

Crafting Effective Incentives

Summary: Many teachers use external incentives as a regular part of their classrooms, in conjunction with promoting intrinsic motivation. In an working paper for the National Bureau of Economic Research, a group of researchers report on a series of experiments designed to look into what makes incentives the most effective at increasing student motivation.

Practical Applications

The authors' research concluded the following:

- *Students are more motivated by “loss aversion”* – there is a psychological principle called “loss aversion” which means that humans place more value on not losing something they already have than we do on gaining something we don't already have. Thus, giving students a reward up front and having the incentive be that they can keep it if they fulfill the conditions is much more motivating than telling students they will gain the reward after they fulfill the conditions.
- *Younger students respond very well to non-monetary incentives* – elementary students are equally motivated by a non-monetary incentives (in this case, simple trophies) as they are by monetary incentives (actually money, or some class currency).
- *The immediacy of an incentive is important* – if students had to wait a month or more to receive their reward, the motivational impact was almost zero. Shorter is better in terms of incentives.
- *There was no evidence that external rewards lowered intrinsic motivation* – the authors posit that at least for tasks where there is already very low intrinsic motivation (e.g. standardized tests), the use of incentives does not have any long-term negative impact; indeed, the research showed consistent and steady gains for students who were effectively incentivized in the original experiments.

Overall, the impact of effective incentives is quite large and comparable to other major interventions – the size of the impact on student achievement is the same a 20% reduction in class size.

Conclusion and Citation

External incentives have their place and time in the classroom, so long as they are balanced with structures that build internal motivation in students. This research suggests that there are demonstrably more effective and less effective ways to craft external incentives.

Levitt, S., et. al. “The Behavioralist Goes to School: Leveraging Behavioral Economics to Improve Student Performance.” *National Bureau of Economic Research*, working paper No. 18165 (June 2012). <http://bit.ly/MSc4tR> (subscription only).