

Teacher Wages, Student Achievement and the Recruitment of Talent in Rural Peru

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This paper studies the effects of a large unconditional increase in the salary of teaching jobs in rural Peru. We take advantage of arbitrary cutoff rules that determine the level of teacher salaries to generate local quasi-experimental variation in wages across teaching positions. Using administrative data from a recruitment drive that allocated 16,000 teaching positions among 202,000 applicants, we find that offering higher wages increase the probability that vacancies are filled, and newly recruited teachers score 0.25 standard deviations higher in standardized teacher evaluation tests. Further, these teachers are more likely to stay in their jobs longer, and those who stay are precisely the most qualified. We show that students in schools offering higher wages have better performance in standardized tests, and are less likely to drop out of school. These results are entirely driven by schools that had a open vacancy, suggesting that the selection of better teachers is the main mechanism at work. Overall, our results suggest that unconditional pay increases can improve the quality of education in developing countries by making jobs more desirable and attracting talent.

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