

Do incentives lead to better grades?

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Success in school, university and the labor market is still closely associated with one's parents' education and income. So the education system plays a central role in promoting equality of opportunity and social mobility.

But what difference do incentives make? How can we encourage students from a disadvantaged background to work harder, so that they can improve their grades and have a better chance of going to college, or of completing high-quality vocational training that will open the door to a promising future? Can money motivate students to do better in school?

A team of British and American researchers recently found some answers to these questions. To investigate the impact of monetary as well as non-monetary incentives, [Simon Burgess](#) of the University of Bristol, [Robert Metcalfe](#) of the University of Chicago and [Sally Sadoff](#) of UC San Diego conducted a study of some 10,000 students in the final year of their schooling. The study included a total of 63 English schools, all of which were located in disadvantaged districts. The researchers' findings were published in 2016 in a [paper](#) entitled "Understanding the Response to Financial and Non-Financial Incentives in Education: Field Experiment Evidence Using High-Stakes Assessment."

In contrast to other experiments, in this case students were rewarded not for good grades, but for the effort they invested – throughout the school year – in four areas of relevance to successful learning: attendance, homework, behavior, and class participation.

They were randomly assigned to two groups. Members of one group were told that they could earn money, while the other group could earn non-monetary rewards, such as a trip to an amusement park or tickets to a National League soccer game – if they had a consistent record of school attendance, completed their homework regularly, weren't disruptive and participated in class.

Student behavior was monitored four times between December and April, each time covering a period of five weeks. During each period, students in one group had the opportunity to "earn" 80 British pounds, a sum that was paid out immediately, for a possible total of 320 pounds over the course of the entire year. Members of the other group were able to earn non-monetary rewards: up to 32 gift certificates that could be exchanged for tickets to events. Students and teachers decided together which athletic or cultural events would be offered.

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In both groups, students started out with a positive balance – either £80 or 8 gift certificates. Deductions were made whenever they failed to meet the requirements in any of the four areas. Students were regularly informed, in writing, of their current balance.

The results of the study: Half of the students did better when offered a monetary or non-monetary reward. The performance of socially disadvantaged students was particularly likely to benefit from financial incentives; their test results improved by between 10 and 20 percent. There was a decline

in the achievement gap between these students and the top of the class, and the rate of successful completion of the final exam rose by about 10 percentage points. The rate of grade repetition dropped by between 8 and 10 percent.

The study also found that neither monetary nor non-monetary incentives had an impact on the performance of students who were already highly motivated. Burgess, Metcalfe and Sadoff reached this conclusion: To be successful, incentives should focus specifically on problematic groups.

Simon Burgess, Robert Mecalfe, Sally Sadoff: "[Understanding the Response to Financial and Non-Financial Incentives in Education: Field Experiment Evidence Using High-Stakes Assessment](#)," published as part of the Discussion Paper Series of the Institute for the Study of Labor (IZA), Bonn, October 2016.

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