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Test-Based Promotion Policies Can Benefit Students Through Incentive and Intervention Effects

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POLICY ISSUE

Many states require third graders to demonstrate a minimum level of proficiency on gateway reading tests before being promoted to fourth grade. These test-based promotion policies are among the most consequential—and most contested—early literacy interventions in the country. Proponents argue that an additional year of foundational instruction is essential for students who have not yet acquired sufficient literacy skills before the curriculum shifts decisively toward reading to learn. Critics worry that retention is disruptive and ineffective, and several states have recently moved to soften or repeal their retention requirements, often replacing them with mandated in-grade remediation while leaving the associated tests in place.

The policy debate surrounding test-based promotion has historically centered on the single question of whether grade retention helps or harms students. But this framing misses much of the nuance in how these policies are implemented in practice. Far more students are flagged for potential retention than are ever finally retained, and those warnings unfold over months in which students, families, and schools can respond. For students who ultimately do fail the test, policy design and implementation choices that determine whether they repeat the grade or move forward with or without remediation may produce very different outcomes. Two new studies of Indiana's third-grade retention contribute to this conversation by addressing two important questions: First, how do students respond to the credible possibility of retention before it becomes binding? And second, do low-performing students benefit from being retained?

STUDY DATA & FINDINGS

These studies leverage administrative data on Indiana public school students between 2011–12 and 2023–24,[1] comparing students who narrowly failed the state's gateway reading test (IREAD) with students who narrowly passed. Indiana students have mul-

KEY FINDINGS

Indiana's test-based promotion policy has improved student reading outcomes through two mechanisms:

- **Incentive effects:** Being flagged as at risk for third-grade retention produces rapid test score gains in just 4–6 weeks.
- **Intervention effects:** Third-grade retention itself leads to large and persistent improvements in student test scores.

1 This time period predates Indiana's current retention policy, which was enacted by state law in 2024.

tiple attempts to pass the IREAD before retention becomes binding at the end of third grade. By examining how students' academic trajectories diverge after they closely pass or fail different administrations of the IREAD, the authors of these studies shed light on how test-based promotion policies impact student outcomes through both the incentive effects of being flagged for risk of retention and the intervention effects of retention itself.

The studies reveal the following key findings:

The threat of retention alone produces rapid learning gains. Students who narrowly failed early, non-binding administrations of the IREAD improved more on subsequent standardized tests than otherwise similar students who narrowly passed. Students who failed their first attempt at the IREAD in March of third grade scored about 0.039 standard deviations higher on the state's summative ELA assessment and 0.020 standard deviations higher on the state's summative math assessment administered 4–6 weeks later. For context, a typical student gains about 0.36 standard deviations in reading between third and fourth grade,[1] meaning the effect of failing the IREAD in the spring of third grade represents about 10% of a full year's ELA test score growth. Gains of this size emerging within just weeks of a failed test are large, and, because they appear on a different assessment from the IREAD itself, are more likely to reflect genuine improvement than coaching tied to a specific test.

These gains emerge even when actual retention risk is low. Among a subset of students who first attempted the IREAD while in the second grade, those who narrowly failed scored about 0.063 standard deviations higher on the third-grade state summative ELA assessment one year later than those who narrowly passed. These students were unlikely to ever be retained under Indiana's policy; their chances of failing the IREAD at the end of third grade were very low, even without further intervention. Yet they still demonstrated marked learning growth in response to receiving an early signal of their reading proficiency many months before facing the high-stakes version of the gateway test.

Retention under Indiana's policy has led to large and persistent improvements in student test scores. Because exemptions under the policy make comparisons difficult, the authors report a wide range of possible estimates for the impact of third-grade retention on later test scores. Even the most conservative estimate, however, is substantial. It suggests that retention increased students' fourth-grade ILEARN scores by about one-third of a standard deviation, an effect similar in magnitude to a year of learning gains. This benefit persisted through eighth grade in ELA and at least seventh grade in math. By contrast, while the data do not permit a clear causal comparison, the study finds suggestive evidence that students who failed the IREAD but received an exemption allowing them to advance to fourth grade with remediation had later test scores similar to those of students who passed the IREAD.

POLICY IMPLICATIONS

Test-based promotion is not a single intervention; it is a system of signals, decisions, and potential instructional pathways that unfold over time. These findings from Indiana broaden our understanding of how such policies work in practice, presenting several important considerations for state policymakers, school leaders, and educators alike:

Test-based promotion policies can have effects beyond just the students who are retained by them. The Indiana findings show that students who receive a credible signal that they could be retained—even those with little realistic chance of ever being retained—respond by improving their performance on other assessments substantially. This means the relevant population for evaluating a test-based promotion policy's statewide impact is not just the lowest-performing students who are ultimately retained, but rather the larger group of students who are exposed to the risk of failure earlier in the process. Policymakers should account for these broader incentive effects when weighing the costs and benefits of these policies.

It is possible to produce measurable improvements for low-performing students in a short period of time. One notable finding from Indiana is that students who narrowly failed a non-binding administration of the IREAD test demonstrated meaningful learning gains remarkably quickly, within just 4–6 weeks. The research does not uncover whether these gains were produced through targeted instruction in the classroom, extra support outside of school, increased motivation, or a combination of many different factors. What

is clear is that early, actionable signals of students' academic proficiency can make a difference for their subsequent outcomes and trajectories. For schools seeking to support low-performing students, this is an encouraging sign that interventions triggered by early warning indicators can pay off even before students reach a high-stakes decision point relative to retention.

Broadly applied exceptions can dilute the positive effects of test-based promotion policies. These studies show that students benefit from both the potential consequence of retention and from retention itself. Exempting large shares of students from retention—beyond those for whom retention is clearly inappropriate because they have specialized needs—can limit both the incentive and intervention effects of these policies. State leaders should consider this evidence about how test-based promotion works in practice when designing statewide policies and providing guidance to schools and districts about how to implement them with fidelity.

State guidance can play an important role in ensuring these high-stakes policies benefit the most students. Schools and districts may vary widely in how they communicate retention risk to families, intervene when students are flagged as struggling to read before the end of third grade, and determine which students are retained versus promoted. States can maximize the benefits of test-based promotion by issuing clear guidance on expectations and best practices for communication and intervention at each stage of the process, and by leveraging longitudinal data to track whether implementation on the ground is aligned with the policy's intent.

ADDITIONAL RESOURCES

Test-based promotion policies look different in every state. High-quality research on the effects of these policies in other state contexts includes:

From Ohio: Souders, S., & Bifulco, R. (2026). The Effect of Retention Threat on Student Learning Gains: Evidence from Ohio. (EdWorkingPaper: 26-1527). Retrieved from Annenberg Institute at Brown University: doi.org/10.26300/ps8z-qv79

From Mississippi: Slungaard Mumma, K., & Winters, M. A. (2023). The effect of retention under Mississippi's test-based promotion policy. Wheelock Educational Policy Center. Available at wheelockpolicycenter.org/high-quality-education/ms-read-by-grade-three/

From Florida: Schwerdt, G., West, M. R., & Winters, M. A. (2017). The effects of test-based retention on student outcomes over time: Regression-discontinuity evidence from Florida. Journal of Public Economics, 152, 154–169. doi.org/10.1016/j.jpubeco.2017.06.004

ENDNOTES

1 Berne, J. S., Jacob, B. A., Weiland, C., & Strunk, K. O. (2025, October 1). The impacts of grade retention policy with minimal retention (Research Briefs in Economic Policy No. 453). Cato Institute. www.cato.org/research-briefs-economic-policy/impacts-grade-retention-policy-minimal-retention

The opinions expressed are those of the authors and do not represent views of the Indiana Department of Education.

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