We use direct financial incentives to motivate so many different activities in life. No one expects workers in a fast food restaurant to flip burgers for free. No one expects teachers to show up and teach without getting paid. But when it comes to kids in school, we think that the distant financial rewards they will earn years or decades later should be enough to motivate them, even though for most kids a month or two feels like an eternity.

To learn a little more about whether kids’ school effort responds to financial incentives, John List, Suzanne Neckermann, Sally Sadoff, and I carried out a series of field experiments we recently wrote up as a working paper (PDF here). Sally Sadoff (whom you might remember from the Freakonomics movie as the woman who works tirelessly to help the students in Chicago Heights), talked about the research on Fox Business News.

Unlike most previous studies involving kids, schools, and payments, in this research we aren’t trying to get kids to study hard or learn more; we were going after something even more simple: just get the student to try hard on the test itself. So we don’t tell the kids about the financial reward ahead of time — we just surprise them right before they sit down to take the test by offering them up to $20 for improvements.

To see any gains from the financial incentives, the students need to know that they will be paid right away. If instead we tell them we will pay them one month later, they don’t do any better than with no incentives at all. This is bad news for those who argue that payoffs that come years or decades in the future are sufficient to motivate students.

The very best results come when we give the students the money before the test, and then we take the money back if they don’t meet the standards. This result is consistent with what psychologists call “loss aversion.”

With young kids, it is a lot cheaper to bribe them with trinkets like trophies and whoopee cushions, but cash is the only thing that works for the older students.
It is remarkable how offended people get when you pay students for doing well – so many negative emails and comments. Roland Fryer endured the same onslaught as he has experimented with financial incentives in cities around the U.S.

Perhaps the critics are right and the reason I’m so messed up is that my parents paid me $25 for every A that I got in junior high and high school. One thing is certain: since my only sources of income were those grade-related bribes and the money I could win off my friends playing poker, I tried a lot harder in high school than I would have without the cash incentives. Many middle-class families pay kids for grades, so why is it so controversial for other people to pay them?