

EDUCATION

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## EFP Takeaways

The Effect of Bonuses on Teacher Retention and Student Learning in Rural Schools: A Story of Spillovers

### *Background*

In low-income areas that struggle to recruit teachers, some schools have enacted retention bonuses in an effort to attract teachers. Prior research has not considered the indirect effects of these policies on non-participating schools, which is critical for policy evaluation. Juan F. Castro and Bruno Esposito estimate the direct and indirect effects of recruitment bonuses paid to teachers working in rural schools in Peru on teacher retention and student learning. Their work is published in vol. 17 issue 4 of *EFP*.

### *The Study*

Starting in 2014, the Peruvian Ministry of Education began to offer an unconditional recruitment bonus to teachers who work in rural schools to both mitigate the schools' staffing problems and reduce disparities in student learning between rural and urban children. The authors estimate both indirect and direct effects of this bonus scheme, specifically noting the importance of estimating indirect effects in assessing whether the incentive has improved the distribution of resources and for estimating the direct effects without bias.

### *Findings*

The authors find that the bonus produces positive direct effects on teacher retention; however, they find a negative spillover effect on the probability of filling teacher vacancies in neighboring schools.

In terms of student achievement, the authors find that the bonus has no direct effects on student learning and produces a positive spillover effect on the test scores of students in neighboring schools. They argue these results are due to the poor pedagogical skills of the teachers mobilized by the bonus.

The authors suggest that a reasonable policy alternative is a bonus scheme that targets talented teachers with larger bonuses than the ones observed in this study.

#### **For more details:**

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- Summary of:  
Castro, J. & Esposito, B. (2022) The Effect of Bonuses on Teacher Retention and Student Learning in Rural Schools: A Story of Spillovers. *Education Finance and Policy*, 17 (4): 693-718.