

The effects of higher teacher pay on teacher retention and teachers' enrollment in degree programs

Evidence from regional variation in teacher salaries

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Abstract: This paper investigates the effects of higher teacher pay on teacher retention and enrollment in schooling in secondary education. We exploit variation in teacher pay induced by the introduction of a new remuneration policy. The policy provided schools in an urbanized region with extra funds to place a higher share of teachers in a higher salary scale. The policy led to almost one out of five more teachers being placed in a higher salary scale. This placement in a higher scale caused an actual earnings gain of 13 percent, whereas end-of-scale they could earn even 17 percent more. We find no effects of higher teacher pay on teacher retention. That is, we do not find that placement in a higher salary scale leads to a higher probability to stay in the teacher profession. In addition, our findings suggest that the policy increased teachers' enrollment in bachelor or master degree programs by about 40 percent. This finding is consistent with the setup of the policy in which one of the criteria for placement in a higher salary scale is that teachers would complete extra schooling.

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