

# **Good Money for Good Grades**

How to get pupils to do more for school while  
making money with it at the same time

A Social Business Proposal  
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# **(I) Concept Basics**

## **→ The Problem**

About 20 percent of all pupils receive too few incentives from their environment to develop an interest in education. Schools can hardly assess their pupils, or educate them appropriately and prepare them for their work-life. Studies show that graduation levels are more or less coincidence with the consequence of a massive miss-allocation of talent.

At the same moment in Germany and other countries the birth rates are very low. Despite mass immigration there is an increasing shortage on qualified experts, who are very important for the economy.

The increasing complexity of working processes demand an increase in intellectuals skills, though the necessary top-talents are rare and cost multiple times compared to the average.

The following concept offers a solution for these problems.

## **→ The Solution**

The template for the concept is the market for football players on their way to become professionals. After their youth training they join a professional club as an employed player. Marketing agency and youth team receive a payment for this transfer. I believe, this principle can be applied to pupils and jobs in general.

Pupils are offered a contract, in which they receive money for their performances in school as well as extra lessons in case of poor results. In return they give away their right to freely chose their first post-high-school position in the labour market to the marketing agency.

For the marketing of the contract pupils information regarding their school performances beyond grades is being collected over a long period. This kind of assessment is much more accurate than grade-sheets and one-time assessments. This increases the fitting of young employees and reduces the fails for corporations.

Pupils get a motivational push, a consistent evaluation beyond well-meaning grades, they learn how to assess themselves better and do not have to follow the broad paths of their personal environment.

The principle of extrinsic motivation is based on field-studies, conducted mainly by the Ed-Labs institute under Roland Fryer. The results show, extrinsic motivation can lead to increases in performances.

## **→ Costs**

During their time in high-school contract pupils receive:

- Money for good test performances in selected subjects
- An E-Reader including books
- Money for the reading of books
- Money for regular IQ-tests

Their parents receive money for:

- participating in regular meetings with their childs teachers
- their childs reading activity

The school receives money for:

- its work of conducting the programs
- extra lessons for weak contract pupils

Per year and contract pupil, payments of 950 Euro are expected. Depending on the specific schooling modus a contract pupil can cost up to 8500 Euro during the time in high-school, the average is 5700 Euro.

## → Revenue

For the long-term operation of the concept the average pupil must be marketed for 5700 Euro. The situation in the market for sports professionals implies that this is possible. In difference to this market, the bottle-neck is not the physical fitness, but an appropriate preparation which includes the finding, the supporting and the demanding of general talents.

The concept can deliver this. If every element in the programs increases a pupils performance by two percent, then the entire concept increases their performance by 20 percent.

## (II) Program Design

### → Money for Grades

There are three important conditions that ensure the success this specific program:

1. Performance and reward need to stand in a direct causality for a positive effect. Indirect or general rewards do not work.
2. Rewards only have a positive effect, if the grades on which they are based have been given objectively. Subjects in which subjective solutions are possible (e.g. Literature), grades contain more sympathy than performance.
3. There is a difference between input rewards for the fulfilling of a task and output rewards, the way something has been done. Input rewards have a stronger effect.

Considering these conditions, the program has the following modus:

- Rewards are only paid for written tests in MINT-subjects (and possibly foreign languages)
- Contract pupils only receive rewards relative to their performance in the whole class
- A performance among the best quarter is rewarded with 20 Euro.
- A performance among the second best quarter is rewarded with 10 Euro.
- A performance among the third quarter is rewarded with 5 Euro.
- If the performance belongs to the bottom quarter, the school receives 25 Euro for extra lessons.
- In case several pupils are between two quarters, the teacher decides.
- If a pupils misses an extra lesson all rewards are being held back.

With an average of 20 relevant tests per year the following costs can be expected:

- The program costs an average of 300 Euro per year and contract pupil
- A-level pupils receive up to 400 Euro per year
- The money for extra lessons sums up to a maximum of 500 Euro per year and contract pupil.

With enough contract pupils in one year, the class size in the rewarded subjects can be reduced permanently depending on momentary performances into the weakest quarter and the other three quarters. Aside from the amount of gathered information about the pupils, this is the main value of the program.

### → Money for Reading

Money is an excellent way to get pupils into reading books. Studies show very positive effects on their language skills which again has a positive effect on their school performances.

- Contract pupils receive a broad selection of books, from which they can freely pick.
- The reading of a book is tested in a multiple-choice test.
- Every book has a value between 2 and 4 Euros. The value depends on the demand.

- Every month up to three books are rewarded, the monthly maximum payment is 12 Euros.
- Taking tests is limited to school-days, which means no tests during one whole month in summer.
- The test for a specific book can be repeated two times.
- Every month at least one book must be read, otherwise all rewards are being held back.

The library should contain at least 500 books. Per pupil, one time costs of 150 Euro are assumed for purchasing the books. It seems recommendable to hand out E-Readers, which cost about 100 Euro per piece.

Over-all every pupil receives equipment worth about 250 Euro and every year up to 130 Euros are paid in the program. The book reading tests are conducted by the school.

### **→ Money for IQ-Tests**

By performing IQ-tests on a regular base the development of the over-all potential can be assessed over a long period. Additionally there are positive training-effects in useful learning patterns. The test can be short and is only supposed to give a broad insight into the pupils analytic skills. For the project more important is the regular repetition of the test over the years including all the childs partial potentials.

Since puberty is an ongoing and rapid development process, there should be three IQ-tests per half year, respectively six over one entire school year.

The participation is mandatory. For every test the pupils are rewarded 10 Euro in case the value is better than the maximum before. If not, the pupil receives 5 Euro for the participation. Assuming an average of four increases per year, the program costs annually 50 Euro per pupil.

### **→ Money for the Parents**

There is a strong correlation between the parents interest in their childs education and its success. This makes it important to get the parents into the deal. This is done by creating an economic interest in the school performances of their child. Especially for low-income families it is a relevant aspect.

For every successful tested book from the “Money for Reading” program, the parents receive 2 Euro. This way they can earn up to 66 Euros per year just by telling their child to read a book. Parents also receive a bonus for regular meetings with the childs teachers. There are six meetings per year and every parent receives 10 Euro (single parents 20 Euro). Per year this sums up to 120 Euro.

During these meetings the IQ-tests should be conducted and the earned rewards since the last meeting paid out to the child. This way school, education and rewards are connected optimally for the child and its parents. In case the parents do not take part in the meetings, the youth authorities should be informed.

### **→ Money for the School**

For a successful practice, the concept demands a constructive cooperation with the schools. Without them, the programs cannot be set in motion. Needed are:

- Rooms and teachers for the reading- and IQ-tests as well as for the teacher-parent meetings.
- Teachers, who regularly update the information and pay out the rewards.
- A positive opinion towards the programs by the teachers and the school authorities.

An annual one time payment per contract pupil will not just ensure this, but is also an incentive for the schools to support the programs actively, to recommend them and to help in their further development.

250 Euro per year and contract pupil would increase the financial situation of the schools significantly. For schools this is an excellent argument to give the concept a chance.

## **(III) Business Design**

### **→ The Marketing Process**

The last step is the marketing of all graduated contract pupils. This is where the concept has to prove its value. The step must be worked out well to find optimal job-graduate pairs while getting a good price.

The marketing process must include the following steps:

1. Preferences by the pupil
2. Estimation of the demand in the economy
3. Combining the pre-information
4. Pre-selection by the pupil
5. Auction process for interested corporations

The extensive experience with this process from football player auctions implies to ask for expertise in this business at trustworthy player agencies and well-established football teams.

### **→ The Business-Model**

The following three factors make the business-model possible:

#### **1. A persistent supply overlaps on the labour market for high-school graduates**

- The demographic development reduces the number in new labour market entries. This will go on for at least two decades.
- A growing share of high-school graduates lack the basic job skills in a world with an increasing complexity for work.
- The reduction therefore happens qualitatively as well as quantitatively. Both increases the willingness to pay for the hiring of new young employees.

#### **2. Information advantages**

The documentation of the pupils performances is an information treasure, which allows specific statements about the pupils capabilities. In average every school day one information is being created, which sums up to 1000 per high-school career.

Compared to existing evaluation patterns this method is superior and worth a lot of money. It might even be enough to export the concept to countries with a high birth-rate.

#### **3. Excluding competition and legal status**

Without the legal framework it is impossible to exclude competition in case a pupil decides to switch the agency or quit the programs. The template here too is the transfer-market for football professionals. It is well established, follows fixed rules, there are few gaps and the overstepping of ethical boundaries is sanctioned.

The existence of this market implies the legal conformity of the concept.

### **→ Market-Value Estimation**

The necessary average market-value of 5700 Euro (plus salary during the job training) consists of:

- The increased security for corporations to hire a fitting person.
- The from the start high productivity, since none of the basics are lacking.
- The productivity itself, since the position could be filled in a negative market environment.
- In case of high-potentials networking effects during their professional life.

It is unknown, if it is possible to reach the break-even with average pupils. Especially for below average ones the balance can be expected to be negative. This needs a cross-financed compensation through the agile ones.

## → Agile Pupils and High-Potentials

Financially, the project must find the big talents. They are essential for the economy and worth a lot. Their value is by far above average due to their talent and their future potentials.

The following average prices and relative cost coverage can be expected:

Share in Percent	Potential	Market Value in Euro	Relative Cost Coverage in Euro
75	Average	2000	-2775
20	Above Average	10000	860
4	Agile	30000	972
1	High-Potential	100000	943

A successful refinancing depends heavily on the 25 percent of the most talented. Depending on how much single pupils over-perform and sell better than the average, they can have a profound impact on the balance.

## → Financing

There is a major financing gap until the first marketing. It exists for about half a decade, while before there is no revenue possible. Additionally there is the risk of having chosen a weak selection of pupils at the start who do not get attention on the labour-market, which is dominated by contract- and therefore cost-free high-school graduates. At the beginning, the business clearly is one with a high risk structure.

The project starting with 500 pupils demands an initial investment of 2.5 million Euro, the amortisation starts after at least 5 years and the earliest chance of reaching the break-even is after 10 years. This means:

1. The project has to start small.
2. Investors need to be in for the long shot.
3. Interested parties in graduates must be safely won at the very beginning.
4. For an early expansion of the project, it needs a lot of additional capital.

## → Market-Potential

The potential is likely limited to public schools and here on comprehensive schools. Therefore the concept offers a solution for about one quarter of all pupils.

With an average market-value of 5700 Euro and an average contract duration of 6 years, the overall market-volume in Germany is somewhere near 3 billion Euro per year.

## → Business-Related Risks

- Concept-inherent inefficiencies
- Lack of interest by pupils
- Lack of demand for high-school graduates
- Profit-oriented competition
- Resistance against the concept
- Individual weakness phases by pupils
- The life of the pupils and their families