Chapter 3

Performance-related pay for teachers
The American experience

Stephen L. Jacobson

In 1983 a series of reports critical of the state of education in the USA, the most notable being *A Nation At Risk*, the report of the National Commission on Excellence in Education, triggered what has come to be known as the 'first wave' of American educational reform. There was consensus among these reports that reforming teacher compensation was central to school improvement. Specifically, the reports urged that teacher salaries, particularly at the entry-level, must become more competitive with those offered in other professions if public education were to attract and retain high calibre individuals. Boyer, for example, argued:

> Our society pays for what it values. Unless teacher salaries become more commensurate with those of other professions, teacher status cannot be raised; able students cannot be recruited. (Boyer 1983: 168)

Of the various compensation reforms proposed, performance-related pay, more commonly known as 'merit pay' in the USA, stirred the most heated debate. These proposals explicitly linked salary differentials to performance, even though there was only limited empirical support for the premise that monetary incentives effectively motivate teachers to improve the quality of their work. Although some argue that teachers are no different from workers in other occupations where money has been used effectively as an incentive (Casey 1979), the weight of the evidence suggests that teachers are motivated more by the content and process of their work than by the opportunity for extra compensation (Goodlad 1983; Johnson 1984; 1986).

Advocates of performance-related pay, such as former President Ronald Reagan, argued that schools would improve only if teachers were 'paid and promoted on the basis of their merit and competence.' Opponents countered that merit pay plans were nothing new to American education, and that this approach to teacher compensation has a well-documented history of failure (Cohen and Murnane 1985; Lipsky and Bacharach 1983; Urban 1985). As Murnane and Cohen (1985: 3) observed, 'The history of merit pay suggests that while interest in paying teachers according to merit endures, attempts to use merit pay do not.'

The purpose of this chapter is to examine the major issues and problems surrounding the use of performance-related pay as drawn from the American experience. The chapter begins with a conceptual analysis of merit pay that is informed by perspectives from industrial psychology and labour economics. Next follows a brief history of the use of performance-related pay in American education, as well as a working definition of merit pay in its contemporary context. Central to this discussion is a typology of performance criteria used to identify meritorious teaching, a typology developed originally by Monk and Jacobson (1985a). As we shall see, merit pay in the USA has become a catch-all designation for a variety of compensation plans that use differing performance criteria to determine teacher salary differentials.

**THEORETICAL PERSPECTIVES ON PERFORMANCE-RELATED PAY**

Johnson (1984: 176) pointed out that the revival of interest in performance-related teacher pay in the USA had broad appeal among the American public because it appeared to fit neatly with popular conceptions of how a free enterprise system ought to work. Specifically

> If teachers are paid competitively on the basis of performance, they will work harder. The system will reward effective teachers and encourage them to remain in classrooms while nudging ineffective, unrewarded teachers to leave.

The apparent simplicity of how performance-related pay works belies a rather complex set of relationships that exists between teacher behaviour and the availability of rewards. These conceptual underpinnings are perhaps best explained by Vroom's Expectancy Theory (1964).
Expectancy theory

Vroom's model of employee motivation describes the processes that link behaviours to rewards and suggests that performance can be influenced positively by monetary incentives only if the following conditions exist:

1. Workers have a high expectancy that meritorious performance can be achieved through increased effort.
2. Workers believe that a high instrumentality exists between meritorious performance and the likelihood of reward.
3. Workers find monetary rewards attractive.

Advocates of performance-related pay for teachers assume implicitly the existence of the first and third conditions, that is, that meritorious teaching can be achieved through increased effort, and teachers find monetary rewards highly attractive. Once a highly instrumental relationship between superior performance and increased monetary rewards has been established, merit pay proponents predict that teachers will increase their efforts, and thereby improve their performance, in order to obtain these highly desired rewards. One might argue as well that, if these conditions hold, unless performance is rewarded monetarily teachers will withhold their effort. This argument represents the fundamental criticism of compensation plans that do not reward performance directly.

Yet one can use the expectancy approach to provide alternative explanations for why teachers might withhold effort, even when instrumentality between performance and monetary reward is high. Specifically, Vroom's theory suggests that on-the-job experience provides individuals the opportunity to re-evaluate their subjective estimates of the relationship between effort and performance. If, for example, teachers come to believe that certain conditions of school employment, such as overcrowded classes, limited or outdated materials, misdirected curricula goals, prevent the translation of increased effort into improved performance, then the motivation to raise one's level of effort will diminish. Thus, even if the instrumentality between performance and reward is high, the *sine qua non* of performance-related pay, it is conceivable that if teachers' expectations are that increased effort does not result in improved performance, low expectancy will cause teachers to withhold effort.

An alternative explanation for why high instrumentality between performance and reward need not increase effort has to do with the relative attractiveness of money as an incentive. If money is not the primary motivator of teacher behaviour, as merit pay advocates assume, then the expectancy approach would predict little change in teacher effort. In other words, people should not be expected to work harder for rewards they do not find especially attractive. This issue is examined in greater detail later in the chapter in the section on Herzberg's two-factor theory.

Equity theory

Advocates of performance-related pay also use compensatory fairness or equity as a rationale for their proposals. Equity theory advances the notion that fairness in compensation exists when employees believe that 'what is' is 'what should be'. Stated another way, workers believe that their pay is fair when equals are rewarded equally, and unequals are rewarded unequally. Advocates of performance-related pay in the USA contend that meritorious teachers are dissatisfied with the uniform salary schedules that predominate in US schools because teachers identical in experience and education are paid the same regardless of differences in performance. In other words, in some cases the uniform salary schedule allows unequal effort to yield equal reward, and in others, equal effort to yield unequal reward such as when teachers equally meritorious are nevertheless compensated differentially because of differences in experience and education. This is seen to be particularly troublesome to high-calibre junior faculty members, who are often paid substantially less than senior colleagues who may not perform as well.

Supporters of performance-related pay argue that these inequities, inherent in uniform salary schedules, drive good teachers from the profession, encourage poor ones to remain, and discourage high-quality individuals from entering. Making salary performance-based, advocates argue, will drive poor teachers from the profession, since teaching will no longer be financially rewarding for them, and encourage high-quality teachers to enter and remain, since teaching will now equitably reward their efforts. Yet the strength of this position, as with the expectancy approach, depends upon how central monetary incentives are to teacher behaviour. Are teachers primarily motivated by money?
The two-factor approach

Perhaps the best-known theory of employee motivation is Herzberg’s two-factor approach (1966) which suggests that worker behaviour is influenced by two categories of rewards: motivators and hygiene factors. Herzberg defines motivators as rewards intrinsic to the content of one’s work; rewards that stimulate psychological growth, a necessary precondition for job satisfaction and enhanced performance. These intrinsic motivators include achievement, recognition, responsibility, advancement and the work itself.

Hygiene factors, on the other hand, are rewards extrinsic to the content of work, and act not as a curative, but rather as a preventive. In other words, improving hygiene factors, such as salary, may help to reduce job dissatisfaction by making the conditions of work less unpleasant, but because these rewards do not promote psychological growth, Herzberg contends they will have little effect on increasing effort. Therefore, while pay incentives may prevent job dissatisfaction, they cannot be used to improve performance. Instead, Herzberg’s work suggests that policy-makers wishing to improve teacher performance should be less concerned with salary and more attentive to making intrinsic rewards available. Indeed, when teachers have been asked to self-report their reward preferences, they typically focus on teaching’s intrinsic benefits. For example, Lortie (1975) found that the most frequently reported attractors to teaching were the opportunity to work with children and the belief that teachers provide an important service to society. Although Lortie recognized that normative expectations of teachers as dedicated professionals may inhibit their acknowledging the extent to which material benefits influence behaviour, intrinsic rewards consistently rank higher than monetary gain in teacher opinion surveys (Feistritzer 1986). In fact, studies of the effects of extrinsic rewards on motivation suggest that pay incentives could even undermine performance if money becomes more important than the content of the work itself (Deci 1976). In other words, teachers might begin looking for self-serving, opportunistic ways of obtaining rewards with a minimum of effort.

It is important to note that while the two-factor approach suggests that pay incentives do not motivate improved performance, there is a growing body of empirical evidence to support the notion that monetary rewards can play an important role in improving teacher recruitment, retention, and attendance (Monk and Jacobson 1985b; Jacobson 1988; 1989a; 1989b; 1990; 1991). In other words, money may influence the participation of high-quality individuals in teaching, but not their level of engagement.

A very different perspective on performance-related pay, one that focuses as much on the organization as on the individual, is provided by a branch of micro-economics that Murnane and Cohen (1985) call the contracts literature.

The contracts literature

This suggests that an organization’s approach to compensation should depend upon the nature of the work required of its employees. The usefulness of the contracts literature is that it stresses the importance of organizational trade-offs between the benefits of employee performance gains and the costs of performance evaluations. This benefit-cost analysis is based on three assumptions:

1 Workers’ preferences are not completely consonant with the employing organization’s goals. If there are no adverse consequences for them, workers prefer to work less hard than the organization would like.
2 Monitoring the output of individual workers or the actions of individual workers is costly.
3 Imperfect monitoring will induce workers to attempt behaviour that makes them appear productive relative to other workers, but in fact is contrary to the goals of the organization.

(Murnane and Cohen 1985: 3-4)

Applied to pay incentive plans in education, the contracts literature focuses on the criteria used for performance evaluation. Murnane and Cohen suggest that performance-related pay plans that reward teachers on the basis of student gains on standardized tests are analogous to piece-rate compensation, that is a payment algorithm that attaches a unit price to each unit of performance output measured. Murnane and Cohen contend that piece-rate compensation works best in industries where a worker’s output can be measured easily and at low cost, such as the number of shirts ironed by a laundress.

Murnane and Cohen suggest that the benefit of piece-rate compensation is that it provides workers with incentives to find new ways to increase production, while the cost of piece-rate
compensation is that these new production methods can include opportunistic behaviours, such as neglect of machinery, as employees reallocate their time in an attempt to increase output. Applied to teaching, opportunistic teachers desireous of performance incentives may choose to attend only to cognitive aspects of student performance, while ignoring students' affective needs. Murnane and Cohen feel that teaching does not satisfy the conditions under which piece-rate compensation works most effectively, and they suggest that performance-related pay based on standardized test scores will tend to narrow the curriculum to only those subjects tested. Even without a direct tie to salary, test scores used to determine school performance substantially shift the focus of administrators and teachers, as Corbett and Wilson (1989) found in Maryland and Pennsylvania:

Most of their professional time became devoted to test-related activities, to the exclusion of other staff development and improvement initiatives.

The test becomes foremost in at least the minds of the staff. The end result is that the major emphasis in the school becomes to improve the next set of scores rather than some longer-term, more general goal of improving student learning. Thus, the indicator of performance becomes the goal itself.

(Corbett and Wilson 1989: 36–7)

The contracts literature further suggests that, due to their inherent vagueness and subjectivity, performance-related pay plans that reward on the basis of classroom evaluations will fare no better than plans that reward student outcomes. Murnane and Cohen (1985) suggest that:

Merit pay is efficient when the nature of the activity in which workers are engaged is such that supervisors can provide relatively convincing answers to the following two questions posed by workers:

1 Why does worker X get merit pay and I don't?
2 What can I do to get merit pay?

(Murnane and Cohen 1985: 11–12)

The imprecise nature of teaching makes these questions difficult for supervisors to answer and produces a number of dysfunctional side-effects including

1 teachers who become angry when supervisors cannot identify specific actions that will result in meritorious performance
2 teachers who are unwilling to discuss classroom problems for fear that they will hurt their chance for merit
3 teachers who are dissatisfied with their evaluation, since teachers typically rate their own performance higher than do their supervisors
4 disagreement over whether the best teacher or the teacher whose performance is the most improved should be rewarded.

Murnane and Cohen (1985: 16) argue that performance-related pay plans that reward teacher evaluations lower faculty morale and change the principal or headteacher's role from 'being a coach into being a referee'.

Unlike the expectancy, equity, or two-factor theories, in which the success or failure of performance-related pay plans are seen to depend upon the perceptions of individuals, the contracts literature indicates that these plans are inappropriate in public education because they are simply too costly. Whatever gains are realized in terms of improved performance are quickly lost as a result of the dysfunctional consequences to teacher morale. Murnane and Cohen conclude that the goal of putting the power of money into improving teachers' performance is misguided.

THE HISTORY OF PERFORMANCE-RELATED PAY IN THE USA

Recent interest in performance-related pay belies the fact that monetary incentive plans have been used frequently in the USA over the past century (Urban 1985). The use of performance-related pay appears to have peaked during the early 1920s when perhaps as many as 40 per cent to 50 per cent of the USA's school districts had so-called 'merit' plans in effect. But, during the 1930s, performance-related pay slowly gave way to the uniform salary schedule, due, in part, to the fact that merit was more often determined by a teacher's sex and/or level of instruction than by level of performance.

The crisis in US education spawned by the Soviet Union's successful launching of Sputnik in the late 1950s renewed public interest in compensating teachers on the basis of their performance. As a result of this interest, 11.3 per cent of US school districts...
with student enrolment greater than 6,000 had performance-related pay plans by 1968. But, once again, these plans were abandoned as unworkable, with difficulties in measuring performance and teacher union opposition commonly cited as the principal reasons for their failure (Bacharach et al. 1984). Forwoll (1979) found that in 1978, only 4 per cent of US school districts still had a performance-related pay plan in effect. By 1979, only 33 of the USA's largest public school districts (districts serving communities with a population greater than 30,000), had performance-related pay in operation, down 60 per cent from 170 districts in 1959 (Forwoll 1979). Even in private schools, where union opposition would typically be less of a factor, the National Catholic Education Association (1985) found that pay incentive plans were the exception rather than the rule, with only 7 per cent of Catholic high schools using merit pay in 1983.

By 1985 over 99 per cent of US teachers were employed in school districts that utilized uniform salary schedules. In fact, that same year, Murnane and Cohen (1985) could identify only seven districts in the USA with student enrolment of more than 10,000 that had both used performance-related pay for at least five years, and also paid awards of at least $1,000. These surviving plans existed in wealthy districts that were able to hire teachers selectively, pay them well, and provide excellent working conditions. Two characteristics typical of these surviving programmes were that merit awards were given inconspicuously and every teacher received an award of some size. Although inconspicuous awards distributed among all staff may reduce competition and make everyone feel special, these are hardly the programme characteristics performance-related pay advocates envision. Indeed, Murnane and Cohen note that the merit plan in these districts do not appear to have an effect on the way teachers teach.

**OPERATIONALIZING PERFORMANCE-RELATED PAY**

Under a 'pure' performance-related pay system, teachers' salary differentials would be determined exclusively on the basis of differences in their performance. Recognizing that teacher union opposition makes the prospects of totally dismantling uniform schedules highly unlikely, recent proposals in the USA have recommended pay incentives that would supplement, rather than supplant, existing salary schedules. Thus merit pay in the USA means awards over and above those provided by the uniform schedule, and though other incentives, such as sabbaticals, tuition assistance and/or attendance at professional conferences can be offered, merit pay awards usually take one of two forms: a temporary salary increase that is a once per year bonus for which a teacher competes on an annual basis, or a permanent salary increase, that is a monetary award that, once earned, becomes part of the teacher's base salary, regardless of subsequent performance.

Merit pay awards are usually used to recognize individual achievement, although they can also be presented in recognition of meritorious performance by an entire instructional unit. By shifting pay incentives from the individual to the instructional team, group incentives are intended to reduce teacher competition, a factor often cited as a detriment to school improvement.

The next question that schools must address is how meritorious performance is to be identified and measured. This is a question that is not easily answered and one which goes to the heart of most problems with performance-related pay plans.

**What counts as meritorious performance?**

A thread common to almost all performance-related pay proposals in the USA is the belief that teachers' salaries should reflect their contribution to the educational enterprise. Unfortunately, there is considerable disagreement among proposals as to what legitimately counts as merit. As Monk and Jacobson observed

Some writers use the term 'merit pay' but disagree over how merit should be assessed. Others eschew the use of the term, but nevertheless propose what amounts to a plan of differentiated payment based on an assessment of teachers' contributions.

(Monk and Jacobson 1985a: 223)

Although the presage criteria used by uniform schedules may be objectionable to merit pay advocates, years of experience and educational training are easy to measure. Furthermore, as Lipsky and Bacharach (1983: 7) note, 'the selection of performance criteria for use in merit-pay plans is a process fraught with peril'.

To address this issue, Monk and Jacobson developed a typology of performance criteria recommended by 'first wave' US merit
pay proposals as contributions worthy of additional remuneration. These performance criteria include:

1. quantity of work
2. level of efficiency
3. teacher effectiveness or level of accomplishment
4. the importance of the accomplishment.

The quantity of a teacher's work

Among the most commonly recommended monetary rewards in 'first wave' proposals were salary add-ons based upon some measure of the quantity of an individual's work. For example, in 1983 Tennessee's 'Master' teachers had the opportunity to accept ten, eleven or twelve month contracts that provided 15 per cent, 35 per cent, and 60 per cent pay supplements respectively (Stedman 1983). Although extra pay for extra work incentives hardly represent a departure from traditional compensation practice, Murnane and Cohen (1985) found that the opportunity for these rewards was characteristic of the few enduring merit pay plans in the USA. These authors suggest that the success of this approach is that it allows teachers with additional financial needs the opportunity to meet those needs. Yet the potential effectiveness of extra pay for extra work incentives, particularly those offered as contract extensions, may be of limited use since most (79 per cent) public school teachers in the USA would rather teach ten months than twelve months, even if there were the opportunity for other professional activities (Feistritzer 1986).

A variation on the quantity of work theme is the use of pay incentives to reduce rates of teacher absenteeism. A number of school districts in Western New York have used salary bonuses to reward teachers with exemplary attendance (Jacobson 1989a; 1989b; 1991).

The level of teacher efficiency

Some times called 'old style' plans (Bhaerman 1973), this approach ties teacher salary to supervisor observations. As Monk and Jacobson (1985a) contend:

This input-based approach to the measurement of teacher efficiency has gained widespread use in American education.

Much of what now passes for teacher evaluation relies heavily on the use of periodic classroom observation.

(Monk and Jacobson 1985a: 226)

Note that the efficiency approach assumes positive correlations between identifiable teacher behaviours and levels of student achievement. Checklists of teacher behaviours often include classroom organization and management, in-service growth, professional attitude, school community service, and even personal fitness and appearance. This approach is often criticized as stifling creativity since teachers are under considerable pressure to conform to supervisors' perceptions of good teaching. For example, if their supervisor emphasizes discipline, teachers may feel that they have to be more attentive to keeping students seated and silent than to what they learn.

While substantive questions can be raised as to which teacher behaviours, if any, are significantly related to student achievement, one must recognize that, even if such questions could be resolved, performance-related pay plans based upon evaluations are rewarding the potential rather than the accomplishment of high student achievement.

Teacher effectiveness or the level of accomplishment

Whereas 'old style' merit pay as efficiency rewards the process of teaching, 'new style' merit pay as effectiveness rewards the product: teacher performance is evaluated by the level of student accomplishment on standardized tests. As Murnane and Cohen (1985) observed:

The attractiveness of this strategy is that the evaluation problem is solved by actually measuring certain dimensions of each teacher's output, and thereby avoiding the subjectivity of the evaluations under old style merit pay.

(Murnane and Cohen 1985: 5)

Although performance-related pay based upon level of accomplishment is arguably less subjective than performance as efficiency, the use of student outcomes is often criticized because of the difficulty inherent in disentangling an individual teacher's contribution to a child's achievement from other influential factors such
as the contextual effects of other students in the classroom and the socio-economic status of the child’s family.

As noted earlier in the contracts literature discussion, a common criticism of this ‘new style’ approach is that it may foster opportunistic behaviour, such as encouraging teachers to teach exclusively to the test or focus only on those students they believe will do well on the test.

The importance of the accomplishment

This approach rewards salary differentially on the basis of differences in the market values of teachers’ duties and responsibilities. Monk and Jacobson (1985a) point out

The teacher need not work harder, may not be more efficient, and need not accomplish more. The relevant points are that (1) the teacher makes a different contribution, and (2) the market value of the various possible contributions can vary.

(Monk and Jacobson 1985a: 227)

The teacher career ladder, which can be viewed as a variation on the performance-related pay theme, falls under this dimension. Career ladders are compensation systems that create a staged profession in which an individual proceeds from an apprentice to a master. Applied to education, as teachers move up the career ladder their professional responsibilities and compensatory rewards increase.

Although career ladders became the hallmark recommendations of such 1986 ‘second wave’ reports as those by the Holmes Group (1986) and the Carnegie Forum on Education and Economy (1986) the Congressional Merit Pay Task Force developed the following ‘model’ teacher career ladder in 1983:

- **Apprentice teacher** an individual with a degree from an accredited institution of higher education, who has met all state requirements for initial certification could begin teaching at $15,000
- **Professional teacher** a fully certified teacher with five years’ experience, some in-service training or post-graduate course work, and at least four positive annual evaluations, would receive a base fifth-year salary of $20,000
- **Senior teacher** a certified Professional teacher with a Master’s degree in his or her area of concentration, and at least eight out of ten positive annual evaluations, would receive a base tenth-year salary of $30,000
- **Master teacher** a certified Senior teacher with additional study beyond the Master’s degree and more than ten years of consistently positive evaluations, who has demonstrated ‘best practice’ and is willing to accept in-service or summer training responsibility for other teachers, would receive $35,000 and a minimum $10,000 annual bonus for continuing positive evaluations and in-service contribution.

(US House of Representatives 1983)

Scarcity bonuses also fall under the heading of pay incentive plans that reward the importance of an accomplishment. For example, differential pay may be offered teachers in subject areas where shortages exist, such as mathematics or science, or so-called ‘combat’ pay to teachers willing to work in less desirable schools, such as those that serve large numbers of disadvantaged students.

Rewarding the importance rather than the level of an accomplishment is criticized for being less an attempt to make salaries performance-based than market-sensitive. As a result, if there were a greater supply of history than physics teachers, this approach would allow a mediocre physics teacher to be paid more than an excellent history teacher. This is hardly the outcome that US proponents of performance-related pay envisaged.

In order to overcome potential problems created by any one of the reward categories listed above, some performance-related pay plans have taken to incorporating multiple performance criteria. Houston’s Second Mile Plan, for example, offered the following incentives in 1982:

1. **Outstanding educational progress** $800 per teacher in schools that exceed predicted gains on standardized achievement tests
2. **High-priority location** as much as $2,000 per teacher willing to work in schools that have a high concentration of educationally disadvantaged students
3. **Critical shortage** bonuses for teachers of subjects where shortages exist, e.g. $800 for mathematics or science, $600–900 for special education, and as much as $1,000 for bilingual education
4. **Professional growth** $300 for each six credits of college coursework (or seventy-two hours of in-service training) related to a teacher’s area of instruction
5 Attendance $100 per day for unused absences up to five, thus a
teacher with perfect attendance earns an additional $500.
(Miller and Say 1982)

PERFORMANCE-RELATED PAY IN PRACTICE

With all the public attention given to merit pay at the time of the
1983 reform reports, surprisingly few US teachers were subse-
sequently compensated in this manner. In a nation-wide survey of
public and private school teachers in 1987–8, the National Center
for Educational Statistics of the US Department of Education
(NCES 1990) found that of the USA's more than 2 million public
school teachers only 2 per cent received individual pay awards for
exceptional performance and 3 per cent received group awards for
school-wide performance improvement. An additional 2 per cent
received scarcity bonuses: 1 per cent for teaching in a shortage
area and 1 per cent for teaching in a high-priority location. Data
from private school teachers (just over 300,000 nation-wide) sug-
gest only slightly more reliance on performance-related pay with
just 4 per cent receiving individual awards for exceptional perfor-
amance, 4 per cent group awards for school-wide improvement, and
3 per cent scarcity bonuses: 2 per cent for shortage areas and 1
per cent for high-priority location.

These findings suggest that, in practice, the notion of awarding
teachers for exceptional performance, as promoted by 'first wave'
merit pay advocates, appears not to have gained much of a foot-
hold in the USA. On the other hand, findings from the same
survey indicate that the 'second wave' reforms of the Holmes
Group (1986) and the Carnegie Forum on Education and Economy
(1986) have been implemented more broadly. Specifically, these
reports recommended the use of career ladders to expand teachers'
responsibilities to include mentor and master teacher roles. The
NCES (1990) survey revealed that in 1987–8, 9 per cent of public
school teachers had been rewarded for serving as a master or
mentor teacher and 16 per cent had received a career ladder salary
increase, while 7 per cent of private school teachers had received
an award for serving as a master or mentor teacher and 14 per
cent had received a career ladder salary increase.

By expanding the role of teachers, particularly in terms of
decision-making, these recommendations were more consonant
with the underlying tenets of the two-factor approach than were
proposals of the 'first wave'. They intentionally broaden the scope of
compensation reform to include the motivating effects of intrinsic
benefits. In A Nation Prepared: Teachers for the 21st Century (Carnegie
1986), the Carnegie Task Force was quite explicit in addressing
these intrinsic needs:

Giving teachers a greater voice in the decisions that affect the
school will make teaching more attractive to good teachers who
are already in our schools as well as people considering teaching
as a career.

(Carnegie 1986: 24)

In order to accomplish this, the Carnegie Task Force called for
the creation of a cadre of Lead teachers in each school that
would be responsible for setting school-wide performance criteria,
developing curriculum, and even hiring and dismissing personnel.
This restructuring of teachers' roles would enable individuals to
advance in the profession without having to move out of the
classroom. And, while the Lead teacher concept recognizes the
motivational potential of giving teachers the opportunity to trans-
late insights acquired through experience into educational policy,
the Carnegie report also recognized the importance of pecuniary
rewards, noting that 'higher teacher pay is an absolute prerequisite
to attracting and keeping the people we want in teaching'. Under
a hypothetical salary structure designed by the Carnegie Task
Force, Lead teachers would earn as much as $72,000 per year, a
salary level now available to a select group of outstanding Lead
teachers in Rochester, New York.

While there is evidence to suggest that career ladders and job
expansion are more likely to be successful than merit pay plans
(Astuto 1985; Malen et al. 1988), career ladders are not without
problems themselves. MacPhail-Wilcox and King (1988: 111), for
example, found that in some districts 'career ladders can breed
suspicion, aggressive and circumventing behaviors and strikes'.
The key issue, once again, appears to be the criteria upon which
movement up the ladder and increased salary are based. The more
the plans reward subjective assessments of performance, the more
difficulty they encounter. The more that the plans reward role
differentiation and increased responsibility, the more acceptable
they appear to be and the greater their likelihood of success.
CONCLUSIONS

In this chapter, performance-related pay was examined from a variety of theoretical perspectives that focused on both the individual and the organization. The central premise of performance-related pay – that pecuniary rewards can effectively motivate teachers to improve their performance – is based upon the assumption that teachers are primarily motivated by money. Yet the theoretical underpinnings of teacher motivation suggest that the quality of teacher performance is more a function of intrinsic reward than salary. Therefore, increased recognition and responsibility may do more to promote enhanced performance than do increases in pay. But even if teachers were motivated primarily by money, performance-related pay would still be inappropriate because teaching does not satisfy the production conditions under which this type of piece-rate compensation works most effectively. The products of teaching are not easily tallied in a ledger. Focusing only on those products that can be quantified may result in opportunistic behaviour, the cost of which can easily override potential gains in performance. Due to teaching’s imprecise nature, focusing instead on classroom evaluations may also produce dysfunctional effects such as adversarial relationships between teachers and supervisors. Indeed, pay differentials based on inherently subjective evaluations could ultimately produce inequities as egregious as those found under the uniform salary schedule.

Examining performance-related pay in practice revealed that it has been more a subject of debate than a reality in the USA. Pure systems are non-existent and the characteristics of the few supplemental merit plans that do exist hardly exemplify the vision of performance-related pay advocates. Difficulties in measuring performance accounted for the demise of most plans, yet there is little to suggest any less confusion in identifying meritorious teachers now than in the past. Indeed, common performance criteria suggest that meritorious teaching means different things to different people.

Although there is little to encourage the belief that performance-related pay plans can effectively improve teacher performance, advocates of merit pay in the USA are probably correct when they argue that the US public would be more willing to support higher teacher salaries if salary increases were somehow pegged to improved student performance. This quid pro quo virtually assures continuing interest in performance-related pay schemes. Yet performance-related pay in the 1990s will probably be very different than merit pay in the 1920s and 1960s. A restructured profession through the use of career ladders may well be the predominant mechanism. Teacher productivity as measured by student performance will probably represent only one part of an overall teacher compensation algorithm, and productivity would be measured by school-wide student performance, thus providing group rather than individual rewards. Other factors that will likely be used to differentiate teacher salaries include level of certification, job function and seniority. Under proposed and existing career ladders, teachers progress through a sequence of stages, some requiring advanced certification, but at each new level teachers assume new job functions and responsibilities, with salaries increased accordingly and additional increments accrued through seniority.

Another factor that will undoubtedly foster continued interest in performance-related teacher pay is a growing movement in the USA towards greater school choice for parents. It is argued that educators will become far more attentive to programme quality if schools are forced to compete among themselves for students and the fiscal resources they bring with them. Since exceptional teachers are often viewed as the glue that holds good programmes together, schools with high-quality faculties will be magnets for parents seeking to get the most for their educational dollars. Making schools market-sensitive may allow teachers to capitalize on their reputations in a manner that is simply not possible in the present context. Pushing this scenario a bit, one might envision ‘star’ teachers, that is teachers who can attract students to the schools in which they work, negotiating incentives into their contracts that would pay off on the basis of enrolment. In the USA, where astronomical salaries are paid to box office stars in the worlds of sport and entertainment, teachers might come to view performance-related pay as a form of educational free agency.

NOTES

2 Among other ‘first wave’ reports were E. Boyer (1983) High School: A
REFERENCES


Chapter 4

Performance-related pay in the context of performance management

Helen Murlis

Pay systems in the UK have been subject to a revolution during the 1980s. The dominant theme of that revolution has been performance-related pay. The changes, practices and lessons that will be considered in this chapter are, of course, part of a wider change process: the updating and sharpening of British management practice to face the demands of competing in a global market-place. The search for greater clarity and focus over what has to be done to improve both individual and organizational performance has been intensive and this continues. Recognizing and rewarding performance improvements has become accepted as an essential part of this broader picture.

HISTORICAL CONTEXT

Performance-related pay is not a new phenomenon and it certainly did not start with the arrival of the Thatcher government in 1979. In various forms, some no doubt more acceptable than others, the idea goes back to the beginning of paid employment. What distinguishes the systems that have been implemented in the 1980s, and perhaps the more acceptable approaches of earlier years, is the attempt to link pay to a ‘rational’ basis of performance assessment of some kind. What undoubtedly and deservedly gave performance-related pay a bad name in the past was a lack of judgemental framework, abuse of discretionary managerial power, a ‘bias for the blue-eyed boy’ and the imposition of systems into environments where there was a fundamental lack of trust between managers and those whose salary progression was in their power. No wonder performance-related pay got a bad name! No wonder too that many attempts to introduce performance-related pay in...