

PAY FOR PERFORMANCE IN PUBLIC EDUCATION

WHAT IS “PAY FOR PERFORMANCE”?

“Pay for Performance” rests on a simple idea: teachers should be evaluated on and compensated for their effectiveness in the classroom. Good teachers – those that promote student growth and learning – should be paid more than mediocre teachers. This would provide incentives to work harder and attract more talented individuals to the profession, just like in the private sector.

All of this is common sense. In the few places where it has been tried, it has been quite successful at improving schools (1). But with powerful forces like teachers unions working in opposition, on the whole, performance-based compensation is still very rare nationwide.

HOW ARE TEACHERS PAID NOW?

Currently 96 percent of public school districts pay teachers using a “single salary schedule.” All teachers receive the same annual salary, regardless of their performance in the classroom or their impact on students. Pay raises come only when teachers earn seniority or an advanced degree. For example, in Michigan, the 2013-2014 state “teacher of the year” was the near the bottom of his district in pay, simply because he was relatively inexperienced (2).

The single salary schedule is so rigid and predictable that many districts actually publish a table with the “steps” a teacher can achieve. For example, in the Houston Independent School District in the 2008-2009 school year, a teacher with three years of experience and no advanced degree qualified for “step three” and earned a \$44,992 annual salary. A teacher with a master’s degree and fifteen years of experience qualified for “step twelve” and a \$55,138 annual salary (3). Any teacher could use this table to precisely predict what their salary would be throughout their careers, regardless of their efforts, as long as they don’t get fired (which rarely happens).

One flaw with this formula is that teachers are being rewarded with pay raises for precisely the wrong things. Extensive research has shown that master’s degrees and additional years of teaching experience (beyond the first few years) have no bearing on teachers’ ability to deliver results. These non-productive salary bumps, moreover, are costing American taxpayers dearly: around \$8.6 billion is spent each year on extra compensation for those with master’s degrees, even though these teachers perform no better on average than their “less-educated” colleagues (4).

QUICK FACTS

- Instead of paying teachers classroom, districts are spending billions each year to reward American teachers for “objective” criteria like seniority and advanced degrees that have nothing to do with student learning.
- The 2013-2014 Michigan state “Teacher of the Year” was near the bottom of his district in pay because of predetermined union salary schedules.
- An above-average teacher that teaches a class of 20 every year for 25 years will add \$5.3 million to the aggregate lifetime earnings of her students over the course of her career when compared to a teacher that is merely average (6).

NOTABLE & QUOTABLE

When we consider the difficulty of what we are asking teachers to do and the consequences to our students, it actually puzzles me that the issue of rewarding teachers for their success rather than seniority is a controversial one. ... Without investing in our teachers by rewarding them in a tangible, meaningful way, we make it very difficult for districts like ours to attract and retain the best teachers who can close the achievement gap.”

- **Michelle Rhee**, Former
Chancellor of DC Public
Schools

For years the teachers unions have argued that the single salary schedule is essential, but plenty of research and a simple dose of common sense have shown it to be a deeply flawed system. There is no doubt that some teachers are outstanding at their jobs. But some are simply abysmal. They should not be rewarded with the same pay.

WILL “PAY FOR PERFORMANCE” COMPENSATION PLANS COST TOO MUCH?

If we stop spending money on teacher bonuses for non-productive factors, we could save enough money to offer the top teachers performance based rewards of \$20,000 or more. After Wisconsin’s Act 10, the number of state employees who received merit based raises doubled from 2012 to 2013.

At a time of mind-blowing budget deficits, it seems impossible to find funds for these pay incentives. But there are alternatives. One idea is to simply “re-slice the pie”: stop spending money on bonus payments for non-productive factors (i.e. seniority and master’s degrees) and start spending it on bonuses related to actual teacher effectiveness. One research team showed that by paring back pay premiums for experience and advanced degrees we could save enough money to offer the top teachers performance bonuses of \$20,000 or more (5). In short, instead of just blindly spending more money on education, we should put a high priority on spending every dollar we have more wisely and directed at improving outcomes.

CONCLUSION

Right now in America, we’re paying teachers for the wrong things. Instead of rewarding teachers for success in the classroom, we’re paying all teachers (good and bad) the same, with bonuses only for “objective” criteria that do nothing to promote student learning. As taxpayers, we could get significantly more bang for our bucks if teachers had stronger incentives to produce better results. “Pay for Performance” schemes use market-based compensation incentives to do just that: reward teachers for doing a better job of educating children. The resulting impact of improving American public schools and improving the outlook for future generations is too great to pass up.

Endnotes:

1. See, e.g. University of Florida, Teachers Merit Pay Boosts Student Standardized Test Scores (January 2007) (online at <http://news.ufl.edu/2007/01/04/teacher-merit-pay/>); Hezel Associates, Quality Compensation for Teachers: Summative Evaluation (January 2009) (online at <http://archive.leg.state.mn.us/docs/2009/other/090321.pdf>); Thomas Ahn and Jacob Vigdor, Making Teacher Incentives Work: Lessons from North Carolina’s Teacher Bonus Program, American Enterprise Institute Education Outlook No. 5 (June 2011) (online at <http://www.aei.org/outlook/education/k-12/making-teacher-incentives-work-outlook/>). See also Ludger Woessmann, Cross-Country Evidence on Teacher Performance Pay, PEPG Paper No. 10-11 (June 2010) (online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1656793).
2. Ganert, Tom. “Union Salary Schedule Ensures State Teacher of the Year Earns Near Bottom in Pay.” Michigan Capitol Confidential. (June 10, 2013) (online at <http://www.michiganconfidential.com/18718>)
3. Michael J. Podgursky and Matthew Springer, Market-and Performance-Based Reforms of Teacher Compensation, PEPG Paper No. 10-09, at 3, 28 (June 2010) (online at http://www.hks.harvard.edu/pepg/MeritPayPapers/Podgursky_Springer_10-09.pdf). See also Terry Moe, Special Interest: Teachers Unions and America’s Public Schools, at 179-181 (2011).
4. Eric Hanushek, The Economic Value of Higher Teacher Quality, Economics of Education Review, Vol. 30, No. 3 at 467-468 (June 2011) (online at <http://www.sciencedirect.com/science/article/pii/S0272775710001718>); Marguerite Rosa and Raegen Miller, Separation of Degrees: State-by-State Analysis of Teacher Compensation for Master’s Degrees, Center on Reinventing Public Education Paper (July 2009) (online at <http://www.edweek.org/ew/articles/2009/07/21/37masters.h28.html?r=1762965371>).
5. Bryan C. Hassel and Emily Ayscue Hassel, Re-Slicing the Teacher Compensation Pie (May 2009) (online at http://www.publicimpact.com/publications/Public_ImpactReSlicingtheTeacherCompensationPie.pdf).
6. Erik Hanushek, Valuing Teachers: How Much is a Good Teacher Worth?, Education Next (Summer 2011) (online at <http://educationnext.org/valuing-teachers/>).

Americans for Prosperity Foundation’s “Need to Know” informational series explores current events and recent scholarship on public policy issues from a free-market economics perspective. A full list of “Need to Know” briefings is available at www.AmericansForProsperityFoundation.org/NeetToKnow.
©2012 Americans for Prosperity Foundation. All Rights Reserved.