Glasses for Better Hindsight

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Education

Improve It Or Lose It

Here's a new twist on bonuses for teachers: Give the money at the start of the school year—but yank it back if students underperform.

In nine kindergarten-through-eighth-grade schools in Chicago Heights, Ill., 150 teachers took part in the experiment. Some teachers got $4,000 in a lump sum at the start of the school year, but they were told they'd lose some or all of it if their students didn't improve sufficiently. Others were simply offered a traditional bonus, also $4,000, payable at year's end.

The standard bonuses had little to no effect, but students taught by teachers who got the advance bonus improved their relative standing on a math test by 6.8 to 9.6 percentile points—an effect similar to that of cutting class size by a third, the authors said. The study was inspired by decades of psychological research into "loss aversion": People fear financial losses more than they are excited by potential gains.

"Enhancing the Efficacy of Teacher Incentives Through Loss Aversion: A Field Experiment," Roland G. Fryer Jr., Steven D. Levitt, John List and Sally Sadoff, NBER (July)