysis, that is, for employees who did not

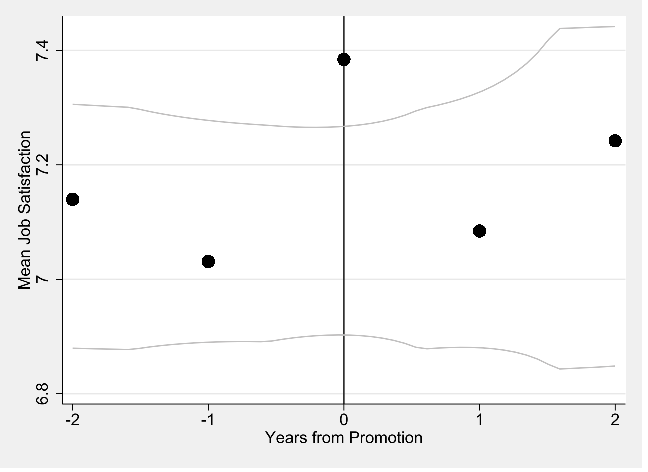

FIGURE 1 Mean job satisfaction from 2 years before to 2 years after the year of promotion for the sample without a change in employer. The figure plots mean job satisfaction across the sample for the 2 years leading up to the promotion and the 2 years after. The grey curves indicate the 95% confidence interval for a flexible polynomial regression. For this regression, we excluded the data point from the year of promotion. $n_{t-2} = 119$, $n_{t-1} = 137$, $n_t = 163$, $n_{t+1} = 74$, $n_{t+2} = 56$

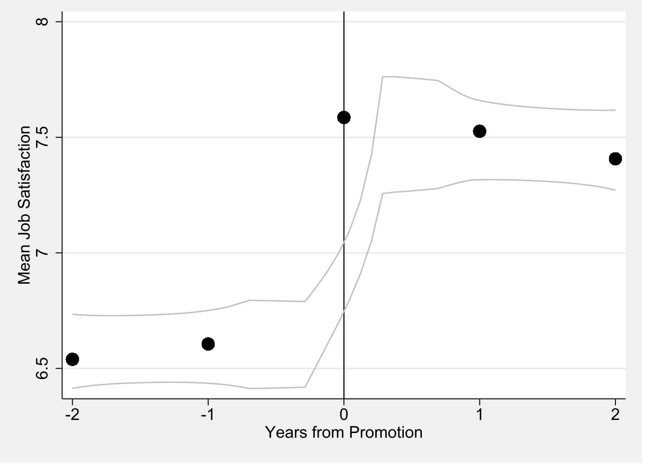

FIGURE 2 Mean job satisfaction from 2 years before to 2 years after the year of promotion for the sample with a change in employer. Mean job satisfaction relative to year of promotion for the sample with a change in employer. The figure plots mean job satisfaction across the sample for the 2 years leading up to the promotion and the 2 years after. The effect of a change in employer was not controlled for. The grey curves indicate the 95% confidence interval for a flexible polynomial regression. For this regression, we excluded the data point from the year of promotion. $n_{t-2} = 401$, $n_{t-1} = 520$, $n_t = 534$, $n_{t+1} = 244$, $n_{t+2} = 197$

receive a promotion (0.000045; see Appendix C). Due to the large sample size (N = 99,393), however, this effect was significant.

Using the coefficients from Table 4, the 'value' of a promotion can be calculated in terms of a monthly net wage increase. In order to obtain the same increase in job satisfaction from an increase in income as from a promotion, the monthly net wage would need to increase by 0.21/0.000054 = 3888.89€.

However, as we proposed in Hypothesis 4, we would expect the level of income to matter such that the gains in job satisfaction would be lower for higher income levels. The level of income had a negative effect (not significant) on job satisfaction, when it was analysed together with the wage increase.

4.3 | Effects of gender

Next, we considered two important sample splits. According to Hypothesis 3, we proposed a gender difference such that the effect of gratification would be stronger for men. In Table 5, we can see that for women (see columns 1 and 3), a promotion did not significantly influence job satisfaction in either subsample, whereas men (see columns 2 and 4) showed a significant positive increase in job satisfaction induced by a promotion. The short-lived nature of the joy of promotion could again be seen in the negative and jointly statistically significant parameter for the lagged value of promotion for men. However, the size of the sample of women was smaller than the sample of men; thus, because the male sample had more statistical power, the outcomes of the significance tests for the two groups were not directly comparable. We could thus conclude that the baseline effect was due to the effects within the subsample of men, supporting Hypothesis 3.

5 | DISCUSSION

In line with previous research, we confirmed that promotions have an immediate positive effect on job satisfaction (Hypothesis 1). Thus, this positive effect on job satisfaction will most likely improve job performance by, for example, increasing organisational citizenship behaviour, reducing absenteeism and improving psychological well-being (e.g., Faragher et al., 2013; Judge et al., 2001; LePine et al., 2002). However, we also showed that the effect of a job promotion does not last for longer than about 1 year (Hypothesis 2). This implies that the positive effect of a promotion on job performance indicators, which are related to job satisfaction, will also diminish after about 1 year. For our sample of individuals who received a promotion, we could only confirm the tendency of previous findings on the decreasing marginal utility of a pay raise (Kahneman & Deaton, 2010), that is, the smaller the raise relative to the employee's absolute income, the smaller the effect on job satisfaction.

We confirmed that being promoted to a managerial position more strongly affected job satisfaction for men than for women (Hypothesis 3), a finding that is in line with previous findings (Lup, 2018).

Our findings confirmed the results of two other comparable longitudinal studies (Kosteas, 2011; Lup, 2018). However, we extended the validity of these studies substantially because our results were based on a representative sample with a wide age distribution. Furthermore, we separated the influence of a promotion from a pay raise. In addition, we analysed promotions and pay raises separately for individuals who received a promotion within the same company and those who changed employers. This allowed us to compare the influence of a promotion on job satisfaction in two different settings while controlling for the effect of the change in employer itself. Actually, the comparison of promotions within the same company and promotions that are linked to a change in employer delivered new insights (see Table 4). Whereas it is not surprising that a change in employer comes with a greater increase in job satisfaction than a promotion within the same company, it is rather interesting to see that, even after controlling for the effect of changing employers, a promotion still yields a substantial increase in job satisfaction – even more than a promotion within the same company.

The effect of a job promotion seems very impressive if translated into the level of wage increase that is needed to produce the same effect on job satisfaction. When evaluated at the mean level of income in our sample, an employee's wage would have to increase by about 2.800€ in order to achieve the same effect as a job promotion. This finding falls near the same magnitude as the finding by Kosteas (2011), who found that a 50% increase in wages was needed to achieve the same effect on job satisfaction as a job promotion. However, our estimation of the ratio between the

TABLE 5 Effect of a promotion: Sample split by gender

	(1)	(2)	(3)	(4)
	Without a change in employer		With a change in employer	
	Women	Men	Women	Men
Promotion	0.10 (0.21)	0.27* (0.12)	0.26 (0.21)	0.23* (0.1)
Lagged effect of promotion	0.31 (0.2)	−0.25† (0.13)	0.079 (0.16)	−0.07 (0.11)
Change in employer			0.66*** (0.15)	0.42*** (0.08)
Lagged effect of change in employer			−0.25* (0.11)	−0.12† (0.068)
Wage increase	0.000043 (0.00019)	0.000079 (0.00005)	0.000041 (0.000086)	0.000038 (0.000041)
Gross income	−0.0002* (0.0001)	7.8e-07 (0.000029)	−0.000021 (0.000045)	−0.000041 (0.000025)
Constant	0.25 (0.29)	−0.33** (0.11)	−0.21 (0.4)	−0.17 (0.15)
N	458	814	1041	2536

Note: The table shows the effect of a promotion on the standardised value of job satisfaction. Year fixed effects (not reported) are included. Standard errors (in parentheses) are clustered at the individual level. We also included work hours as an independent variable, but due to its nonsignificant and small effects, it was excluded from the table.

†$p < 0.10$.

*$p < 0.05$.

**$p < 0.01$.

*** $p < 0.01$.

effect of a wage increase and a promotion is most likely somewhat biased. Because we looked only at promotions to a managerial position, these promotions were rather substantial promotions with higher effects compared to other types of promotions.

The practical implications for human resource management are manifold. First, increase in job satisfaction from wage increases or promotions is only temporary, and human resource management should not expect these positive effects to last for more than 1 year. Most likely, job satisfaction works according to the homeostatic principle because even though satisfaction increases through promotions and wage increases, it eventually returns to its base level, just like life satisfaction does (Fujita & Diener, 2005). Thus, in order to keep job satisfaction at a high level, one might think that frequent gratifications are an option. However, such an approach is probably not effective because such gratifications will most likely be taken for granted and become part of the new baseline (Helson, 1964). This catch-22 for human resource management demonstrates the necessity of focusing more on additional HR practices (e.g., enhancing employee participation, see Cox et al., 2006) in order to maintain a satisfied and, most likely, a committed workforce in the long run. However, as a practical limitation, HR managers are unlikely to exclusively focus on using promotions as a tool to foster job satisfaction and work motivation. Promotions are offered for many other organisational constraints, for instance, when a managerial position needs to be filled immediately, and this might limit the strategic use of promotions as gratifications.

Furthermore, decoupling a wage increase from a promotion even though it may sound strange at first might also help to increase long-term overall satisfaction because the effect of one kind of gratification will not overlap with the other, and each can contribute its full potential at a different point in time. In addition, a wage model with a lower share of fixed wage in exchange for a larger share of the flexible portion for people with higher incomes seems to be a viable option because the flexible portion can more easily be framed as a temporary gratification.

From a somewhat different angle (e.g., the 'New Work' approaches; Bergmann, 2019), that shift factors like meaningfulness, participation and employee empowerment into focus, promotions and pay raises should be viewed not so much as conditioning tools to keep the 'rat race' going (Lazear & Rosen, 1981) but much more in terms of person-job fit. This view would go in line with our findings of the differential effects of a promotion for women and men. We can rule out at least one potential explanation for this differential effect. An increase in work hours that might come with a promotion did not have a significant effect on job satisfaction at all. Further arrangements, such as training measures to prepare promoted personnel for subsequent leadership tasks, have to be considered in future research. Acknowledging further specific individual conditions and circumstances (e.g., phases of child care, health conditions or social commitment) might help organisations time promotions better or adjust the conditions that usually come with promotions in order to increase the positive effect of a promotion or even to prevent negative effects for some individuals.

ACKNOWLEDGEMENTS

The authors would like to thank Jane Zagorsky for her language support and the anonymous reviewers for their substantial efforts in improving the manuscript. Open access funding enabled and organized by Projekt DEAL.

CONFLICT OF INTEREST

The authors reported no potential conflict of interest.

DATA AVAILABILITY STATEMENT

Data are made publicly available by the German Institute for Economic Research (DIW) through a formalised procedure (see https://www.diw.de/en/soep). The authors have not used SOEP data addressing the topics presented herein and the DIW's record of publications based on the SOEP data shows no similar publication either (see https://www.diw.de/en/diw_02.c.222865.en/soeplit.html).

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ENDNOTE

[1] The fixed-effects transformation is achieved by subtracting the individual-specific mean from each variable (Kohler & Kreuter, 2005). Because the mean of ρ_i is just ρ_i, the unobserved individual fixed effect is eliminated, and time-invariant characteristics (e.g., culture, gender or race) are omitted. A second feature of this transformation is that only deviations from the individual-specific mean over time remain in the data, thus allowing us to identify the effect using within-subject variation only. One side effect is that these time-invariant characteristics cannot be analysed as causes of the dependent variables.

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APPENDIX A

TABLE A1 Effect of a promotion on life satisfaction

	(1)	(2)	(3)	(4)
	Without a change in employer		With a change in employer	
Promotion	0.035 (0.081)	0.027 (0.081)	−0.12 (0.078)	−0.12 (0.075)
Lagged effect of promotion		−0.081 (0.093)		−0.016 (0.081)
Change in employer			0.2*** (0.059)	0.20** (0.06)
Lagged effect of change in employer				0.0048 (0.05)
Wage increase	0.000075† (0.00004)	0.000075† (0.00004)	0.000004 (0.000024)	0.000004 (0.000024)
Gross income	−0.00005 (0.000034)	−0.000048 (0.000034)	−1.9e-07 (0.000015)	1.8e-07 (0.000015)
Change in work hours	−0.00059 (0.0047)	−0.00058 (0.0047)	−0.00065 (0.0028)	−0.00065 (0.0028)
Constant	−0.031 (0.16)	−0.034 (0.16)	−0.088 (0.12)	−0.089 (0.12)
N	1268	1268	3567	3567

Note: Standard errors in parentheses. The table shows the effect of a promotion on standardised life satisfaction. Standard errors are clustered at the individual level.

†$p < 0.10$.

*$p < 0.05$.

**$p < 0.01$.

***$p < 0.001$.

APPENDIX B

TABLE B1 Effect of a promotion on job satisfaction with lagged effects

	(1)	(2)	(3)	(4)
	Without a change in employer		With a change in employer	
Promotion	0.21† (0.11)	0.25* (0.12)	0.24* (0.095)	0.26* (0.11)
Lagged effect of promotion	−0.073 (0.12)	−0.11 (0.12)	−0.021 (0.091)	−0.029 (0.094)
Two-years lagged effect of promotion		0.076 (0.14)		0.049 (0.09)
Change in employer			0.48*** (0.071)	0.48*** (0.081)
Lagged effect of change in employer			−0.16** (0.058)	−0.15* (0.067)
Two-years lagged effect of change in employer				−0.012 (0.067)
Wage increase	0.000054 (0.000055)	0.000051 (0.00006)	0.000036 (0.000039)	−0.000013 (0.000036)

(Continues)

TABLE B1 (Continued)

	(1)	(2)	(3)	(4)
	Without a change in employer		With a change in employer	
Gross income	−0.000033 (0.000036)	−0.000025 (0.000027)	−0.000035 (0.000022)	−0.000029 (0.000024)
Change in work hours	0.00089 (0.0051)	−0.00053 (0.0048)	−0.0065 (0.004)	−0.0032 (0.0039)
Constant	−0.20† (0.11)	0.27 (0.17)	−0.18 (0.14)	−0.12 (0.14)
N	1272	1077	3577	2956

Note: Standard errors in parentheses. The table shows the effect of a promotion on standardised job satisfaction. Standard errors are clustered at the individual level.

†$p < 0.10$.

*$p < 0.05$.

**$p < 0.01$.

***$p < 0.001$.

APPENDIX C

TABLE C1 Effect of changes in net income on job satisfaction for the sample without a promotion

	Without Promotion
Change in gross income	0.000045*** (7.4e-06)
Gross income	−0.000022*** (4.8e-06)
Constant	−0.13*** (0.023)
N	99,393

Note: Standard errors in parentheses. The table shows the effect of a change in net income on standardised values of work satisfaction. Standard errors are clustered at the individual level.

***$p < 0.001$.

How to cite this article: Otto, S., Dekker, V., Dekker, H., Richter, D., & Zabel, S. (2021). The joy of gratifications: Promotion as a short-term boost or long-term success – The same for women and men? *Human Resource Management Journal*, 1–19. https://doi.org/10.1111/1748-8583.12402