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## Synthesis

# Performance pay<sup>i</sup>

Low impact for low cost, based on limited evidence

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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.



Overall, it is hard to make definitive causal claims about the impact of performance pay on attainment.

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.

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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.

## Latin American Evidence<sup>ii</sup>

The empirical evidence in the region regarding the impact of performance-based payments is inconclusive. A number of studies look at the relationship between performance-based pay and academic performance of pupils. This relationship appears to depend on the level of teacher wages. In countries with comparatively low teacher wages (less than 15% of GDP per capita), student performance tends to be higher when performance-based pay exists; while in countries where teachers are better paid (more than 15% of GDP per capita) the opposite occurs.

A study carried out in Colombia emphasizes the fact that teachers are better paid when they are well qualified. This study, that contains information about the relationship between students, parents, teachers and headmasters, suggests that better trained teachers tend to receive higher wages, but there is a very small relationship between higher wages and increased academic performance for students.

Overall, it is difficult to make causal claims about the efficacy of performance pay on the basis of the existing evidence in Latin American and the Caribbean. The lack of conclusive evidence suggests that any implementation of this practice should be done with caution, taking into consideration the local needs, capacities and challenges to be addressed.

## 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 the attainment, on the basis of the existing evidence.

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## 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.

## 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?

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