

Performance pay



Low impact for low cost, based on limited evidence.

Performance pay schemes aim to create a direct link between teacher pay and the performance of their class in order to incentivise better teaching and so improve pupil outcomes.

A distinction can be drawn between awards, where improved performance leads to a higher permanent salary, and payment by results, where teachers get a bonus for higher test scores.

Approaches also differ in how performance is measured and how closely those measures are linked to outcomes for learners. In some schemes, students' test outcomes are the sole factor used to determine performance pay awards. In others, performance judgements can also include information from lesson observations or feedback from pupils, or be left to the discretion of the headteacher. Some performance schemes incentivise individuals, others incentivise groups of teachers.

How effective is it?

The results of rigorous evaluations, such as those with experimental trials or with well-controlled groups, suggest that the average impact of performance pay schemes has been just above zero months' progress. Approaches making use of loss aversion – where awards have to be paid back if student results fall below a certain level – have shown greater impact.

There is some evidence that impact may also be greater in developing countries. Overall, evaluations of a number of performance pay schemes in the USA, where the approach is also known as 'merit pay', have been unable to find a clear link with improved pupil learning outcomes.

A related approach that has shown promise is using bonuses or enhanced pay to attract teachers to challenging schools.

There are some concerns that performance pay schemes can create unintended consequences. For example, that they may encourage teachers to focus only on tested outcomes, leading to a narrowing of the curriculum, or to focus on groups of pupils near a particular assessment threshold.

Overall, approaches which simply assume that incentives will make teachers work more effectively are not well supported by existing evidence.

How secure is the evidence?

The evidence is limited. Although there has been extensive research into performance pay, much of this is either from correlational studies that link national pay levels with general national attainment, or from naturally occurring experiments. More recent randomized trials have had mixed results. Overall, it is hard to make definitive causal claims about the impact of performance pay on attainment, on the basis of the existing evidence.

The English threshold assessment was introduced in 2000 and was designed to reward high quality teaching. Evaluations of the threshold assessment offer a cautious endorsement of approaches which use financial incentives to encourage the most skilled and qualified teachers to work with disadvantaged pupils.

What are the costs?

Sums of between \$15,000 and \$5,000 have been awarded in merit pay schemes in the US. In England, performance pay generally means schools using staff performance to allocate teacher progression within existing pay ranges. Some academies have paid one-off performance bonuses of between £100 and £2,000 per teacher (or between £4 and £80 per pupil across a class of 25). Overall, costs are estimated as low.

Performance pay: What should I consider?

Before you implement this strategy in your learning environment, consider the following:

1. Have you considered other, more cost effective, ways to improve teacher performance, such as high quality continuing professional development?
2. Given the lack of evidence that performance pay significantly improves the quality of teaching, resources may be better targeted at identifying and recruiting high quality teachers.
3. How will you make sure that performance pay does not lead to a narrower focus on the measures used to assess teacher performance, or to teachers focusing on the performance of particular groups of pupils?

Technical Appendix

Definition

Performance pay schemes create a direct link between a teacher's wages or bonus, and the performance of their class. A distinction can be drawn between awards, where improved performance leads to a higher permanent salary, and payment by results, where teachers get a bonus for higher test scores. These bonuses can be retrospective (payment after satisfactory pupil performance) or prospective (such as 'loss aversion' approaches where the bonus is given upfront, but then paid back if the results are not satisfactory). A key issue is how performance is measured and how closely this is linked to outcomes for learners.

Search terms: performance/incentive pay; teacher incentives; performance-related pay; merit pay, bonus pay, loss aversion

Evidence Rating

There is one meta-analysis which was conducted in the last ten years on performance pay. Most of the research tends to be correlational or from matched groups, although some studies with stronger causal warrant have emerged from the USA over the last few years. In general, it is hard to make causal claims about the benefits of performance pay on the basis of existing evidence. Overall the evidence is rated as limited.

Additional Cost Information

Sums of between \$15,000 and \$5,000 have been awarded in merit pay schemes in the US. In England, performance pay generally means schools using staff performance to allocate teacher progression within existing pay ranges. Some academies have paid one off performance bonuses of between £100 and £2000 per teacher (or between £4 and £80 per pupil across a class of 25). Overall, costs are low estimated as low.

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Summary of effects

Meta-analyses	Effect size	FSM effect size
Washington State Institute for Public Policy, (2015)	0.02	-
Single Studies	Effect size	FSM effect size
Atkinson, A., Burgess, S., Croxson, B., Gregg, P., Propper, C., Slater, H. & Wilson, D. (2009)	0.02	-
Balch, R., & Springer, M. G. (2015)	0.03	-
Fryer Jr, R. G., Levitt, S. D., List, J., and Sadoff, S. (2012)	0.06	-
Goldhaber, D., & Walch, J. (2012)	0.04	-
Martins, P.S. (2009)	-0.09	-
Muralidharan, K. & Sundararaman, V. (2011)	0.15	-
Shifrer, D., Turley, R. L., & Heard, H. (2017)	-0.11	-
Springer, M. G., & Winters, M. A. (2009)	-0.02	-
Springer, M. G., Pane, J. F., Le, V. N., McCaffrey, D. F., Burns, S. F., Hamilton, L. S., & Stecher, B. (2012)	0.01	-
Wellington, A., Chiang, H., Hallgren, K., Speroni, C., Herrmann, M., Burkander, P & Warner, E. (2014)	0.05	-
Effect size (weighted mean)	0.04	

The right hand column provides detail on the specific outcome measures or, if in brackets, details of the intervention or control group.

Meta-analyses abstracts

18 Washington State Institute for Public Policy (2015)

Teacher performance pay programs distribute bonuses to individual teachers and sometimes to school wide staff. Performance is usually measured as value-added student test scores alone or in combination with some other assessment (such as principal evaluations). These evaluations examine the impact on student test scores from short-term, pilot performance pay programs. 28 studies, impact on test scores 0.019.