

# Public and Private Learning in the Market for Teachers: Evidence from the Adoption of Value-Added Measures

Michael Bates\*

January 14, 2015

## Abstract

While a large literature focuses on informational asymmetries between workers and employers, more recent studies focus on asymmetric information between current and prospective employers. Despite the intuitive appeal of the theory, there is little direct, empirical evidence that current employers benefit from an informational advantage. I adapt models of public and private employer learning to the market for teachers. I then use statewide, micro-level, administrative data from North Carolina to formulate value-added measures (VAMs) of teacher productivity. I exploit the adoption of VAMs of teacher performance by two of the largest school districts in the state, a shock to the available information for some, but not all, employers, to provide an initial direct test of asymmetric employer learning. Consistent with a shock to public information, for job moves within the district, I find that the adoption of value-added measures increases the probability that high-VAM teachers move to higher-performing schools. For moves out of the district, I find that the impacts of policy are mitigated and even reversed by teachers with lower value-added measures becoming more likely to move to higher-performing schools. This adverse selection to plausibly less informed principals is consistent with asymmetric employer learning. Further, I find evidence that these moves lead to an increase in the sorting of teachers across schools within district, exacerbating the inequality in access to high quality teaching.

---

\*I would like to express my sincere gratitude to Todd Elder for his guidance throughout the process of this project. I would also like to thank Mike Conlin, Scott Imberman, and Jeffrey Wooldridge for their thoughtful advice. Thanks also goes to Michael Podgurski, Michael Waldman, Soren Anderson, and participants at the 2014 Annual Meeting of the Midwest Economics Association, the 2014 Annual Conference for the Association of Education Finance and Policy, the 2014 UM-MSU-UWO Labor Day Conference, the Causal Inference in Education Research at the University of Michigan, and the Applied Microeconomics Seminar at Michigan State University for their helpful comments and discussion. I also thank Kara Bonneau and the North Carolina Education Research Data Center as well as representatives of Guilford County Schools, Winston Salem/Forsyth Community Schools, Charlotte-Mecklenburg Schools, and Cumberland County Schools. This research was supported by the Institute of Education Sciences Grant R305B090011 to Michigan State University. The opinions expressed are those of the author and do not represent the views of the U.S. Department of Education. All errors are my own.

# 1 Introduction

Gaps in information hinder the efficient allocation of workers across employers in many well-known economic models [Spence, 1973, Jovanovic, 1979, Gibbons and Katz, 1991, Farber and Gibbons, 1996, Altonji and Pierret, 2001]. While a large literature focuses on informational asymmetries between workers and employers, a more recent literature focuses on asymmetric information between current and prospective employers. Empirical work uses these models of asymmetric employer learning to explain empirical facts, such as wage dynamics with respect to job tenure versus experience, variability of wages after a job loss, and selection of mobile or promoted workers on easy or difficult to observe characteristics [Schönberg, 2007, Pinkston, 2009, Kahn, 2013]. If the current employer enjoys an informational advantage over other prospective employers, it becomes a monoposonist of that information. Competition cannot then force current employers to pay workers their marginal product of labor. Furthermore, workers may not flow to the employers at which they would be most productive. Despite these important implications and the intuitive appeal of the theory, there is little direct evidence of asymmetric employer learning. This is in part due to the absence of direct measures of productivity, and more importantly due to a lack of exogenous variation to the informational landscape in which employers operate.

In this paper, I adapt models of public and private employer learning to the market for elementary teachers. I then use statewide, micro-level, administrative data from North Carolina to formulate value-added measures (VAMs) of teacher productivity. VAMs calculate how much a teachers' students learn in comparison to how much those students are expected to learn. There several methods for estimating VAMs. In econometric terms, I estimate teacher fixed effects in the regression of student test scores on student covariates including past test scores. Lastly, I exploit the adoption of VAMs of teacher performance by two of the largest school districts in the state, a shock to the available information for some, but not all, potential employers, to provide an initial direct test of asymmetric employer learning.

The adoption of VAMs in North Carolina provides a rich context for examining employer learning. Each of the two large districts that adopted VAMs did so in different ways and separately from the rest of the state. This provides three different informational landscapes: one in Guilford County Schools (to be referred to as Guilford), where the teacher, the current principals, and any hiring principal within the district were given direct access to the teacher's VAMs; one in Winston Salem/Forsyth Community Schools (to be referred to as Winston-Salem), in which only teachers and their current principals received value-added reports; and lastly, in the rest of the state, where the information structure remained relatively constant. These different releases of statistical measures of teacher effectiveness by some, but not all employers, provide unique tests of public and private learning hypotheses.

Using differences-in-differences, this study examines how the relation of teacher quality to the probability of moving schools changes with the adoption of VAMs of teacher effectiveness. If VAMs are informative, they provide teachers with a public signal of their ability. Thus, the model predicts that VAMs increase the likelihood that effective teachers move from one school to another within the district. If the information spreads easily through the market there should be no difference between the impacts of VAMs for moves within-district and teacher transitions out of Guilford and Winston-Salem. However, if retaining principals keep private teachers' VAMs, ineffective teachers may become more likely to move out-of-district. Thus, the asymmetric employer learning model predicts adverse selection of teachers out-of-district. Lastly, I investigate whether private or public learning previously prevailed. Prior public learning implies smaller effects for more experienced teachers about whom employers already know relatively more. Prior private learning implies that the release of VAMs would even the balance of information more so for teachers with relatively more years in a given school, all else being equal. Consequently, I include interaction terms with years of experience and tenure to provide analysis of heterogeneous effects.

I find that by releasing VAMs to teachers and principals, both districts increase the probability that high-VAM teachers will move to higher-performing schools. I estimate that

the release of VAMs increases the probability that a teacher with a one standard deviation higher VAM moves within-district to higher-performing schools by about 10%. I find that the effects are significantly more negative for teachers moving to another school outside the treatment districts. The policy leads teachers who are a full standard deviation below average to become 15% more likely to move from Guilford to a higher-performing school in the rest of the state. In Winston-Salem, the effect of the policy on the probability that a high-VAM teacher moves to a higher-performing school is 60% smaller for teachers moving out-of-district than it is for teachers moving within-district. The fact that we see positive selection to principals with access to the information and much smaller effects and even negative selection for moves to those without access to the VAMs is consistent with asymmetric employer learning.

In the primary education context, questions of efficiency and equity carry additional weight. Previous research finds wide variation in the quality of teachers [Rivkin et al., 2005, Chetty et al., 2011, 2014]. Yet, at the point of hire, detecting good teachers is difficult, since easily observable teacher characteristics, such as educational attainment and college selectivity, are not highly correlated with teacher effectiveness [Rivkin et al., 2005, Staiger and Rockoff, 2010]. Informational gaps may lead schools and districts to hire relatively ineffective teachers, while passing on more capable ones. Thus, asymmetric information can have significant ramifications for the students they serve [Chetty et al., 2011, 2014].

After the date of hire, while principals typically do not observe a direct measure of a teachers' effectiveness, they can observe their teachers in action and inspect student outcomes. However, the quality of a teacher may remain difficult for the employing school to uncover, and harder still for other schools to learn. The amount of uncertainty in the market, and with whom the uncertainty lies, can differentially affect the sorting and resorting of teachers across schools.

Persistent informational gaps may lead schools to undervalue effective teachers and allow ineffective teachers to impede the progress of their pupils. In contrast, complete and public

information allows better teachers more choice over where to teach. When teachers are given VAM reports, the VAMs provide them a new credible way to signal their ability.

In the teacher labor market, wages are typically set rigidly and are not tied to performance. Thus, the implications of employer learning are felt primarily through teacher mobility from one school to another. There is a large body of work, which examines teacher preferences [Boyd et al., 2008, Jackson, 2009, Boyd et al., 2013]. They find that teachers in general prefer to teach in schools that are closer in proximity to their homes, higher performing, and for white teachers, schools with a lower percentage of black students. Consequently, while providing good teachers more choice, better information may also exacerbate the divide in access to high quality education. The degree to which information stays exclusively with current principals theoretically may mitigate these effects. This work provides the first examination of whether the release of VAMs leads to further sorting of teachers to schools. Rising inequity may be an important consequence of the policy that has been previously overlooked.

The possibility of growing inequity in access to effective teaching is particularly important given the speed at which states and school districts are adopting VAMs. The entire state of North Carolina adopted teacher-level VAMs in the 2013 school year. It is not alone in this. As of May, 2014, 38 states have required teacher evaluations to incorporate teachers' impacts on student achievement on standardized exams. Even among the remaining states, many large school districts have already incorporated VAMs into evaluations of their teachers. While these policies have been controversial, the debate has previously ignored the signaling impact of VAMs on the distribution of effective teachers across schools. By examining changes in the sorting of teachers, I evaluate the impact of the information on the distribution of teacher quality across schools. The rising mobility of effective teachers to high-performing schools and the rise in the correlation between teacher VAMs and schoolwide student performance in Winston-Salem in particular, evidences rising inequity in access to high quality education as a result of VAM adoption.

## 2 Setting

Shocks to the information available on workers' productivity are rare. Shocks to the information of some, but not all, employers in a market are rarer still. The release of teacher performance measures to principals working within the school district, but not to those in the rest of the state, offers an opportunity to examine whether plausibly valuable, personnel information spreads throughout the market.

In 2000, Guilford County Schools (Guilford), contracted with SAS to receive teacher EVAAS (Education Value-Added Assessment System) measures of teacher effectiveness. These measures are based on the model presented by [Sanders et al., 1997] under the name of "Tennessee Value-Added Assessment System" (TVAAS). In fact, the adoption of VAMs by Guilford accompanied the transition of TVAAS to EVAAS, as the system came under the management of SAS (originally called "Statistical Analysis System"), which began at North Carolina State University. The district gave teachers, principals, and hiring principals within the district direct access to these teacher value-added measures (VAMs). Because all hiring principals may directly access a teacher's VAM, for within-district moves in Guilford, the introduction of VAMs theoretically provides a shock to the publicly available information. Whether the information influences principals' and teachers' mobility decisions depends on whether the actors perceive it to contain information that was previously unavailable.

In 2008, the rest of the state of North Carolina adopted EVAAS measures of school effectiveness. Winston-Salem/Forsyth Community Schools (Winston-Salem) took an additional step, providing SAS with student-teacher matches necessary to receive the same teacher specific measure of effectiveness already present in Guilford. In Winston-Salem, only the teachers and their principals directly received the VAM reports. The introduction of VAMs in Winston-Salem is theoretically also public. As in Grossman [1981] and Milgrom [1981], each teacher contemplating moving within the district has as incentive to voluntarily disclose his score. Because all principals in the district know that the VAM exists, if a teacher chooses not to reveal his score, within-district, hiring principals may well assume that he

is as good as the average teacher who chooses not to reveal his score. Consequently, all teachers with above average scores have an incentive reveal their scores. In so doing, they further drive down the average score of those who do not disclose, until only teachers with the minimum possible score are indifferent between revealing and keeping the information private. If teachers act as predicted, all teachers voluntarily disclose their EVAAS reports, and the VAMs alter the information available to both current and prospective principals within Winston-Salem, just as they do in Guilford. This shock to the public information allows teachers with higher VAMs than their resumés may otherwise suggest to signal their ability to prospective employers.

Teachers' incentives may differ when moving out-of-district. There are two main differences between moves within and out of the district. Perhaps most importantly, it is possible that hiring principals in the rest of the state are unaware of the existence of an applying teacher's EVAAS report. Consequently, a teacher may withhold his signal and leave the principal's expectation of his ability unchanged.<sup>1</sup> Furthermore, for teachers whose VAM is worse than would be expected by their resumés, moving out of district may be an attractive choice, leading to more negative selection of teachers moving from districts that adopt VAMs. This informational asymmetry may be avoided by principals thoroughly researching from where their applicants are coming. In which case, the same predictions as were formulated for within-district moves would apply. However, such acquisition of information is costly. Thus, the test between symmetric and asymmetric learning hinges on whether the adoption of VAMs leads the selection of out-of-district mobile teachers to be significantly more negative than its effects on the selection of within-district movers.

Since principals in both Guilford and Winston-Salem received training about the measures, VAMs may serve as a more salient signal for principals within the district than for

---

<sup>1</sup> In which case, only those whose VAMs are higher than would otherwise be expected would choose to reveal, and only out-of-district principals hiring those teachers would be aware of their VAMs' presence.

those in the rest of the state. This is particularly likely for teachers moving from Guilford in the early years. In 2000, when Guilford contracted with SAS, the EVAAS system had only been out for a couple years, and No Child Left Behind with its additional emphasis on using standardized test scores was still a year away from passage. The salience of the signal may have been less of issue for teachers moving from Winston-Salem, considering school-level EVAAS measures were implemented across the entire state the same year. This may lead the learning results for out-of-district moves to be more pronounced for Guilford than they are for teachers leaving Winston-Salem.

To summarize the basic intuition of the model I describe in more detail in Section 4, if VAMs provide meaningful information to all principals in the district, and teachers in general prefer to teach at better schools, after districts release VAMs, good teacher will become more likely to move to higher-performing schools. With public learning, this is mainly due to more-proficient schools becoming better able to identify teachers who are better than their current, more difficult schools could hope to retain. It is also possible that current principals become less able to keep quiet which teachers are really good, while passing off the worse teachers to unwitting employers. Table 1 shows exactly this general pattern for moves within Guilford and Winston-Salem. In both districts after releasing VAMs, the average VAM of teachers who move within the district increases sharply. For moves out of these districts, the average VAM of moving teachers drops following the adoption of the policy. These means are not conditional on any easily observable characteristics, and so it is difficult to say whether the changes in information are driving these patterns. However, the increases of 0.259 and 0.119 standard deviations of average VAMs of movers within Guilford and Winston-Salem respectively suggests that the releasing VAMs within the district allows high-VAM teachers to move more easily to other schools. The 0.290 and 0.143 drop in average VAMs of moving out of Guilford and Winston-Salem is indicative of low-VAM teachers moving to plausibly less informed principals outside of the district. Section 6 provides a more rigorous, initial direct test of private versus public employer learning.



Table 1: Average VAM of Teachers moving within and out of Winston-Salem and Guilford

		Panel A: Within District Movers			Panel B: Out of District Movers		
		1998-1999	2000-2007	2008-2010	1998-1999	2000-2007	2008-2010
Guilford	Mean VAM	-0.166	0.093	0.246	0.116	-0.174	-0.125
	N	101	463	104	48	206	34
Winston-Salem	Mean VAM	0.009	-0.088	0.031	-0.528	-0.100	-0.243
	N	188	275	63	26	121	21
Rest of State	Mean VAM	-0.069	0.020	0.052	-0.116	-0.118	-0.109
	N	1882	6793	1966	962	4230	833

Note: VAMs are measured in standard deviations. Guilford first adopted VAMs in 2000. Winston-Salem first adopted VAMs in 2008.

### 3 Employer Learning, VAMs, and Teacher Mobility

There is a robust extant literature building models of employer learning and fitting them to stylized empirical facts. This is the first study directly testing a general model of public and private learning by exploiting information shocks to a large, relevant labor market.

Farber and Gibbons [1996] provides the seminal model and test for employer learning. It presumes that worker ability is heterogeneous. Employers cannot directly observe the ability of potential workers and must rely on correlates to infer workers' expected value to the firm. They treat a subset of worker characteristics as easily observable to all, another as easily observable to the market (and not to researchers), and yet another subset of potential correlates with productivity as easily observable to the econometricians (but not the market). This literature typically uses the percentile from a cognitive ability assessment, the Armed Forces Qualification Test (AFQT) from the National Longitudinal Survey of Youth of 1979 (NLSY79), as this relatively strong correlate with productivity that is veiled to the the market at the time of hire. By assuming a competitive marketplace and that employers all learn at the same rate, wages perfectly track the employers' learning process. Altonji and Pierret [2001] adopt a similar foundation in their examination of statistical discrimination

as does Lange [2007] in his study of the speed at which employers learn. Each finds that the correlation between wages and AFQT score increases with experience, while the correlation between wages and easily observable characteristics falls over time.

Recent work in the economics of education presents evidence that principals also learn about teacher quality over time. While Staiger and Rockoff [2010] and Rivkin et al. [2005] point to the difficulty in identifying effective teachers at the point of hire, Jacob and Lefgren [2008] presents evidence that principals evaluations are correlated with VAMs of teacher effectiveness, but not perfectly. They find that principals can identify the most and least effective teacher, but have trouble sorting the teachers in the middle. The fact that they observe slightly higher correlations for principals who have known their teachers for longer is further suggestive of a gradual learning process.<sup>2</sup> Perhaps the strongest evidence of principals learning about teacher quality comes from Rockoff et al. [2012]. They present experimental evidence that teacher VAMs provide significant information on which principals update their prior beliefs. It is important to note that in this experiment, only teachers' current principals receive VAM reports, not the teachers themselves or principals of other schools within the district. Surveys of participating principals show that those who randomly received more precise VAM reports were more responsive to the information, than were principals receiving noisier VAM reports.<sup>3</sup> These results are consistent with the Bayesian updating model used in Farber and Gibbons [1996], Altonji and Pierret [2001], Lange [2007].

Schönberg [2007], Pinkston [2009], Kahn [2013] each relax the symmetric learning assumption in building private information into their own employer learning models, and each use the NLSY79 to test their models against empirical features of the data. While each of those assuming symmetric learning find evidence that wages follow the predictions of

---

<sup>2</sup>Chingos and West [2011] provide further evidence that principals hone in on the effectiveness of their teachers. They find that principals classify their teachers on the basis of effectiveness, and move them accordingly. Principals of schools under accountability pressure are more likely to move effective teachers into and less effective teachers out of high-stakes teaching assignments.

<sup>3</sup>Rockoff et al. [2012] also finds that providing VAMs to principals cause less effective teachers to leave at a higher rate. While the authors do not directly link these results to either learning hypothesis, these results in the experimental context are consistent with asymmetric employer learning.

the model, the evidence regarding asymmetric learning is mixed. Examining wage dynamics with regard to experience and tenure, as well as selection in job separations, Schönberg [2007] finds that learning is largely symmetric. Pinkston [2009] adopts a learning framework more closely tied to the symmetric learning literature. In an important contrast to Schönberg [2007], his model also allows information to pass through job-to-job transitions. Pinkston [2009] finds that the correlation between wages and ability moves more closely with respect to continuous working spells than with experience. These results suggest that that information accumulates within current employers and that information is lost when a worker must endure a period of unemployment between job spells. More recently, Kahn [2013] extends Schönberg's framework to test whether job movers experience more volatile wages after a transition than do those who remain in place. Kahn's findings are also consistent with asymmetric employer learning. She finds that movers' wages are more volatile in the immediate aftermath of a transition than are the wages of those who remain in place.<sup>4</sup>

Only DeVaro and Waldman [2012] departs from the use of the NLSY. They use administrative personnel files from a large firm to examine promotion decisions based on private and public information. In support of asymmetric employer learning, they find that conditional on private performance reviews, those with more education are more likely to be promoted than are those with less education. They also present evidence that larger wage increases accompany promotions of less educated workers than accompany promotions of higher-educated workers. This, they argue, is due to the fact that promotions are a stronger public signal for those with lower, easily observable characteristics.

A common criticism of much of the earlier literature asks what AFQT scores are really telling us. There is little evidence that AFQT scores are related to productivity in many jobs held by the largely low-skilled respondents of the NLSY. Similarly, if employers care greatly

---

<sup>4</sup>Kahn [2013] also considers differences between workers who enter a position during recessions as opposed to economic expansions, with the idea that there is less variation in the ability of entrants during recessions. She also uses variation in the amount of exposure an occupation has outside the firm, assuming that learning is more symmetric in more exposed occupations. Also, the effects are larger for those who enter a job during an economic expansion and for those in more insular occupations.

about AFQT scores, they would simply administer the test themselves. By using a more direct measure of productivity than the assumed correlates, this study avoids such criticism. More importantly, the stylized empirical facts given as evidence of asymmetric learning are consistent with the theoretical model, but are susceptible to alternative explanations. For instance, post-move wage volatility may be explained by differences in job match quality, education may provide more higher level skills leading to faster promotion, and symmetric learning may explain why large wage increases accompany promotions of less-educated workers. The absence of direct asymmetric information shocks has prevented the previous literature from examining whether the informational advantages persist and influence worker mobility patterns in equilibrium.

Furthermore, while there is a large literature examining the mobility patterns of higher- or lower-VAM teachers, none have previously considered the signaling effects of VAMs on teacher mobility and the distribution of teacher quality within the market. Students in poor, low-achieving schools face teachers who are in general less experienced, less educated, and less effective than their counterparts in more affluent and higher achieving schools [Lankford et al., 2002, Clotfelter et al., 2005, Sass et al., 2012].<sup>5</sup> Though there is significant churn within the teacher labor market, Hanushek et al. [2005], Krieg [2006], Goldhaber et al. [2007] and Boyd et al. [2008] each note that higher VAM teachers tend to stay in the profession longer than do their less effective counterparts and high-VAM teachers are no more likely to transfer between schools than their counterparts.<sup>6</sup> There is more disagreement about distributional effects of this turnover. Boyd et al. [2008] finds that, conditional on moving, high-VAM teachers are more likely to move to high-performing schools than are low-VAM teachers, whereas Hanushek et al. [2005] and Goldhaber et al. [2007] find no evidence of this resorting of teachers. While, descriptions of where effective teachers have traditionally moved from

---

<sup>5</sup>Sass et al. [2012] also notes that there is huge variation in teacher quality within high poverty schools.

<sup>6</sup>

Boyd et al. [2008] finds that ineffective teachers are more likely to leave the profession only in their first year of teaching.

and to have important implications for education inequity, they have little power to predict how the adoption of VAMs will alter the allocation of teachers across schools.

Work closely examining teachers' preferences over work environment offers insight into how teacher mobility patterns may change with the introduction of VAMs. Jackson [2009] and Boyd et al. [2013] provide useful examinations of teachers' revealed preferences for school characteristics. Boyd et al. [2013] analyzes teachers data from New York state using a two-sided matching model. They find that on average white teachers prefer not to teach in schools with a large proportion of black students. They also find that teachers prefer schools that are closer, are suburban, and have a smaller proportion of students in poverty. Jackson examines evidence of teacher preferences from the resorting of teachers in Charlotte-Mecklenburg Schools around the discontinuation of the district's integrative busing program. He finds that as the composition of schools became more black, less affluent, and lower achieving, the teaching force in those school became less experienced, lower performing on state qualification exams, and less effective as measured by VAMs in math and reading.

If VAMs provide new and credible information to principals, this new signal may expand the number of schools willing to hire high-VAM teachers. Taking the estimated preferences from Jackson [2009] and Boyd et al. [2013] as given, this expanded choice set may lead high-VAM teachers to move to schools that have lower proportions of minorities, are more affluent, and are higher achieving. While the this earlier literature points at the possibility, it has not directly examined the question of rising inequality in the allocation of teacher quality as a result of VAM adoption. Guilford and Winston-Salem's early release of VAMs, allows this work to explore this previously ignored consequence of the actively debated policy.

## 4 Model

This section develops a model to provide predictions for which workers move, and where they go—and how each may change in response to an information shock. Please see Appendix 9.1

for proofs of these predictions. The model builds on the model of asymmetric employer learning presented in Pinkston [2009], which in turn builds upon the canonical models of symmetric learning presented in Farber and Gibbons [1996] and extended in Altonji and Pierret [2001].

## 4.1 Model Structure

Teachers receive two job offers in the first period and take the highest offer. Each subsequent period, teachers receive one outside offer from either a principal within or outside of the current district with a given probability. Principals face rigid budget constraints, which translate to a fixed number of positions. Principals with a vacancy who encounter a teacher present the teacher with an offer reflecting their expectations about the effectiveness of the teacher, which is based upon the information available. I itemize the information structure below:

1. True effectiveness is given by,  $\mu = m + \epsilon$ , where  $m$  is the population mean of productivity among a worker's reference group and  $\epsilon \sim N(0, \sigma_\epsilon)$ .<sup>7</sup>
2. The public signal is given by  $R_x = \mu + \xi_x$ , where  $\xi \sim N(0, \sigma_\xi(x))$ , and  $\frac{\partial \sigma_\xi(x)}{\partial x} < 0$ .
3. Private signal:
  - (a) For hiring principals (denoted by the superscript  $h$ ), the private signal is given by  $P^h = \mu + \tau^h$  where  $\tau^h \sim N(0, \sigma_\tau(0))$ .  $\sigma_\tau(0)$  is fixed over time.
  - (b) For a retaining principal (denoted by the superscript  $r$ ), the private signal is given by  $P_t^r = \mu + \tau_t^r$  where  $\tau_t^r \sim N(0, \sigma_\tau(t))$  and  $\frac{\partial \sigma_\tau(t)}{\partial t} < 0$ .
4. The VAM serve as an additional piece of information that may alter both the mean and precision of the public or private signal depending on whether it is available to both bidding principals. It has the form  $V = \mu + \nu$ , where  $\nu \sim N(0, \sigma_\nu)$ .
  - (a) When both principals are informed by VAMs, the public signal becomes  $R_{x\nu} = \frac{\sigma_\nu R_x + \sigma_\xi(x)V}{\sigma_\nu + \sigma_\xi(x)}$ . The variance of  $R_{x\nu}$  is denoted as  $\sigma_\xi(x V)$ .

---

<sup>7</sup>The normality assumptions are not necessary, but are useful in deriving the comparative statics.

- (b) When only the retaining principal is informed by VAMs, her private signal becomes  $P_{t\nu}^r = \frac{\sigma_\nu P_t^r + \sigma_\tau(t)V}{\sigma_\nu + \sigma_\tau(t)}$ . The variance of  $P_{t\nu}^r$  is denoted as  $\sigma_\tau(tV)$ . The hiring principal's signal remains unchanged.

5. The noise of each signal is orthogonal to the noise of the other signals.<sup>8</sup>

It is important to understand the context of this labor market for teachers. In formulating the model, I will highlight areas in which this market is peculiar and the model structures that accompany them. However, the information structure is standard, based upon a Bayesian updating model with the modification that employers receive two signals rather than one. I assume that teachers know their effectiveness ( $\mu$ ), but cannot credibly reveal it. There are two classifications of principals: those who are hiring (denoted by the superscript  $h$ ); and those who are retaining teachers (denoted by the superscript  $r$ ). As a teacher begins her career, all principals begin with the prior belief that she is as good as the average teacher with her same characteristics ( $m$ ). The teacher encounters two principals, both of whom are hiring principals in this first period, to whom she may privately signal her ability akin to an interview, (denoted by  $P_0^h$  where 0 indicates no additional private information).

Over time, teachers may draw on their experience to bolster their public signal denoted by  $R_x$  (for examples consider resumés and networks of references). Any information ( $x$ ) that is credibly revealed to both prospective employers produces more precise public signals. Experience serves as a proxy for additional information, as is typical in the literature. If there is public learning, generally the variance of the public signal ( $\sigma_\xi(x)$ ) will shrink with teacher experience ( $\frac{\partial \sigma_\xi(x)}{\partial x} < 0$ ). However any new public information directly produces this effect.

Through interactions, observations, and/or attention to student outcomes, principals may obtain private information unavailable to rival employers ( $t$ ). Retaining principals' signals ( $P_t^r$ ) are composed of information that is unavailable to the other prospective employer. Years of tenure with the current employer serve as proxy for this accumulated, private information,

---

<sup>8</sup>The orthogonality assumptions are also not necessary to derive the following predictions. However, relaxing these require a less restrictive, though more complicated set of assumptions, outlining the direction and magnitude of correlations between the errors of the signals.

as is typical in the literature. If such private learning occurs, while hiring principals' private signals from interviewing the teacher have a constantly high variance ( $\sigma_\tau(0)$ ), the precision of the current principal's signal ( $\sigma_\tau(t)$ ) increases the longer a teacher works in the school. With any accumulation of private information,  $\sigma_\tau(t) < \sigma_\tau(0)$  for all  $t > 0$ . In order to nest symmetric learning within the more flexible model, I maintain that that even in this special case, employers receive a private signal each period, but the variance of the signal is constant over tenure ( $\sigma_\tau(t) = \sigma_\tau(0) \forall t > 0$ ).

VAMs enter the learning model as an additional piece of information that may enter either the public or private signal. Whether VAMs influence public or private signals depends on whether VAMs are accessible to both principals (as certainly occurs for moves within the unrestricted Guilford County school district and theoretically occurs in the restricted Winston-Salem district) or are accessible to only current principals (as is more likely to occur when competing principals are from different districts). If VAMs enter retaining principals' private signal,  $P_{t\nu}^r = \frac{\sigma_\nu P_t^r + \sigma_\tau(t)V}{\sigma_\nu + \sigma_\tau(t)}$  replaces  $P_t^r$ . If VAMs enter both principals' public signal,  $R_{x\nu} = \frac{\sigma_\nu R_x + \sigma_\xi(x)V}{\sigma_\nu + \sigma_\xi(x)}$  replaces  $R_x$ . The introduction of VAMs alter these expectations by changing both the content of the signal and the signal's precision, and thus the weight that principals ascribe to it.

## 4.2 Bidding

In many public education systems, strict salary schedules determines teachers' pay. In North Carolina, the state sets a base salary schedule that depends exclusively upon easily observable characteristics, such as education and experience.<sup>9</sup> Districts typically supplement this base amount with a percentage of the base schedule. In general, this means that a given teacher will earn the same salary regardless of where and what he is teaching within the district.<sup>10</sup> Further, cumbersome dismissal processes result in teachers initiating much of

---

<sup>9</sup>As of 2014, North Carolina will move to paying teachers in part based upon teachers' VAMs.

<sup>10</sup>In Section 7, I discuss strategic staffing policies deviate from this general case by offering incentives to teach at hard-to-staff schools. The bonuses attached to such positions varied formulaically and outside



the mobility. While principals cannot adjust salaries to influence whether a teacher stays, principals may influence school staffing through non-pecuniary position attributes, such as planning time, teaching assignments, or additional requirements. Boyd et al. [2008, 2013], and Jackson [2009] each provide evidence that teachers have strong preferences over non-wage job attributes.

Initially, teachers take the position that offers the highest total compensation ( $C_{isd}$ ), which is comprised of salary ( $w_d$ ) set by district  $d$ , characteristics of school  $s$  ( $S_{sd}$ ), and characteristics of position  $i$  ( $J_{isd}$ ). Thus,  $C_{isd} = w_d + S_{sd} + J_{isd}$ .

For simplicity, I assume that each principal presents a sealed bid for the teacher and pays the minimum of the two bids. In such sealed-bid, second-price auctions, principals' optimal strategy is to offer their expectation of the teacher's effectiveness (assuming that principals seek to maximize teacher effectiveness within their schools).<sup>11</sup> <sup>12</sup> Principals formulate these expectations by averaging over their prior belief of quality ( $m$ ), the public signal ( $R_x$ ), and their private signal ( $P_0^h$ ). They weight each signal by its precision relative to the other signals, similar to a standard Bayesian updating model. As public information becomes more complete, hiring principals give less weight to their prior beliefs and private noisy signals from interviews, and more weight to the public signal. Thus, letting  $Z_{NV}^h = \sigma_\tau(0)\sigma_\xi(x) + \sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)$ , if uninformed of a teacher's VAM (subscript NV), a hiring principal's optimal maximum bid ( $b_{isdNV}^{h*}$ ) is given by equation 1.

$$b_{isdNV}^{h*} = \frac{\sigma_\tau(0)\sigma_\xi(x)}{Z_{NV}^h}m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{NV}^h}R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^h}P_0^h. \quad (1)$$

If there is public learning, as experience increases, more public information leads to a more principals' discretion.

---

<sup>11</sup>Previous versions modeled open continuous bidding, which permits the adoption of optimal bidding strategies from Milgrom and Weber [1982]. This allows each school to update the optimal bid conditioning on the rival's bidding behavior. However, both bidding processes result in the same predictions.

<sup>12</sup>Prior work shows principals care about teacher effectiveness, particularly in schools under accountability pressure. Other work shows that high-VAM teachers also lead to a wide array of better future outcomes for their students, giving further reason to suggest principals may maximize these short-run measures of effectiveness.

precise public signal. As  $\sigma_\xi(x)$  declines, hiring principals place less weight on their prior beliefs and noisy private information, and more weight on the public signal.

A principal seeking to retain her teacher, who is uninformed of his VAM, has an optimal bid ( $b_{isdNV}^{*r}$ ) with very a similar form to that shown is equation 1. Equation 2 shows her optimal bid, etting  $Z_{NV}^r = \sigma_\tau(t)\sigma_\xi(x) + \sigma_\tau(t)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)$ .

$$b_{isdNV}^{*r} = \frac{\sigma_\tau(t)\sigma_\xi(x)}{Z_{NV}^r}m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{NV}^r}R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^r}P_t^r. \quad (2)$$

Retaining principals provide more weight to their private information ( $P_t^r$ ), if they obtain more useful information than is publicly available. This is reflected by  $\sigma_\tau(t)$  which shrinks with additional private information as opposed to  $\sigma_\tau(0)$  from equation 1, which remains constant for hiring principals.

The introduction of VAMs alters the information available to principals, but not the structure of the model, and the optimal bids that incorporate VAMs have similar form to those shown in equations 1 and 2. Whether the VAMs are public or private are particularly important for depicting retaining principals' expectations of a given teacher in the adopting districts.

If a principal's rival is from outside of the district and uninformed of the measure, the retaining principal incorporates the VAM into her private signal. The new private signal ( $P_{tv}^r$ ) becomes the precision-weighted average of the prior private information and the new VAM. Thus, the optimal bid of a retaining principal, who has access to her teacher's VAM and whose rival does not have access to the VAM (denoted by the subscript RV) is shown in equation 3 were  $Z_{RV}^r = \sigma_\tau(tV)\sigma_\xi(x) + \sigma_\tau(tV)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)$ .

$$b_{isdRV}^{*r} = \frac{\sigma_\tau(tV)\sigma_\xi(x)}{Z_{RV}^r}m + \frac{\sigma_\tau(tV)\sigma_\epsilon}{Z_{RV}^r}R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{RV}^r}P_{tv}^r. \quad (3)$$

Equation 3 is similar to equation 2 except for the replacement of  $P_t^r$  by  $P_{tv}^r$  and of  $\sigma_\tau(t)$  by  $\sigma_\tau(tV)$ . In expectation, the magnitude of the private signal will not change with the

introduction of VAMs. However, the precision of the cumulative private information must increase.

Lemma 1: The precision of the private signal increases with the incorporation of VAMs into the private signal ( $\sigma_\tau(t V) < \sigma_\tau(t)$ ).

Proof: Under the orthogonality assumptions,  $var(P_{t\nu}) \equiv \sigma_\tau(t V) = \frac{\sigma_\nu^2 \sigma_\tau(t) + \sigma_\nu \sigma_\tau(t)^2}{(\sigma_\nu + \sigma_\tau(t))^2} = \frac{\sigma_\nu \sigma_\tau(t)}{\sigma_\nu + \sigma_\tau(t)} \cdot \frac{\sigma_\tau(t)(\sigma_\nu + \sigma_\tau(t))}{\sigma_\nu + \sigma_\tau(t)} - \frac{\sigma_\nu \sigma_\tau(t)}{\sigma_\nu + \sigma_\tau(t)} = \frac{\sigma_\tau^2(t)}{\sigma_\nu + \sigma_\tau(t)}$ , and  $\frac{\sigma_\tau^2(t)}{\sigma_\nu + \sigma_\tau(t)} > 0$ , by property of variances.

This decrease in the variance of the private signal decreases the weight retaining principals place on their prior beliefs and the public information, while increasing the relative weight they place on their now fuller private information.

Turning back to hiring principals' expectations of teacher quality, if a hiring principal is uninformed of VAMs (or their existence), her expectation of the teacher's quality would remain unchanged from those presented in equation 1. Thus, the introduction of VAMs exacerbate informational asymmetries between prospective employers.

In contrast, if both bidding principals are informed of a teacher's VAM, as is likely the case when both principals are from one of the adopting districts after the policy takes effect, the VAM enters the principals' public signal of teacher quality. Letting  $Z_{HV}^r = \sigma_\tau(t)\sigma_\xi(x V) + \sigma_\tau(t)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x V)$ , equation 4 provides the retaining principal's optimal bid when the hiring principal may also access a teacher's VAM (denoted with the subscript HV).

$$b_{isdHV}^{r*} = \frac{\sigma_\tau(t)\sigma_\xi(x V)}{Z_{HV}^r} m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(x V)}{Z_{HV}^r} P_t^r. \quad (4)$$

Equation 4 is also similar to equation 2 with the exception that, here,  $R_x$  is replaced by  $R_{x\nu}$ , as VAMs enter the public signal. While in expectation the magnitude of the public signal is the same with or without VAMs, the variance of the public signal must change as a result.

Lemma 2: The precision of the public signal increases with the incorporation of VAMs into the public signal ( $\sigma_\xi(x V) < \sigma_\xi(x)$ ).

Proof: Under the orthogonality assumptions,  $var(R_{x\nu}) \equiv \sigma_\xi(x V) = \frac{\sigma_\nu^2 \sigma_\xi(x) + \sigma_\nu \sigma_\xi(x)^2}{(\sigma_\nu + \sigma_\xi(x))^2} = \frac{\sigma_\nu \sigma_\xi(x)}{\sigma_\nu + \sigma_\xi(x)} \cdot \frac{\sigma_\xi(x)(\sigma_\nu + \sigma_\xi(x))}{\sigma_\nu + \sigma_\xi(x)} - \frac{\sigma_\nu \sigma_\xi(x)}{\sigma_\nu + \sigma_\xi(x)} = \frac{\sigma_\xi^2(x)}{\sigma_\nu + \sigma_\xi(x)} \cdot \frac{\sigma_\xi^2(x)}{\sigma_\nu + \sigma_\xi(x)} > 0$ , by property of variances.

For equation 4, this means that retaining principals will shift weight that they had previously placed on the private signal onto the new more complete 'publically' available information.

If access to the VAMs is shared between employers, the VAMs enter the public signal of hiring principals, just as they enter the public signal of retaining principals. Letting  $Z_{HV}^h = \sigma_\tau(0)\sigma_\xi(xV) + \sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(xV)$ , equation 5 provides the hiring principal's optimal bid when she may also access a teacher's VAM (subscripted HV).

$$b_{isdHV}^{h*} = \frac{\sigma_\tau(0)\sigma_\xi(x V)}{Z_{HV}^r} m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(x V)}{Z_{HV}^r} P_0^h. \quad (5)$$

The difference between equations 1 and 5 are in the public signal and its variance. Using the finding from lemma 2, that the variance of the public signal drops with the introduction of VAMs, once hiring principals may access a teacher's VAM, they place less weight upon their prior beliefs and less weight upon their noisy private information they glean from the application process, and place more weight on the public information that now includes a teacher's VAM. For bids in which both principals become informed of a teacher's VAM, the information between prospective employers becomes more symmetric, and their expectations converge, as both hiring and retaining principals shift weight onto the information that they share.

### 4.3 Mobility under Asymmetric Information

The teacher labor market generally moves in the summer between school years. Between each school year, teachers may sample two offers, an update from their current school and one outside offer. Teachers move to the school that offers the highest bid.<sup>13</sup> Accordingly, the probability of a move is:

$$P(M) = P[b_{isd}^{h*} - b_{isd}^{r*} > 0] \quad (6)$$

Such school-to-school transfers are motivated in general by a hiring principal valuing the teacher more so than does the retaining principal. Letting  $\psi$  stand for the composite error term and substituting in the bids from presented in equations 1 and 2 allows equation 6 to be written in the form presented in equation 7.<sup>14</sup>

$$P(M) = P[\psi > \sigma_\xi(x) (\sigma_\tau(0) - \sigma_\tau(t)) (\mu - m)] \quad (7)$$

While the VAMs and who has access to them alters the informations on which principals operate, the general form of equation 7 remains the same, making it useful for illustration. Such transitions may occur due to extreme private signals. However, this may happen even if both principals receive the same private signal due to differences in how each principal weights the signals she receives.

For such mobility, it is apparent from equation 7 that all else equal, the probability of a move is inversely related to true effectiveness. Intuitively, due to their additional knowledge of teacher effectiveness, the current school should value the true effectiveness of the teacher more than the outside market. Because the outside market has less information about true effectiveness, the outside schools should place more weight on the easily observed correlates with teacher effectiveness than the current school, which inform the prior belief ( $m$ ).

The primary investigation in this study explores how mobility changes with the adoption

---

<sup>13</sup>For simplicity, I model mobility decisions as a spot market. A fixed transition cost or idiosyncratic teacher preferences over schools may be added without additional assumptions.

<sup>14</sup>See Subsection 9.1.1 in the Appendix for algebraic transformations.

of VAMs. The availability of VAMs to some prospective employers, but not others, provides a rare test for the model laid out above. As described in Section 2, both districts' adoption of VAMs, theoretically provide a shock to the information of all principals within the district. There are two primary ways of thinking about the impact of VAMs in the model. The first is more in keeping with the prior employer learning literature. In which case, VAMs serve as difficult-to-observe measures of teacher quality. Researches may use VAMs to proxy directly for  $\mu$  about which employers are learning. In this framework, the model offers predictions of whether better or worse teachers move as response to adopting these VAMs. Equation 8 takes this broad view.<sup>15</sup>

$$\begin{aligned} \frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m \mu]}{\partial \mu} = & \\ \sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))((\sigma_\xi(x) - \sigma_\xi(x V))(\sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x)\sigma_\xi(x V) & \quad (8) \\ + \sigma_\xi(x V)\sigma_\epsilon^2\sigma_\xi(x)\sigma_\tau(0) + \sigma_\xi(x V)\sigma_\tau(t)\sigma_\epsilon^2\sigma_\xi(x) + (\sigma_\xi(x V) + \sigma_\xi(x))\sigma_\tau(t)\sigma_\epsilon^2\sigma_\tau(0)). & \end{aligned}$$

Under the assumption that  $\sigma_\tau(0) > \sigma_\tau(t)$ , which is fundamental to asymmetric employer learning and by  $\sigma_\xi(x) > \sigma_\xi(x V)$ , which was shown in lemma 2,  $\frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m \mu]}{\partial \mu} > 0$ . Therefore, the model predicts that providing VAMs to both principals, as theoretically occurred within both districts, should raise the probability that good teachers move, all else equal.

Under the second interpretation, EVAAS VAMs enter the two districts directly as new signals. Accordingly, the model may offer predictions on the differential effects of the policy on the probability of moving for teachers receiving different signals, all else equal. After some algebra, equation 9 takes this more narrow view.<sup>16</sup>

$$\frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m V]}{\partial V} = \frac{1}{Z_{HV}^h Z_{HV}^r} \frac{\sigma_\xi(x)}{\sigma_\nu + \sigma_\xi(x)} > 0 \quad (9)$$

<sup>15</sup>See Appendix 9.1.2 provides the relevant algebraic transformations.

<sup>16</sup>See Appendix 9.1.3 for the relevant algebraic transformations.

Therefore, while the interpretations are subtly different, the comparative statics with respect to VAMs after the policy takes effect are the same. Within the districts, where both principals are aware of the signals once they are implemented, the model predicts high-VAM teachers to become more likely to transfer schools.

Recall from Section 2, that if principals in other districts know of the existence of VAMs for teachers from Winston-Salem and Guilford, the policy would theoretically alter their information as well. The previous prediction would apply to out-of-district moves as well. However, it is plausible that in principals in other districts were uninformed about the policy. In which case, the adoption of VAMs in Guilford and Winston-Salem would make the balance of information more asymmetric, in the event that a teacher contemplates moving to another school outside Winston-Salem or Guilford. If the hiring principal is uninformed of the VAM, VAMs enter retaining principals' private signals.

The same two interpretations of VAMs' role apply here. Again beginning with the broader view of VAMs as a measure of  $\mu$ , equation 9.1.4 demonstrates the model's predictions with respect to teachers' underlying abilities on the probability of moving to uninformed principals.<sup>17</sup>

$$\frac{\partial E [b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m \mu]}{\partial \mu} = \frac{-\sigma_{\xi}(x)^2 \sigma_{\epsilon}}{Z_{RV}^h Z_{RV}^r Z_{NV}^h Z_{NV}^r} (\sigma_{\tau}(t) - \sigma_{\tau}(t V)) (\sigma_{\tau}(0)^2 \sigma_{\epsilon}^2 + \sigma_{\tau}(0)^2 \sigma_{\xi}(x)^2 + \sigma_{\tau}(0)^2 \sigma_{\epsilon} \sigma_{\xi}(x) + \sigma_{\xi}(x)^2 \sigma_{\epsilon}^2). \quad (10)$$

Under lemma 1,  $\sigma_{\tau}(t) > \sigma_{\tau}(t V)$ , which implies that  $\frac{\partial E [b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m \mu]}{\partial \mu} < 0$ . Therefore, the model predicts that after the release of VAMs to retaining principals, as teacher quality increases the likelihood of moving out-of-district will decline, and vice versa.

Under the more narrow view of VAMs as only pertaining to the signal itself, again the predictions remain consistent. Equation 11 presents the partial derivative of the expected

---

<sup>17</sup>See Appendix 9.1.4 for the relevant algebraic transformations.

difference in the differences between employers bids with respect to the VAM signal itself.<sup>18</sup>

$$\frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m V]}{\partial V} = \frac{-\sigma_{\xi}(x)\sigma_{\epsilon}\sigma_{\tau}(t)}{Z_{RV}^r(\sigma_{\nu} + \sigma_{\tau}(t))} < 0 \quad (11)$$

Here the model predicts adverse selection of out-of-district moves on the basis of VAMs, all else equal. It is important to note that good (or high-VAM) teachers may choose to reveal their EVAAS report to principals in other districts in an effort to move out-of-district. Accordingly, the furthering of information asymmetries between employers may not universally apply to out-of-district moves. However, as long as some low-VAM teachers are able to move out-of-district without being penalized by their EVAAS report (or their unwillingness to reveal it), the model predicts more negative (smaller in magnitude or negative) effects of VAM on the probability of moving out-of-district after policy implementation than are produced for moves within-district. Thus, the test between symmetric and asymmetric learning is whether effects of the policy on the selection of out-of district movers are significantly more negative than the effects of adopting VAMs on the selection of within-district movers.

## 5 Data and Estimation

In this section, I describe both the data and methods used to generate VAMs of teacher effectiveness, and the effects of the district policies on the teacher mobility. Subsection 5.1 describes the generation of VAMs. Subsection 5.2 describes the estimation sample. Subsection 5.3 describes the difference-in-differences estimation approach used to identify the effects of the new information on the mobility decisions of teachers and principals.

---

<sup>18</sup>See Appendix 9.1.5 for the relevant algebraic transformations.



## 5.1 Value-Added Measures

While there are other valuable dimensions of teaching, many schools and districts care a great deal about teachers' abilities to raise their students' performance on standardized assessments. This study relies on administrative, student- and teacher-linked, longitudinal data generously provided by the North Carolina Education Research Data Center (NCERDC) to estimate teachers' abilities to do just that. Though a robust source of data, unfortunately, the NCERDC does not contain the exact VAMs issued to each teacher within the treatment districts, and neither district agreed to release them. Consequently, this study will measure the student gains on the North Carolina End of Grade exams attributable to each teacher.

There are two primary ways to go about this. The first is to attempt to model the exact measures that teachers and principals receive. This is primarily useful in explaining the teachers' and principals' observed behavior. The second is to model teacher effectiveness as accurately as possible. This is primarily useful in evaluating the consequences of the policy. To illustrate this distinction, suppose that the EVAAS score were totally uninformative. Observing mobility based on them would clearly illustrate the impact of the additional signal, but would offer no insight into the effect on educational equity. In contrast, using a measure of true effectiveness provides direct policy implications and is also useful in testing the learning hypotheses. The employer learning framework relies on the error in variables that proxy for underlying ability. This study follows earlier studies of employer learning in supposing that the researcher may access information originally unavailable to market participants. Whereas Farber and Gibbons [1996], Altonji and Pierret [2001], Lange [2007], Schönberg [2007], and Pinkston [2009] use AFQT score as a strong correlate with productivity about which employers must learn, I use the VAM described above in this capacity. In Section 4, all predictions are in reference to teacher quality and the precision of the signals, not the signals themselves. Accordingly, in my preferred specification I model teacher effectiveness rather than attempting to replicate the EVAAS measure. An element of feasibility also enters this preference. The EVAAS system is proprietary, and the exact data and methods used are

not disclosed. Furthermore, SAS uses two different proprietary models, and for large school districts it is unclear which is used. Of course, in actuality, the resulting measures from either approach are likely to be highly correlated, and in Section 7, I check the robustness of my results against other specifications.<sup>19</sup>

In this context, the VAMs need not totally encompass a teacher’s effectiveness. Here, VAMs only need to be stronger correlates with teacher effectiveness than are other correlates with productivity, such as educational attainment and level of certification. The extant literature supports this claim. As Rivkin et al. [2005] show, easily observed teacher characteristics are not highly correlated with teacher effectiveness. Experimental evidence from Hinrichs [2013] suggests that GPA matters little to schools in hiring decisions, and that the strongest determinant of receiving a positive response from a school is whether the teacher holds an in-state certificate. However, Jacob and Lefgren [2008] find large agreement between principal evaluations of teachers and VAMs, at least in the tails of the distributions of both measures. Furthermore, recent work shows significant correlation between teachers’ VAMs and many important future outcomes for their students, including educational attainment, earnings, and probability of incarceration [Chetty et al., 2011, 2014]. While VAMs likely do not measure all traits that principals may seek in their teachers, they do directly measure one component of teaching quality that is important to principals and policy makers.

My preferred measure of VAMs is what Guarino et al. [2012] call the Dynamic OLS (DOLS) estimator presented in equation 6. According to Guarino et al. [2012], this DOLS estimator is more robust to nonrandom student assignment, a frequent criticism of the often used Empirical Bayes estimator, which assumes random assignment of students to teachers. Given teachers’ preferences found in Jackson [2009] and Boyd et al. [2013], it seems unlikely that teacher effects would be uncorrelated with student-level covariates.

$$A_{ijt} = \tau_t + \mathbf{A}_{ijt-1}\boldsymbol{\beta}_0 + \mathbf{X}_{it}\boldsymbol{\beta}_1 + \mathbf{VAM}_j + e_{it} \tag{12}$$

---

<sup>19</sup>Rose et al. [2012] finds a .91 correlation between one EVAAS measure and Dynamic OLS.

Here,  $A_{ijt}$  represents student  $i$ 's mathematics achievement in teacher  $j$ 's class in year  $t$ . Including  $\mathbf{A}_{it-1}$  allows for the correlation of previous math and reading test performances with current performance. Additionally,  $\mathbf{X}_{it}$  is a vector including demographic attributes of individual students, such as grade, race, gender, special needs, and gifted status. It is  $\mathbf{VAM}_j$ , a vector of teacher indicators, which is of primary interest for this study. Acknowledging that VAMs can be somewhat unstable in any single year, my preferred estimates use data from each year a teacher is teaching 4<sup>th</sup> through 8<sup>th</sup> grade during my sample period. This allows me to gain the most precise estimate of teachers' true underlying ability,  $\mu$ .

## 5.2 Estimation Sample

This study restricts attention to the 5,986,132 elementary and middle school student, year observations from 1997 through 2011 to construct the VAMs for 134,219 teachers who teach 4<sup>th</sup> through 8<sup>th</sup> grade. I link these data to education, licensing, and work history data of 67,062 lead teachers without teaching assistants for whom the records are complete. These teachers are dispersed across the 2,966 schools in 117 school districts. I further restrict the sample to only those teachers teaching 4<sup>th</sup> through 8<sup>th</sup> grade at the time of observation, since they are the only elementary teachers to receive VAMs. This restriction pares down my sample from 416,135 teacher-year observations to 236,018. At the teacher level, the data includes the teachers' race, gender, institution of higher education, degrees earned, experience, and tenure at a given school. Each of these are easily observable to all schools and many are likely used to filter job candidates. I use performance at the school in which the teacher currently works as an additional, easily observable, possible correlate with effectiveness. Table 2 provides summary statistics for my estimation sample.

The districts which received treatment do not differ substantially from state averages in achievement or percent of student receiving proficiency on the state standardized exams. Given that both districts include urban centers, they do have a higher proportion of Black students and teachers than does an average district in the state. While teachers come from

Table 2: Sample Summary Statistics

	Guilford		Winston-Salem		Rest of North Carolina	
	Mean	SD	Mean	SD	Mean	SD
Scaled Score	250.38	71.71	249.23	68.86	252.36	70.49
Percent Proficient	0.75	0.14	0.74	0.15	0.76	0.13
Share of Black Students	0.42	0.24	0.36	0.24	0.29	0.24
Share of Black Teachers	0.25	0.43	0.21	0.41	0.15	0.36
Share of Hispanic Teachers	0.01	0.09	0.00	0.04	0.00	0.06
Share of Teachers with Advanced Degrees	0.30	0.46	0.36	0.48	0.29	0.45
College Selectivity (Barron's)	3.95	1.43	3.92	1.68	3.93	1.44
Experience	11.59	9.76	13.36	9.71	12.19	9.85
Tenure	3.23	3.05	3.59	3.26	3.68	3.35
Job Moves	0.09	0.28	0.08	0.28	0.08	0.27
Within-District Moves	0.06	0.24	0.06	0.24	0.05	0.22
Out-of-District Moves	0.03	0.16	0.02	0.14	0.03	0.16
Left NCPS	0.06	0.23	0.04	0.20	0.06	0.24
VAM	0.02	1.01	0.01	0.99	0.00	1.00
N	11,239		8,295		216,484	

Note: VAM is measured in standard deviations with the mean centered at 0.

Tenure is generated, and is censored for those already working at a given school in 1995.

colleges of comparable selectivity, across districts, in Winston-Salem, a larger share of the teaching-force holds an advanced degree. However, on the basis of VAMs, teaching quality in both districts is very close to the state average.

### 5.3 Estimation Strategy

The regression based differences-in-differences approach allows me to isolate mobility based on underlying effectiveness from mobility based on correlates with effectiveness. Furthermore, easily observable, lower correlates with effectiveness may become less tied to the probability of moving after the introduction of VAMs. This gives the following baseline estimating equation:

$$y_{jdt}^* = \mathbf{T}_t + \mathbf{d}_d + VAM_j \mathbf{G}_1 + \mathbf{X}_{jdt} \mathbf{G}_2 + \xi_{jdt} \quad (13)$$

$$\mathbf{G}_h = \gamma_{h1} + \mathbf{TreatDist}_{jd} \gamma_{h2} + \mathbf{Post}_t \gamma_{h3} + \mathbf{TreatDist}_{jd} \times \mathbf{Post}_t \gamma_{h4}, h = 1, 2$$

where  $y_{jdt}^*$  is the latent probability of a job change for teacher  $j$  in district  $d$  and in year  $t$ . I only observe the binary outcome of when a move occurs.  $\mathbf{T}_{tc}$  are a vectors of year effects,  $\mathbf{d}_{dc}$  represent district fixed effects, and  $\mathbf{X}_{jdt}$  is a vector of teacher and school characteristics including teacher experience, tenure,<sup>20</sup> race, highest degree earned and selectivity of bachelor degree granting institution, as well as percent of students who are Black and percent of students testing above proficiency at the school level. Coefficients  $\mathbf{G}_1$  and  $\mathbf{G}_2$  capture the differences in the effects of VAMs on mobility based on the information available at the time. Interactions with treatment district indicators separate permanent differences in the impacts of VAMs and other characteristics from confounding the effect of treatment, while interactions with indicators for post years do the same for statewide changes in the effects at the times the policies take effect. Thus, the indentifying variation comes from the differences between adopting districts and the rest of the state in the differences in the predictive power of VAMs on the probability of moving schools between pre- and post-policy years.

Keeping in mind previously estimated teacher preferences and more importantly potential differences in information available, I examine the six types of job changes separately: within district moves, within district moves to higher-performing schools, within district moves to lower-performing schools, out-of-district moves, out-of-district moves to higher-performing schools, and out-of-district moves to lower-performing schools. Given that teachers initiate most moves, it is generally difficult to explain the rationale of moves to worse schools through this framework. Due to the indirect mechanism by which hiring principals in Winston-Salem obtain teachers' VAMs and the potential additional salience of VAM signals to principals

---

<sup>20</sup>Because tenure is generated and censored for job matches beginning prior to 1995, indicators of whether the current match existed in 1995 is included in all regressions.

outside the district during Winston-Salem later adoption, I separate treatment by district.

Given how the districts distributed VAMs, it seems clear that the new information would be public between two principals in Guilford. Perhaps to a lesser extent the same holds for Winston-Salem. Accordingly, regardless of whether information had previously been more symmetric or asymmetric, the model predicts  $\gamma_{14WD} > 0$  (where  $\gamma_{14WD}$  is the effect of the interaction of VAM with receiving treatment on the probability of moving within-district).<sup>21</sup> Each prediction may be more pronounced in Guilford than in Winston-Salem. Furthermore, because there would be more information available on more experienced teachers if there previously been some degree of public learning, the model predicts the effects to diminish with teacher experience. Likewise, if there had previously been private learning, the learning model predicts the shock to public information to have larger ramifications for teachers with more tenure at a given school all else equal. In later specifications, I interact VAM with experience and the difference-in-differences,  $\mathbf{G}$ , interactions.

When comparing the expectations of a retaining principal within one of the treatment districts to a hiring principal in another district there is some ambiguity as to whether VAMs provide a more precise expectation for both principals or only the current one. If principals in other districts find out about the signal's existence and meaning, they can require teachers to reveal just as in the Winston-Salem case. Thus, the symmetric learning model for out-of-district moves predicts  $\gamma_{14OD} > 0$  (where  $\gamma_{14OD}$  is the effect of the interaction of VAM with receiving treatment on the probability of moving out-of-district).<sup>22</sup> If current principals can keep information from employers in other districts, the signal improves the precision of the current principal's signal about the true quality of the teacher, while the expectation of the out-of-district principal is unaffected. In which case, the asymmetric learning model would apply predicting  $\gamma_{14WD} > \gamma_{14OD}$  and possibly  $\gamma_{14OD} < 0$  for out-of district moves.

This type of movement may have important implications for the distribution of teacher quality across schools. If better teachers are more able to signal their true quality, and do

---

<sup>21</sup>WD indexes within-district moves.

<sup>22</sup>OD indicates out-of-district moves.

so in general to move to better schools, the divide in teacher quality between the worst and best schools may widen. Accordingly, I estimate equation 7 substituting percent of students proficient in the school taught at the subsequent year, for the binary variable of whether teachers move. Again, if VAMs are informative and teachers do in general prefer to teach at better schools,  $\gamma_{14SQ} > 0$  in this regression as well.<sup>23</sup>  $\gamma_{14SQ}$  is the effect of the interaction of VAM with receiving treatment on the proficiency levels of the school where the teacher works the subsequent year. Similar to the probability of moving to a better school, we may expect these effects to be somewhat muted for teachers moving later in their careers, in which case hiring principals may already have more complete information.

## 6 Results

Table 3 presents the estimated impact of revealing EVAAS reports of teacher effectiveness on the correlation between teachers' VAMs and the probability a teacher moves to another school. Given the evidence in Table 4, and presented in previous studies, that teachers prefer to teach in schools with higher-performing students, Table 3 decomposes effects by whether the receiving school has higher or lower-performing students.<sup>24</sup> The test between symmetric and asymmetric employer learning focuses on how the effects of VAMs on the probability of moving within-district differ from the effects of VAMs on the probability of moving out-of-district after the treatment districts adopt the measures of teacher quality. Panel A restricts attention to within-district moves, and Panel B presents evidence from out-of-district moves.

The first row presents the the relationship between VAMs and the probability of each type of move in the rest of the state, prior to any districts adopting the policy. In general, there is

---

<sup>23</sup>SQ indicates that school quality is the relevant outcome.

<sup>24</sup>A move to a higher performing school is defined as a move in which the school taught at the following year has a higher percentage of students who achieve proficiency than the current school. Proficiency rates are demeaned by year statewide averages, while a move to a lower-performing school is defined in the reverse way.

little relationship between VAMs and the probability of moving within or out of the district. However, when discerning between moves to more and less proficient schools a familiar pattern emerges. From columns 2 and 3 of Panel A, a teacher with a standard deviation higher VAM is about 0.3 percentage points more likely to move to a higher-performing school and 0.2 percentage points less likely to move to a lower-performing school within the district. Panel B exhibits the same pattern regarding moves to schools outside of the current district. A one standard deviation increase in VAM before the policy takes effect raises the probability of moving to a higher-performing school by about a tenth of a percentage point and lowers the probability of moving to lower-performing school by about the same magnitude.

Within both Guilford and Winston-Salem, the release of VAMs intensifies this pattern. From the coefficient on the interactions between policy treatment and VAMs in both districts, a standard deviation increase in a teacher's VAM leads to about a half of a percentage point increase in the probability of moving within district after the district released the value-added information. While the magnitudes of the effects are very close between districts, they are only statistically significant beyond the 95% confidence level for Guilford. Column 2 illustrates that these results are driven by moves to higher-performing schools, as the model predicts. From Column 2, the estimated coefficients imply that the adoption of VAMs raises the probability that a teacher with one standard deviation higher VAM will move to a higher-performing school by over 14% (p-value .014) in Guilford and nearly 18% (p-value .020) in Winston-Salem. Column 3 reveals little change in the effects of VAMs on the probability of moving to a lower-performing school within district. The similarity of the point estimates on the impact of VAMs post-treatment between Guilford and Winston-Salem is also worth noting, as they provide no evidence that relying upon teachers to voluntarily disclose their VAMs to hiring principals mitigates the effects.

From Section 4, the effect of the policy should be no different whether teachers move to schools within or outside of the district, under the symmetric learning hypothesis. However, asymmetric employer learning predicts the policy to give principals in Guilford and Winston-



Salem an informational advantage over principals in other districts. This translates into the smaller selection effects for teachers moving to other districts than for within-district moves, and these effects may even be negative. The second column of Panel B presents changes in the effect of teacher quality on the probability of moving to a better, out-of-district school after the adoption of VAMs that are consistent with the asymmetric learning model.

In Guilford, a teacher who has a full standard deviation lower VAM, is a full percentage point more likely to move out-of-district. This same teacher is about a half a percentage point more likely to move to a better school out-of-district (p-value 0.001). There is also a statistically significant effect on the probability of moving to lower-performing schools out of Guilford. While the model does not predict this type of movement, it is not surprising. Low VAMs may lead current principals to devalue some of their teachers, who may respond by moving to lower-performing schools which are not privy to their value-added scores.

In Winston-Salem, the difference between within- and out-of-district moves is less pronounced. While in Winston-Salem, a teacher with one standard deviation higher VAM is more likely to move to a higher-performing school out-of-district after the policy takes effect, the point estimate is only 38% of that from moving within-district and is no longer statistically significant. Were outside principals informed of the signal, we would expect the same positive effects found in the second column of Panel A to be present in the second column of Panel B.

The fact that effects are more negative in Guilford than Winston-Salem, may be explained by differences in the salience of the signals between teachers moving from Guilford as opposed to those moving from Winston-Salem. Guilford's adoption of the EVAAS measures of teacher effectiveness occurred in 2000. It is unlikely that at that time principals in other districts had much understanding of the measures, or their reliability. In contrast, the rest of the state adopted school-level EVAAS reports simultaneously with Winston-Salem's adoption of teacher level VAMs. Given this difference in contexts, high VAM teachers from Winston-Salem may have been better able to use their VAMs to obtain positions outside of

Table 3: Probability of Moving Schools Within and Out of District

VARIABLES	Panel A: Within-District Moves			Panel B: Out-Of-District Moves		
	Total	To a higher performing school	To a lower performing school	Total	To a higher performing school	To a lower performing school
VAM	0.0016 [0.00056]	0.0032*** [0.0004]	-0.0016*** [0.00036]	0.0002 [0.00039]	0.0014*** [0.00031]	-0.0012*** [0.00022]
VAM x Treatment Guilford	0.0058** [0.00262]	0.0051** [0.00204]	0.0007 [0.00153]	-0.0103*** [0.00192]	-0.0054*** [0.00164]	-0.0049*** [0.00106]
VAM x Treatment Winston-Salem	0.0052 [0.00323]	0.0060** [0.00255]	-0.0008 [0.00204]	0.0009 [0.00186]	0.0023 [0.00167]	-0.0014 [0.00096]
Treatment Guilford	-0.0040 [0.00583]	-0.0050 [0.00436]	0.0010 [0.00444]	-0.0162*** [0.00261]	-0.0232*** [0.00114]	0.0070*** [0.0024]
Treatment Winston-Salem	0.0555*** [0.00314]	0.0475*** [0.00253]	0.0080*** [0.00215]	-0.0020 [0.0029]	0.0147*** [0.0022]	-0.0167*** [0.00171]
Observations	236,018	236,018	236,018	236,018	236,018	236,018

Standard errors are bootstrapped at the student-year level and appear in brackets.  
 All regressions include teacher level covariates and interactions with treatment indicators.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Winston-Salem, than would a comparable teacher moving earlier from Guilford. In Winston-Salem, the increase in high-VAM teachers' ability to signal their effectiveness may mitigate any effects from relatively low VAM teachers exploiting the informational asymmetry. The mitigated effects of VAM for those moving out of Winston-Salem in addition to the negative selection of teachers moving away from Guilford evidences informational asymmetries between potential employers within as opposed to outside of the district.

Turning to the implications of such mobility for educational equity in general, Table 4 presents the results of how the sorting of teachers to schools changes with the implementation of the policy. The coefficient on VAM describes the relationship between teachers' VAMs and the proficiency level of the school they teach at the subsequent year in the rest of the state. Across both columns, a one standard deviation increase in a teacher's VAM leads to about a quarter of a percentage point increase in the percent of students who are proficient in the school in which he teaches the subsequent year. The result that students in better

schools also get better teachers is consistent with findings in Boyd et al. [2005] and Boyd et al. [2008].

Column 1 examines the effect of the policy on sorting for all teachers in the sample who remain teaching in North Carolina the following year. Column 2 restricts the sample to those who remain within their current district. The second column may be more informative for predicting the effects in the rest of the state after the adoption of EVAAS VAMs becomes statewide. Theoretically, the effects may be more pronounced for the state as a whole, because the costs of moving out of state are in general higher than those of moving out of a school district. The difference in results from Table 3 between within- and out-of-district moves imply more positive correlations between teacher VAMs and school performance among those who remain in district than overall, as a result of the policy. Table 4 reflects those patterns. Overall, it seems that releasing VAMs of teacher effectiveness does little to change the distribution of teacher quality across schools. In column 2, while there is no evidence of sorting in general rising in Guilford as a result of the policy, in Winston-Salem, on average I find a teacher with one standard deviation higher VAM will be at a school that has 0.2 percentage points higher proficiency rates after the district releases VAMs. In Winston-Salem, this translates to about a 70% increase in the correlation between teacher quality and student performance as a result of the policy. This large effect for Winston-Salem taken together with the mobility patterns from Table 3 evidence rising inequality in the distribution of highly effective teachers as an unintended consequence of VAM adoption.

The final piece of primary analysis examines the effects of the policy on the correlation between teacher VAMs and the probability of moving with respect to years of experience and tenure. If teachers are able to draw upon each year of experience to better demonstrate how good they are through resumés, references, or any other device, the release of VAMs would not serve as much of a shock for teachers about whom there already exists a great deal of information. The model predicts that if there is substantial public learning prior to VAM

Table 4: Effects on Sorting

VARIABLES	Total	Within District
VAM	0.0028*** [0.00015]	0.0024*** [0.00015]
VAM x Treatment Guilford	-0.0005 [0.00074]	-0.0000 [0.00074]
VAM x Treatment Winston-Salem	0.0007 [0.0011]	0.0017* [0.00093]
Treatment Guilford	-0.0195*** [0.00128]	-0.0157*** [0.00122]
Treatment Winston-Salem	0.0290*** [0.00128]	0.0231*** [0.00122]
Observations	209,424	202,943

Standard errors are bootstrapped at the student-year level and appear in brackets. All regressions include teacher level covariates and interactions with treatment indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

adoption, the effects of the policy should be less dramatic for more experienced teachers. While Table 5 exhibits this relationship for teachers moving out of the district, the same is not true for teachers moving within district. Taking the point estimates literally, a teacher with 5 more years of experience and one standard deviation higher VAM is twice as likely to move within Guilford to a better school after the release of VAM, than is a less experienced, but otherwise similar teacher. In Winston-Salem, the point estimates imply that higher VAMs only increase the probability of moving to a better school after teachers have more than 2 years of experience. While the observed pattern of stronger effects for more experienced teachers may seem strange, this pattern may occur if it takes time to realize that moving is worthwhile or if releasing VAMs allow a built up stock of more experienced teachers who could not previously signal their quality to move. From columns 3 and 4, in both districts, each additional year of experience mitigates the negative selection of inexperienced teachers moving out of the district. For Guilford and Winston-Salem, 5 years of additional experience

cuts the effect of VAM on the probability of moving to a better school outside the district by 15% and 20%, respectively. The same general pattern holds with regard to interactions with tenure, though the standard errors on the coefficient estimates for interactions with tenure are larger. Were private learning already prevalent in the market, the model predicts the effects of the policy to be larger for those who have taught at the same school for longer, all else being equal. This is consistent with the results in columns 1 and 2. The fact that the effect of the policy is very similar regardless of whether a teacher is relatively more experienced or tenured, provides little information as to which type of learning previously dominated the information landscape or whether either type of learning occurs in absence of the VA information.

## 7 Robustness

In the following section I examine the robustness of the effects of VAM adoption. Section 7.1 considers changes in effects when using only prior years of student data when constructing VAMs. In Section 7.2, I use competing risks regression to examine the possibility of correlated errors between types of moves. Section 7.3 considers whether other district policies that paid teachers to work in hard-to-staff schools impact the estimated effects. Within-district, year-by-year analysis of the changing effects of VAMs on mobility and sorting are presented in Section 9.2 in the Appendix.

### 7.1 Sensitivity to VAM Construction

The possibility that teachers may have different VAMs after moving to other schools, may present issues for using VAMs constructed from student data from a teacher's entire career. This could result from moves leading to higher match quality between teachers and schools as Jackson [2013] finds. It may also result from transitory adjustment costs, giving a theoretically ambiguous direction of potential bias. Consequently, in Table 6, I allow teachers VAM scores to vary each year, using only data from the current and previous years

Table 5: Differential Effects With Respect to Experience and Tenure

VARIABLES	Within District		Out of District	
	Total	Higher Performing	Total	Higher Performing
VAM	-0.0001 [0.00114]	0.0028*** [0.00082]	-0.0001 [0.00092]	0.0023*** [0.00074]
Experience x VAM	-0.0000 [0.00045]	0.0000 [0.00038]	-0.0000 [0.00022]	-0.0000 [0.0002]
Tenure x VAM	0.0020*** [0.00078]	0.0006 [0.00053]	0.0006 [0.00039]	0.0005 [0.00038]
VAM x Treatment Guilford	0.0033 [0.00569]	0.0050 [0.00471]	-0.0181*** [0.00498]	-0.0095** [0.00421]
Experience x VAM x Treatment Guilford	0.0016*** [0.00029]	0.0010*** [0.00023]	0.0002 [0.00025]	0.0003 [0.00019]
Tenure x VAM x Treatment Guilford	0.0056*** [0.00201]	0.0004 [0.00161]	0.0008 [0.00137]	0.0014 [0.00100]
VAM x Treatment Winston-Salem	-0.0003 [0.00625]	-0.0010 [0.00489]	-0.0073* [0.00430]	-0.0051 [0.00395]
Experience x VAM x Treatment Winston-Salem	0.0003*** [0.00006]	0.0005*** [0.00004]	0.0002*** [0.00004]	0.0002*** [0.00004]
Tenure x VAM x Treatment Winston-Salem	0.0028*** [0.00048]	0.0009** [0.00032]	0.0004 [0.00030]	0.0004 [0.00025]
Observations	236,018	236,018	236,018	236,018

Standard errors are bootstrapped at the student-year level and appear in brackets.  
 All regressions include teacher level covariates and interactions with treatment indicators.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 6: Probability of moving schools within-district using restricted data VAM

VARIABLES	Panel A: Within-District Moves			Panel B: Out-Of-District Moves			Panel C: Lead of % Proficient	
	Total	To a higher performing school	To a lower performing school	Total	To a higher performing school	To a lower performing school	Total	Within District
VAM	0.0003 [0.00056]	0.0011 [0.00041]	-0.0008 [0.00036]	-0.0013 [0.00039]	-0.0006 [0.00029]	-0.0007 [0.00023]	0.0005 [0.00078]	0.0004 [0.00068]
VAM x Treatment Guilford	0.0034 [0.00251]	0.0030 [0.00196]	0.0004 [0.00156]	-0.0027 [0.00191]	-0.0016 [0.0015]	-0.0011 [0.00102]	-0.0015 [0.0012]	-0.0010 [0.00097]
VAM x Treatment Winston-Salem	0.0061* [0.0033]	0.0099*** [0.00266]	-0.0038 [0.00226]	0.0019 [0.00235]	0.0025 [0.00211]	-0.0005 [0.00096]	0.0025*** [0.00015]	0.0037*** [0.00016]
Treatment Guilford	-0.0034 [0.00584]	-0.0042 [0.00419]	0.0008 [0.00455]	-0.0137*** [0.00269]	-0.0220*** [0.00126]	0.0082*** [0.00243]	-0.0196*** [0.00119]	-0.0156*** [0.00118]
Treatment Winston-Salem	0.0555*** [0.00329]	0.0486*** [0.00232]	0.0068*** [0.00223]	-0.0017 [0.00283]	0.0151*** [0.00216]	-0.0168*** [0.00161]	0.0299*** [0.00112]	0.0241*** [0.00097]
Observations	236,018	236,018	236,018	236,018	236,018	236,018	209,424	202,943

Standard errors are bootstrapped at the student-year level and appear in brackets.  
 All regressions include teacher level covariates and interactions with treatment indicators.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

to construct a teacher’s VAM in any given year. The main effects hold, though they are in general somewhat exaggerated in Winston-Salem and smaller in Guilford. Still, the adoption of VAMs raises the probability that good teachers move to better schools. Whereas in Winston-Salem, the effect grows to a full percentage point, in Guilford, a teacher with an one standard deviation higher VAM becomes 0.3 percentage points more likely to move to better school post-policy. From the middle column of Panel B, the negative selection of teachers moving out of Guilford falls to just 30% of the estimate given in Table 3. Panel C in Table 6 corresponds with Table 4. While the effect on teacher sorting doubles in Winston-Salem, the results become more negative and statistically significant in Guilford. While it is possible subsequent match quality increases for teachers from Guilford and decreases for teachers in Winston-Salem, I believe measurement error may provide a more plausible explanation. In Guilford, the effect of VAM prior to the their release is identified off of just two years of data. As a result, the estimates of teachers VAMs are noisier for this period as well as in the immediate aftermath of the policy. Measurement error in the primary variable of interest may attenuate the estimates in Guilford where there is little data prior to the adoption of the policy, while the effects in Winston-Salem become relatively stronger.

Table 7: Effect of VAMs constructed using various number of years on the probability of moving to a "better" school

VARIABLES	2yr VAM	3yr VAM	4yr VAM	5yr VAM	6yr VAM	7yr VAM	8yr VAM
VAM	0.0020*** [0.00025]	0.0023*** [0.00027]	0.0024*** [0.00029]	0.0023** [0.00032]	0.0025*** [0.00034]	0.0027*** [0.00037]	0.0040*** [0.00044]
VAM x Treatment Winston-Salem	0.0103*** [0.00239]	0.0087*** [0.00249]	0.0076*** [0.00245]	0.0064** [0.00278]	0.0099*** [0.00288]	0.0118*** [0.00305]	0.0150*** [0.00342]
Treatment Winston-Salem	0.0555*** [0.00209]	0.0540*** [0.00204]	0.0550*** [0.00211]	0.0480*** [0.00219]	0.0427*** [0.00229]	0.0457*** [0.00238]	0.0407*** [0.00259]
Observations	207,673	189,531	170,598	151,067	131,567	111,786	94,884

Standard errors are bootstrapped at the student-year level and appear in brackets.  
 All regressions include teacher level covariates and interactions with treatment indicators.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

One way of getting around this issue is to use a fixed number of years prior to the current period when constructing VAMs. Unfortunately, the adoption of VAMs by Guilford comes just three years into the student data sample. Since the construction of VAMs requires at least one prior year of student data, this gives just two years at which I could fix my VAM estimate. Not only would this force a noisier estimate of each teacher's VAM for the entire sample, it also provides merely one year of data prior to the adoption of the policy in Guilford. To demonstrate the changes of the estimates with varying the number of years of data used in constructing VAMs, I drop Guilford from the analysis and vary the number of prior years of data I use to construct the VAMs from 2 to 8. Table 7 demonstrates that though the relationship between years used and the effect of the interaction of the policy in Winston-Salem and VAM is not monotonic as the sample used varies, the estimates using more years of data are clearly the largest.

## 7.2 Competing Risks Analysis

By performing separate regressions for each type of school transfer, the above analysis treats each type of move as independent of the others. However, it is possible that the propensity of



a teacher to move within district to a higher-performing school is related to the propensity of moving to a higher-performing school in another district. The same could be said with any combination of outcomes. To test the sensitivity of my earlier results to these possibilities, I adopt a competing risks approach, as proposed by Fine and Gray [1999].

Competing risks survival analysis models the subdistribution hazard ( $\lambda_E(t)$ ) of a particular type of event, such as a move within a school district ( $E = WD$ ), as a function of an unspecified baseline hazard ( $\lambda_{E0}(t)$ ), as well as a vector of time-varying covariates ( $\mathbf{Z}(t)$ ).<sup>25</sup>

$$\lambda_{WD}(t|\mathbf{Z}) = \lambda_{WD0}(t)\exp\{\mathbf{Z}(t)\boldsymbol{\beta}_0\}, \quad (14)$$

In the context of this study, time at risk ( $t$ ) is defined as the difference between the current year and the year at which the teacher first appears matched with the current school.<sup>26</sup>  $\mathbf{Z}(t)$  is a vector including all covariates used in Table 3, with the exception of tenure, which is perfectly correlated with  $t$ . I additionally include district averages of all within-district-varying covariates to control for unobserved, district-wide effects, as in Mundlak [1978]<sup>27</sup>.

Table 8 reports the coefficient estimates for each type of transfer between schools. Accordingly,  $\beta \times 100$  may be interpreted as the percent change in the marginal probability of a particular type of mobility due to a one unit change in the covariate. Columns 1 and 4, examine transfers within and out of district respectively, with the other broad type of transfer serving as a competing risk. Columns 2, 3, 5, and 6, examine transfers to higher and lower-performing schools, within and out of district, with the other types of transfers serving as competing risks.

In this framework, results remain remarkably consistent for Guilford, while there are some notable changes in Winston-Salem. From columns 1 and 2, the probability of of

---

<sup>25</sup>Gray [1988] defines the subdistribution hazard as,  $\lambda_{WD}(t) = \lim_{\Delta t \rightarrow 0} \frac{P(t < T \leq t + \Delta t, E = WD | t \leq T \cup t < T, E \neq WD)}{\Delta t}$ , where  $T$  is the timing of the event occurrence of which there are different types.

<sup>26</sup>I use teacher to school matches as the basis of this survival analysis. Though this forces me to assume independence of matches, it allows me to retain the original sample making it easier to compare the results.

<sup>27</sup>Unreported regression results show little difference depending on if district averages are included

moving within-district for a teacher with a one standard deviation higher VAM score increases by 9% with the release of teacher VAMs and for moves within-district to better school ht probability increases by 14%. Both effects are significantly different from zero and are within a percentage point estimates shown in Table 3. From columns 4 and 5, a teacher with a one standard deviation lower VAM becomes 33.6% (29.5%) more likely to move out of Guilford (to a higher-performing school) after the policy takes effect. In Winston-Salem, the results from Table 3 are somewhat muted. The point estimates imply, the policy in Winston-Salem raises the probability that a teacher with a one standard deviation higher VAM moves to a higher-performing school by about 12%. For out-of-district moves to higher-performing schools, the point estimate corresponds with a 16% increase in the probability a high-VAM teacher moves out of Winston-Salem to a higher-performing school. However, both these estimates are rather noisy and should be interpreted accordingly. In general, while the public and private learning results are further verified in Guilford with this competing risks analysis, the same cannot be said for Winston-Salem.

### 7.3 Strategic Staffing

A possible complication arises due to district strategic staffing policies, which aim to attract more capable teachers to teach in and stay at hard-to-staff schools.<sup>28</sup> Charlotte-Mecklenburg Schools (CMS) and Winston-Salem were by far the earliest adopters of these initiatives with CMS beginning its Equity Plus program in 1999 and Winston-Salem following suit in 2000. By 2012 each major district in North Carolina adopted some program to attract teachers to hard-to-staff schools. In CMS, teachers received a signing bonus to enter a targeted school and teachers with a masters degree could receive up to \$2,500 per year to remain in the school. A smaller incentive was offered to teachers enrolled in masters programs though the district also offered tuition reimbursement. Winston-Salem awarded 20% of the district salary supplement (\$500-\$1,500) to each teacher in targeted schools.

---

<sup>28</sup>“Strategic Staffing” is the official term for later policies with the same objectives. Earlier policies had a variety of different names; Equity Plus (1 and 2), Focus School, Mission Possible

Table 8: Changes in the marginal probability of each type of transfer between schools

VARIABLES	Panal A: Within-District Moves			Panal B: Out-Of-District Moves		
	Total	To a higher performing school	To a lower performing school	Total	To a higher performing school	To a lower performing school
VAM	0.03*** [0.009]	0.09*** [0.012]	-0.07*** [0.015]	0.01 [0.012]	0.08*** [0.017]	-0.10*** [0.016]
VAM x Treatment Guilford	0.09** [0.043]	0.13** [0.049]	0.10 [0.084]	-0.41*** [0.073]	-0.35*** [0.092]	-0.40*** [0.110]
VAM x Treatment Winston-Salem	0.04 [0.053]	0.11 [0.074]	-0.08 [0.097]	0.02 [0.102]	0.15 [0.115]	-0.21 [0.229]
Treatment Guilford	0.01 [0.021]	0.22*** [0.021]	-0.23*** [0.04]	0.24*** [0.032]	-0.12** [0.054]	0.49*** [0.032]
Treatment Winston-Salem	0.56*** [0.048]	0.27*** [0.067]	0.87*** [0.094]	-0.87*** [0.159]	0.18 [0.169]	-7.22*** [0.600]
Observations	236,018	236,018	236,018	236,018	236,018	236,018

Standard errors are bootstrapped at the student-year level and appear in brackets.

All regressions include teacher level covariates and interactions with treatment indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Furthermore the entire state offered \$1,800 bonuses to math, science, and special education teachers who taught in high poverty or low achieving schools during the three year period 2002-2004. In 2007, Guilford adopted its own strategic staffing program, in which bonuses ranged from \$5,000-\$25,500 depending on subject taught, grade level, and VAM. Cumberland County Schools gave stipends to 30 “master teachers” across their 10 most difficult school. In 2008, CMS began tailoring their plan more towards targeting better teachers and Winston-Salem, followed suit in 2012. These programs may reverse which schools are most desirable to teachers. With large enough incentives, high-VAM teachers may opt to work at low performing school, which is in fact the intent of the policy.

Table 9 reports similar information as is provided in Table 3, with the difference that the binary dependent variable in Table 9 is equal to one if a move occurs and the receiving school is not classified as strategic staffing. As might be expected, the results are quite similar to those in Table 3, as teachers working in strategic staffing schools comprise just

Table 9: Probability of Moving to Non-Strategic-Staffing Schools

VARIABLES	Panel A: Within-District Moves			Panel B: Out-Of-District Moves		
	Total	To a higher performing school	To a lower performing school	Total	To a higher performing school	To a lower performing school
VAM	0.0014 [0.00053]	0.0031*** [0.00042]	-0.0018** [0.00038]	0.0002 [0.00037]	0.0013** [0.00029]	-0.0011** [0.00023]
VAM x Treatment Guilford	0.0043* [0.00246]	0.0041** [0.00198]	0.0002 [0.00154]	-0.0111*** [0.00184]	-0.0054*** [0.00164]	-0.0057*** [0.0009]
VAM x Treatment Winston-Salem	0.0100*** [0.00218]	0.0103*** [0.00172]	-0.0004 [0.00134]	-0.0007 [0.00183]	0.0014 [0.00164]	-0.0021** [0.00087]
Treatment Guilford	-0.0118** [0.00592]	-0.0084* [0.00434]	-0.0034 [0.00404]	-0.0158*** [0.00271]	-0.0238*** [0.00118]	0.0079*** [0.0024]
Treatment Winston-Salem	0.0241*** [0.0019]	0.0390*** [0.00146]	-0.0149*** [0.00126]	-0.0027 [0.00226]	0.0114*** [0.00219]	-0.0141*** [0.0006]
Observations	236,018	236,018	236,018	236,018	236,018	236,018

Standard errors are bootstrapped at the student-year level and appear in brackets.  
 All regressions include teacher level covariates and interactions with treatment indicators.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

4% of the sample. However, the policy has a much larger effect on the correlation between VAMs and the probability of moving within Winston-Salem. Column 2 shows that releasing VAMs raises the probability that a teacher with one standard deviation higher VAM will move within Winston-Salem by a full percentage point, which is nearly double the effect found when examining all schools together. Also, the effect of the policy on the correlation between VAMs and the probability of moving out of Winston-Salem drops by 40%, when restricting analysis to moves to non-strategic staffing schools. Both changes serve to widen the gap in the estimates between moves within and out of Winston-Salem, providing further evidence of private learning.

Table 10 presents the impacts of the policy on teacher sorting within-district and within-district among non-strategic staffing schools. Column 1 in Table 10 is identical to column 2 in Table 4. I include it here for ease of comparison. The third columns restrict the sample further to non-strategic staffing schools. Moving from column 1 to 2, in both districts, the

Table 10: Effects on Sorting Within District Excluding Strategic-Staffing Schools

VARIABLES	Total	Excluding Strategic Staffing Schools
VAM	0.0024*** [0.00015]	0.0025*** [0.00015]
VAM x Treatment Guilford	-0.0000 [0.00074]	0.0002 [0.00073]
VAM x Treatment Winston-Salem	0.0017* [0.00093]	0.0066*** [0.0011]
Treatment Guilford	-0.0157*** [0.00122]	-0.0144*** [0.00124]
Treatment Winston-Salem	0.0231*** [0.00122]	0.0269*** [0.00122]
Observations	202,943	194,497

Standard errors are bootstrapped at the student-year level and appear in brackets. All regressions include teacher level covariates and interactions with treatment indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

point estimated effect of the policy on the degree to which high-VAM teachers sort into high performing schools becomes more positive. For Guilford, the coefficient becomes positive, though neither practically nor statistically significantly so. In Winston-Salem, the point estimate of the sorting effects more than triple. Table 10 provides no evidence that strategic staffing policies are driving the earlier results. If anything, it seems that these pay policies may have muted what would otherwise have been much larger impacts of releasing VAMs.

## 8 Conclusion

If employers are unable to learn accurate information about their teaching force over time, their subsequent personnel decisions regarding teachers would be no better at identifying effective teachers than at the point of hire. If learning is entirely asymmetric, that is other schools are no better able to tell the effectiveness of an experienced applicant than of a novice applicant, effective teachers become trapped in schools in which they do not wish to teach, while principals shuffle their less capable teachers to other schools in what the documentary

Waiting for Superman terms “The Lemon Dance” [Guggenheim, 2011]. The release of value-added measures of teacher effectiveness does seem to provide actionable information to those who are aware of them. The evidence above suggests that the new information provides effective teachers with more mobility, while “The Lemon Dance” becomes focused on the uninformed.

Additionally, the evidence from subsequent teacher sorting suggests that the increase in mobility leads to increased inequity in the distribution of teacher quality across schools. Despite the fact that 38 states have adopted VAMs of teacher effectiveness, and often contentiously, this signaling role of the measures has avoided discussion. The policy implication of this finding is not to universally avoid using VAMs. However, it would be useful to provide policy makers an estimate of the cost of retaining high-VAM teachers in hard-to-staff schools. The analysis excluding strategic staffing schools implies that the sorting may have been larger without the incentives to induce teachers to work in lower-performing schools. As mentioned in Section 7.3, several districts in North Carolina are implementing a range of staffing policies designed to induce teachers to work in low-performing schools. Some incorporate VAMs into the incentive schemes.

Clotfelter et al. [2011] and Glazerman et al. [2012] have examined the question of attracting teachers to understaffed schools. Further work is needed to estimate the costs and effectiveness of these policies in retaining effective teachers in low-performing schools, which may cost substantially less. As states and districts continue to adopt teacher VAMs, policy makers should be aware of the potential consequences of these policies on educational equity, as well as the costs of offsetting these effects.

## References

Joseph G. Altonji and Charles R. Pierret. Employer learning and statistical discrimination. *The Quarterly Journal of Economics*, 116(1):313–350, February 2001. ISSN 0033-5533, 1531-4650. doi: 10.1162/003355301556329. URL <http://qje.oxfordjournals.org/content/116/1/313>.

- Donald Boyd, Hamilton Lankford, Susanna Loeb, and James Wyckoff. Explaining the short careers of high-achieving teachers in schools with low-performing students. *The American Economic Review*, 95(2):166–171, May 2005. ISSN 0002-8282. doi: 10.2307/4132810. URL <http://www.jstor.org/stable/4132810>. ArticleType: research-article / Issue Title: Papers and Proceedings of the One Hundred Seventeenth Annual Meeting of the American Economic Association, Philadelphia, PA, January 7-9, 2005 / Full publication date: May, 2005 / Copyright © 2005 American Economic Association.
- Donald Boyd, Pam Grossman, Hamilton Lankford, Susanna Loeb, and James Wyckoff. Who leaves? teacher attrition and student achievement. Working Paper 14022, National Bureau of Economic Research, May 2008. URL <http://www.nber.org/papers/w14022>.
- Donald Boyd, Hamilton Lankford, Loeb, and James Wyckoff. Analyzing the determinants of the matching of public school teachers to jobs: Disentangling the preferences of teachers and employers. *Journal of Labor Economics*, 31(1):83–117, January 2013. ISSN 0734-306X. doi: 10.1086/666725. URL <http://www.jstor.org/stable/10.1086/666725>. ArticleType: research-article / Full publication date: January 2013 / Copyright © 2013 The University of Chicago.
- Raj Chetty, John N. Friedman, Nathaniel Hilger, Emmanuel Saez, Diane Whitmore Schanzenbach, and Danny Yagan. How does your kindergarten classroom affect your earnings? evidence from project star. *The Quarterly Journal of Economics*, 126(4): 1593–1660, November 2011. ISSN 0033-5533, 1531-4650. doi: 10.1093/qje/qjr041. URL <http://qje.oxfordjournals.org/content/126/4/1593>.
- Raj Chetty, John N. Friedman, and Jonah E. Rockoff. Measuring the impacts of teachers ii: Teacher value-added and student outcomes in adulthood. *American Economic Review*, 104(9):2633–2679, September 2014. ISSN 0002-8282.
- Matthew M. Chingos and Martin R. West. Promotion and reassignment in public school districts: How do schools respond to differences in teacher effectiveness? *Economics of Education Review*, 30(3):419–433, June 2011. ISSN 0272-7757. doi: 10.1016/j.econedurev.2010.12.011. URL <http://www.sciencedirect.com/science/article/pii/S0272775710001767>.
- Charles T. Clotfelter, Helen F. Ladd, and Jacob Vigdor. Who teaches whom? race and the distribution of novice teachers. *Economics of Education Review*, 24(4):377–392, August 2005. ISSN 0272-7757. doi: 10.1016/j.econedurev.2004.06.008. URL <http://www.sciencedirect.com/science/article/pii/S0272775704001153>.
- Charles T Clotfelter, Helen F Ladd, and Jacob L Vigdor. Teacher mobility, school segregation, and pay-based policies to level the playing field. *Education*, 6(3):399–438, 2011.
- Jed DeVaro and Michael Waldman. The signaling role of promotions: Further theory and empirical evidence. *Journal of Labor Economics*, 30(1):91–147, January 2012. ISSN 0734-306X. doi: 10.1086/662072. URL <http://www.jstor.org/stable/10.1086/662072>. ArticleType: research-article / Full publication date: January 2012 / Copyright © 2012 The University of Chicago.

- Henry S. Farber and Robert Gibbons. Learning and wage dynamics. *The Quarterly Journal of Economics*, 111(4):1007–1047, November 1996. ISSN 0033-5533, 1531-4650. doi: 10.2307/2946706. URL <http://qje.oxfordjournals.org/content/111/4/1007>.
- Jason P. Fine and Robert J. Gray. A proportional hazards model for the subdistribution of a competing risk. *Journal of the American Statistical Association*, 94(446): 496–509, June 1999. ISSN 0162-1459. doi: 10.1080/01621459.1999.10474144. URL <http://amstat.tandfonline.com/doi/abs/10.1080/01621459.1999.10474144>.
- Robert Gibbons and Lawrence Katz. Layoffs and lemons. Working Paper 2968, National Bureau of Economic Research, December 1991. URL <http://www.nber.org/papers/w2968>.
- Steven Glazerman, Ali Protik, Bing-ru Teh, Julie Bruch, and Neil Seftor. Moving high-performing teachers: Implementation of transfer incentives in seven districts. Technical report, Mathematica Policy Research, 2012.
- Dan Goldhaber, Betheny Gross, and Daniel Player. *Are Public Schools Really Losing Their Best? Assessing the Career Transitions of Teachers and Their Implications for the Quality of the Teacher Workforce. Working Paper 12*. National Center for Analysis of Longitudinal Data in Education Research, October 2007.
- Robert J. Gray. A class of k-sample tests for comparing the cumulative incidence of a competing risk. *The Annals of Statistics*, 16(3):1141–1154, September 1988. ISSN 0090-5364. URL <http://www.jstor.org/stable/2241622>.
- Sanford J. Grossman. The informational role of warranties and private disclosure about product quality. *Journal of Law and Economics*, 24(3):461–483, December 1981. URL <http://www.jstor.org/stable/725273>.
- Cassandra Guarino, Mark D. Reckase, and Jeffrey M. Wooldridge. Can value-added measures of teacher performance be trusted? Technical Report 6602, Discussion Paper series, Forschungsinstitut zur Zukunft der Arbeit, 2012. URL <http://www.econstor.eu/handle/10419/62407>.
- Davis Guggenheim. *Waiting for Superman*. Paramount Home Entertainment, Hollywood, CA, 2011.
- Eric A. Hanushek, John F. Kain, Daniel M. O’Brien, and Steven G. Rivkin. The market for teacher quality. Working Paper 11154, National Bureau of Economic Research, February 2005. URL <http://www.nber.org/papers/w11154>.
- Peter L. Hinrichs. What kind of teachers are schools looking for? evidence from a randomized field experiment. *Work in Progress*, May 2013.
- C. Kirabo Jackson. Match quality, worker productivity, and worker mobility: Direct evidence from teachers. *Review of Economics and Statistics*, 2013.



- Clement (Kirabo) Jackson. Student demographics, teacher sorting, and teacher quality: Evidence from the end of school desegregation. *The Journal of Labor Economics*, 27(2): 213–256, 2009.
- Brian A. Jacob and Lars Lefgren. Can principals identify effective teachers? evidence on subjective performance evaluation in education. *Journal of Labor Economics*, 26(1):101–136, January 2008. ISSN 0734-306X, 1537-5307.
- Boyan Jovanovic. Job matching and the theory of turnover. *Journal of Political Economy*, 87(5):972–990, October 1979. ISSN 0022-3808. doi: 10.2307/1833078. URL <http://www.jstor.org/stable/1833078>. ArticleType: research-article / Issue Title: Part 1 / Full publication date: Oct., 1979 / Copyright © 1979 The University of Chicago Press.
- Lisa B Kahn. Asymmetric information between employers. *American Economic Journal: Applied Economics*, 5(4):165–205, October 2013. ISSN 1945-7782, 1945-7790.
- John M. Krieg. Teacher quality and attrition. *Economics of Education Review*, 25(1): 13–27, February 2006. ISSN 0272-7757. doi: 10.1016/j.econedurev.2004.09.004. URL <http://www.sciencedirect.com/science/article/pii/S0272775704001281>.
- Fabian Lange. The speed of employer learning. *Journal of Labor Economics*, 25(1):1–35, January 2007. ISSN 0734-306X. doi: 10.1086/508730. URL <http://www.jstor.org/stable/10.1086/508730>. ArticleType: research-article / Full publication date: January 2007 / Copyright © 2007 The University of Chicago.
- Hamilton Lankford, Susanna Loeb, and James Wyckoff. Teacher sorting and the plight of urban schools: A descriptive analysis. *Educational Evaluation and Policy Analysis*, 24(1): 37–62, March 2002. ISSN 0162-3737, 1935-1062. doi: 10.3102/01623737024001037. URL <http://epa.sagepub.com/content/24/1/37>.
- Paul R. Milgrom. Good news and bad news: Representation theorems and applications. *The Bell Journal of Economics*, 12(2):380–391, October 1981. doi: 10.2307/3003562. URL <http://www.jstor.org/stable/3003562>.
- Paul R. Milgrom and Robert J. Weber. A theory of auctions and competitive bidding. *Econometrica*, 50(5):1089–1122, September 1982. ISSN 0012-9682. doi: 10.2307/1911865. URL <http://www.jstor.org/stable/1911865>. ArticleType: research-article / Full publication date: Sep., 1982 / Copyright © 1982 The Econometric Society.
- Y. Mundlak. On the pooling of time series and cross-sectional data. *Econometrica*, 46:69–86, 1978.
- Joshua C. Pinkston. A model of asymmetric employer learning with testable implications. *The Review of Economic Studies*, 76(1):367–394, 2009. doi: 10.1111/j.1467-937X.2008.00507.x.
- Steven G. Rivkin, Eric A. Hanushek, and John F. Kain. Teachers, schools, and academic achievement. *Econometrica*, 73(2):417–458, 2005. ISSN 1468-0262.

- Jonah E. Rockoff, Douglas O. Staiger, Thomas J. Kane, and Eric S. Taylor. Information and employee evaluation: Evidence from a randomized intervention in public schools. *The American Economic Review*, 102(7):3184–3213, December 2012. doi: 10.1257/aer.102.7.3184.
- Roderick A. Rose, Gary T. Henry, and Douglas L. Lauen. Comparing value-added models for estimating individual teacher effects on a statewide basis simulations and empirical analyses. Technical report, Consortium for Educational Research and Evaluation, North Carolina, August 2012.
- William L Sanders, Arnold M Saxton, and Sandra P Horn. The tennessee value-added assessment system: A quantitative outcomes-based approach to educational assessment. *Grading teachers, grading schools: Is student achievement a valid evaluational measure*, pages 137–162, 1997.
- Tim R. Sass, Jane Hannaway, Zeyu Xu, David N. Figlio, and Li Feng. Value added of teachers in high-poverty schools and lower poverty schools. *Journal of Urban Economics*, 72(2-3):104–122, September 2012. ISSN 0094-1190.
- Uta Schönberg. Testing for asymmetric employer learning. *Journal of Labor Economics*, 25(4):651–691, October 2007. ISSN 0734-306X. URL <http://www.jstor.org/stable/10.1086/522905>. ArticleType: research-article / Full publication date: October 2007 / Copyright © 2007 The University of Chicago.
- Michael Spence. Job market signaling. *The Quarterly Journal of Economics*, 87(3):355–374, August 1973. ISSN 0033-5533. doi: 10.2307/1882010. URL <http://www.jstor.org/stable/1882010>. ArticleType: research-article / Full publication date: Aug., 1973 / Copyright © 1973 Oxford University Press.
- Douglas O. Staiger and Jonah E. Rockoff. Searching for effective teachers with imperfect information. *The Journal of Economic Perspectives*, 24(3):97–117, July 2010. doi: 10.1257/jep.24.3.97.

## 9 Appendix

### 9.1 Comparative Statics

The probability of transferring schools if given by the following equation (equation 6 in text):

$$P(M) = P[b^{h^*} - b^{r^*} > 0]$$

### 9.1.1 Base Probability of Moving

For simplicity, these first derivations adopt the notation of bidding in the absence of VAMs.

Substituting the hiring and retaining principals bids provides the following:

$$P(M) = P \left[ \frac{\sigma_\tau(0)\sigma_\xi(x)}{Z_{NV}^h} m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{NV}^h} R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^h} P_0^h - \left( \frac{\sigma_\tau(t)\sigma_\xi(x)}{Z_{NV}^r} m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{NV}^r} R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^r} P_t^r \right) > 0 \right], \quad (15)$$

where  $Z_{NV}^h = \sigma_\tau(0)\sigma_\xi(x) + \sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)$  and  $Z_{NV}^r = \sigma_\tau(t)\sigma_\xi(x) + \sigma_\tau(t)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)$

After some algebra, equation 15 becomes the following:

$$\begin{aligned} &= P \left\{ \frac{\sigma_\xi(x)}{Z_{NV}^h Z_{NV}^r} [(m - \mu)\sigma_\xi(x)(\sigma_\tau(0) - \sigma_\tau(t)) + (\sigma_\epsilon\sigma_\tau(t) + \sigma_\xi(x)\sigma_\tau(t) + \sigma_\epsilon\sigma_\xi(x))\tau_0^h \right. \\ &\quad \left. - (\sigma_\epsilon\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0) + \sigma_\epsilon\sigma_\xi(x))\tau_t^r + \sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))\xi] > 0 \right\} \end{aligned}$$

Letting  $\psi \equiv (\sigma_\epsilon\sigma_\tau(t) + \sigma_\xi(x)\sigma_\tau(t) + \sigma_\epsilon\sigma_\xi(x))\tau_0^h - (\sigma_\epsilon\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0) + \sigma_\epsilon\sigma_\xi(x))\tau_t^r + \sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))\xi$ , be the composite error term, simplifies the above, to equation 7 from within text, presented below:

$$P(M) = P \{ \psi > \sigma_\xi(x)[\sigma_\tau(0) - \sigma_\tau(t)](\mu - m) \}.$$

Under the assumptions that  $\tau^r$ ,  $\tau^h$  and  $\xi$  are each orthogonal to one another,

$$\begin{aligned} \sigma_\psi &\equiv \text{var}(\psi) = \text{var}[(\sigma_\epsilon\sigma_\tau(t) + \sigma_\xi(x)\sigma_\tau(t) + \sigma_\epsilon\sigma_\xi(x))\tau_0^h \\ &\quad - (\sigma_\epsilon\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0) + \sigma_\epsilon\sigma_\xi(x))\tau_t^r + \sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))\xi] \\ &= \sigma_\tau(t)(\sigma_\epsilon\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0) + \sigma_\epsilon\sigma_\xi(x))^2 \\ &\quad + \sigma_\tau(0)(\sigma_\epsilon\sigma_\tau(t) + \sigma_\xi(x)\sigma_\tau(t) + \sigma_\epsilon\sigma_\xi(x))^2 + \sigma_\xi(x)\sigma_\epsilon^2(\sigma_\tau(0) - \sigma_\tau(t))^2 \end{aligned} \quad (16)$$

Assuming normality of the error terms, the probability of a school-to-school transition

may be written as:

$$\begin{aligned}
P(M) &= \Phi \left\{ \frac{-1}{\sqrt{\sigma_\psi}} [\sigma_\xi(x)[\sigma_\tau(0) - \sigma_\tau(t)](\mu - m)] \right\} \\
&= \Phi \{-\beta_{xt}(\mu - m)\}.
\end{aligned} \tag{17}$$

### 9.1.2 Comparative statics for within-district moves with respect to teacher effectiveness ( $\mu$ )

Assuming the probability of moving schools is monotonically increasing in the difference between  $b^{h*}$  and  $b^{r*}$ , the sign of  $\frac{\partial P[b_{HV}^{h*} - b_{HV}^{r*} > 0 | m, \mu] - P[b_{NV}^{h*} - b_{NV}^{r*} > 0 | m, \mu]}{\partial \mu}$  is implied by the sign of  $\frac{\partial E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*}) | m, \mu]}{\partial \mu}$ . Here, the subscript HV denotes that hiring principals may access a teacher's VAM, while the subscript NV denotes that there are no VAMs informing the bidding. The difference between hiring and retaining principals' bids without the presence of VAMs is given by equation 15 and is given by equation 18 when both principals may access the VAMs.

$$\begin{aligned}
b_{HV}^{h*} - b_{HV}^{r*} &= \frac{\sigma_\tau(0)\sigma_\xi(xV)}{Z_{HV}^r} m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(xV)}{Z_{HV}^r} P_0^h \\
&\quad - \left( \frac{\sigma_\tau(t)\sigma_\xi(xV)}{Z_{HV}^r} m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(xV)}{Z_{HV}^r} P_t^r \right).
\end{aligned} \tag{18}$$

The expectation of that difference given prior beliefs and the underlying ability in the presence of VAMs is given by equation 19:

$$E[b_{HV}^{h*} - b_{HV}^{r*} | m, \mu] = \frac{1}{Z_{HV}^h Z_{HV}^r} (m - \mu) \sigma_\xi(xV)^2 \sigma_\epsilon (\sigma_\tau(0) - \sigma_\tau(t)). \tag{19}$$

The expectation of difference between bids given prior beliefs and the underlying ability without VAMs is given by equation 20:

$$E[b_{NV}^{h*} - b_{NV}^{r*} | m, \mu] = \frac{1}{Z_{HV}^h Z_{HV}^r} (m - \mu) \sigma_\xi(x)^2 \sigma_\epsilon (\sigma_\tau(0) - \sigma_\tau(t)). \tag{20}$$

Let  $A_1 = (m - \mu)\sigma_\xi(xV)^2\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))$

Let  $A_0 = (m - \mu)\sigma_\xi(x)^2\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))$

$$E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m\mu] = \frac{A_1}{Z_{HV}^h Z_{HV}^r} - \frac{A_0}{Z_{NV}^h Z_{NV}^r} = \frac{A_1 Z_{NV}^h Z_{NV}^r - A_0 Z_{HV}^h Z_{HV}^r}{Z_{HV}^h Z_{HV}^r Z_{NV}^h Z_{NV}^r} \quad (21)$$

Examining the numerator:

$$\begin{aligned} A_1 Z_{NV}^h Z_{NV}^r - A_0 Z_{HV}^h Z_{HV}^r &= (m - \mu)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(xV)^2 \\ &\quad (\sigma_\tau(t)\sigma_\xi(x)^2\sigma_\tau(0) + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x) + \sigma_\epsilon\sigma_\xi(x)^2\sigma_\tau(0) \\ &\quad + \sigma_\tau(t)\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon^2\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon^2 \\ &\quad + \sigma_\tau(t)\sigma_\xi(x)^2\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon^2\sigma_\xi(x) + \sigma_\epsilon^2\sigma_\xi(x)^2 \\ &\quad - \sigma_\xi(x)^2(\sigma_\tau(t)\sigma_\xi(xV)\sigma_\tau(0)\sigma_\xi(xV) + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(xV) \\ &\quad + \sigma_\epsilon\sigma_\xi(xV)\sigma_\tau(0)\sigma_\xi(xV) + \sigma_\tau(t)\sigma_\xi(xV)\sigma_\tau(0)\sigma_\epsilon \\ &\quad + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(xV)\sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(xV)\sigma_\epsilon\sigma_\xi(xV) \\ &\quad + \sigma_\tau(t)\sigma_\xi(xV)\sigma_\epsilon\sigma_\xi(xV) + \sigma_\tau(t)\sigma_\epsilon\sigma_\epsilon\sigma_\xi(xV)) \end{aligned} \quad (22)$$

$$\begin{aligned} &= (m - \mu)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(xV)^2(\sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x) \\ &\quad + \sigma_\tau(t)\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon\sigma_\epsilon\sigma_\xi(x)) \\ &\quad - \sigma_\xi(x)^2(\sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(xV) + \sigma_\tau(t)\sigma_\xi(xV)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\epsilon \\ &\quad + \sigma_\epsilon\sigma_\xi(xV)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon\sigma_\epsilon\sigma_\xi(xV)) \end{aligned}$$

$$\begin{aligned} &= (m - \mu)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))((\sigma_\xi(xV) - \sigma_\xi(x))(\sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x)\sigma_\xi(xV) \\ &\quad + \sigma_\xi(xV)\sigma_\epsilon^2\sigma_\xi(x)\sigma_\tau(0) + \sigma_\xi(xV)\sigma_\tau(t)\sigma_\epsilon^2\sigma_\xi(x) + (\sigma_\xi(xV) + \sigma_\xi(x))\sigma_\tau(t)\sigma_\epsilon^2\sigma_\tau(0)). \end{aligned}$$

$$\begin{aligned}
\frac{\partial A_1 Z_{NV}^h Z_{NV}^r - A_0 Z_{HV}^h Z_{HV}^r}{\partial \mu} &= -\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))((\sigma_\xi(xV) - \sigma_\xi(x))(\sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x)\sigma_\xi(xV) \\
&\quad + \sigma_\xi(xV)\sigma_\epsilon^2\sigma_\xi(x)\sigma_\tau(0) + \sigma_\xi(xV)\sigma_\tau(t)\sigma_\epsilon^2\sigma_\xi(x) \\
&\quad + (\sigma_\xi(xV) + \sigma_\xi(x))\sigma_\tau(t)\sigma_\epsilon^2\sigma_\tau(0)).
\end{aligned} \tag{23}$$

$\frac{\partial E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m\mu]}{\partial \mu}$  is simply  $\frac{1}{Z_{HV}^h Z_{HV}^r Z_{NV}^h Z_{NV}^r} \frac{\partial A_1 Z_{NV}^h Z_{NV}^r - A_0 Z_{HV}^h Z_{HV}^r}{\partial \mu} \cdot \frac{1}{Z_{HV}^h Z_{HV}^r Z_{NV}^h Z_{NV}^r}$  is positive, as it is purely a function of variances. As a fundamental component of asymmetric employer learning, it is assumed that  $\sigma_\tau(0) - \sigma_\tau(t) > 0$ . Under lemma 2,  $\sigma_\xi(xV) - \sigma_\xi(x) < 0$ . All other terms are positive variances, which implies that  $\frac{\partial E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m\mu]}{\partial \mu} > 0$ , which in turn implies that the probability of moving increases with increases in  $\mu$ .

### 9.1.3 Comparative statics for within-district moves with respect to VAMs (V)

In determining the comparative statics with regard to the VAM signal, I seek to sign  $\frac{\partial E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|mV]}{\partial V}$ . From equation 18:

$$\begin{aligned}
b_{HV}^{h*} - b_{HV}^{r*} &= \frac{\sigma_\tau(0)\sigma_\xi(xV)}{Z_{HV}^r} m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(xV)}{Z_{HV}^r} P_0^h \\
&\quad - \left( \frac{\sigma_\tau(t)\sigma_\xi(xV)}{Z_{HV}^r} m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{HV}^r} R_{x\nu} + \frac{\sigma_\epsilon\sigma_\xi(xV)}{Z_{HV}^r} P_t^r \right) \\
&= \frac{1}{Z_{HV}^h Z_{HV}^r} [\sigma_\xi(xV)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(xV)(m - \mu) + \sigma_\epsilon \frac{\sigma_\nu\xi + \sigma_\xi(x)\nu}{\sigma_\nu + \sigma_\xi(x)}) \\
&\quad + \tau^h Z_{HV}^r \sigma_\xi(xV)\sigma_\epsilon - \tau_t^r Z_{HV}^h \sigma_\xi(xV)\sigma_\epsilon]
\end{aligned}$$

Substituting in the VAM (V) and prior public signal ( $R_x$ ) separately provides equation 24

$$\begin{aligned}
&= \frac{1}{Z_{HV}^h Z_{HV}^r} [\sigma_\xi(xV)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(xV)(m - (1 + \sigma_\epsilon)\mu) + \sigma_\epsilon \frac{\sigma_\nu R_x + \sigma_\xi(x)V}{\sigma_\nu + \sigma_\xi(x)}) \\
&\quad + \tau^h Z_{HV}^r \sigma_\xi(xV)\sigma_\epsilon - \tau_t^r Z_{HV}^h \sigma_\xi(xV)\sigma_\epsilon]
\end{aligned} \tag{24}$$

Turning back to the probability of moving in absence of VAMs,

$$\begin{aligned}
b_{NV}^{h*} - b_{NV}^{r*} &= \frac{\sigma_\tau(0)\sigma_\xi(x)}{Z_{NV}^h} m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{NV}^h} R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^h} P_0^H \\
&\quad - \left( \frac{\sigma_\tau(t)\sigma_\xi(x)}{Z_{NV}^r} m + \frac{\sigma_\tau(t)\sigma_\epsilon}{Z_{NV}^r} R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{NV}^r} P_t^R \right) \\
&= \frac{1}{Z_{NV}^h Z_{NV}^r} [\sigma_\xi(x)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(x)(m - \mu) + \sigma_\epsilon\xi) \\
&\quad + \tau^h Z_{NV}^r \sigma_\xi(x)\sigma_\epsilon - \tau_t^r Z_{NV}^h \sigma_\xi(x)\sigma_\epsilon]
\end{aligned} \tag{25}$$

Combining equation 24 with equation 25 and taking the expectation conditional on prior beliefs and VAMs provides equation 26:

$$\begin{aligned}
E[b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m V] &= \frac{1}{Z_{HV}^h Z_{HV}^r} [\sigma_\xi(x V)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(x V) \\
&\quad (m - (1 + \sigma_\epsilon)\mu) + \sigma_\epsilon \frac{\sigma_\nu\mu + \sigma_\xi(x)V}{\sigma_\nu + \sigma_\xi(x)})] \\
&\quad - \frac{1}{Z_{NV}^h Z_{NV}^r} \sigma_\xi(x)\sigma_\epsilon(\sigma_\tau(0) - \sigma_\tau(t))(\sigma_\xi(x)(m - \mu))
\end{aligned} \tag{26}$$

Taking the derivative with respect to VAMs ( $V$ ) provides equation 9 from the text.

$$\frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m V]}{\partial V} = \frac{1}{Z_{HV}^h Z_{HV}^r} \frac{\sigma_\xi(x)}{\sigma_\nu + \sigma_\xi(x)} > 0$$

As  $\frac{1}{Z_{HV}^h Z_{HV}^r} \frac{\sigma_\xi(x)}{\sigma_\nu + \sigma_\xi(x)}$  is function of variances, it must be positive. Meaning that releasing VAMs raises the probability that high-VAM teachers move schools.

#### 9.1.4 Comparative statics for out-of-district moves with respect to teacher effectiveness ( $\mu$ )

Assuming the probability of moving schools is monotonically increasing in the difference between  $b^{h*}$  and  $b^{r*}$ , the sign of  $\frac{\partial P[b_{RV}^{h*} - b_{RV}^{r*} > 0 | m \mu] - P[b_{NV}^{h*} - b_{NV}^{r*} > 0 | m \mu]}{\partial \mu}$  is implied by the sign of  $\frac{\partial E[b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*}) | m \mu]}{\partial \mu}$ . Here, the subscript RV denotes that only retaining principals may access a teacher's VAM, while the subscript NV denotes that there are no VAMs informing the

bidding. The difference between hiring and retaining principals' bids without the presence of VAMs is given by equation 15, and is given by equation 27 when both principals may access the VAMs.

$$b_{RV}^{h*} - b_{RV}^{r*} = \frac{\sigma_\tau(0)\sigma_\xi(x)}{Z_{RV}^r}m + \frac{\sigma_\tau(0)\sigma_\epsilon}{Z_{RV}^r}R_x + \frac{\sigma_\epsilon\sigma_\xi(x)}{Z_{RV}^r}P_0^h - \left( \frac{\sigma_\tau(tV)\sigma_\xi(x)}{Z_{RV}^r}m + \frac{\sigma_\tau(tV)\sigma_\epsilon}{Z_{RV}^r}R_x + \frac{\sigma_\epsilon\sigma_\xi(xV)}{Z_{RV}^r}P_{t\nu}^r \right). \quad (27)$$

The expectation of that difference given prior beliefs and the underlying ability in the presence of VAMs is given by equation 28:

$$E[b_{RV}^{h*} - b_{RV}^{r*} | m \mu] = \frac{1}{Z_{RV}^h Z_{RV}^r} (m - \mu) \sigma_\xi(x)^2 \sigma_\epsilon (\sigma_\tau(0) - \sigma_\tau(tV)). \quad (28)$$

The expectation of difference between bids given prior beliefs and the underlying ability without VAMs is again given by equation 20:

$$E[b_{NV}^{h*} - b_{NV}^{r*} | m \mu] = \frac{1}{Z_{HV}^h Z_{HV}^r} (m - \mu) \sigma_\xi(x)^2 \sigma_\epsilon (\sigma_\tau(0) - \sigma_\tau(t)).$$



Combining equation 28 with equation 20 gives the following:

$$\begin{aligned}
E[b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m, \mu] &= \frac{(m - \mu)\sigma_\xi(x)^2\sigma_\epsilon}{Z_{RV}^h Z_{RV}^r Z_{NV}^h Z_{NV}^r} [(\sigma_\tau(0) - \sigma_\tau(tV))(\sigma_\tau(t)\sigma_\xi(x)^2\sigma_\tau(0) \\
&\quad + \sigma_\tau(t)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x) + \sigma_\epsilon\sigma_\xi(x)^2\sigma_\tau(0) \\
&\quad + \sigma_\tau(t)\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon^2\sigma_\tau(0) + \sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon^2 \\
&\quad + \sigma_\tau(t)\sigma_\xi(x)^2\sigma_\epsilon + \sigma_\tau(t)\sigma_\epsilon^2\sigma_\xi(x) + \sigma_\epsilon^2\sigma_\xi(x)^2) - (\sigma_\tau(0) - \sigma_\tau(t)) \\
&\quad (\sigma_\tau(tV)\sigma_\xi(x)\sigma_\tau(0)\sigma_\xi(x) + \sigma_\tau(tV)\sigma_\epsilon\sigma_\tau(0)\sigma_\xi(x) \\
&\quad + \sigma_\epsilon\sigma_\xi(x)\sigma_\tau(0)\sigma_\xi(x) + \sigma_\tau(tV)\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon \\
&\quad + \sigma_\tau(tV)\sigma_\epsilon\sigma_\tau(0)\sigma_\epsilon + \sigma_\epsilon\sigma_\xi(x)\sigma_\tau(0)\sigma_\epsilon \\
&\quad + \sigma_\tau(tV)\sigma_\xi(x)\sigma_\epsilon\sigma_\xi(x) + \sigma_\tau(tV)\sigma_\epsilon\sigma_\epsilon\sigma_\xi(x) \\
&\quad + \sigma_\epsilon\sigma_\xi(x)\sigma_\epsilon\sigma_\xi(x))] \\
&= \frac{(m - \mu)\sigma_\xi(x)^2\sigma_\epsilon}{Z_{RV}^h Z_{RV}^r Z_{NV}^h Z_{NV}^r} (\sigma_\tau(t) - \sigma_\tau(tV)) \\
&\quad (\sigma_\tau(0)^2\sigma_\epsilon^2 + \sigma_\tau(0)^2\sigma_\xi(x)^2 + \sigma_\tau(0)^2\sigma_\epsilon\sigma_\xi(x) + \sigma_\xi(x)^2\sigma_\epsilon^2)
\end{aligned} \tag{29}$$

Taking the derivative of equation 29 with respect to true effectiveness ( $\mu$ ), gives what is referred to in text as equation 9.1.4.

$$\begin{aligned}
\frac{\partial E [b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m, \mu]}{\partial \mu} &= \frac{-\sigma_\xi(x)^2\sigma_\epsilon}{Z_{RV}^h Z_{RV}^r Z_{NV}^h Z_{NV}^r} (\sigma_\tau(t) - \sigma_\tau(tV)) \\
&\quad (\sigma_\tau(0)^2\sigma_\epsilon^2 + \sigma_\tau(0)^2\sigma_\xi(x)^2 + \sigma_\tau(0)^2\sigma_\epsilon\sigma_\xi(x) + \sigma_\xi(x)^2\sigma_\epsilon^2).
\end{aligned}$$

Lemma 1 demonstrates that  $\sigma_\tau(t) - \sigma_\tau(tV) > 0$ . All other terms are positive variances, implying that  $\frac{\partial E[b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|m, \mu]}{\partial \mu} < 0$ , which in turn implies that the probability of out-of-district transitions increases with declines in teacher effectiveness ( $\mu$ ).

### 9.1.5 Comparative statics for out-of-district moves with respect to VAMs ( $V$ )

In determining the comparative statics with regard to the VAM signal, I seek to sign  $\frac{\partial E[b_{RV}^{h*} - b_{RV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|mV]}{\partial V}$ . Turning back to the probability of moving in absence of VAMs, equation 25 provides:

$$b_{NV}^{h*} - b_{NV}^{r*} = \frac{1}{Z_{NV}^h Z_{NV}^r} [\sigma_\xi(x) \sigma_\epsilon (\sigma_\tau(0) - \sigma_\tau(t)) (\sigma_\xi(x)(m - \mu) + \sigma_\epsilon \xi) + \tau^h Z_{NV}^r \sigma_\xi(x) \sigma_\epsilon - \tau_t^r Z_{NV}^h \sigma_\xi(x) \sigma_\epsilon]$$

In the case where only retaining principals may access a teacher's VAM, as is plausible for out-of-district moves, the difference between hiring and retaining principals bids is given by equation 30:

$$\begin{aligned} b_{RV}^{h*} - b_{RV}^{r*} &= \frac{\sigma_\tau(0) \sigma_\xi(x)}{Z_{RV}^r} m + \frac{\sigma_\tau(0) \sigma_\epsilon}{Z_{RV}^r} R_x + \frac{\sigma_\epsilon \sigma_\xi(x)}{Z_{RV}^r} P_0^h \\ &\quad - \left( \frac{\sigma_\tau(tV) \sigma_\xi(x)}{Z_{RV}^r} m + \frac{\sigma_\tau(tV) \sigma_\epsilon}{Z_{RV}^r} R_x + \frac{\sigma_\epsilon \sigma_\xi(xV)}{Z_{RV}^r} P_{t\nu}^r \right) \\ &= \frac{1}{Z_{RV}^h Z_{RV}^r} [\sigma_\xi(x) \sigma_\epsilon (\sigma_\tau(0) - \sigma_{\tau\nu}(tV)) (\sigma_\xi(x)(m - \mu) + \sigma_\epsilon \xi) \\ &\quad + \tau^h Z_{HV}^r \sigma_\xi(x) \sigma_\epsilon - \sigma_\xi(x) \sigma_\epsilon Z_{RV}^h \frac{\sigma_\nu \tau_t^r + \sigma_\tau(t) \nu}{\sigma_\nu + \sigma_\tau(t)}] \\ &= \frac{1}{Z_{RV}^h Z_{RV}^r} [\sigma_\xi(x) \sigma_\epsilon (\sigma_\tau(0) - \sigma_{\tau\nu}(tV)) (\sigma_\xi(x)(m - \mu) + \sigma_\epsilon \xi) \\ &\quad + \tau^h Z_{RV}^r \sigma_\xi(x) \sigma_\epsilon - \sigma_\xi(x) \sigma_\epsilon Z_{RV}^h \frac{\sigma_\nu \tau_t^r + \sigma_\tau(t)(V - \mu)}{\sigma_\nu + \sigma_\tau(t)}] \end{aligned} \tag{30}$$

The derivative of equation 30 with respect to the VAM signal ( $V$ ) is referred to in text as equation 11, and is presented below:

$$\frac{\partial E [b_{HV}^{h*} - b_{HV}^{r*} - (b_{NV}^{h*} - b_{NV}^{r*})|mV]}{\partial V} = \frac{-\sigma_\xi(x) \sigma_\epsilon \sigma_\tau(t)}{Z_{RV}^r (\sigma_\nu + \sigma_\tau(t))} < 0$$

As equation 11 is the negative of a function of variances, it is less than zero. Thus after VAMs are released, as a teacher's VAM decreases, the probability of moving out of district

increases.

## 9.2 Robustness: Year interactions with VAM

The primary threat to validity for difference-in-difference analysis is differential trends. The tables below provide year interactions with the VAM within both treatment districts as well as the rest of the state. While the estimates are too noisy to say anything conclusive, the pre-policy trends do not seem to diverge in a way that would bias up my results. It is also noteworthy that in both districts there is a spike in the correlation of VAM with the probability of moving within-district soon after the policy takes effect.

Figure 1: The effects of VAM on the probability of moving schools within-district by year.

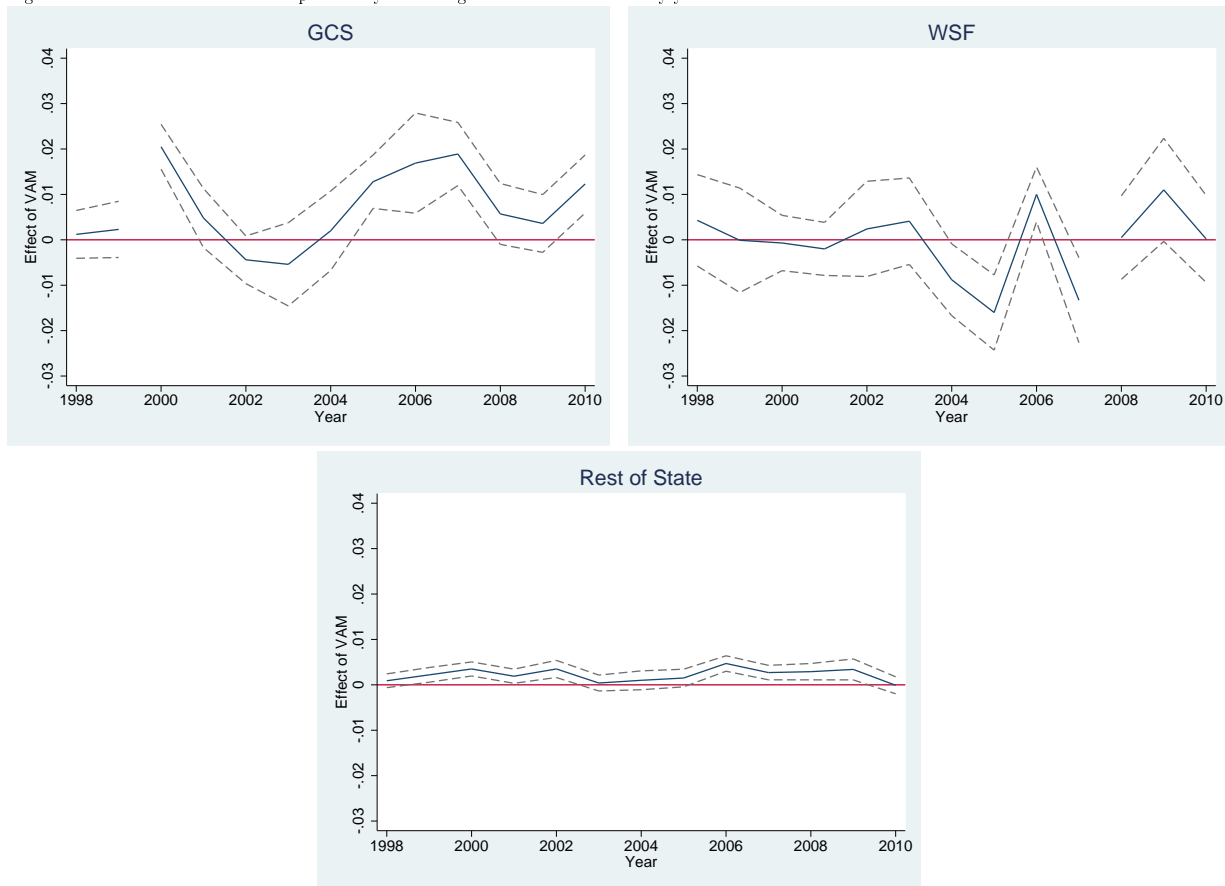


Table 11: The effects of VAM on the probability of moving schools within-district by year.

VARIABLES	Total			To a more proficient school		
	Rest of NC	Guilford	Winston-Salem	Rest of NC	Guilford	Winston-Salem
year 1998 x VAM	0.0009 [0.00077]	0.0012 [0.00269]	0.0043 [0.00513]	0.0021*** [0.00061]	0.0006 [0.00236]	-0.0003 [0.00267]
year 1999 x VAM	0.0022** [0.00083]	0.0023 [0.00316]	-0.0001 [0.00587]	0.0044*** [0.00059]	0.0048** [0.00242]	0.0041 [0.00393]
year 2000 x VAM	0.0035*** [0.00079]	0.0205*** [0.00252]	-0.0007 [0.00311]	0.0023*** [0.00065]	0.0155*** [0.00156]	-0.0042* [0.00253]
year 2001 x VAM	0.0019** [0.00079]	0.0048 [0.00332]	-0.0020 [0.00298]	0.0035*** [0.00058]	0.0030 [0.00262]	0.0012 [0.00211]
year 2002 x VAM	0.0035** [0.00096]	-0.0044 [0.00268]	0.0024 [0.00535]	0.0055*** [0.00073]	-0.0011 [0.00205]	0.0107*** [0.00378]
year 2003 x VAM	0.0004 [0.00089]	-0.0054 [0.00467]	0.0041 [0.00486]	0.0027*** [0.00073]	-0.0013 [0.00329]	0.0042 [0.00445]
year 2004 x VAM	0.0010 [0.00106]	0.0020 [0.00446]	-0.0088** [0.00403]	0.0016*** [0.0008]	-0.0073** [0.00296]	-0.0043 [0.00358]
year 2005 x VAM	0.0015 [0.00099]	0.0128*** [0.00300]	-0.0160*** [0.00423]	0.0040*** [0.00075]	0.0190*** [0.00273]	-0.0080** [0.00297]
year 2006 x VAM	0.0047*** [0.00087]	0.0169*** [0.00563]	0.0100*** [0.00308]	0.0055*** [0.00061]	0.0158*** [0.00521]	0.0037* [0.00193]
year 2007 x VAM	0.0027*** [0.00081]	0.0189*** [0.00355]	-0.0133*** [0.00478]	0.0039*** [0.00056]	0.0147*** [0.00282]	-0.0078** [0.00366]
year 2008 x VAM	0.0029*** [0.00092]	0.0057* [0.00342]	0.0005 [0.00469]	0.0032*** [0.00069]	0.0114*** [0.00247]	0.0019 [0.00370]
year 2009 x VAM	0.0034*** [0.00118]	0.0036 [0.00325]	0.0110* [0.00579]	0.0032*** [0.00091]	0.0046** [0.00233]	0.0173*** [0.00473]
year 2010 x VAM	-0.0001 [0.00095]	0.0123*** [0.00326]	0.0002 [0.00489]	0.0009 [0.00073]	0.0121*** [0.00274]	0.0004 [0.00431]
Observations	216,484	11,239	8,295	216,484	11,239	8,295

Standard errors are bootstrapped at the student-year level and appear in brackets.

All regressions include teacher level covariates and interactions with year indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 12: The effect of VAM on the probability of moving schools out-of-district by year.

VARIABLES	Total			To a more proficient school		
	Rest of NC	Guilford	Winston-Salem	Rest of NC	Guilford	Winston-Salem
year 1998 x VAM	0.0017*** [0.0005]	0.0098*** [0.00212]	-0.0079** [0.0032]	0.0023*** [0.00039]	0.0076*** [0.00178]	-0.0059*** [0.00187]
year 1999 x VAM	-0.0004 [0.00057]	0.0065** [0.00267]	-0.0026* [0.00136]	0.0011** [0.00049]	0.0064*** [0.00243]	-0.0033*** [0.00096]
year 2000 x VAM	0.0006 [0.00057]	0.0013 [0.00157]	0.0063*** [0.00215]	0.0015*** [0.00045]	0.0033*** [0.00126]	0.0033* [0.00195]
year 2001 x VAM	-0.0022*** [0.00057]	0.0025 [0.00152]	-0.0069*** [0.00202]	-0.0005 [0.00044]	0.0063*** [0.00112]	-0.0070*** [0.00163]
year 2002 x VAM	-0.0033*** [0.00063]	-0.0025 [0.00261]	0.0106*** [0.00203]	0.0000 [0.00042]	0.0015 [0.00167]	0.0146*** [0.00187]
year 2003 x VAM	-0.0011 [0.00071]	-0.0016 [0.00282]	-0.0141*** [0.00367]	0.0017*** [0.00052]	-0.0004 [0.0028]	-0.0091*** [0.00346]
year 2004 x VAM	-0.0037*** [0.00073]	0.0099*** [0.00206]	0.0054 [0.0034]	-0.0005 [0.00056]	0.0080*** [0.00172]	0.0092*** [0.00281]
year 2005 x VAM	-0.0001 [0.00064]	-0.0038* [0.00197]	-0.0024 [0.00212]	0.0011** [0.00047]	0.0033** [0.00164]	-0.0005 [0.00176]
year 2006 x VAM	-0.0011 [0.00071]	-0.0095*** [0.00372]	-0.0001 [0.003]	0.0017*** [0.00048]	-0.0018 [0.00262]	-0.0013 [0.00276]
year 2007 x VAM	-0.0016** [0.00081]	-0.0223*** [0.00367]	0.0011 [0.00358]	0.0003 [0.00061]	-0.0040*** [0.00114]	0.0063* [0.00352]
year 2008 x VAM	-0.0017** [0.00064]	-0.0079*** [0.00185]	-0.0054 [0.00414]	0.0006 [0.00047]	0.0001 [0.00099]	-0.0000 [0.0035]
year 2009 x VAM	0.0006 [0.00051]	-0.0023 [0.00089]	0.0047*** [0.00149]	-0.0004 [0.00035]	0.0000 [0.00012]	0.0047*** [0.00148]
year 2010 x VAM	-0.0021*** [0.00058]	-0.0058*** [0.00156]	-0.0011 [0.00113]	-0.0006 [0.00051]	-0.0054*** [0.00103]	-0.0011 [0.00112]
Observations	216,484	11,239	8,295	216,484	11,239	8,295

Standard errors are bootstrapped at the student-year level and appear in brackets.

All regressions include teacher level covariates and interactions with year indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 13: The effect of VAM on teacher sorting within-district by year.

VARIABLES	Rest of NC	Guilford	Winston-Salem
year 1998 x VAM	0.0025*** [0.00021]	0.0045** [0.00071]	-0.0014 [0.00146]
year 1999 x VAM	0.0026*** [0.00021]	0.0013 [0.00109]	0.0021 [0.00156]
year 2000 x VAM	0.0019*** [0.0002]	0.0041*** [0.00069]	0.0007 [0.00084]
year 2001 x VAM	0.0051*** [0.00026]	0.0038*** [0.00097]	0.0077*** [0.00146]
year 2002 x VAM	0.0046*** [0.0002]	0.0031*** [0.00072]	0.0072*** [0.00164]
year 2003 x VAM	0.0031*** [0.00019]	0.0043*** [0.00099]	0.0052*** [0.001]
year 2004 x VAM	0.0023*** [0.00021]	-0.0006 [0.00109]	0.0005 [0.00212]
year 2005 x VAM	0.0102*** [0.00032]	0.0109*** [0.00097]	0.0096*** [0.00126]
year 2006 x VAM	0.0047*** [0.00027]	0.0009 [0.00161]	-0.0014 [0.00089]
year 2007 x VAM	0.0046*** [0.00026]	0.0049*** [0.00105]	0.0031** [0.00133]
year 2008 x VAM	0.0016*** [0.00025]	0.0031*** [0.00112]	0.0005 [0.00127]
year 2009 x VAM	-0.0003 [0.00042]	0.0055*** [0.00097]	0.0053*** [0.00146]
year 2010 x VAM	0.0033*** [0.00027]	0.0050*** [0.00104]	0.0045*** [0.00145]
Observations	185,977	9,616	7,35

Standard errors are bootstrapped at the student-year level and appear in brackets. All regressions include teacher level covariates and interactions with treatment indicators.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Figure 2: The effects of VAM on the probability of moving to a better school within-district by year.

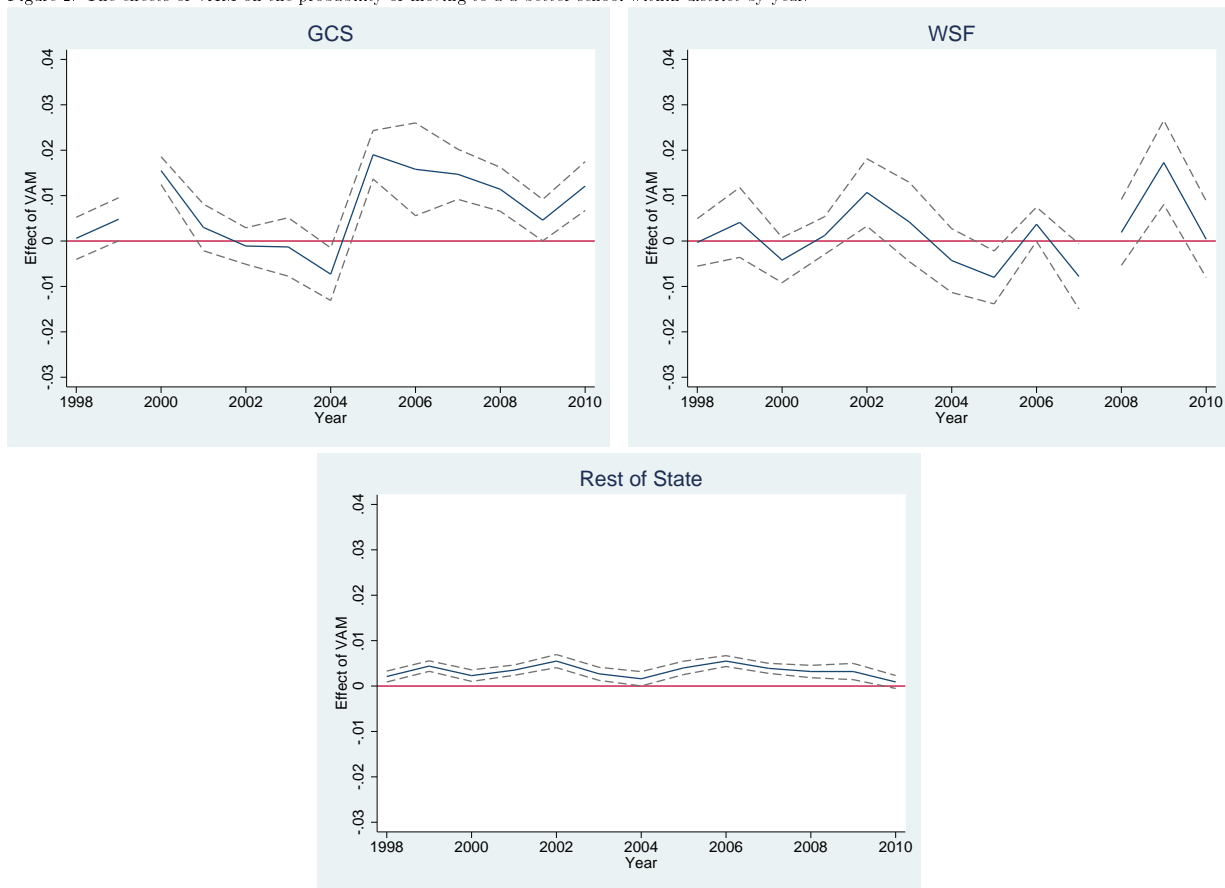


Figure 3: The effect of VAM on the probability of moving schools out-of-district by year

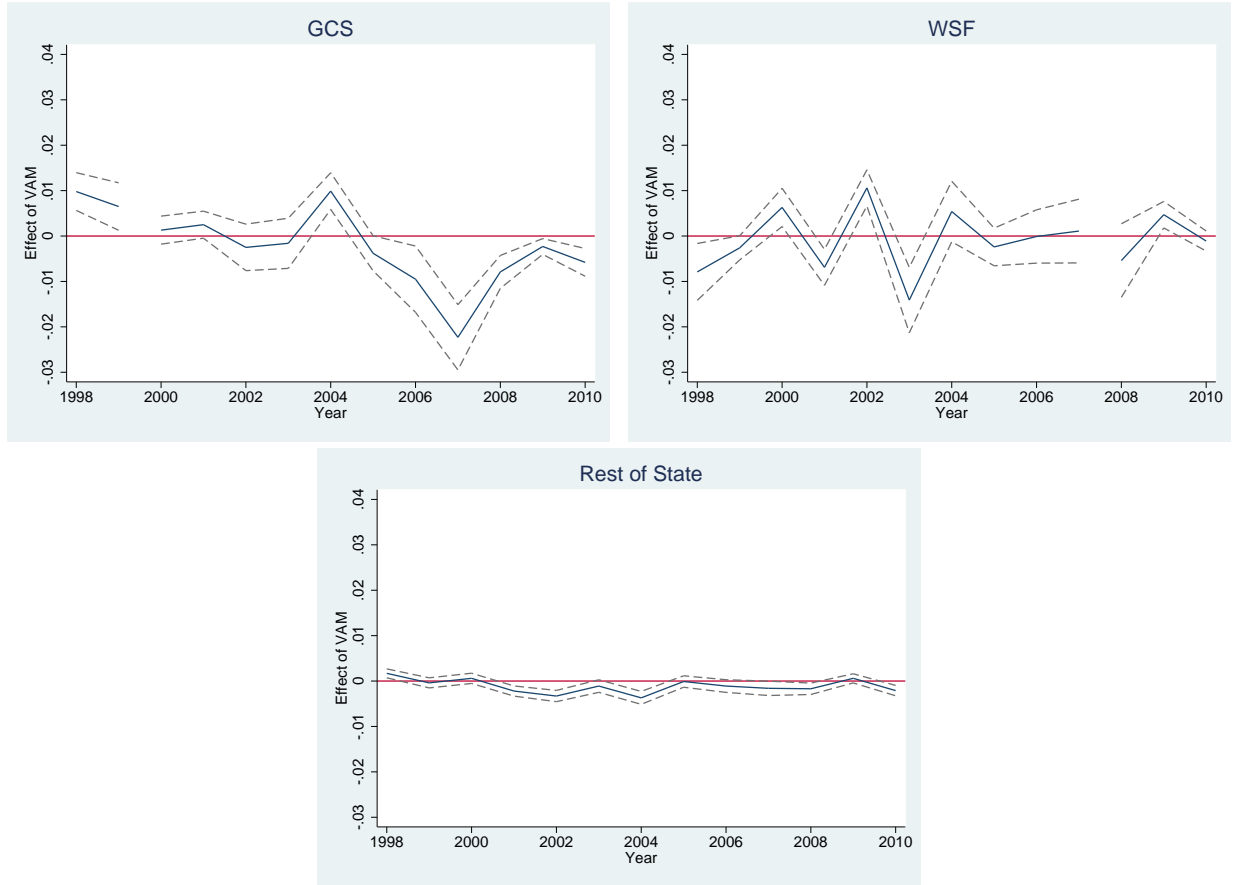




Figure 4: The effects of VAM on the probability of moving to a better school out-of-district by year



Figure 5: The effect of VAM on teacher sorting within-district by year.

