Innovations for Poverty Action

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Timeline
2014-2018

Sample Size
approximately 21,000 teachers

Research Implemented by IPA
Yes

The Impact of Individualized Information on Teacher Loan Forgiveness Uptake in the United States

Abstract

Teacher experience is a key factor in student learning, but many schools in the United States experience high rates of teacher turnover—especially schools serving low-income communities. One reason that retention may be low in these schools is that student loan debt is a significant burden for teachers. As a result, federal loan forgiveness programs may be an effective way of retaining teachers, but many teachers do not take advantage of these programs. Researchers are working with Innovations for Poverty Action to study the effects of behavioral "nudges" that encourage teachers to enroll in loan forgiveness programs on program enrollment, teacher retention, and household finance.

Policy Issue

A large body of evidence over the past decade has highlighted the importance of the individual classroom teacher in determining student learning,[1] and experience is a key factor in teacher performance.[2] Schools that serve low-income students tend to experience high teacher attrition,[3] which puts those students at a disadvantage in terms of teacher quality. Additionally, there is some evidence that salary plays a measurable role in teacher retention.[4]

One reason that teacher retention may be low in these schools is that student loan debt is a significant burden for teachers, who often earn comparatively low salaries for college graduates. Student loan debt can affect the decisions of recent graduates in many areas of life, including career decisions.[5] Outstanding debt can affect household financial decision making, especially major life decisions such as buying a house or getting married. In addition, student loans are an increasingly important part of household balance sheets. They substantively affect asset and debt allocations.[6] Loan forgiveness could be one way to increase compensation for teachers who work at schools in high-poverty areas In recognition of this, the U.S. government provides multiple loan forgiveness and cancellation programs for public service employees, but application processes are complicated and these programs are underutilized among teachers nationally.[7] In the state of Michigan in the US, researchers and policymakers are testing the impact of various nudge strategies to encourage eligible teachers to enroll in loan forgiveness programs.

Context of the Evaluation

In Michigan, lower-income schools tend to have less experienced teachers, on average.[8] Loan forgiveness may be a significant financial opportunity for many teachers, where new teachers averaged a starting salary of $36,141 during Academic Year 2012-13.[9]

The federal Teacher Loan Forgiveness Program (TLF) forgives a portion of student loans for teachers who remain in a low-income school or educational service agency for at least five consecutive years. Most teachers qualify to have up to $5,000 of their direct federal or federally-subsidized student loans forgiven, and highly qualified teachers in certain subjects can have up to $17,500 forgiven.

Simple low-cost nudges like informational letters and phone calls may increase uptake of loan forgiveness programs among these teachers. However, the impacts that financial benefits of loan forgiveness have on teacher retention are unknown since intrinsic motivation may play a large role teachers' employment decisions.

Details of the Intervention

IPA is providing research support for a University of Chicago, Harris School of Public Policy, & University of Michigan partnership with the Michigan Department of Education (MDE) Office of Professional Preparation Services (OPPS).

These researchers and implementing partners are working with IPA to investigate how nudges, designed to simplify aspects of the TLF application process, affect TLF program enrollment and employment decisions among teachers in TLF-eligible Michigan public schools.

Among 2364 public schools covered by TLF, researchers randomly selected half into the treatment group, and the other half to be in the pure comparison group where no teachers received any intervention. Within the treatment schools, researchers identified approximately 21,000 teachers who began their service in 2003 or later. These teachers were then randomly assigned into one of three groups:

1. Letter group: teachers received a letter with their eligibility status as well as instructions on how to apply for teacher loan forgiveness.
2. Call group: teachers received the same letter as those in the letter group. In addition, these teachers received a call to their school in which this information was repeated verbally and teachers were provided an opportunity to ask questions.
3. Comparison group: teachers did not receive any intervention.

To examine the effect of these nudges on teachers' TLF uptake and their employment decisions, researchers are measuring the effects of the program on teacher retention, as well as teachers' understanding of their loan forgiveness options, perceptions of their own financial health, and self-reported uptake of the TLF program.

Results and Policy Lessons

Project ongoing; results forthcoming.

Sources

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March 01, 2018