

## **DIW Applied Micro Seminar**

### **Understanding the Response to Financial and Non-Financial Incentives in Education: Field Experimental Evidence Using High-Stakes Assessments**

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#### *Abstract:*

We analyze the impact on high-stakes assessments of incentivizing students' effort, in a field experiment with over 10,000 students. We contribute to the literature by incentivizing effort rather than performance, by using high-stakes exams, and by comparing financial and non-financial rewards. We find little average impact of incentives in the overall population. We exploit our large sample and rich data to explore heterogeneity using machine learning techniques, and identify a "right tail". On average in the upper half of the distribution of effectiveness, scores improve by 10%-20% of an SD, about half the attainment gap between poor and non-poor students.