Does Raising the Principal’s Wage Improve the School’s Outcomes? Quasi-experimental Evidence from an Unusual Program in Israel

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Abstract

Proposals to increase teachers’ and school principals’ wages as the basis for school reform have recently attracted considerable attention and support among researchers and policy makers. For example, Israel’s government has accepted recently a recommendation made by the National Task Force on Education to increase significantly (by 30 percent to 60 percent the salaries of teachers and school principals. The expectation is that higher wages will improve teachers’ and principals’ efforts and productivity, attract better teachers to the profession and lead to improved students’ achievements. However, little evidence is available to support these claims. In this paper, empirical results of a statistical analysis of the causal effects of a program that offered a 50 percent salary increase to headmasters is reported. The results suggest that the program led to significant improvements in twelfth grade students’ outcomes although the effect was relatively modest, increases of about 5 percent to 10 percent in school mean matriculation rate, average score and number of subjects and credit units taken in matriculation programs. Policy implications are noted.

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