

Today at Work

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QUARTERLY WORKFORCE RESEARCH REPORT

ISSUE 3 | SEPTEMBER 2023

THE



HIDDEN TRUTH

ABOUT PROMOTIONS

Committed and motivated workers can help a company's bottom line, and they're more likely than others to land promotions. But do employers have to worry about them jumping ship?

ALSO IN THIS ISSUE

MEASURING WORKER MOTIVATION & COMMITMENT

Successful companies are built on the hustle and loyalty of their workers. So we built a way to measure those invaluable qualities.

About Today at Work:

Today at Work blends ADP data representing more than 25 million U.S. workers with nearly a decade of continuing surveys of more than 490,000 workers in 29 countries. Combined, these data sets provide a recurring, people-centered, and comprehensive view of the world of work.

This quarterly report taps that intelligence to deliver a complete view of the employee's job lifecycle, one that's rooted in data from every career touchpoint and coupled with survey responses that capture how people feel about the workplace and how those feelings drive their actions.

The ADP Research Institute's mission is to generate data-driven discoveries about the world of work and derive reliable economic indicators from these insights.

Learn more at www.ADPRI.org

Letter from Nela

Welcome to the latest edition of *Today at Work*. This quarter, we reveal the unintended consequences of promotions and present a new way of measuring the motivation and commitment of the workforce.

Companies sometimes award promotions as a way to keep their best and brightest, especially in a tight labor market. But there's a flip side of elevating an outstanding performer: It might make that individual even more marketable, as Ben Hanowell writes in this issue.

If someone has excellent performance, of course you should strive to pay them more. But what companies sometimes get wrong is confusing promotions with merit pay increases.

Promote people, but make sure you're promoting for the right reasons. If a person is taking on work with increased responsibility and scope, by all means promote them. But if your outstanding employee is doing excellent work in their role, there are potentially more effective ways to reward that performance – think bonuses or merit pay increases, for example.

To delve deeper into those best and brightest workers, we've built a tool that captures a component of the labor market that's generally not discussed or recognized: The relationship that employees have with the companies they work for.

As Dr. Mary Hayes and Jared Northup write, that relationship can be affected by a worker's trust in leadership and their feelings of belonging and being recognized. It also can be buffeted by macro factors such as a company's performance or an economic downturn.

Our new Employee Motivation and Commitment Index captures those inputs. It seeks to measure worker motivation and commitment not for what it says about the labor market, but what it says about how workers are responding to their companies.

We think this index has the potential to gauge the long-term direction of productivity and turnover at the company level and the economy at large.

Send us your thoughts on this edition of *Today at Work* and what you'd like to see in future ADP Research Institute publications. Write to the team at ADP.Research.Institute@adp.com

Until next quarter,

Nela Richardson, Ph.D.*
Chief economist, ADP
Head of the ADP Research Institute

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The Hidden Truth About Promotions

By Ben Hanowell

Committed and motivated workers can help a company's bottom line, and they're more likely than others to land promotions. But do employers have to worry about them jumping ship?

We know that a person's commitment to their employer depends in part on whether they feel recognized for excellent work. And one way employers recognize excellence is by promoting people through the company's ranks.

ADP data shows that workers who intend to stay with their current employer also are more likely than others to be committed to that employer.

One would think that promoting excellent workers would only increase their motivation and commitment — and reduce their risk of leaving.

Think again.

When someone gets their first promotion, the recognition might boost their commitment to their employer for a while. But it might also improve their confidence in their job prospects.

We wondered how that first promotion affects a person's risk of leaving. How does that impact evolve over the months that follow, and how does it depend on other factors related to someone's job prospects?

To answer these questions, the ADP Research Institute analyzed the job histories of more than 1.2 million people in the United States working for companies that employed at least a thousand people. We looked at the years 2019 through 2022.

Using this data, we built a statistical model that estimates a person's risk of leaving their employer for any reason within a given number of months, based on their managerial level, job requirements, gender, months since hire, and the total number of months in which they had ever been promoted.

For more on our statistical model, the data we used to build it, and the way we use it to measure the impact of promotion on retention, visit [ADPRI's Data Lab](#).

We used the model to calculate the chances that people who actually got promoted left the company. We then used the same model to calculate what those chances would have been had those same people never been promoted. Finally, we compared these two scenarios to see if moving up the ranks had any impact on retention.

As it turned out, it did.

What Every Manager Should Know About Promotions

Within a month after their first promotion, 29 percent of people had left their employer. Had these people not been promoted, more of them might have stayed — only 18 percent would have moved on, according to our estimate. Promotion, in other words, led to a nearly two-thirds increase in the risk a person would leave.

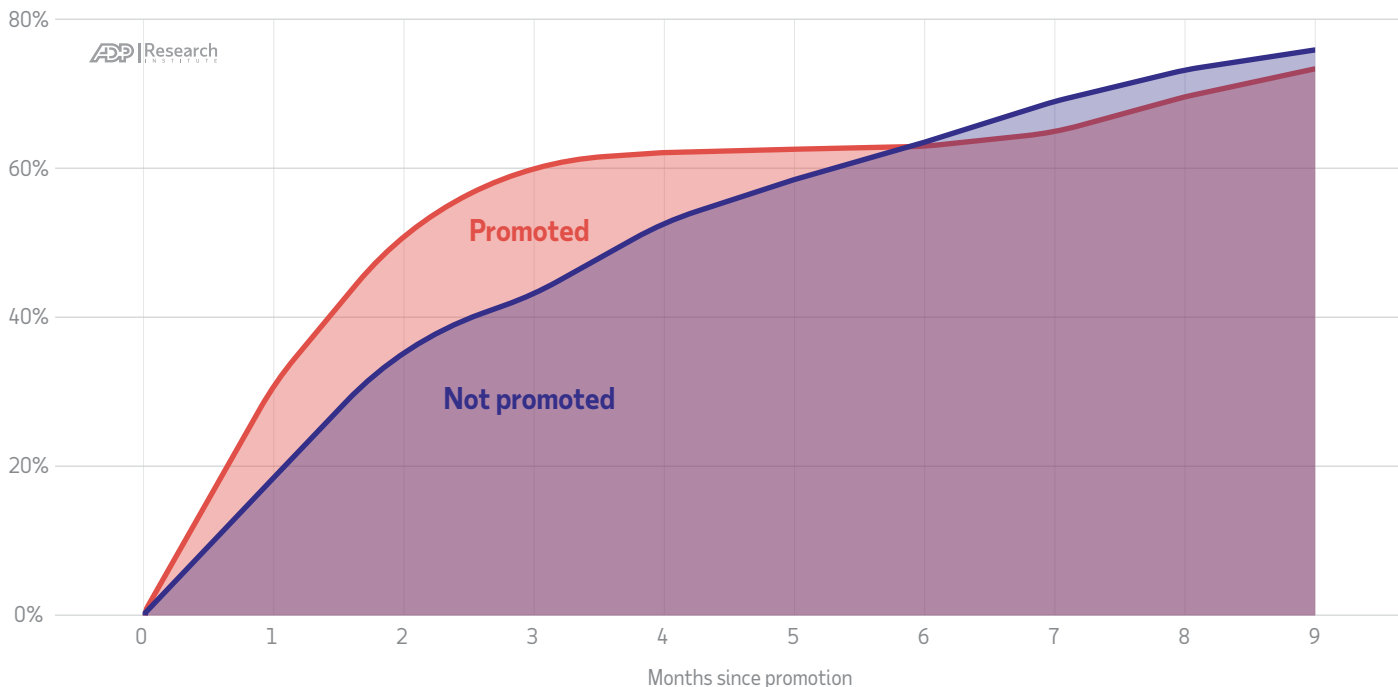
By the six-month mark, that risk divide narrows. Recently promoted workers and those who hadn't been promoted both had close to the same chance of leaving the company for any reason. The two groups continued to track each other out to the nine-month mark.ⁱ

Within a month after their first promotion, 29 percent of people had left their employer. But by the six-month mark, that risk divide narrowed.

Promotion increases the chance that a person will leave.

The risk is most pronounced during the first six months of a promotion.

Cumulative chance of leaving the company for any reason



Source: Statistical model built by ADP Research Institute using ADP payroll and HR data

All told, because promotion increases the risk of a person leaving a company, every promotion leads to a loss in effective headcount equal to about 14 days of work over a nine-month period.

But remember that promotions are pretty rare. In our [last issue](#) of *Today at Work*, we showed that only 4.5 percent of workers are promoted within two years of being hired. That means few people are susceptible to promotion's impact on the risk of leaving, leading to a small overall effect on the company as a whole.

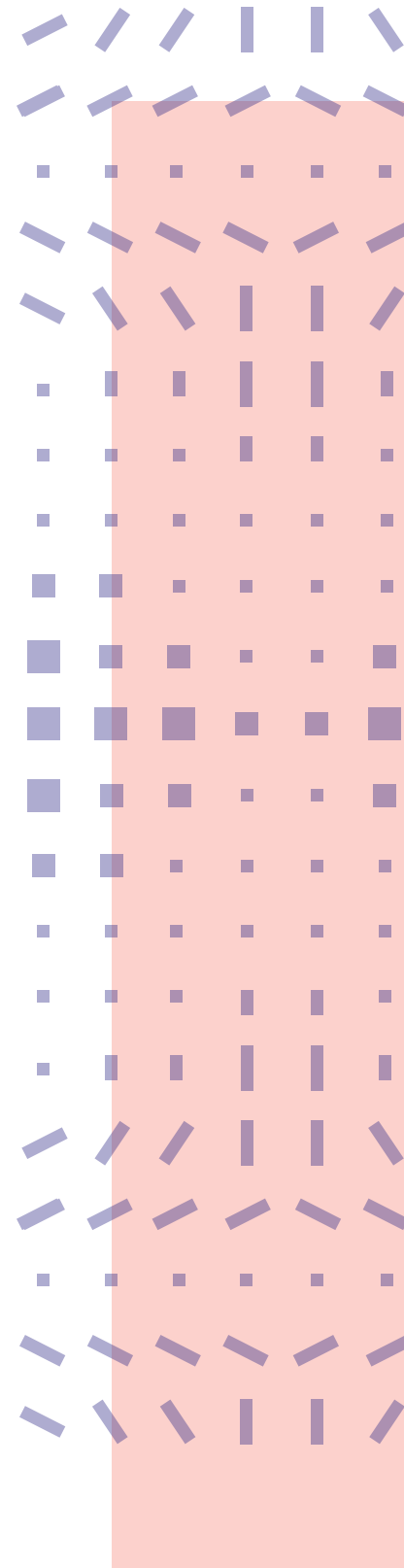
These data suggest that landing a promotion gives a person a leg up in their search for work outside their current employer. But they're also consistent with another workplace phenomenon: People who are given more responsibility without adequate preparation, compensation, or resources could become more likely to quit.

To tease apart these two scenarios, we looked at how the impact of promotion depends on other variables that can affect a person's job prospects.

Fewer job entry requirements, higher risk

People who landed their first promotion while working jobs that require little to no training or education – think of work that requires a high school diploma or less – were nearly six times more likely to leave in the first month after their promotion than they would have been had they not been promoted. What's more, that promotion continued to more than double their chance of leaving the company for the remainder of a nine-month period.

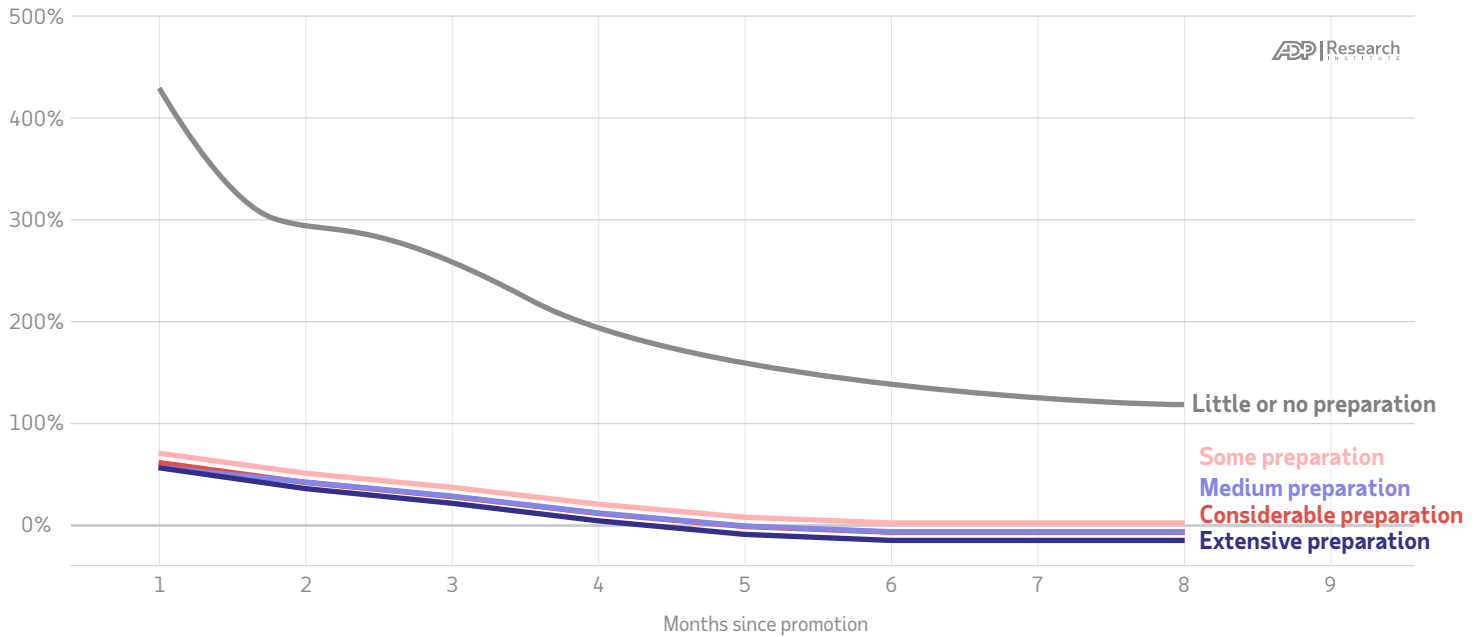
Compare that to people promoted in jobs that demand extensive preparation, such as graduate school or an advanced technical degree. They were 52 percent more likely to leave in the first month after being promoted, but by the fifth month, their risk of leaving dropped below what it would have been without getting promoted.



Promotion impact weakens as job entry requirements rise

Jobs requiring little or no preparation stand out from the rest with the highest impact of promotion on the chance of leaving the company

Percent change in cumulative chance of leaving the company for any reason (Promotion vs. no promotion)



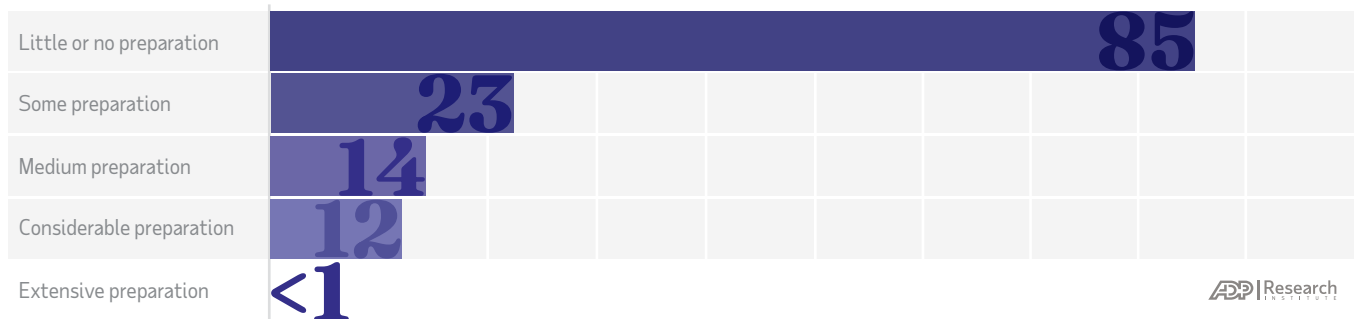
Source: Statistical model built by ADP Research Institute using ADP payroll and HR data

The upshot:

Each time someone gets promoted while working a job that requires little to no preparation, it leads to a loss in effective headcount equal to nearly three months of work. By contrast, when a person working a job that requires extensive preparation gets promoted, it costs employers less than a single day of effective headcount.

The stricter the job requirements, the fewer days of effective headcount lost per promotion over a nine-month period

Days of effective headcount lost per promotion

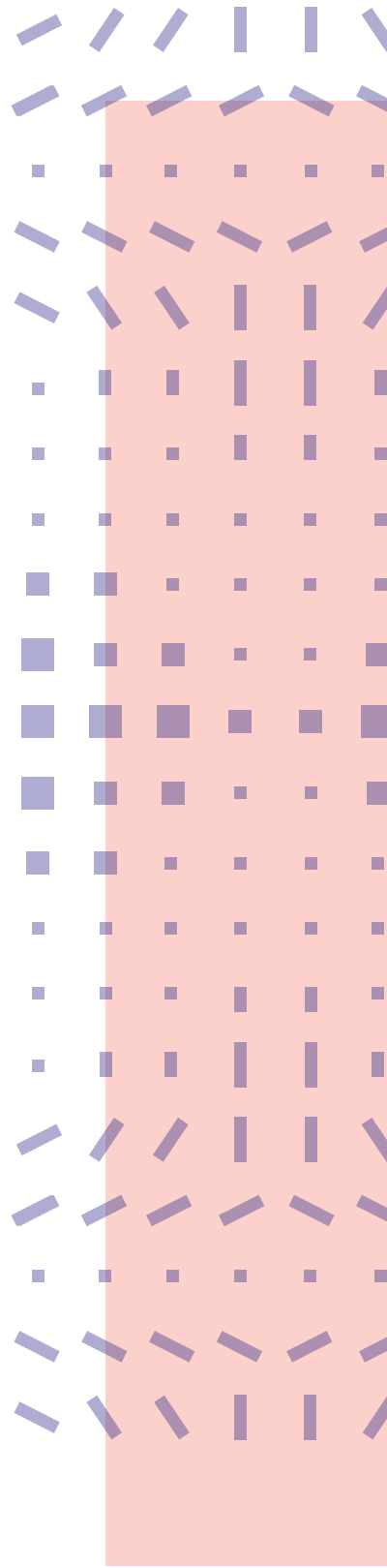


Source: Statistical model built by ADP Research Institute using ADP payroll and HR data

These findings reflect the economic conditions that followed the coronavirus pandemic. As the economy reopened in 2022, demand for services and goods skyrocketed, with workers in the lowest wage brackets benefiting most from the labor market boom.

Workers in the bottom 10th percentile of wages saw their pay increase 9 percent from 2019 through 2022, twice the pace of wage growth experienced by earners in the 90th percentile.ⁱⁱ

Perhaps this trend will reverse if the labor market starts to favor higher-wage earners the way it did prior to the pandemic, especially during and after the Great Recession.



Higher rank, higher risk

As we mentioned earlier – and illustrated in the [last issue](#) of *Today at Work* – it's rare to be promoted to management.

Yet we also showed that the higher someone rises through company ranks, the better their promotion prospects become. It follows that their job prospects rise, too, in comparison to individual contributors.

On the other hand, the non-managerial ranks of individual contributors might see a promotion into management as a signal that they could build a career at their current employer, at least for a while.

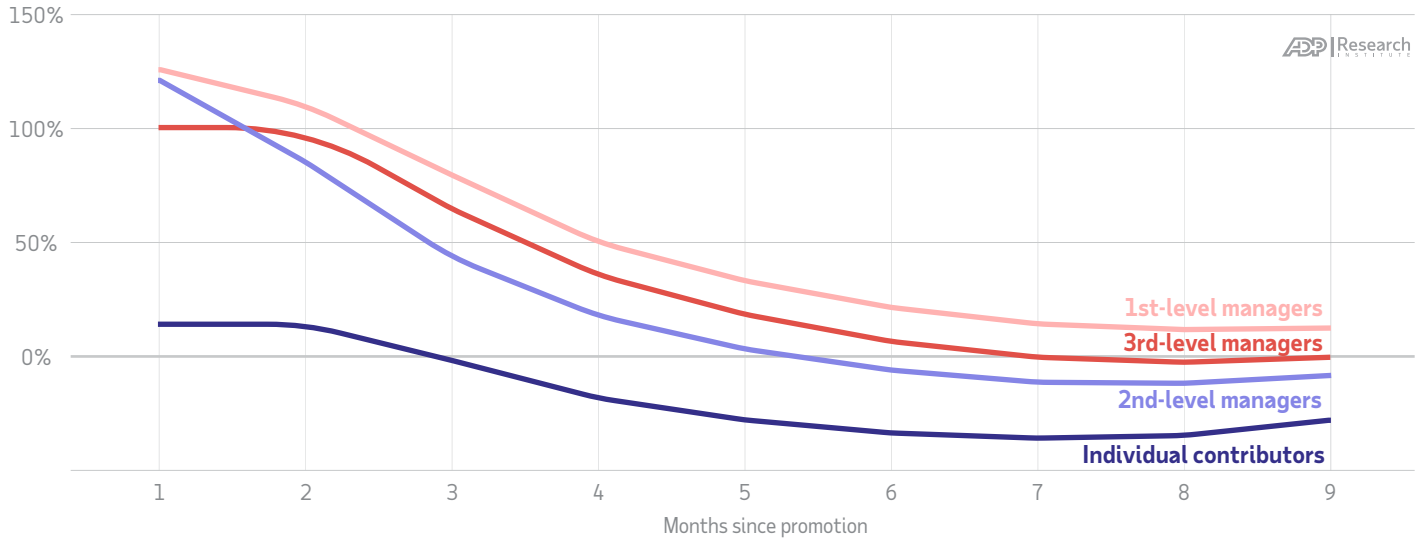
If a person's job prospects improve as they rise through the managerial ranks, it might follow that those promotions increase their risk of leaving, too.

That's exactly what we found. A promotion increased a manager's risk of leaving more than it did for individual contributors, and that increased risk lasted longer. While each promotion added 37 days of effective headcount for individual contributors over a nine-month period, it reduced effective headcount for managers in that same time frame.

A promotion increased a manager's risk of leaving more than it did for individual contributors, and that increased risk lasted longer.

The pull-away effect of promotion lasts longer for managers

Percent change in cumulative chance of leaving the company for any reason
(Promotion vs. no promotion)



Source: Statistical model built by ADP Research Institute using ADP payroll and HR data

Yet not all managers are alike. Promotion reduced remaining tenure for first- and third-level managers the most.

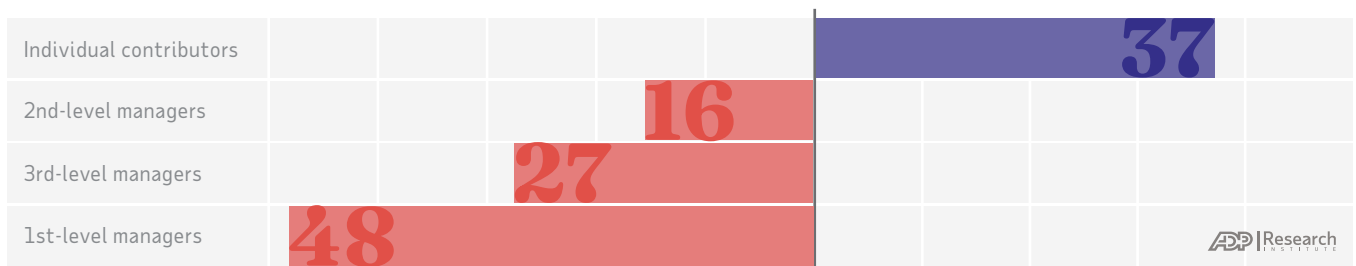
For first-level managers, a promotion to middle management would seem to be a suitable time to explore career options. Their promotion prospects are better than for individual contributors, but perhaps not enough to counteract the wage bump they might get from switching jobs.

Second-level managers have the highest promotion chances among managers — 16.3 percent — and their next move is to upper management. The promise of promotion from within increases the likelihood of sticking with the same employer.

Finally, third-level promotions move managers into the highest ranks, where they might find themselves targeted by executive recruiters scouting for C-suite talent.

Nine months out, promotion leads to a **gain** in effective headcount for **individual contributors** but a **loss** for **managers**

Days of effective headcount gained or lost per promotion



Source: Statistical model built by ADP Research Institute using ADP payroll and HR data

The Takeaway

Should you avoid promoting your managers because it increases the chance they'll leave?

Of course not. Their job prospects are a function of their marketable skills, and leadership recruitment isn't easy. But you should account for this risk when promoting managers to lead larger teams. Have a plan in case they leave. Build redundancies to mitigate the risk of losing managerial talent.

Should you increase your promotion rate among individual contributors to improve retention?

No, again. Promote the people who deserve it and you'll increase their commitment to you as an employer where they can build a career. Promote too many of the wrong people and you lower the bar for excellence, which ultimately could undermine their motivation to work harder.

Should you stop promoting your lowest-paid workers because it increases their risk of leaving?

You already know the answer. The market for low-wage earners is hot. Reduce the expense of backfill recruiting by experimenting with ways to incentivize retention among this group in the months following their promotion.

Footnotes

- i To measure job requirements, we used ADP matched job titles to [Occupational Information Network \(O*NET\)](#) occupation codes, which are each assigned a [Job Zone](#).
- ii Gould, Elise and Katherine DeCourcy. "Low-wage workers have seen historically fast real wage growth in the pandemic business cycle." [Economic Policy Institute](#). March 23, 2023.



Measuring Worker Motivation and Commitment

by Dr. Mary Hayes and Jared Northup

Successful companies are built on the hustle and loyalty of their workers. So we designed a way to measure those invaluable qualities.

Organizations thrive when workers have confidence in their leaders, the organization itself, and in their own ability to do the work expected of them.

Unlike their less-confident peers, these workers aren't paralyzed by uncertainty. They're not fearful of change or suspicious of innovation. They're motivated and empowered to meet new challenges. They want to learn new skills and take on new roles.

Motivated and committed workers, in short, are invaluable to employers. But tracking an ethereal state of mind is difficult, to say the least, and an employee's positive feelings about work can easily be blown off track by myriad forces large and small.

The ADP Research Institute set out to build a reliable, real-time way to measure this state of worker allegiance. The result is our Employee Motivation and Commitment Index, which tracks how people think and feel about their jobs, their place on the org chart, and their employers. The EMC Index takes its measure of the labor force in real time and can tell us whether workers are flourishing in their jobs or detaching.

Employees, business leaders, HR practitioners, economists, and policymakers should care about worker motivation. It's important not just to individual and societal well-being, but also to a company's bottom line. We'll explore these themes in this report.



How Does the EMC Index Work?

To build the index, we turned to our monthly Employee Sentiment Survey and its historical repository of responses from hundreds of thousands of workers across the globe. For now, we focused our attention on responses from people in the United States.

Armed with this proprietary data, we began with the theory that employee motivation and commitment is a state, not a trait.

We designed the EMC Index as a tool to help define optimal functioning for employees and specific roles within an organization. The score measures how employees feel about their place at work and whether they're thriving and growing.

Because the index changes over time depending on individual and collective circumstances, it can provide context on the state of specific industries, the labor force, and the economy.

In the United States, our survey delivers responses from 2,500 workers every month, data we use to measure employee engagement, resilience, and inclusion.

See ADPRI's [Engagement Pulse](#), [Workplace Resilience](#), and [ConnectionXPS](#) studies for more information.

Looking at these three instruments, which we've refined over a decade of surveying workers, we examined the statistical relationship between survey responses to measure motivation and commitment at work.

In the end, we landed on worker responses to nine survey items:

- I know I will be recognized for excellent work.
- I have great confidence in my company's future.
- In my work I am always challenged to grow.
- I trust my team leader.
- I completely trust my company's senior leaders.
- In the last week, I have felt excited to work every day.
- I see myself represented in the leadership of my organization.
- I believe my company promotes people based on the work they do, not what they look like.
- When I share my opinion, I feel heard.

We used a five-point Likert scale that allows respondents to choose one of five answers, ranging from strongly agree to strongly disagree. By weighting certain responses more than others, we arrive at an EMC Index level for each worker who completes the survey.

Consistent with best practices, we chose to represent motivation and commitment levels as a binary. A worker who answers many of the questions positively is categorized as high MC. One who answers more negatively is categorized as reduced MC.

This was our starting point for building the EMC Index

As we built the index, we found that workers who score high in motivation and commitment have less intent to leave an organization, showing a clear relationship between retention and the EMC Index. An index value of more than 100 is consistent with growing commitment and motivation. A value of less than 100 signals diminishing levels of these states.

For more on how we constructed the EMC Index, visit [ADPRI's Data Lab](#).

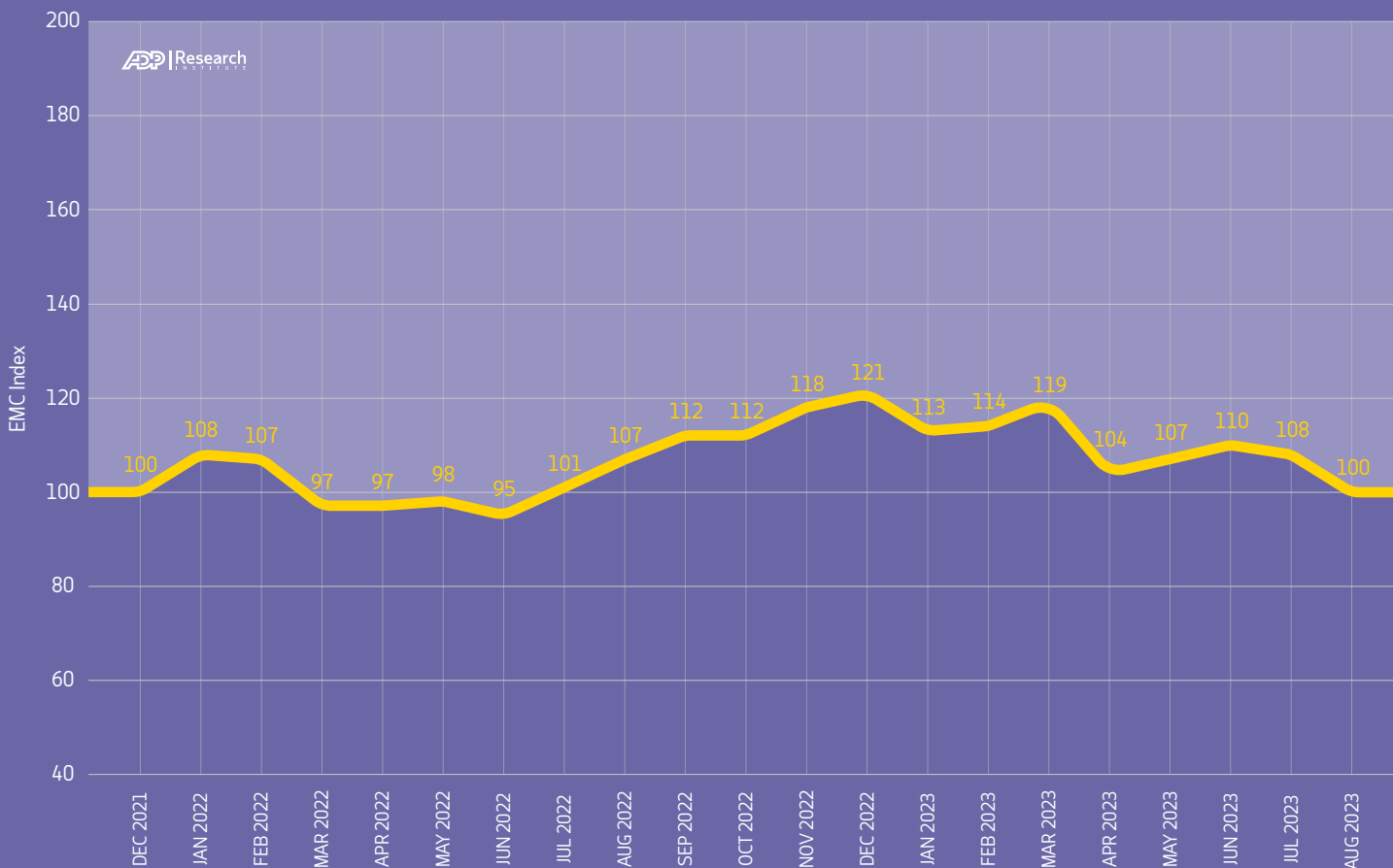
Here's What We Found

As we hypothesized, worker motivation and commitment does in fact rise and fall over time.

In August 2023, the EMC Index fell from 108 to 100, its lowest point since June 2022. The index peaked in December 2022 at 121 after a year of robust pay growth, strong hiring, and the rise of remote work.

The Employee Motivation and Commitment Index

Worker motivation and commitment rises and falls over time. In August, the EMC Index fell 8 points from the month before.



December 2021 = 100

Source: ADP Research Institute Employee Sentiment Survey

Additional findings: Productivity

To illustrate why workers, business leaders, economists, and policymakers should care about worker motivation and commitment, we examined the all-important yet confounding metric of productivity.

Measuring output by units of input is complex and difficult. But a proxy for individual productivity can be obtained by analyzing how workers rate the quantity and quality of their output, and their commitment to getting the job done. Taken together, these metrics can help us sort workers into three productivity categories – high productivity, moderate productivity, and low productivity.

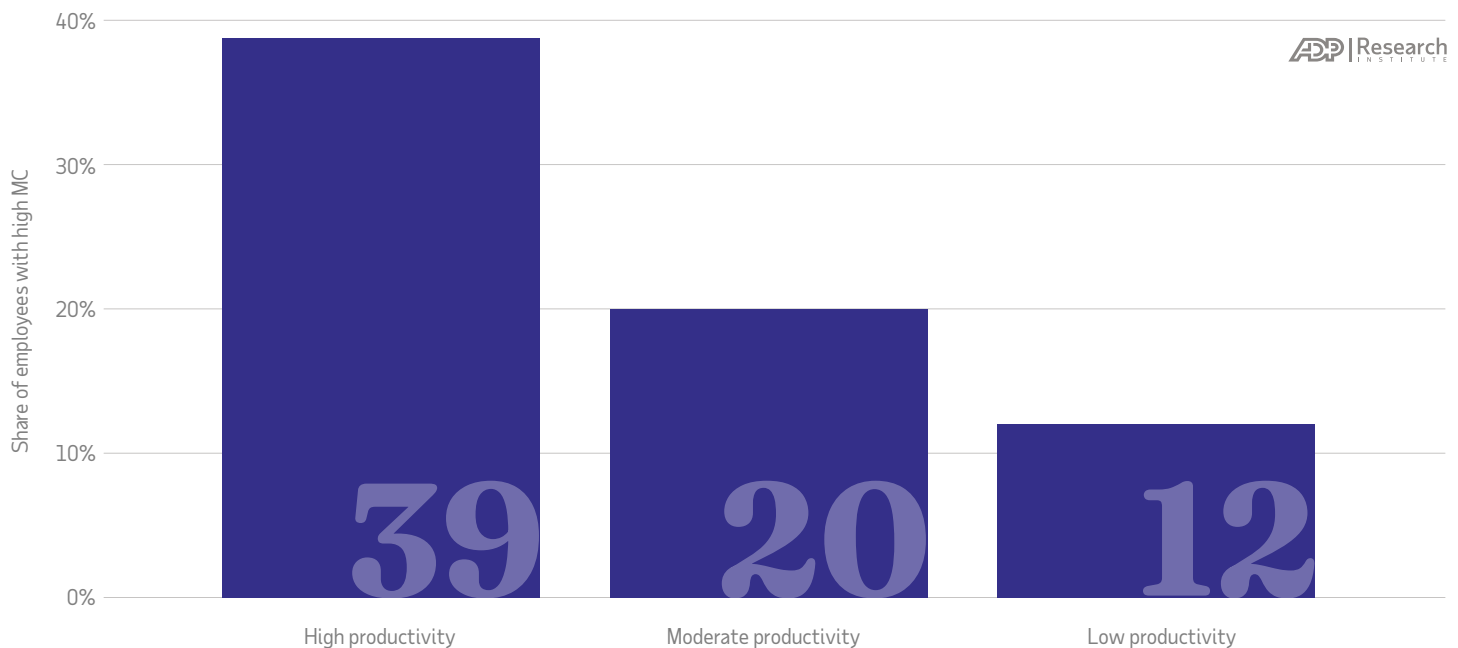
When we did that, we found a strong relationship between output and worker motivation and commitment.

Highly productive workers are 2.6 times more likely to be high MC than moderately productive workers, and 4.9 times more likely to be high MC than low-productivity workers.

We found a strong relationship between output and worker motivation and commitment.

Productivity and high MC

Highly productive workers are 2.6 times more likely to respond positively to questions about their work and motivation.



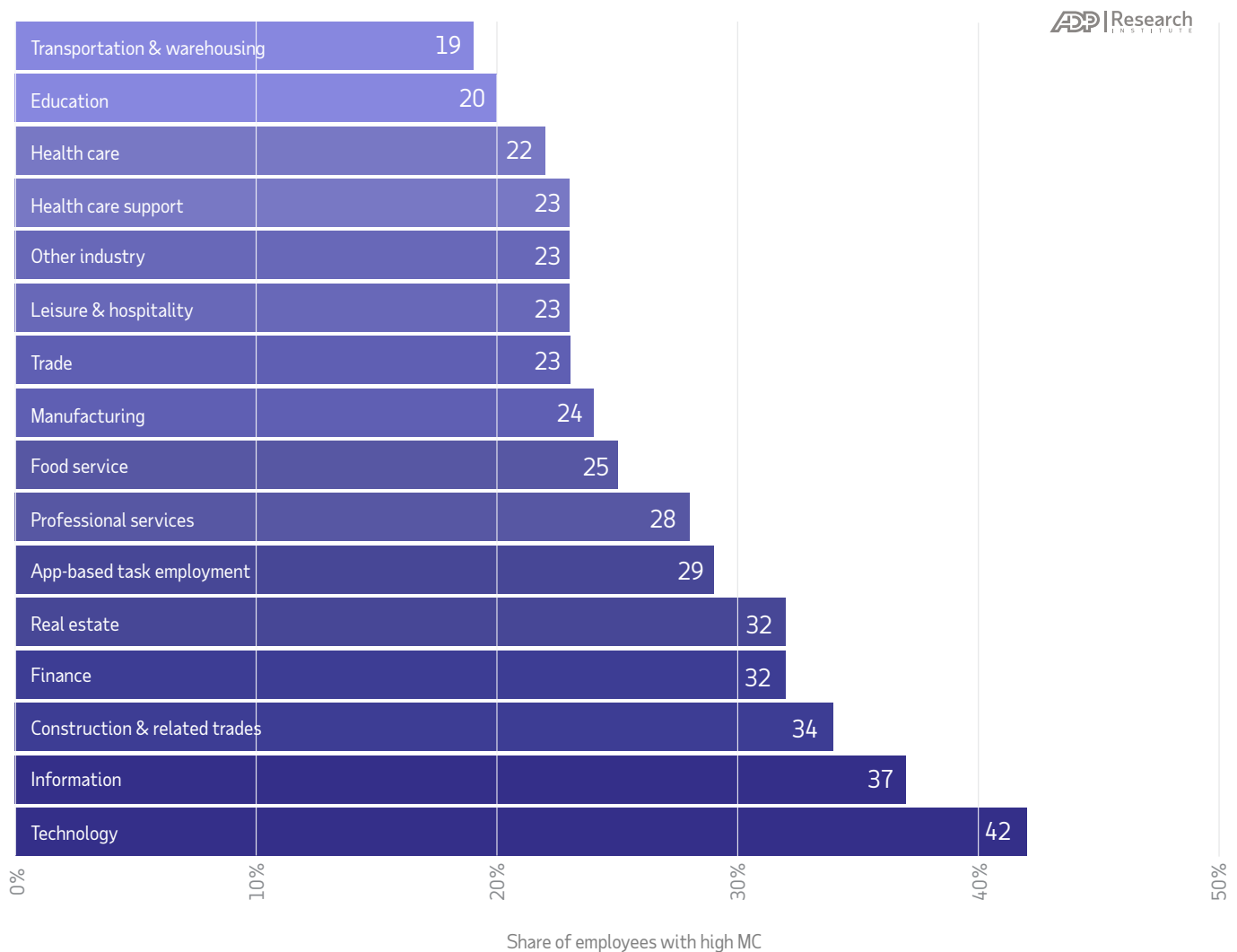
21-month average

Source: ADP Research Institute Employee Sentiment Survey

Additional findings: Industry differences

A person's industry might influence their level of motivation and commitment. Over the past 21 months, information and technology had the biggest share of highly motivated and committed workers, education and transportation & warehousing the smallest.

Employee motivation and commitment varies by industry



21-month average

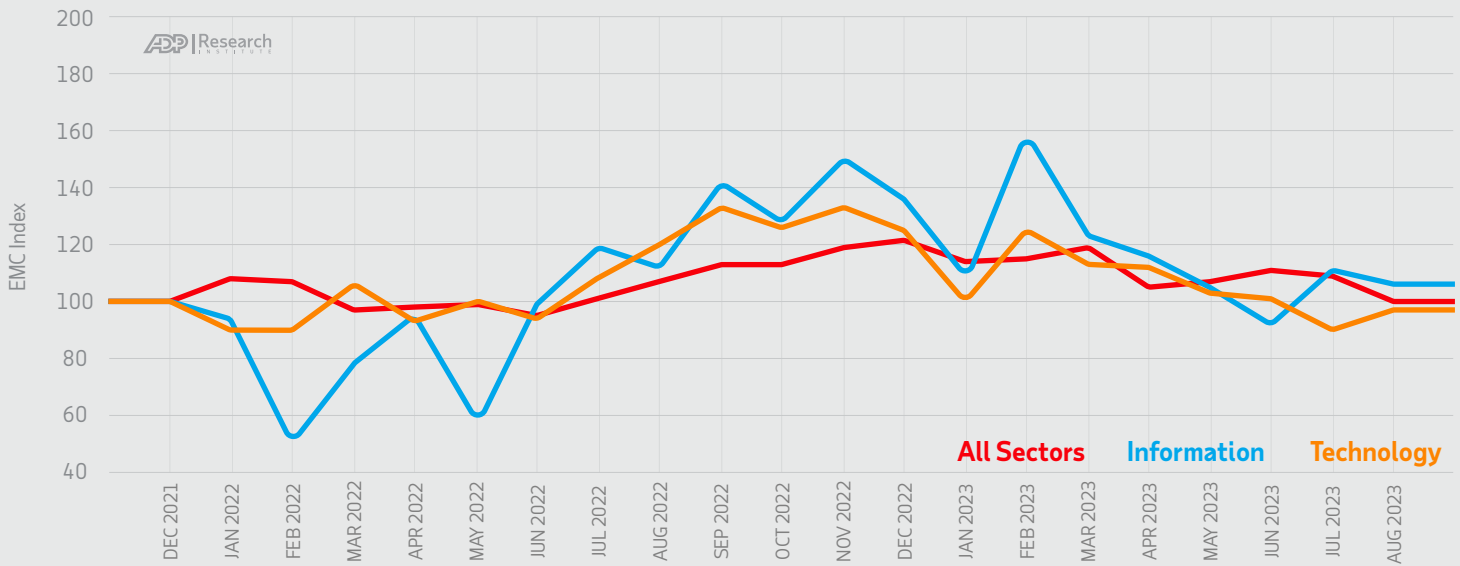
Source: ADP Research Institute Employee Sentiment Survey

Individual circumstances and market forces such as recessions, leadership changes, or company performance can influence motivation and commitment at work, causing it to fluctuate markedly over time.

In technology, a sector that includes electronics, robotics, data security, and artificial intelligence, motivation and commitment has been declining since February.

Information – which includes publishing, web hosting, television, and telecommunications – also has been on a downward trend.

By sector: Information and technology

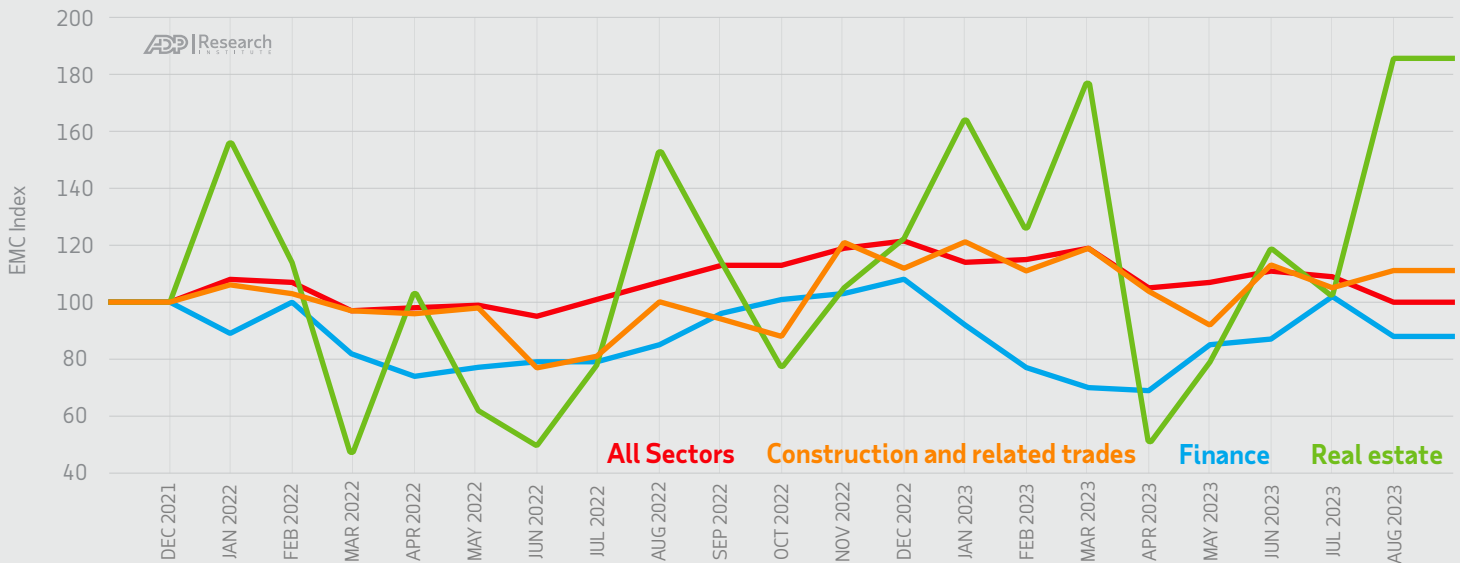


December 2021 = 100

Source: ADP Research Institute Employee Sentiment Survey

The construction, finance, and real estate sectors stand out in terms of the elevated variability of their employee motivation and commitment.

By sector: Construction, finance, real estate

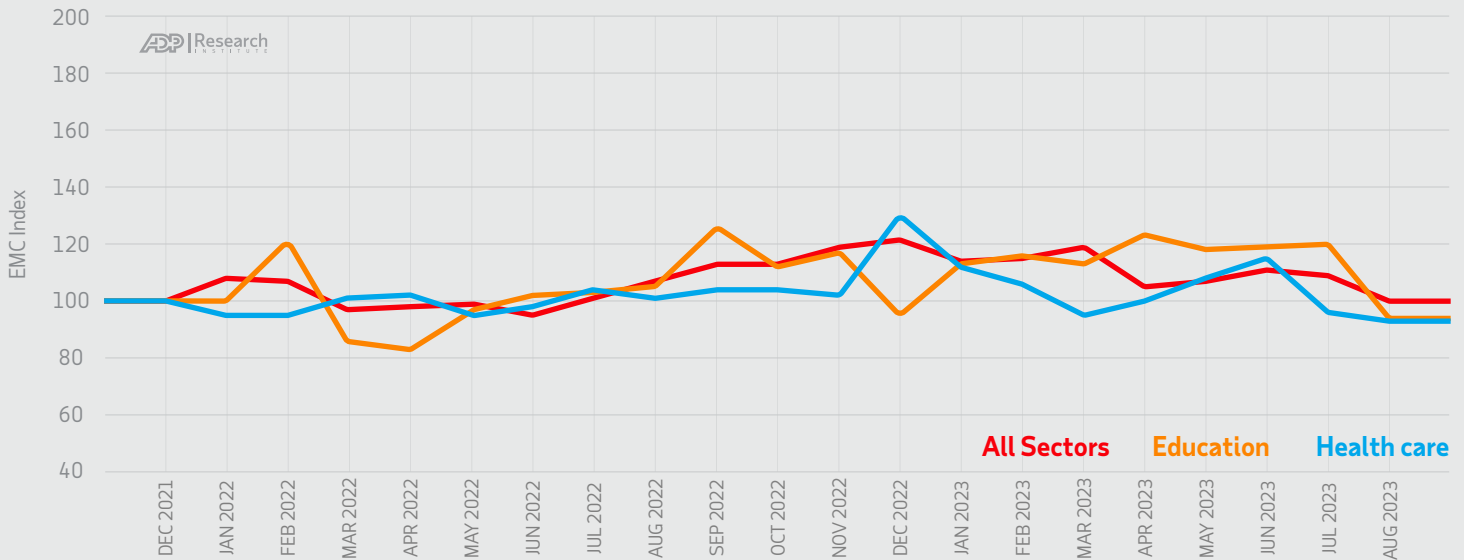


December 2021 = 100

Source: ADP Research Institute Employee Sentiment Survey

Education and health care show the least variability in employee motivation and commitment.

By sector: Education and health care



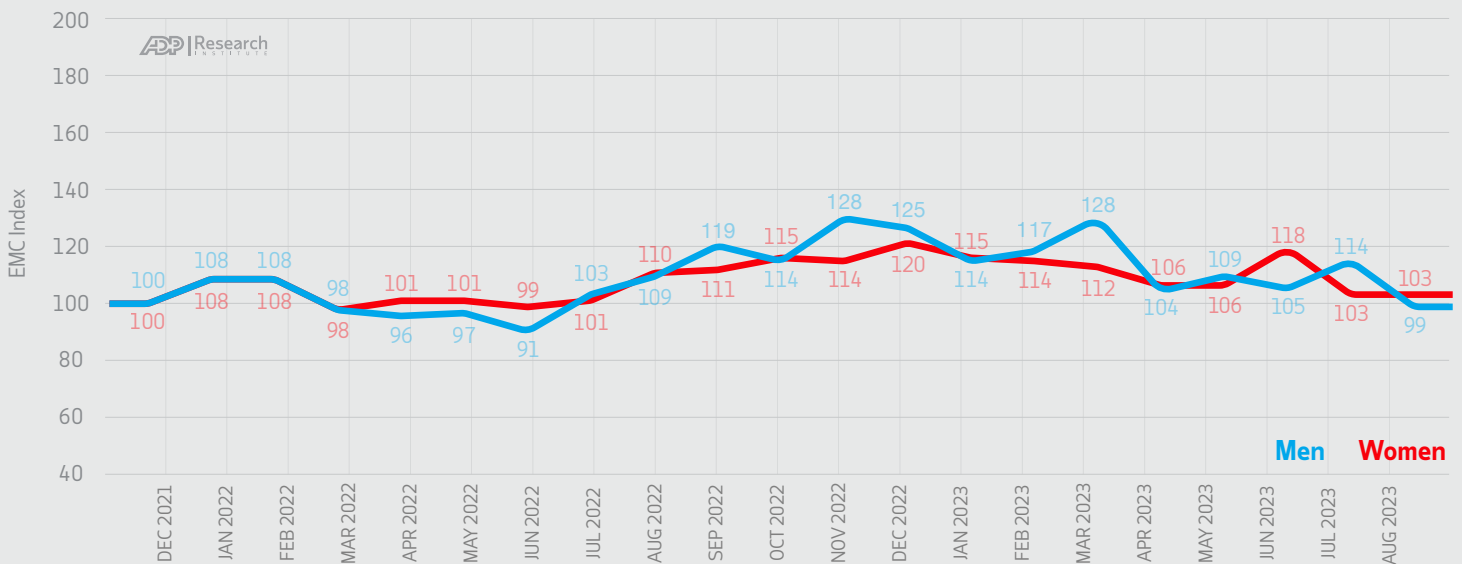
December 2021 = 100

Source: ADP Research Institute Employee Sentiment Survey

Additional findings: Demographics

Going deeper into the data, we looked at employee motivation and commitment by gender. The EMC Index for men fell to 99 in August, its lowest since June 2022.

EMC Index by gender



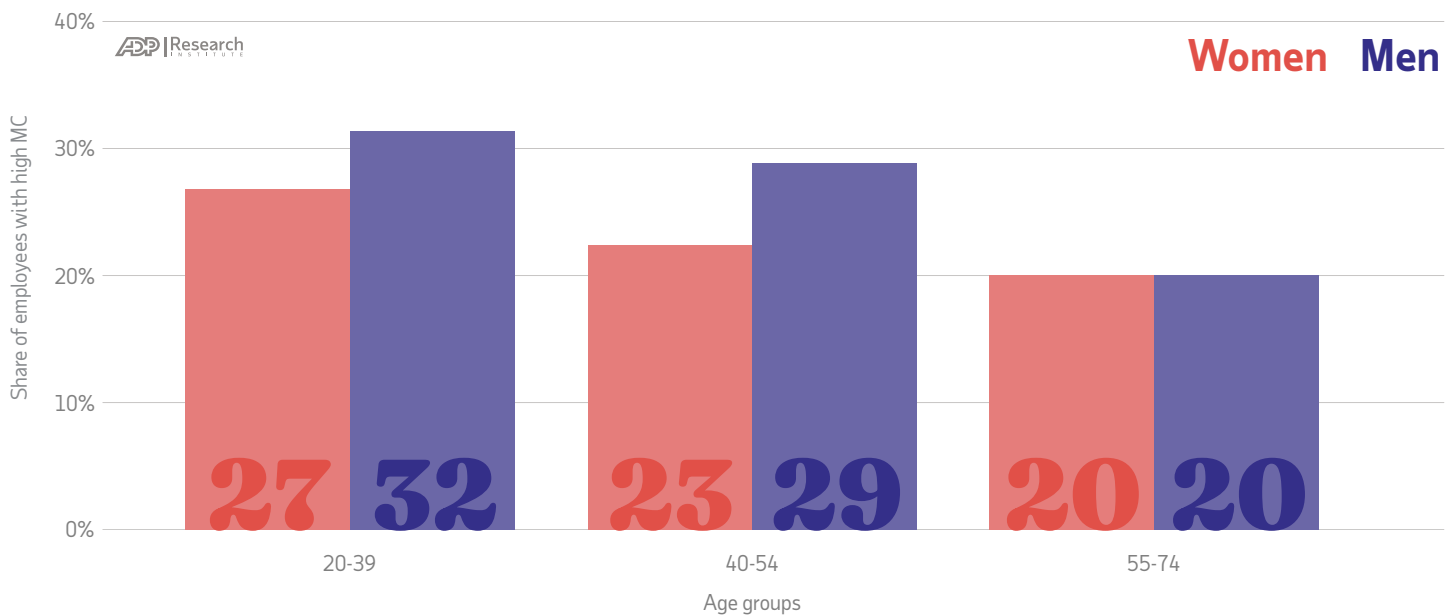
December 2021 = 100

Source: ADP Research Institute Employee Sentiment Survey

When we sorted highly motivated and committed workers by gender and age, men revealed much higher motivation and commitment scores than women during peak working-age years. We'll be doing more research on the relationship between gender and the EMC Index.

Men revealed much higher motivation and commitment scores than women during peak working-age years

Men of prime working age scored higher on motivation and commitment than women



21-month average

Source: ADP Research Institute Employee Sentiment Survey

The Takeaway

For employers, worker motivation and commitment might seem like an elusive metric to quantify. But as we demonstrate, it is measurable and, with thoughtful intent, can be nurtured to boost productivity and help organizations thrive.



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The mission of the ADP Research Institute is to generate data-driven discoveries about the world of work and derive reliable economic indicators from these insights. We offer these findings as our unique contribution to making the world of work better and more productive, and to bring greater awareness to the economy at large. For more information, visit [ADPRI.org](https://adpri.org).

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ADPRS-20230726-4714