

# Never Enough: Dynamic Status Incentives in Organizations

Based on BFI Working Paper No. 2026-18, “*Never Enough: Dynamic Status Incentives in Organizations*,” by Leonardo Bursztyn, University of Chicago; Ewan Rawcliffe, Harvard University; and Hans-Joachim Voth, University of Zurich

An examination of the performance of WWII fighter pilots demonstrates the power of incentives: A tiered, expanding system of status-based incentives can repeatedly leverage workers’ status concerns to extract effort.

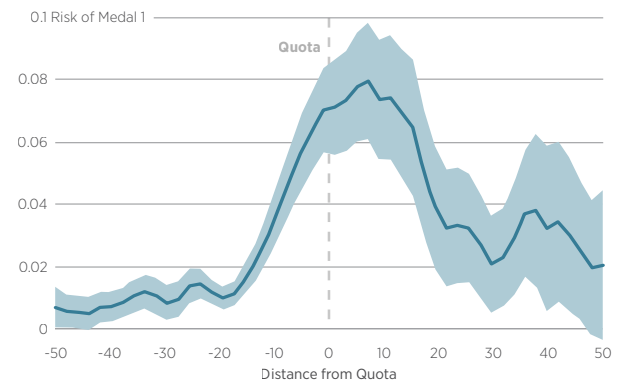
Many firms face a fundamental challenge regarding employee performance: How to effectively and efficiently incentivize workers. Financial rewards are effective but costly, and their motivating power can diminish over time. In this paper, the authors ask whether status-based rewards such as medals, awards, and titles can fill this gap by tapping into people’s innate desire to compare themselves favorably to others. The key challenge is to motivate employees repeatedly, rather than only working once.

To study this question, the authors choose a unique setting: the German air force’s (Luftwaffe’s) Knight’s Cross medal system during WWII. These awards were the highest military decorations in the German armed forces. The system began with a single top-tier award, the Knight’s Cross itself, introduced at the start of the war and requiring pilots to already hold two lower awards for exceptional bravery. Over time, as increasing numbers of pilots reached this threshold, the military introduced additional, increasingly exclusive variants. In total, a maximum of five medals were available on the ladder by the end of the war, each awarded in strict sequence and each requiring a significantly higher threshold of aerial victories than the one before.

The Knight’s Cross medal system provides an ideal analytical setting because pilot output (aerial victories) is precisely measurable, pilots have high autonomy over their effort levels, and financial rewards are limited. The German air force, like most military organizations, therefore relied heavily on status-based incentives. Medals were awarded based on informal victory quotas. As pilots approached these thresholds, the prospect of a major award beckoned. In response, they “pushed harder”. The authors find the following:

- Pilots’ performance began to increase roughly three months before reaching a medal quota,

**Figure 1** • Medals are Awarded According to an Informal Victory Quota



Note: This figure examines the likelihood of receiving medal 1 as a function of distance to quota, defined as current cumulative victories minus the quota level. The likelihood of an award peaks just after pilots reach the quota, consistent with flexible, yet relevant, eligibility criteria. Indeed, the fact that the quotas are not perfectly binding was an explicit part of the system. The slight offset of the peak risk from a quota distance of zero also likely reflects procedural delays as the medal nomination is passed up the chain of command. In sum, this figure reveals that the Wehrmacht’s medal quota has strong predictive power for when pilots are awarded medals.

generating an around two additional victories on average during this surge.

- Once the medal was received, performance dropped sharply back to baseline, confirming that the incentive effect was real and driven by anticipation of the award rather than other factors.
- Importantly, the authors find no evidence of increased pilot casualties during these high-effort periods, suggesting that pilots were taking on more engagements rather than simply becoming reckless.
- The motivational effect was strongest among pilots who lacked alternative sources of social status. Those who already held other prestigious medals, held senior rank, or came from noble backgrounds were less motivated by the Knight’s Cross, consistent with

Figure 2 • The Knight's Cross Medal



Note: An original Ritterkreuz des Eisernen Kreuzes medal (medal 1). The most common variant of the medal was manufactured by Steinhauer & Lück and measured approximately 48 by 54 millimeters. The swastika at the center of the medal is pixelated, in line with German legal requirements.

**signaling theory**, which predicts that people with strong existing status signals have less to gain from additional ones. This also helps rule out patriotism or ideology as the primary explanation for the results.

The authors show that incentives remained sharp as new medal tiers were introduced. When earlier medals were “cheapened” (earned by more pilots, including less capable ones), the top performers could compete for the next, rarer medal – a form of “rat race.” Pilots who had reacted the most to the prospect of a medal during the run-up to the award were also much more likely to increase their efforts when new medals were introduced. This suggests that “medal-happy” pilots were motivated by the prospect of new, higher-status awards. These patterns repeated themselves with each new rung on the ladder.

- Overall, the authors estimate that the medal ladder added between 3,000 and 5,000 aerial victories to the Luftwaffe’s total during the war, roughly 5-10% of the overall tally. This saved the German air force having to train an additional 1,500-2,500 pilots to accomplish the same, a substantial effect from a purely non-financial incentive scheme.

**signaling theory:** describes decision-making and communication under incomplete information. Signaling theory explains how individuals or firms with hidden information (the signaler) credibly communicate quality to less-informed parties (the receiver). Signals must be costly or difficult to imitate to be effective.

## Fashion cycle theory, or “Does this medal make me look fantastisch?”

To explain why a “rat race” for medals is such an effective system, the authors draw on a model of fashion cycles in luxury goods markets. In that model, a monopolist repeatedly introduces new product vintages to exploit status-conscious consumers. This is a common tactic, as many firms employ tiered product hierarchies to exploit status concerns, including airlines, car rental companies, casinos, and credit card providers, who offer silver, gold, platinum, diamond and similarly scaled tiers. High-status consumers adopt the newest vintage early, conferring prestige. Over time, the product diffuses to lower-status consumers, cheapening its signal value. This degradation in turn motivates high-status consumers to demand a new, more exclusive product, and the firm finds it profit-maximizing to supply such a product. The Knight’s Cross medal system follows an analogous logic.

The authors test a key empirical prediction of the fashion cycle model by examining whether the ability rank of medal recipients declined over time, that is, whether lower-performing pilots accumulated each medal later, after the top pilots had already earned it. They find precisely this pattern. When a medal was increasingly common, and held by a less elite group of pilots, its prestige value eroded. This cheapening provided both the rationale for introducing a new, rarer medal, and the psychological motivation for high-type pilots to chase it. The parallel between a luxury goods market and a military medal hierarchy is striking, and the authors argue it reflects a common underlying mechanism: the social value of exclusive signals decays as they diffuse, creating a self-reinforcing demand for ever-more-exclusive alternatives.

**Bottom line:** Research by Bursztyn and others shows that a well-designed hierarchy of status rewards can sustain a “rat race” among high performers repeatedly, provided that the rewards remain credible and desirable. However, the authors caution that not every organization has the credibility needed to make such symbols genuinely valued. How to translate the Wehrmacht’s strategy to other organizational settings remains an open question for future research.

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