

# A Critique of Monetary Educational Incentives for Elementary and Middle School Students in New York City Public Schools

by [Jonathan David Farley](#) & [Héctor Rosario](#) — May 15, 2008

*Recently, programs providing elementary and middle school students with monetary incentives for high performance have gained currency. An elementary calculation shows that such programs will either fail to make children learn “better” or fail because they are too expensive to implement widely.*

Harvard Professor of Economics Roland Fryer has recently been hired by New York City Public Schools Chancellor Joel Klein to oversee a program that would provide cash incentives for children in grades four through seven (OM, 2007, March 29).<sup>1</sup> Details of the cash incentive plan are scarce, but newspapers report that students can receive as much as \$500 per year (Medina, 2007, June 19). Assuming there are 90,000 students in each grade (Abdulkadiroğlu et al., 2005), then the following table indicates the amounts that would have to be paid if the program were  $x\%$  successful (meaning,  $x\%$  of the 360,000 students obtain the full amount).

**Table 1. Cost of proposed cash incentives program in New York City.**

| $x\%$ success rate | cost of program (\$) |
|--------------------|----------------------|
| 100%               | \$180,000,000        |
| 75%                | \$135,000,000        |
| 50%                | \$90,000,000         |
| 25%                | \$45,000,000         |
| 10%                | \$18,000,000         |
| 5%                 | \$9,000,000          |
| 1%                 | \$1,800,000          |

About \$13 billion is spent on New York City public schools. [Only about 40% of the money comes from the New York City government; the rest comes from the state and the federal government (Madrick, 2004).] If we assume \$4 billion is spent on the grades in question, then even a 50% “success” rate for the Fryer program would consume 2% of the budget. While this seems like a small percentage, one might consider the 2002 contest between New York City Mayor Michael Bloomberg and the United Federation of Teachers (Greenhouse, 2002, April 10; Greenhouse, 2002, June 11; Weiner, 2002, August 9; Goodnough, 2002, May 29). The UFT and Bloomberg were negotiating a raise of 16% to 22% for 80,000 teachers, in exchange for a longer workweek. This contentious debate over salaries concerned a sum of \$300 million—perhaps only \$75 million for the teachers of the grades in question.<sup>2</sup>

In other words, the city is so tight that it cannot comfortably raise salaries for teachers, yet it is implementing a program that could cost it roughly the same amount, if successful. Furthermore, what will happen when there is no budget surplus?

*Economic Incentives for Students = Economic Disincentives for Teachers?*

While one can dismiss it as “sour grapes,” one cannot ignore the psychological effect of the hire—specifically, of the sums of money involved—on teacher morale. Klein has hired Fryer to serve as “Chief Equality Officer”; the proposed salary is between \$170,000 and \$195,000. Although Fryer states he does not have a set of well defined objectives, and in a *New York Times* interview asks a school representative for help to explain what the title “Chief Equality Officer” means (Medina, 2007, June 21), the 30 year-old Fryer’s salary will be 150% that of a junior high school principal with 22 years’ experience (top salary \$120,354), 200% that of a teacher with 22 years’ experience (top salary \$93,416) and 400% that of a beginning teacher’s base salary (\$44,849).

Despite the fact that a pilot study of Fryer’s incentives program obtained “inconclusive” results (Dubner, 2005), the Broad Foundation, which gave Klein’s school system \$4 million in 2003 and which funds Fryer’s “American Inequality Lab,” supports New York City’s incentives project (TBF, 2003). Fryer’s program to pay students for better test scores will involve 40 schools and 9,000 students (Medina, 2007, June 19). By contrast, the Algebra Project, run by civil rights movement leader Bob Moses (Carson, 1981) reached over 45,000 students in 105 schools by 1996, but had its budget slashed by 75% since 2000 to only \$1 million in 2005 (Henry, 2005). In short, a bigger program with a highly respected management team and a proven track record is not getting funded at previous levels, while a program that has not been scientifically tested receives millions of dollars.

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We are at a loss to understand the motivations of the policy makers who have seen fit to pursue such a course of action on behalf of the children of the City of New York. The enticement behind the incentives program is to improve life possibilities for students from impoverished backgrounds, especially poor minorities (Medina, 2007, June 19). One danger of making money the goal of learning rather than learning itself is that there are clearly more lucrative alternatives to studying hard available to students from such backgrounds (Lewin, 2007). Nevertheless, rather than reinforcing the idea that what matters most is money, schools need to inculcate in children the idea that they should love learning for its own sake.

There is as yet no scientifically based evidence establishing the benefit of providing monetary incentives for schoolchildren to learn. Even if the New York City experiment is shown to work, it will be too costly to implement. It also may not be necessary: If the idea is to give children better life opportunities, it would be better to expand, and remove the stigma from, vocational training programs.

Nevertheless, while there is much merit in Booker T. Washington’s philosophy of developing skills in the industrial arts, we are not advocating any kind of involuntary “tracking” of students

away from the college path. Moreover, some of these vocational programs could be in fields like medical technology or computer programming. We support vocational training programs like those in Germany (Federal Ministry of Education and Research, 2003).

Several poor countries around the globe provide examples of the way forward. According to 2005 figures, Georgia has the highest literacy rate in the world—100%—and a per capita Gross Domestic Product of \$3,365 (UNDP, 2007/2008). In the English-speaking Caribbean, the literacy rate of Trinidad and Tobago was 98.4% with a per capita GDP of \$14,603 (UNDP); in the Spanish-speaking Caribbean, Cuba has a literacy rate of 99.8% and a per capita GDP of \$6,000 (UNDP). In Asia, Vietnam has a literacy rate of 90.3% and a GDP of \$3,071 (UNDP). [The United States has a literacy rate of 93.3% with a GDP of \$41,890 (UNDP).] This could be taken as an indicator that children can learn in vast numbers even in economically deprived circumstances, regardless of the monetary incentives (indeed, in the absence of even the possibility of monetary incentives).

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### *Notes*

1. While we do not discuss the history of such programs, we acknowledge that the *Oportunidades* program in Mexico (formerly known as PROGRESA) has improved school *attendance* by providing monetary incentives to mothers. Its budget in 2000 was \$800 million. (Santibañez, Vernez, & Razquin, 2005).

2. UFT president Randi Weingarten has repeatedly described Bloomberg's proposals as "a kick in the teeth" (Weingarten, 2004.)

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