



PERFORMANCE-BASED PAY FOR TEACHERS

AN ISSUES PAPER

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PROPOSED PERFORMANCE-BASED PAY FOR TEACHERS

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INTRODUCTION

The purpose of this Paper is to examine the concept of performance-based pay for school teachers, and in so doing to identify potential benefits and disadvantages, and challenges which would need to be met were such a system to be introduced into Australian schools. The Issues Paper has been prepared at the request of the Australian Primary Principals' Association (APPA), and is thus concerned in particular with the implications of performance-based pay for primary schools.

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BACKGROUND

In July 2006 the Federal Minister for Education, the Hon Julie Bishop MP, made a statement suggesting teachers' pay should be linked to their performance. In doing so, the Minister said that teachers were one of the few groups of professionals not accountable for their performance.

In August 2006 the Minister made similar comments, this time in relation to a study conducted by ANU staff (Dr Andrew Leigh and Ms Sara Mead) (here referred to as "the ANU study") which identified a decline in the literacy and numeracy standards of teachers. In November 2006, the Minister said that better financial rewards for good teachers would help ease teacher shortages, making specific reference to Western Australia.

In August 2006 the then Shadow Minister for Education, Ms Jenny Macklin MP, made a statement signalling in-principle support by the Federal Opposition for performance-based pay for teachers, saying that there was a need to "build rewards and incentives to attract the best people" to schools, especially in "tough" areas. (Since then Mr Stephen Smith MP has replaced Ms Macklin, and the new Leader of the Opposition, Mr Kevin Rudd MP, on 23 January 2007 launched a "New Directions Paper" on education. There has however been no statement varying the position taken in August 2006 by Ms Macklin.)

The Australian Primary Principals' Association, as a body representing Catholic, government and independent primary school principals, does not presently have a policy stance in relation to performance-based pay for school teachers.

APPA would obviously welcome any strategy likely to improve the quality of teaching, especially where that strategy was accompanied by funding necessary for effective implementation. It is however concerned to ensure that, prior to the making of any

decisions to implement a measure of such significance as a performance-based pay scheme, thorough and measured consideration is given to the wide range of implications which such a scheme would have for the quality, supply and morale of teachers; the administration of primary schools; and learning outcomes for primary school students. Accordingly, it commissioned the writing of this Paper.

It is important that readers of the Paper understand that it does not purport to be a scholarly essay on the issue of performance-based pay, or to present any comprehensive review or synthesis of research conducted on that topic.

The intention of the Paper is, instead, to identify from a practical perspective the potential implications of implementation of a performance-based pay scheme; to elucidate the possible nature and content of such a scheme; and to identify the questions which need to be answered, and the challenges which would need to be addressed, for any such scheme to operate effectively and to the ultimate benefit of students, parents, teachers and the wider community.

PERFORMANCE-BASED PAY – THE CONCEPT

It is first necessary to understand what is meant by the notion of performance-based pay.

3.1

Performance-based pay in industry generally

Virtually from the time of emergence, during the Industrial Revolution, of the modern system of employment, there has been a variety of models for paying employees, wholly or partially, on the basis of the quality of their performance.

Piecework employment represents a completely performance-based method of rewarding employees. Production and sales bonuses (and other kinds of bonuses) provide additional rewards for employees whose performance is judged to be in excess of a specified standard. Overtime payments represent reward for those prepared to work additional hours, especially at unpopular times.

Systems of this kind are well understood, and accepted, both by the workforce and the broader community. They however share a common characteristic, which is that the criteria for determining the payment of additional rewards are easily able to be objectively determined: whether in volume of product or sales, increase in profits, or additional hours worked. More accurately put, the context of the industries in which systems of this kind work well are those where outputs and outcomes are easily, and objectively, quantifiable. This quantification can usually (although not always) be reduced to monetary terms.

Not all industries, and not all occupations, however share these characteristics. George Bernard Shaw asked, famously and rhetorically, whether it was the bishop or the blacksmith who was of more value to the community. It is implicit in this question that reward should be commensurate with value provided; a proposition with which few would disagree. The question however also highlights two different matters: how to compare the value of two quite disparate activities, and how each individual activity might be measured or evaluated. This is a key question in the area of school education.

3.2

Performance-based pay in schools and school systems

It is of course unquestioningly accepted that education is a fundamental necessity for all members of society, and it is now also widely acknowledged that the early years of schooling are pivotal: lack of good early education can rarely, if ever, be

later remedied. Primary schools thus play a key role in ensuring a civilised, functional and prosperous society.

If there is to be an effective and workable system of performance pay in schools, however, one of the more crucial questions to be answered is that of whether the contributions of individual teachers can be measured in a way which will provide a valid, fair, and generally accepted basis for varying pay rates.

3.3

Terminology

It is implicit in the statements of Minister Bishop that what is being talked about is, put very broadly, the use of student outcomes as a measure to inform pay decisions. While schemes described as performance-based pay schemes have been introduced before (see further discussion at Part 4), most of the criteria in such schemes (especially in Australia to date) have used measures other than student outcomes from standardised tests or assessments; focusing instead on the characteristics of the teachers, including experience; levels of education and professional development; and supervisor and peer assessments.

What is currently under discussion, however, very clearly is the concept of performance-based pay schemes related to student outcomes. For this reason, references in this Issues Paper to “performance-based pay” are, unless the contrary is clearly indicated, references to schemes linking, in some way or another, pay (or a component of pay) to student outcomes measured by standardised tests or assessments.

Much of the discussion of this issue also uses the terminology “merit pay” (not to be confused with the term “merit promotion”, connoting appointment to a position on the basis of qualifications and ability for the job, rather than seniority or some other basis). For consistency, the term “merit pay” is not used in this Paper. The important distinctions between the kinds of scheme under discussion lie not so much in the terminology as in the nature of the criteria used in making pay decisions.

PERFORMANCE-BASED PAY – THE EXPERIENCE IN SCHOOLS

Before addressing individual issues, it is instructive to provide a brief sketch of the history of performance-based pay in Australia and in comparable schools and schools systems – ie those in the United Kingdom, North America and New Zealand. What follows is simply a brief overview, and does not purport to be a comprehensive analysis.

4.1

Australia

In Australia, the notion of performance-based pay has, until recently, largely found expression in the concept of the Advanced Skills Teacher (AST).

The AST concept was a product of negotiations conducted at a national level, between all State governments and the Commonwealth, in the late 1980s when the so-called Structural Efficiency Principle (SEP) governed pay fixation. These negotiations were directed primarily at the achievement of pay uniformity for teachers across the country, an objective which was not achieved. SEP however cast an obligation on negotiating parties to explore options for career enhancement, a particularly important issue within the teaching profession, characterised as it was (and still is) by a large workforce with a comparatively small number opportunities for material advancement by way of promotion.

Although these negotiations were inconclusive in that they did not result in any pay uniformity, the AST concept was subsequently incorporated into the pay structures of most school systems.

In the New South Wales government school system, where the initial State-based negotiations took place, substantial disagreement between employer and union arose over the issue of whether teachers classified as ASTs could be asked to undertake additional responsibilities and, more importantly, whether entry to the AST classification (and the consequent budgetary cost) would be controlled by stringent (“hard”) criteria, or by a quota. In the event, the AST concept as introduced in New South Wales in the early 1990s was governed by quota, and in this sense alone it departed substantially from the performance-based pay concept.

By contrast, the AST concept as introduced in Western Australia (originally intended to have a three-tier structure) was criterion-referenced, but the relatively “soft” criteria meant that the overwhelming majority of applicants for AST 1 status were successful, leading to a perception that this was simply an additional pay increment under another name. In Tasmania, the AST status is dealt with much as though it were a job to which a teacher had been appointed.

As has been said, this Part does not purport to be a comprehensive history, and details of individual AST schemes are beyond the scope of this Paper. As a generality, however, the AST concept involves the payment of a modest allowance, on demonstration by the teacher that he or she meets all or most of a specified set of criteria related, among other things, to demonstrated teaching competencies, collegial contribution, peer recognition, experience, commitment to teaching and the like. Reference to contributions to student achievement is however, at most, inferential. Where entry to the AST category has been relatively easy, it has been criticised as meaningless; and where it is more stringent, the application process tends to be criticised as something which can be manipulated by those familiar with the relevant "buzzwords", and as being unreflective of genuine classroom performance.

There has been no attempt, at least within any school system of any significant size, to introduce performance-based pay in the sense of a scheme focused largely or wholly on student outcomes. In some individual schools (notably independent non-government schools) some arrangements can be found for rewarding outstanding performance in pay terms, but there is no current systemic scheme. The establishment of Institutes of Teachers in Australia has brought with it the concept of accreditation and assessment of teachers against explicit standards, often described as involving a four-tier structure (Graduate Teacher, Professional Competence, Professional Accomplishment, and Professional Leadership). Arrangements of this kind obviously offer benchmarks which might be used in performance-based pay systems, but this has yet to be put into operation in any general way.

4.2

United Kingdom

Ignoring an abandoned 19th century scheme in which secondary school teachers were paid on the basis of students' exam results, substantial experience with performance-based pay for classroom teachers dates back to the year 2000. (During the 1990s successive governments advocated the introduction of performance-related pay (usually abbreviated as PRP), but until 2000 had implemented it only for principals and deputy principals.)

In the PRP scheme implemented commencing in the year 2000, eligible classroom teachers (those at the top of the incremental scale) could apply to move on to a higher pay scale (the Upper Pay Scale or UPS). To do so, teachers had to pass a performance threshold. This threshold test had five elements:

- knowledge and understanding of teaching,
- teaching management and assessment,
- wider professional effectiveness,
- professional characteristics, and

- student progress.

It will therefore be seen that four of the five elements were concerned with assessment of teacher characteristics. The student progress element could be satisfied by the teacher's providing evidence that, relative to prior attainment, the teacher's students were making progress as good as, or better than, similar students elsewhere. This evidence could be provided by evidence of attainment in national tests or examinations or, in the absence of such tests, school-based assessment of students. Setting aside the "eligibility" restriction, no quota was imposed on the number of teachers who might progress to the UPS. When the scheme was introduced, almost 90% of eligible teachers applied, and nearly all of those who applied progressed to the UPS.

A study carried out in secondary schools in 2004 found that the scheme resulted in some improvement of student test scores, although not in all subjects. The high success rate in progression to the UPS also inevitably led to a perception that the PRP was in reality a general pay increase for experienced teachers.

4.3

North America

The issue of performance-based pay for teachers has been a matter of debate for some decades, and currently a majority of States in the USA (in 2002, 32 States) have passed legislation of some kind designed either to reward schools for implementing performance-based pay systems or to sanction them for failing to do so. Despite this, there is currently no widespread usage of performance-based pay related to student outcomes. (Performance-based pay systems go under a variety of titles, including PFP (Pay for Performance) and SBPA (School-Based Performance Award) programs.)

Performance-based pay systems were widely in use in the 1970s, but fell out of favour, principally because of perceptions that there was little discernible student improvement as a result, and a negative impact on teacher morale. Some such systems have however remained in operation.

Some States have currently made commitments to introduce systems of this kind, and have approved funding in order to do so. Massachusetts has announced a scheme under which teachers can earn up to \$US 15 000 in bonuses on the basis of student performance and classroom evaluations. (An earlier scheme offering bonuses to new teachers recruited to teach in urban schools in lower socio-economic areas was substantially reworked.) School Districts in Houston (Texas) and Denver (Colorado), and the State of Alaska, have announced similar schemes.

In Florida, new pay rules (Special Teachers Are Rewarded, or STAR) are due to be implemented, with an appropriation of almost \$US 150m to fund the additional pay

increases. The STAR scheme requires each school to prepare a plan for approval before the necessary funds are provided. The rules of the scheme require that the primary factor (at least 50%) in determining the award for individual teachers is the improved achievement of their students, as measured by the Florida Comprehensive Assessment Test, or by some other authorised standardised test. In relation to other “instructional personnel” who cannot be linked to a particular student cohort in connection with one of the subjects tested (for example student counsellors), other means of assessment are provided which rate performance against State-wide standards.

As a result, while it can be said that there is a substantial commitment to the introduction of performance-based pay for teachers, there is at this stage not a large amount of evidence about their operation in practice. Some published research however suggests positive outcomes. In both Kentucky and North Carolina, research on the operation of performance-based pay systems during the 1990s suggested gains in student achievement which the researchers found not to be attributable simply to random variations in ability levels of student populations. A program in Dallas (Texas) is said to have yielded comparable gains, but one in Maryland, which provided money rewards for schools but did not use the money for teacher salary payments, appears to have been less successful.

The Tennessee Value Added Assessment Scheme (TVAAS), which has been in operation since 1992, is often cited in this context. TVAAS is in fact a complex statistical method, based on the testing of students in each grade in a number of subjects, which provides a broad range of data on the performance of school systems, individual schools and teachers. Data is published which is intended for teachers, administrators, parents and the public. A claim made on behalf of TVAAS is that it is capable of distinguishing between school-based and non-school-based effects on students’ learning; a task which is evidently approached through a sophisticated statistical design. In relation to the evaluation of individual teacher performance, however, student scores as analysed by TVAAS constitute a little less than 10% of individual evaluations.

The picture in Canada appears to be similar to that in the USA, ie a small number of school districts using performance-related pay models, with the majority retaining standard remuneration systems. In Ontario, the possession of specified academic qualifications is however generally a pre-requisite for particular pay levels, and promotion to executive level requires proof of achievement of academic skills requiring substantial tertiary study.

It should however be noted that there is significant criticism of both existing schemes and proposals on a variety of bases, most notably the difficulty of validly linking the contribution of an individual teacher to test outcomes among a group of students. Teacher unions have been strongly critical, although the criticism is not confined to unions. The published research is by no means unanimous: some

research is to the effect that there is little empirical evidence one way or another as to the impact of performance-based pay schemes on student achievement.

In 2002, in Cincinnati (Ohio), a performance-based pay scheme which had been designed and trialed over a two-year period in consultation with the relevant union was rejected by a vote of over 95% percent when put to the union membership. While it has been suggested that the result in Cincinnati was largely the product of a failure to allow adequate time for teacher concerns to be addressed, it is quite clear that the issue remains contentious.

4.4

New Zealand

In 1999, by an agreement between the Government and teacher unions, a form of performance pay for school teachers was introduced which was similar in nature to the Australian AST concept. In 2004, however, the Department for Education and Skills proposed a much more direct linkage between teachers' pay and student achievement, to be implemented over a five-year period. At this stage, however, no such scheme has been implemented.

ISSUES

As a preliminary matter, it is important to note that this Paper is a paper about a proposed solution, rather than about a problem. This is, of course, inherent in the brief given for the writing of the Paper, the stimulus for which is Minister Bishop's suggestion that performance-based pay schemes for teachers might be introduced in Australia, and the Federal Opposition's support of that suggestion.

Nonetheless, the Paper would be incomplete without some attempt to identify the problem or problems to which performance-based pay schemes are argued to be a solution.

5.1

The problem to be solved

Inferentially, the problem to be solved is "how might the quality of teaching in our schools be improved?" One of Minister Bishop's statements made specific reference to teacher supply, and another referred to the ANU study, so that it is worth examining both of these matters.

The ANU study in fact relates to American data, and accordingly it cannot necessarily be assumed that all of its findings are valid in the Australian context, but its global description of the problem requiring solution is that "the quality of America's public school teaching force is neither as good as it could be, nor as good as it must be to prepare our children for a global economy". The study goes further to assert that the quality of the (American) teaching profession has declined since the 1960s, and that there are "huge teacher quality disparities" between poor and affluent schools. (The assertions about the decline in teacher quality are made on the basis of national achievement test scores of teachers graduating between 1962 and 1966 and 1984 and 1985. While analysis of the causes is to some extent speculative, the authors say that research supports two probable major causes: the increasing accessibility of a range of other careers to women (with a consequent diminution in the rates of entry of able women to the teaching profession), and the compression of salary scales as a result of collective bargaining agreements (reducing opportunities for incremental salary progression).)

The study then lists three initiatives as being "among the most promising solutions" to these problems, one of which is "carefully designing systems of performance-based teacher pay". (The other two are "rewarding teachers who choose to work in the schools that need them most", and "streamlining or expediting certification requirements to expand the pool of individuals who can be hired as teachers". The former, while outside the scope of performance-based pay as such, relates to teacher

supply, and as such is commented on in this Paper. The other is however outside the scope of the Paper.)

Two other aspects of the ANU study deserve mention.

One is an assertion that some strategies which are widely accepted as likely to improve teacher quality (such as reducing class sizes, and increasing teacher pay across-the-board) are either inefficient or even totally ineffectual in achieving improvement. (It should be noted that there is in fact a considerable body of evidence to the effect that, at least within defined limits, class size reduction does tend to improve the quality of education. In Australia, most educators accept the view that keeping class sizes down to a reasonable number of students is a key factor in ensuring quality of education.)

The other is a claim that work has been done (particular reference is here made to TVAAS) demonstrating that regimes of measuring student performance can be devised which reliably separate out components of a child's performance arising from the child's background and non-school experiences from components of performance which are the results of teaching quality, thus producing a reliable measure of the "value added" by a teacher. TVAAS, as has been said (see 4.3), evidently attempts to do this through a sophisticated scheme of statistical moderation across numbers of students and subjects.

Moving beyond the ANU study, however, it is clear, both from the literature and evidence derived from experience of the operation of performance-based pay schemes, that a substantial number of important issues attend the operation of performance-based pay schemes.

The discussion in the remainder of this Part will commence, as has been suggested at 3.3, with issues which relate specifically to schemes where the sole or predominant determinant of reward for performance is student scores or assessments derived from standardised tests or processes. Other factors – for example experience, or peer or supervisor assessment, will then be discussed. Finally, a range of structural and administrative issues related to implementation and other matters will be examined.

The discussion in this Part is principally aimed at identifying the questions and issues which attend schemes of this kind. The discussion does not purport to answer these questions, but instead aims to identify issues which need to be resolved if schemes of this kind are to be effectively introduced into Australian primary schools. Before this discussion proceeds, however, it is important to look, briefly but in a global sense, at the general issue of quality of teaching.

5.2

Other impacts on the quality of teaching and learning

It is implicit (although rarely said directly) in the concept of performance-based pay that its usefulness lies essentially in improving the performance of teachers of average or above-average abilities and performance.

It is of course a truism that not all teachers in schools fall into these categories. It is well recognised that substantial challenges lie in the tasks of improving the performance of teachers whose work is (whether through lack of experience or other factors), below acceptable standards. Further toward the other end of the spectrum is the task of separating from schools teachers whose abilities and talents simply do not match the task and cannot, however much effort is applied, be made to do so.

Detailed discussion of these matters is beyond the scope of the Paper, but it is essential to recognise that improvement of the quality of teaching lies not simply in lifting the performance of the average and the talented. A major challenge also lies in improving the inexperienced and borderline performers, which require strategies and skills beyond the reward of remuneration. Finally, while the numbers of teachers whose underperformance cannot be remedied by any strategies reasonably open to colleagues and school executives may be small, any principal will attest to the effort, and potential damage to the fabric of the school, inherent in the task of dealing with such teachers.

In summary, it needs simply to be recognised that the overall improvement of the quality of teaching requires a broad approach going much beyond the ambit of performance-based pay. It can be said with confidence that the analysis of experienced educators would be that teacher quality is dependant on a wide range of factors, requiring a carefully crafted and broad-ranging set of strategies.

5.3

Feasibility of using student performance for pay decisions

In connection with the concept of performance-based pay, the first question which arises to be answered is that of whether it is indeed possible to devise a scheme through which fair decisions about the pay of individual teachers can be made using the outcomes of standardised student testing as the sole or principal factor.

Much of the discussion about measurement of student performance is inevitably concerned with the question of whether a valid, objective and measurable connection can be made between student performance (however measured) and the contribution of individual teachers to that performance. A preliminary question is however that of whether measurements of student performance themselves are valid and reliable. The questions which follow are those of the extent of an individual teacher's capacity to influence performance outcomes of a cohort of students, and of whether the influence of an individual teacher can be distinguished from the influences of other teachers on the same cohort.

5.3.1

Validity of measurements of student performance

It is beyond the scope of this Paper to enter into a detailed discussion of this matter, for two reasons.

First, the validity of standardised tests and other methods of assessing student performance has been the subject of intense scholarly scrutiny over a long period, and it would be presumptuous here to attempt any discussion which might add to what has already been published.

Second (and more significantly), in Australia (and the other countries to which reference has been made in Part 4) standardised tests and assessment processes have been in use in school systems for a number of years. They have been relied on in decision-making by schools, systems, and governments on matters such as curriculum, instructional methods, schools effectiveness and funding.

For these reasons, an assumption is made in this Paper that standardised testing methods in themselves are capable of yielding valid data about student performance; and the discussion which follows proceeds on the basis that a change in test or assessment scores for a cohort of students is a reliable indicator of a corresponding change in student performance or achievement.

Nevertheless, it is essential that this matter be raised here. While standardised testing is in wide use, this does not mean that its validity is free from question; and it is self-evidently obvious that one issue attending the question of performance-based pay is whether the measurements of student performance which might form the basis of pay decisions are themselves valid.

5.3.2

Factors affecting student performance

In a sense, the measurement of student performance itself is the least problematic aspect of performance-based pay systems. To draw a current analogy, changes in global atmosphere, land and sea temperatures are relatively easy to measure accurately. What is contentious is not the measurement of the temperatures themselves, but the question as to what the factors are which contribute to those temperature changes.

Similarly (and in the light of the comments at 5.2.1) there may be little doubt that a measured improvement in standardised test scores for a cohort of students really does represent an upward movement in performance for that group; but what the testing does not in itself reveal is the range of contributory factors.

5.3.2.1

Pre-existing standards of student performance

Possibly the most obvious of these factors, in connection with any scheme which has the potential to reward a teacher, in terms of pay, on the basis of scores in standardised tests, is the question of the level of performance demonstrated by the cohort of students in question prior to the period of time in connection with which the teacher is being assessed. Self-evidently obviously, particular cohorts of students might exhibit performance below the norm (whether measured across a school system, a State or the whole country) for a variety of reasons either partly or wholly outside of the control of the school in question. The reasons for this can include the socio-economic status of the community from which the cohort of students is drawn; distance, isolation or lack of technology; the ability and performance of teachers who previously taught the cohort; levels of funding available to the school; and atypical distribution of students with mild or moderate learning disabilities. (The British 19th century scheme (see 4.2) of paying secondary school teachers on the basis of students' examination results was abandoned in part because of a belief that this tended to advantage teachers who were in a position to concentrate their efforts on more able students. In the current context it is assumed that there is a limited capacity for individual teachers to determine which students they might teach, but this is another example of factors which might intervene.)

For these reasons, it is generally recognised by proponents of performance-based pay schemes that measurements must be relative rather than absolute – in other words, pay decisions cannot reasonably be made on an individual set of test scores themselves; but must instead be made on changes, measured over a period of time and by identical or substantially similar testing methods, in student performance.

5.3.2.2

Factors beyond the control of schools or teachers

One of the assumptions implicit in performance-based pay schemes is that the factors affecting improved performance are wholly or largely within the control of the employees. It is of course fairly obvious that this is rarely – if ever – true. Even in production line and sales environments, to which performance-based pay schemes are generally well suited, poor business decisions at the top can have profound adverse effects on productivity, despite the best endeavours of the employees on the shop or showroom floor. Even so, production and sales workers can generally expect the raw materials or products with which they have to work are of guaranteed and uniform quality.

By contrast with environments of this kind, the variance in the subject matter of teachers' work – children – is enormous.

Even setting aside children whose intellectual and learning capacities are sufficiently low for them to be placed in programs specifically designed for their abilities, the average school teacher is required to work with groups of students whose characteristics vary widely, in a number of different ways.

Innate ability varies, even among healthy and well adjusted children brought up in supportive family environments. Medical factors, both psychological and physical, also affect learning ability. Some children come from broken homes, or homes affected by poverty; and some lack stable home situations altogether. Even among homes of similar societal kinds, some parents encourage study; some are indifferent; and some either actually discourage it or else behave in ways which either make study difficult or model behaviour which encourages children to disdain study. Language ability can be affected where English is either rarely or never spoken at home. The degree of access to books and computers at home can have a marked effect on learning progress. Some children come to school without having eaten a proper breakfast (adversely affecting concentration as well as having adverse nutritional consequences), and some leave school each day to go to unsupervised environments until working parents return home later in the afternoon or evening.

As has been said at 5.3.2.1, there is a general acceptance that, in the school education context, performance-based pay systems should not focus on absolutes but should instead measure changes in student outcomes. In relation to factors which remain relatively constant over a significant period of time (for example, learning difficulties arising out of medical causes) this approach may indeed be effective in moderating between different cohorts of students so as to produce a reasonably fair result in pay terms. Many of the factors referred to above are however not of this nature. The performance at school of a child whose parents separate; who starts to suffer abuse of some kind; or whose family income is suddenly reduced through job loss, can rapidly decline over a short period of time.

None of this is to say that teachers can have little influence over the performance at school of children. On the contrary, teachers across the country every day make significant improvement to the lives of children; sometimes despite a number of countervailing factors in the home lives of individual children. What is clear, however, is that there are many factors in student performance which are completely outside the control of teachers. Accordingly, the making of fair decisions about pay, on the basis of the outcomes of standardised testing, is a very complex matter.

5.3.2.3

Attributing changes in student performance to individual teachers

The discussion at 5.3.2.2 has proceeded on the assumption that an individual teacher is uniquely associated with a particular cohort of students during the whole of the period of time which is being examined in the standardised testing process. Put in simple terms, and in a primary school context, the assumption is that an individual class remains in the care of the one teacher for a particular year. As with the assumption examined at 5.3.2.2, this is also a generalisation which is not entirely true.

First, it would rarely be accurate to describe modern Australian primary schools as being organised in such a way that a particular class of students interacts with only one teacher during a particular year. With the exception of those in very small schools, students will ordinarily interact with teachers other than their designated classroom teacher. Typically, other teachers will participate in relation to physical education and health activities, music, and reading and literacy improvement programs. In many cases, parents or other volunteers may contribute. In addition, many students will be taught in a particular year by more than one teacher because of the adoption by schools of team teaching strategies, job-sharing, resignation or retirement of staff, and frequent or prolonged absence of the usual classroom teacher.

Second, even were the “one teacher, one class” generalisation largely true, to assume that the learning progress of an individual class is entirely attributable to the classroom teacher, is questionable; largely because it ignores the effects of school leadership and school culture.

It is well recognised that school leadership, flowing from the principal and other executive staff, can have a profound effect on school culture and on the performance of the entire student cohort of the school. While performance-based pay schemes focus largely on standardised testing in basic skills such as literacy and numeracy – and might accordingly be argued to ignore the influences of teachers who contribute to other programs – it could scarcely be denied that the performance of students in any skill, subject or discipline is markedly affected by the extent to which there is present in the school a culture which values learning. No individual teacher, however able, can single-handedly develop in a school a culture which values learning. Instead, this requires leadership from the top, and contribution from all staff.

In summary, even were the performance of students entirely within the control of teachers, whether the outcomes of standardised testing provide a fair basis for determining the pay of individual teachers must be open to question.

5.4

Desirability of using student performance for pay decisions

Thus far, Part 5 of the Paper has been concerned with the question of whether it is possible to devise a valid and fair scheme through which student performance is used to inform pay decisions for teachers. The next group of questions which arises relates to whether, assuming the introduction of such schemes is indeed possible, it is desirable.

5.4.1

Incentives to teacher performance

It is logical to commence this aspect of the discussion with the issue which might fairly be said to be the central plank of the argument in favour of performance-based pay schemes, namely that teachers who stand to receive pay increases if the performance of their students improves are likely to intensify their efforts in this behalf. Related aspects of this argument are to the effect that people of greater ability will be attracted to the teaching profession if they believe that superior performance will lead to rapid pay scale progression.

In today's Australian society it could hardly be disputed – the existence both of dedicated and successful volunteers, and failed CEOs with multi-million-dollar salary packages, notwithstanding – that there is a general acceptance that better pay is likely to attract and retain better job candidates, and that linking pay to results is likely to improve performance. While the profession of teaching is undoubtedly significantly different from many occupations in industry generally – not least in that its outcomes are not measurable in profit dollars, and are in many ways difficult to measure at all – teaching cannot be said to be so different from other forms of employment that pay increases are not likely to provide incentives to better performance by those within the profession, and to more able people to join the profession.

Despite this general acceptance, the assumption that higher pay results in better performance is not unquestioned. A long series of management theories, many of them deriving from the well-known Maslow Hierarchy of Needs, assert the existence of a number of other non-monetary incentives to worker performance (including matters such as the clear specification of goals and objectives, recognition of worth by peers and supervisors, and understanding by workers of the way in which their tasks contribute to the overall achievement of the purpose of the organisation); as a result of which it is argued that the prospect of pay advancement is not, in itself, a major determinant of performance. (Some organisational theories of motivation characterise pay as "hygiene factor", which is essential to be provided to adequate levels, but which above those levels is not a strong factor in motivation.)

If workable performance-based pay schemes can be devised, therefore, it cannot sensibly be denied that some improvement in teacher performance may result, and at least some of the available evidence (see Part 4) is to this effect. Other questions which arise, however, are those of the extent of this improvement; and in addition whether there are adverse or undesirable consequences of such schemes.

5.4.2

Collegiality and cooperation

While this may be difficult to quantify, there is a strong consensus among educators in schools that the teaching and learning process is of necessity a collaborative one. Because no student develops solely as the results of the efforts of an individual teacher, decades of experience have shown that the best outcomes are achieved by cooperative efforts among teachers.

Modern schools and teacher education programs place strong emphasis on the need for experienced and senior teachers to act as mentors and guides for newly qualified teaching staff. This aspect of teacher development is now integral to modern Australian schools and, obviously, depends for its success on the willingness of experienced teachers to share their experience, teaching strategies and advice with beginning teachers. Any pay (or other reward) scheme which acted as a disincentive to this kind of collegial interaction would have the potential to diminish the quality of education for school students.

Many teachers feel that strong cooperation in collegiality within a school is capable of lifting the school to performance which is, in a sense, above the sum of its parts: not only do students benefit from the input of other teachers, but also the encouragement thus given to individual teachers improves the teaching they give to their students.

(In this connection, it must be acknowledged that schemes under which performance-based pay progression is solely criterion-referenced, and in particular schemes which include contributions made to the professional development of colleagues as a factor on which performance is measured, are unlikely to act as a disincentive to collegial interaction. Where a performance-based pay scheme involves some kind of quota (whether formally declared or *de facto* because of budget limitations), there is however likely to be a disincentive for one teacher to undertake an activity which might contribute to the pay progression of another. This aspect of the structure of performance-based pay schemes is in itself an important issue, and is discussed at more length at 5.5.1.)

5.4.3

Teacher supply and demand

As has been indicated in 5.4.1, the benefits of performance-based pay schemes are said not only to be that existing staff are encouraged to do better, but also that better people will be attracted to the teaching profession; and indeed that greater numbers of sufficiently able people will be encouraged to take up teaching (as has been said at Part 2, Minister Bishop, in one statement, suggested that teacher shortages in Western Australia might be thus reduced).

The general issue of teacher supply and demand is, like the general question of the validity of standardised student testing, beyond the scope of this Paper. At least in the context of large school education systems, it is affected by wide societal issues (as with the potential problem caused by the impending exit from the teaching workforce of large numbers of "baby boomer" teachers); large changes in demographics (for example, rapid development in the urban fringes of major Australian cities); and the capacity of the Australian higher education sector (and individual universities) to produce not only the overall numbers of teachers needed for the future, but also adequate numbers in different, and constantly changing, subject and discipline areas.

In addition, it is a truism that (at least as a generality) problems of teacher supply tend to exist largely in remote communities and in areas (largely those of low socioeconomic status) which are – rightly or wrongly – perceived as being difficult to teach in. Supply problems also exist in some rural and regional communities, although there are many such areas, perceived as large enough to offer most living requirements but small enough to be free of the societal problems affecting cities, where teaching jobs are highly sought after.

While no quantification of the effect of performance-based pay schemes on teacher supply is possible in the context of this Paper; and while there does not seem to be any reliable evidence arising out of experience to date with such schemes; it can reasonably be said that the range of factors affecting teacher supply is such that performance-based pay schemes are unlikely to constitute a major determinant of that supply. More specifically, supply problems generally have a greater impact on secondary schools, where significant shortages can occur in particular subject areas. Supply problems as such have, typically, had less impact on the primary school sector in Australia than on the secondary sector.

5.4.4

Staffing schools in rural, remote and low socio-economic areas

Some arguments have been advanced by the opponents of performance-based pay schemes in North America to the effect that such schemes actually exacerbate teacher shortage problems, on the basis that they have the potential to attract the best teachers away from schools in "difficult" areas to schools in more affluent

areas where they perceive that pay advancement on the basis of student performance will be achieved more easily.

Additionally, some evidence on this issue can be garnered from experience in Australia with schemes to attract teachers to remote and “difficult” areas. In this connection, there is a body of general (albeit anecdotal) evidence that the only schemes achieving any real success were those which conferred preference for appointment to schools in more highly sought-after areas on teachers prepared to serve for specified periods of time in remote or "difficult" locations. (It scarcely need be said that schemes of this kind can operate only in school systems which are large, and which afford the opportunity for transfers from one school to another; this latter characteristic meaning in effect government sector schools.) A variety of other initiatives introduced from time to time, involving direct money payment by way of an additional allowance, or "in kind" benefits such as assistance with housing, were shown to have had little effect. Indeed, money reward strategies were among the least effective approaches: increasing the size of university teacher education programs in rural areas appeared to have a greater impact in that graduating students were likely to want to teach in rural areas.

It is reasonable to assume that the size of the allowances or "in kind" benefits which could be afforded within the available budget (typically at most 15% of salary) were far too small to outweigh other disadvantages. Where acceptance of appointment to a school (usually in a remote location) would have required an appointee to move house, the attendant financial disadvantage (especially in the case of an appointee with a spouse or partner who would have needed to relinquish a job in order to move); and dislocation, especially for an appointee with children already in school; it is easy to understand that few responded to initiatives of this kind.

(The size of a potential performance-based pay component is in itself an issue, and will be discussed later (see 5.5.4.2). Irrespective of budgetary considerations, however, it would seem unlikely that the performance-based pay component could be any more than one third of the overall pay package so that, as a matter of commonsense, it would seem unlikely that performance-based pay schemes would have a major impact on teacher shortages in remote or "difficult" locations.)

5.5

Practical and structural issues

5.5.1

Criterion-referenced or quota-based schemes

The logic underlying performance-based pay schemes – especially those in which pay decisions are based largely or wholly on student outcomes – demands that they be criterion-referenced. By this is meant, simply, that every teacher who achieves whatever improvement in test scores is specified by the criteria is entitled to a pay increase. Presumably this reasoning is at the heart of the appropriation of substantial budgetary allocations in those American States committed to performance-based pay schemes focusing on improvement in student test scores (see 4.3): if all teachers within the school system were able to meet the criteria, the cost would be considerable, but the success outstanding.

In performance-based pay schemes where student achievement as measured by standardised testing is not the predominant determinant of pay decisions, different issues however arise. Where pay decisions depend on the satisfaction of criteria which are to some extent matters of opinion (for example, contribution to the collegiate life of the school and to mentoring beginning teachers), questions immediately arise (at least within a school system, as distinct from an individual school) of the consistency of application of these criteria from teacher to teacher and school to school. If a relatively "soft" approach is taken, such that no teacher with some kind of arguable case is denied a pay increase, there is a strong possibility that such schemes will be seen by teachers as meaningless in professional terms, and as simply constituting a more-or-less general pay increase under another name (see for example aspects of the United Kingdom experience discussed at 4.2).

It is of course quite possible that budgetary constraints will prevent the giving of a pay increase of any kind of significance to all of the teachers who might potentially be eligible for it. In such cases, control needs to be exercised either through stringent criteria rigorously applied (often referred to as "hard" criteria) or, more simply, through a quota system limiting the number of teachers in any given school who can receive a pay increase, thus effectively instituting a scheme under which only teachers judged to be the "best" in terms of the criteria have access to pay increases. Approaches of this kind have been adopted in Australia (see 4.1).

A dilemma is posed here: truly criterion-referenced schemes are to a large extent uncontrollable in budget terms, but schemes in which budget control is exercised either through the use of "hard" criteria or quotas also generate a range of problems, including problems of administration (see 5.5.3) and effects on teacher morale (see 5.5.3.6).

Finally, a "hard" approach to criteria can sometimes have the effect of ruling out of contention the very people who may be most deserving of benefits from performance-based pay schemes. For example, in schemes which use a step-like

grading (the UPS in the United Kingdom (4.2), and the four-tier descriptors adopted by teacher Institutes (4.1)), criteria which have the effect of ruling out relatively newly qualified teachers from consideration for pay increases may have the effect of disadvantaging exceptionally able individuals who have entered teaching after successful careers elsewhere.

5.5.2

Criteria for making pay decisions

If performance-based pay schemes are to be introduced, it would seem essential that schools and school systems clearly understand the nature of the criteria. As has been said (see 3.3), the bulk of the discussion in this Paper has concerned performance-based pay schemes in which student achievement as measured by standardised testing is the sole or predominant criterion. It is however clear from the experience to date that even the proponents of such schemes recognise the necessity for staff, who are not classroom teachers but nonetheless have some instructional or pastoral responsibility for students, to have access to the performance-based pay scheme, requiring some specification of criteria outside of student test scores themselves.

(It is also appropriate to note in this context that the proponents of schemes based on student achievement measured by testing also recognise the need for that testing to have the capacity to distinguish non-school based influences on student performance from the influences of teachers. It would accordingly seem essential that, if performance-based pay schemes were adopted in which student achievement was a significant component, the capacity of that testing to distinguish between these two different kinds of influences would need to be satisfactorily demonstrated.)

5.5.2.1

Range of criteria

From experience, the range of possible criteria would seem to include:

- student achievement as measured by standardised testing,
- teaching experience,
- qualifications,
- quality of teaching methods and strategies,
- content knowledge and expertise,
- participation in professional development activities,
- contribution to the collegiate life of the school, and
- mentoring or peer support activities.

(A comparable but more succinct list is to be found in the discussion about the UK at 4.2.)

What these listed criteria have in common is at least some element which is susceptible of objective determination. In the case of some criteria, of course, the qualities which render the criterion objectively determinable also contribute to the fact that the criterion is not a particularly good indicator of performance, as for example with participation in professional development activities.

Other criteria have been used which are almost entirely subjective, as for example with the concept of "commitment" to teaching; and the assessment of peers and supervisors. These criteria seek to draw on the undoubted sound knowledge, within a group of professionals, as to which of their number are truly outstanding performers and which are not; but are simultaneously very difficult to quantify, notwithstanding their fairly widespread use in other industries through the so-called "360 degree" staff assessment systems.

Obviously, different combinations of criteria are possible, but what is essential is that, whatever criteria are adopted, they should be understood and generally accepted by the teachers to whom they are to be applied.

5.5.2.3

Incentives for serving in remote or unpopular areas

Although not really a matter of performance-based pay, this matter is touched on because it is dealt with in the ANU study referred to by Minister Bishop, and because one of her statements also refers to teacher supply.

To the extent that it might be implied that performance-based pay schemes may attract teachers to hard-to-staff schools, this would seem unlikely for two reasons.

One is that if such a scheme is in operation throughout a given school system (or generally among schools in a particular State or area), there would be no particular incentive for teachers to move to unpopular schools, as the performance-based pay benefits would be available in all schools.

The other is that, at least in connection with schools which might be seen as undesirable because of their low socio-economic status, there is likely to be a perception that the achievement of performance-based pay increases in such schools is likely to be, to use the vernacular, a hard row to hoe.

The success or otherwise of strategies to attract teachers to remote or unpopular areas has already been discussed at 5.4.4, and because this issue

is not directly related to the general subject matter of this Paper, it will not be further discussed here.

5.5.3

Implications for school administration

Obviously enough, any kind of performance-based pay scheme for teachers will need to be managed and given administrative support. Even in schools which are part of systems, this task will inevitably fall on staff in each school, given that these schemes focus directly on individual teachers and their students.

In order to examine this issue, it is first necessary to provide some brief description of primary schools in Australia and their administrative structures.

5.5.3.1

The primary school sector in Australia

Almost two million primary students attend over 6500 primary (and more than 1000 combined primary and secondary) schools, both government and non-government, in Australia. They are taught by a quarter of a million teachers (including part-time and casual teachers; the equivalent full-time staffing levels are around 75 000).

In broad terms, about two thirds of Australian school students – primary and secondary – attend government schools, although the percentage is higher in the primary sector, and lower in the secondary sector.

Secondary schools (and K-12 district or central schools) are located only in significant population centres, but primary schools, some with fewer than twenty students, are scattered throughout rural areas across the nation.

5.5.3.2

Administrative structures of primary schools

Most Australian primary schools have a Principal and, depending upon the size of the school, one or more Deputy or Assistant Principals (although this is not typical in all States). In larger schools, there can be a third line of management, often termed Executive Teacher.

Importantly, especially in the light of the comments at 5.5.3.5, primary schools in Australia have administrative structures which are significantly different from those of secondary schools. Secondary school principals are invariably non-teaching appointments; so are most primary school principals, but in the smaller schools this is not the case.

More importantly, even the smallest secondary schools have a subject department administrative structure meaning that, in addition to the principal and deputy or assistant principals, there are other teachers whose job descriptions make room for administrative tasks; significantly including the role of professional development and assessment for the teachers within each subject department.

In primary schools, however, executive staff below the level of principal typically (although not always, depending on the size of the school) have teaching workloads which are either full-time or, at least, in excess of those borne by subject department heads in secondary schools.

Finally, in small primary schools in remote areas, principals usually have full-time teaching responsibilities.

5.5.3.3

Standardised testing in Australian primary schools

Standardised testing, in the sense used in American initiatives and in the ANU report (a crucial element of which is that the test is devised and marked independently of the teachers who teach the students taking the test), is the exception rather than the rule in Australian primary schools.

External examinations are a settled feature of Australian secondary schools – typically at senior school level – but have until recently not been used at all in primary schools. Obviously, if the performance-based pay schemes are proposed which contemplate the existence of standardised testing which can be used to measure student progress, it is necessary to assess the extent to which Australian primary school systems are prepared in this respect.

While there is a degree of commonality across the government primary school sectors of States and Territories, no such system is the same as another. Most systems currently have reporting regimes designed to give parents information about the progress of their children's learning, using an “A-to-E” scale to identify performance ranging from “excellent” to “below acceptable” (or words to like effect). The use of externally applied testing in primary schools (such as the New South Wales Basic Skills Test) is however the exception rather than the norm, with most reporting schemes translating descriptive data from a student’s teacher into a grading on the A-to-E scale.

The comments just made apply, of course, only to government sector primary schools. While the New South Wales Basic Skills Test is used by Catholic systemic schools and some other independent schools (and while it would presumably be no objection to the use, anywhere in Australia, by

non-government schools of a reporting or assessment regime developed by a government school system), some independent primary schools do not have any systematic regime for reporting to parents.

There is of course an obvious and fundamental difficulty involved with the idea of using testing or assessment regimes, where the data is provided by the teachers themselves, as the basis of a performance-based pay scheme in which pay decisions are principally based on student progress. Quite apart from the potential for teachers to exaggerate the abilities of students and to downplay their failings, in the interests of securing a pay increase, use of reporting in this way would almost certainly erode parents' confidence in the objectivity of the assessments made of the progress of their children. In States which have anticorruption legislation, a scheme of this kind would almost certainly be judged, in addition, to be inherently susceptible to corrupt conduct.

If uniform standardised testing is eventually introduced across Australia, as is proposed, difficulties in this area should be significantly reduced.

5.5.3.4

Responsibility for administering performance-based pay schemes

In systems in which a regime of externally administered standardised testing is already in operation, this would obviously remove the bulk of the work involved in administering performance-based pay schemes from individual schools. As has been pointed out at 5.5.3.3, however, this is generally not the case in relation to Australian primary schools; and the use of current descriptive regimes for reporting to parents as a determinant of pay increases is attended by substantial difficulty.

If the criteria for judging teacher performance are widened to include a range of factors other than student progress (see 5.5.2.1), then inevitably the burden of doing the necessary work will fall largely on staff of the school. In the case of some criteria, assessment will be a relatively easy task, but in the case of others – notably those which require some descriptive summation of the qualities displayed by a teacher – the time required will be not inconsiderable. (In relation to some criteria, the making of judgments will require the establishment (if this does not already exist in the school) of a proper staff assessment process, which demands effort in excess of that required simply to prepare a summation at the time at which the performance-based pay scheme requires this. More is said about this at 5.5.3.6.)

In general terms, the work of making qualitative assessments of teacher performance will need to be done by principals and other executive staff. There will also be a level of associated administrative work.

The fact that the introduction of performance-based pay schemes may result in additional work at school level is of course not in itself a reason why such schemes should not be introduced, especially if informed judgments have been made that schemes of this kind are likely to increase the quality of teaching and learning. The significance of workload issues is, instead, simply that all those involved should understand the nature and level of effort required before schemes are implemented. Failure to ensure this would almost certainly be significantly prejudicial to effective implementation.

5.5.3.5

Administration in the primary school context

In connection with the administration of performance-based pay schemes, two specific aspects of the primary school context require mention. This is particularly so given that the bulk of the discussion about performance-based pay schemes for teachers assumes, either expressly or impliedly, a secondary school context.

Administrative structures in Australian primary schools are however, as has been said at 5.4.3.2, significantly different from those in secondary schools, and these differences have implications for the administration of performance-based pay schemes.

First, there are no one-teacher secondary schools. Secondary schools (by which is meant specifically those catering for students from Years 7-12) rarely have fewer than 300 students and perhaps 15 staff. Schools accommodating students from K-12 (or P-12) (sometimes called Central or District Schools) would rarely, if ever, cater for fewer than 100 students. In the primary sector, however, there are significant numbers of schools in remote areas with student numbers sometimes as low as a dozen. Substantial numbers of primary schools have enrolments of fewer than a hundred, with a corresponding staffing complement of no more than four teachers, all of whom have full-time teaching responsibilities.

This is not to say that there is currently no mechanism for the assessment of the professional quality of teachers in small or one-teacher schools: this function is carried out typically (within the government sector) by inspectors or superintendents. It would seem however to be little doubt that the demands of administering performance-based pay schemes would result in changes to the obligations of these educational managers, at least to the extent that they are responsible for principals and teachers in one-teacher schools; and this fact would need to be considered. (It would seem unthinkable that teachers in small or one-teacher schools should simply be

excluded from any performance-based pay scheme, for a number of reasons.)

5.5.3.6

Disputes, morale and industrial relations implications

An argument frequently raised in opposition to performance-based pay schemes is that they will inevitably – or at the very least have the potential to – damage teacher morale.

One of the bases of this argument relates to schemes involving either formal or *de facto* quotas, and is to the effect that the inevitable competition between staff for access to a limited pay increase “pool” is likely to damage the collegial spirit which is important to quality education (see 5.5.1).

A less obvious, but nonetheless significant, potential threat to morale and collegiality lies in the elements of some criteria which require one staff member to make a judgment about another. This is most obviously the case if peer assessment is used as a criterion: most staff are likely to be reluctant to make critical comments about a colleague, and many may feel pressure not only not to be critical, but also to make positive supporting comments. It is of course not essential to include peer assessment as a criterion, but experience shows that many supervisors in industries of all kinds are also reluctant, for a wide range of reasons, to make a formal critical judgments of staff for whom they are responsible. Performance appraisal systems widely suffer from difficulties of this kind, often compounded by resentment on the part of supervisors who make positive comments against their better judgment, feeling that the consequences of honest assessment will simply be too difficult to cope with. This feeling arises not only out of the understandable desire to avoid offending someone with whom they must work closely, but also because of a belief that some industrial dispute or litigation is likely to attend the making of a judgment likely to result in the denial of some material benefit anticipated by the person who is the subject of the assessment. While apprehension about the possibility of “legal action” is almost always excessive and to some extent baseless, the nervousness of middle-level managers in this respect should not be underestimated.

Possibly even more importantly, if there is in fact any realistic possibility of a challenge to an unexpected adverse assessment of performance, such challenges can often be successful in the absence of clear and effective organisational procedures for regular assessment of performance. The typical situation concerns a manager or supervisor who has long been dissatisfied with aspects of a staff member’s performance but who has, for reasons just mentioned, refrained from making any formal comment or

taking any formal action. When finally, as it were at the end of the tether, the supervisor grasps the nettle and catalogues the long-standing failings of the staff member, challenges to the resultant consequences are often successful. This is essentially on the basis that, at worst, the supervisor is lying because if the employee were as bad as is claimed action would have been taken long ago; or, at best, that the failings are acknowledged but that the supervisor's inaction is characterised as incompetence. More damagingly, the workplace folklore which springs up about a successful challenge often discourages other supervisors from taking appropriate action.

While the prospect of challenges in industrial tribunals to disappointed expectations of pay increases is currently substantially lower than it might once have been, for a variety of reasons including the enactment of the WorkChoices legislation, it is far from being illusory. In general, employees of State instrumentalities (other than in Victoria) were shielded from the effects of the WorkChoices legislation which might otherwise have denied them access to State industrial tribunals, and some action was taken in States to declare staff to be employees of the Crown in the right of the State so as to preserve that access.

Even in the absence of avenues of formal challenge, the organisational impact of a staff member who is seriously disaffected because of failure to secure an expected performance-based pay increase cannot be lightly discounted.

Once again, the prospect that some teachers might be disgruntled about the operation of a performance-based pay scheme is not in itself a reason for failing to introduce such a scheme. Indeed, it might be argued that the operation of such a scheme may have the beneficial effects both of stiffening the resolve of managers in schools, and of bringing home to teaching staff of borderline or lower competence that the teaching profession may not be for them. As with other administrative aspects the importance is, instead, that those required to manage a performance-based pay scheme understand what is involved, and are equipped with the knowledge and skills necessary to make decisions which will withstand scrutiny, not merely by a tribunal of some kind, but also by staff and parents.

5.5.4

Funding a performance-based pay scheme

5.5.4.1

Funding issues generally

Whether a performance-based pay scheme were to be either quota-based or criterion-referenced (see 5.5.1), the allocation of additional funding to support the scheme would seem to be essential. Schools throughout Australia are under considerable pressure to do the work effectively despite financial constraints, and the capacity for schools (whether in the government or non-government sectors) to fund schemes for additional pay increases without further budget allocation would be limited or nonexistent.

5.5.4.2

Size of performance-based pay increases

The size of the pay increase is potentially available under any performance-based pay scheme will, naturally, have any impact on the success and effectiveness of the scheme. While there is no particular logic to this, experience has shown that employees (whether teachers or otherwise) tend to be sceptical or even dismissive of schemes offering increases of less than 5% in reward for additional or outstanding effort.

(Schemes involving lump-sum bonuses tend, whether rationally or not, to be viewed differently, perhaps because the lump sum can facilitate the purchase of some significant item. On a salary of \$50,000 pa, a bonus equivalent to 2% of salary would be (after tax) in the order of \$600. The same amount paid as an increase in weekly pay would be a little over \$10 per week which, in the language of those who are sceptical, is inevitably reduced to three beers, a packet of cigarettes, or a visit to McDonald's.)

Attention also needs to be given to the upper limits of increases available under performance-based pay schemes. While situations where staff earn more than managers are not unheard of in Australia (for example, it is possible for a senior specialist in a hospital to earn more than the CEO), increases which could bring the salary of a classroom teacher close to that of the lowest level of executive are also likely to cause disaffection. Many middle managers (whether in schools or elsewhere) regard their jobs as thankless, in terms of the degree of extra monetary reward they receive, above the pay of "shop-floor" workers, for the associated responsibility, and perceived pressure and stress. The smaller this monetary margin is, the greater is the potential for disaffection within the ranks of lower middle managers.

5.5.4.3

Nature of performance-based pay increases

The discussion in this Paper has been conducted on the basis that, where a teacher was awarded a performance-based pay increase, there would be no

expectation that that teacher would be required to undertake additional duties or responsibilities. Nonetheless, that has been a feature of some schemes (see Part 4), and there is sometimes pressure (either real or perceived) on governments or managers of school systems to be able to identify tangible benefits obtained by students and parents in return for pay increases.

In schemes which are driven wholly or largely by student outcomes as measured by standardised testing, the answer to this question about value for money is relatively simple: measurable improvements in student performance are an admirable way to demonstrate this. Schemes under which recipients of performance-based pay increases are simply judged, according to a range of criteria, to be outstanding teachers, do not offer the same sort of tangible and obvious return on investment. This fact has led, at least in part, to demands that teachers who have progressed to some kind of advanced or outstanding teacher scale undertake additional responsibilities, most obviously in relation to mentoring less experienced teachers. The expectation of additional responsibilities as part of a performance-based pay scheme has been strongly resisted by teacher unions, and can lead to further skepticism if the pay increases are not substantial (see 5.5.4.2). (A more detailed statement made by Ms Jenny Macklin (see Part 2) has however suggested that teachers who had progressed to the upper levels of a performance pay scheme would be expected to undertake tasks such as mentoring inexperienced teachers.)

A perhaps more difficult question to grapple with is that of the continuation of performance-based pay increases, once awarded.

Most performance pay systems in industry generally have rules to the effect that the performance pay component must be "at risk" (meaning that the continued payment of the increase over time must be subject, on some kind of recurrent basis, to demonstration that performance remains at or above the level which justified the increase in the first place). A rule of this kind sounds simple, but is typically difficult to apply effectively. (The popularity of "bonus" schemes is owing in part to the fact that these schemes largely avoid this difficulty, both because each bonus is viewed as a matter separate from the others, and also because bonus schemes do not have the effect of building increases into recurrent take-home pay.)

The reticence of some middle level managers in schools to make robust assessments of staff members seeking advancement has already been mentioned (see 5.4.3.6) but if, in that context, a performance-based pay increase is not forthcoming, the worst outcome is simply a disappointed expectation of additional pay. Far more challenging is the situation where a teacher who has previously been awarded a performance-based pay increase lapses back into ordinary performance. In such cases, the critical judgment by a manager will result in loss of take-home pay which (unless

the teacher has been extraordinarily diligently salting away the performance pay increase) will have come to be relied on as part of regular income.

It is of course fundamentally inconsistent with the notion of a performance-based pay scheme that an increase awarded on the basis of performance should persist indefinitely, regardless of the quality of future work. Once again, schemes relating essentially to measured student performance are more robust in this respect than those relying on other criteria: a drop in student scores is a clear signal of a pay consequence. These schemes are however not absolutely immune from disputes: arguments will frequently be made that a drop in scores results from factors other than teacher performance.

Finally, the question exists about the long-term operation of performance-based pay schemes driven by student scores. Apart from the question of the pay margin between classroom teachers in receipt of performance-based pay increases and the school executives who manage them (see 5.5.4.2), scores from standardised testing can presumably not continue to increase indefinitely. Some point must, logically, be reached where a cohort of students is performing as well as could possibly be expected, and where test scores accordingly stop improving, although there is no diminution in the quality of teaching. One response to this problem is of course to have recourse to absolute scores (as distinct from changes in scores from time to time), but difficulties attend this approach (see 5.3.2).

5.5.4.4

Application beyond the classroom teacher level

Discussions about performance-based pay schemes focus essentially on classroom teachers. This is not only because classroom teachers are the direct interface with students, but also because it is that the classroom teacher level where the opportunity for progression in monetary terms is most restricted. While it is true that classroom teachers have the opportunity for advancement through promotion to executive positions, these opportunities are limited in number. Perhaps more importantly, a view might be taken that it is counterproductive that the principal opportunities for monetary advancement for an outstanding classroom teacher lies in removal from classroom teaching to the field of school management.

For these reasons, most of the discussion in this Paper has been in a classroom teaching context. There is however an important question, especially in primary schools, as to whether performance-based pay schemes should be open to staff such as principals who may not have a teaching load. In Australia, in most primary school systems the position

of principal becomes a non-teaching position where school enrolments exceed a specified number (which differs between systems). It would be a significant disincentive were any performance-based pay scheme to cease to be accessible to a teacher (or an executive staff member or principal) appointed to a non-teaching position as principal of a larger school.

5.5.5

Mechanism for introduction of a performance-based pay scheme in Australian primary schools

A final underlying structural issue is that of the terms and conditions under which a performance-based pay scheme might be introduced.

Under the Australian Constitution (*Commonwealth of Australia Constitution Act 1900*) school education is the responsibility of the States. For many decades, however, the Commonwealth Government has been able to, in effect, impose policy directions on States; first through the tax sharing agreements from time to time, and second by way of s.96 of the Constitution.

Section 96 is a provision enabling the Commonwealth to make financial grants to the States “on such terms and conditions as the Parliament thinks fit”. While the bulk of funding for school education comes out of the general revenue obtained by the States under tax-sharing arrangements, the Commonwealth also provides components of direct funding, which are typically given on the basis that States comply with any attached conditions. (The recent controversy over the introduction of the “A-to-E” grading scale in primary schools, and the possible financial implications for school funding in the event of non-compliance, is an example of the operation of s.96.) Section 96 refers specifically to the States, but of course nothing prevents the Commonwealth providing funds on condition to some organisation, body or entity which is not part of a State.

The result is that the Commonwealth Government is in a position to require schools to implement performance-based pay schemes, in the sense that it could decide to withhold some component of school funding from schools which did not implement such schemes.

(It should be noted that, in the past, the current Federal Government has also made use of industrial relations powers: for example, by tying aspects of university funding to the content of enterprise agreements. In the light of the WorkChoices legislation, it would be doubtful that this might in future be seen as a useful approach. It is however possible that actions by States to shield government employees from the effects of the WorkChoices legislation could be used by State governments wanting to resist the imposition of performance-based pay schemes.)

It will be accordingly necessary to ascertain the Commonwealth's intentions in this respect, and the extent (if any) to which schools may have a choice about the introduction of such schemes, or a discretion as to the form and nature of any such scheme introduced, without any compromise to Commonwealth funding.

SUMMARY

There can be little doubt that, in comparable school systems around the world, performance-based pay schemes are "on the agenda". More fundamentally, it is difficult to argue against the notion of providing better rewards for better workers, whether they be in health, education, transport or any other field of endeavour providing goods or services to the public. Importantly, all schools are, to a greater or lesser extent, the recipients of public funding derived from taxation revenue, and taxpayers are entitled to be satisfied that their tax dollars are used to best effect in the provision of public services.

At the same time, there is only a relatively small body of evidence available about the operation of performance-based pay schemes in practice.

This evidence is more extensive in the case of schemes which use a variety of criteria, with student progress as measured by standardised tests either one of a number of criteria, or not a criterion at all. The evidence – at least in Australia – that schemes of this kind achieve real improvements in the quality of school education is, at best, inconclusive.

Evidence about schemes which use student progress as measured by standardised tests as the sole predominant determinant of performance pay is more limited, simply because schemes of this kind have, at least recently, been uncommon. In Australia, there is currently no significant usage of schemes of this sort in schools. Overseas, the evidence is again not clear in one direction or the other, but there is at least some evidence that schemes of this kind can work, and produce improvements in student outcomes.

Obviously, no initiative aimed at improving the quality of school education in Australia should be set aside without careful consideration, especially if there is a preparedness on the part of the Commonwealth Government to provide additional funding to schools in order to implement performance-based pay schemes.

This careful consideration must however explore the answers to a number of questions, before firm commitments are made. The bulk of this Paper is concerned with articulating these questions, but the predominant questions which might sensibly be asked of the Commonwealth Government are as follows.

- What criteria are intended to form the basis of a performance-based pay scheme?
- If the predominant criterion used is to be student progress as measured by standardised testing, what measures will the Government take to ensure the implementation of valid and appropriate testing regimes and instruments? Will

testing be able to differentiate between school-based and non-school-based influences on student performance? And between the influences of different teachers on individual students or groups of students? What might be the ultimate extent of increased standardised testing?

- If student progress measured by standardised testing is not the predominant criterion, and other criteria are used, what will these criteria be? How does the Government propose to ensure that outcomes are consistent both within schools and school systems? And understood and seen as valid by parents and the wider community?
- What additional funding does the Government propose to allocate in order to fund pay increases? Is it intended that every teacher satisfying the scheme's criteria will receive a performance-based pay increase, or is a quota or some other kind of restriction envisaged? How might the value of any such scheme be maintained in the long term?
- What resources, funding and other support does the Government propose to provide for the management and administration of the scheme; ensuring that school teachers and executives, parents and other stakeholders clearly understand the scheme; and that school executives and teachers are provided with adequate training?
- Does the Government intend that the introduction of a performance-based pay scheme in schools be genuinely optional, or will there be adverse funding consequences for schools choosing not to implement such a scheme?
- Does the Government intend to facilitate widespread consultation with teachers, school executives, parents and the wider community before making decisions?