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Introduction

Performance-related pay for teachers is being introduced in many countries, amidst much controversy and opposition from teachers and unions alike (Denver, 2006; and Houston, 2006). The rationale for these programmes is the notion that incentive pay may motivate teachers to improve their performance. For example, in early December 2000, the Israeli Ministry of Education unveiled a new teachers' bonus experiment in forty-nine Israeli high schools. The main feature of the programme was an individual performance bonus paid to teachers on the basis of their own students' achievements. The experiment included all English, Hebrew, Arabic, and Mathematics teachers who taught classes in grades ten through twelve in advance of matriculation exams in these subjects in June 2001.

Performance-related pay is a situation in which teacher are offered bonus payments on the basis of the performance of their classes in School Certificate Examinations and/or that of Joint Admission Matriculation Board (JAMB) Examinations into Universities, this may be in certain subjects. The bonus programme may be structured in a rank-order tournament among teachers, separately by subject. Thus, teachers will be rewarded on the basis of their performance relative to other teachers of the same subjects.

Types of Performance-Based Reward Systems

It is necessary to reveal the types of performance-based reward systems as reflected in the characteristics of the schemes. Some key dimensions along which performance-based rewards differ according to Odden and Kelley (2002) include the following:

- Whether the programme focuses on individual teacher performance or school-based performance;
- Whether the compensation is pecuniary or non-pecuniary, and whether sanctions exist for poor performance;
- The duration of the reward, and in particular, whether the reward is given once only, for a limited duration, or permanently;
- The reward levels, and in particular, whether there are ascending rewards for increased teacher or school performance, or whether the performance evaluation allows teachers to

progress to a new salary scale;

- What is evaluated, and in particular, whether the evaluation is made on the basis of observation, a portfolio, acquired qualifications or student performance;
- Who evaluates the teacher, and in particular, whether the evaluation is completed by the principal of the school, an external review, or peer review;
- The scope of the reward, and in particular, whether all teachers who fulfill criteria are rewarded, or just a specific quota; and
- Whether the performance-based rewards supplement or replace the existing salary scale system.

Needs for Performance-Based Rewards for Teachers

Several analysts have argued that performance-based pay schemes improve the administration of schools. Under a performance-based pay scheme, principals must know the quality of teachers in all classrooms (Hoerr, 1998). This type of evaluation means that the principals must summatively evaluate teachers, rather than formatively evaluate, and so more objective decisions about teacher quality are made. Research shows that in performance-based systems, many principals report evaluated teachers more harshly than they would have in a non-performance-based system (Murnane and Cohen, 1989). As a safety precaution, Solomon and Podgursky (2001) advocate principals becoming recipients of school wide performance-based rewards, to ensure they remain objective in their evaluation.

It is also argued that a movement to school-based rewards can increase the precision of resource allocation by encouraging resource alignment from top down, by setting organisational goals, and from the bottom up, as teachers are gaining feedback, and benefiting from better resource allocation and policy coherence (Kelley, 1999). This can occur because school goals are clarified in a performance-based reward system, and teachers have an increased incentive to share information with administrators since they benefit from improved outcomes. Therefore, performance-based rewards improve the governance of schools

Under most current systems of a salary scale, teachers are rewarded for the number of years spent in teaching and the number of tertiary degrees, rather than their performance (Odden, 2000a). For this reason, many analysts believe the salary scale system determines teacher compensation on incomplete criteria. For example, Hoerr (1998) argues that any non-merit-based system is unfair for exceptional teachers because they are judged on inefficient criteria. This will cause talented teachers to leave the education system because excellence is not fairly rewarded (Odden, 2001). Only when performance is rewarded and teachers command salaries equal to the private sector without having to progress up an arbitrary salary scale, will the best talent be attracted and retained (Solomon and Podgursky, 2001).

Proponents of performance-based rewards point out that research has found no consistent links between education credits or degrees and student performance, and only modest links between experience and student performance (Heneman and Milanowski, 1999; Hoerr, 1998; Tomlinson, 2000). The existing salary scales are thus at best only loosely related to the expertise and skills needed in the classroom (Mohrman, Mohrman and Odden, 1996). If the pay structure is based on this formula, it

inevitably produces unsatisfactory outcomes as it is not well aligned to education output (Odden, 2000a). Thus, a substantial body of literature argues performance-based reward systems are an improvement on the efficiency of salary scales.

One of the greatest benefits reported by proponents of performance-based rewards is an increase in the motivation of teachers. It is claimed that performance-based pay will increase teacher motivation by adequately rewarding productivity gains. This perspective links the attitude of teachers to student outcomes, by arguing that once the motivation and skill of the teacher determine salaries, teacher quality will be improved. Tomlinson (2000) observes that performance-based pay is about motivating people, and developing performance-oriented cultures. Teachers, who are not motivated by financial rewards, can be encouraged with non-financial rewards (Odden, 2000a). These rewards can include, for example, satisfaction from high student achievement, recognition, influence, learning new skills, and personal growth (Tomlinson, 2000; Odden 2000b). As Odden and Kelley (2002); Kelley (1999) see school-based rewards are a means of providing motivation by introducing clear goals to the whole school, and facilitating student achievement.

While it is argued that teachers are not motivated by money (Firestone and Pennell, 1993), financial reward must have some influence on career choices for at least some teachers (Richardson, 1999). Some point out that past research suggests money has an influence on teachers' motivation and others argue money is one motivator among many (Odden and Kelley, 2002). Hence, it is observed a performance-based policy which involves a monetary component would attract teaching talent by providing rewards that motivate a large range of people. A further benefit may occur through a rise in the socio-economic status of teachers, which should also attract and motivate talent (Solomon and Podgursky, 2001).

According to a range of analysts, the most fundamental goal of performance-based rewards is to increase student performance. For example, Odden (2000b) claims there is a causal link between the quality of teaching and the level of student outcomes, meaning any method that increases the quality of teachers should improve student outcomes. By introducing objective standards which can be used to determine whether teachers have skills to increase the performance of students, the quality of teachers would be established, and also improved (Mohrman, Mohrman and Odden, 1996). Some argue this occurs when evaluation focuses on the knowledge and skills of teachers, which provides an incentive for all teachers to improve, and also an intrinsic reward through professional development (Solomon and Podgursky, 2001). Moreover, performance-based pay can target educators to key objectives and important subjects as a means of increasing student performance (Mohrman, Mohrman and Odden, 1996; Odden, 2001). Proponents argue that teachers may actually gain freedom to innovate, since they no longer have to focus on process, but rather student outcomes (Solomon and Podgursky, 2001).

Furthermore, it is equally observed there will be a greater consistency in teaching standards across school jurisdiction since the best teachers would not be grouped in the highest achieving, lowest disadvantaged and racially homogenous areas (Tomlinson, 2000). This would occur when objective performance rewards create a market where movement between schools would become easy, and the true value of teachers is established. Teachers would not be locked into a school based on their seniority and qualifications, but would have adequate opportunity to move to jurisdictions where their talent is most highly valued (Solomon and Podgursky, 2001). Conversely, poorly performing teachers would be sanctioned by the market, and command a reduced wage. If retention of teachers is affected

by the opportunity cost of staying in the profession, this policy would attract the most capable teachers and discourage the least capable teachers.

Under a policy of performance-based rewards, the 'best' possible graduates can be recruited by guaranteeing a competitive market based salary. This would give teachers the capability to move beyond the starting salary and be paid at a comparable level to the private sector workforces (Mohrman, Mohrman, and Odden, 1996; Odden and Kelley, 2002).

A theme in the literature is that performance-related pay increases the support of education by politicians and the public (Solomon and Podgursky, 2001). Reportedly, the public feels that current teacher compensation rewards mediocrity (Tomlinson, 2000). Therefore, through the provision of performance-based rewards, political support of the education system can be generated.

Some analysts have argued that the introduction of performance-based rewards can be revenue neutral as the existing salary schedules, which reward seniority and academic qualifications can be flattened, and the revenue gained from this reform can be targeted at rewarding teacher performance (Solomon and Podgursky, 2001). In contrast, Mohrman, Mohrman and Odden (1996) argue the private sector model shows that costs can be kept down because the workforce becomes flexible and versatile, in particular teachers will need to have and use a range of pedagogical techniques, which suggests the revenue required to implement this strategy would be relatively low. However, the private sector model may have limited relevance to the public sector, as resources are finite, and schools do not generate additional financial resources with increased productivity (Milanowski, 2003). One possibility is for average class size to increase, which allows teachers to be paid more, without increases in education funding.

The intellectual foundations of performance-based rewards are found in private sector models. Because the private sector requires productive workers to compete against other agencies, they have developed policies that seek to maximise output from a set input, or minimise input for a set output. Advances in efficiency, it is argued, can be made in the public sector by observing and adapting private sector worker motivational techniques (Odden and Kelley, 2002). Large firms with complex organisational structures that change their workplace practices to increase productivity and quality can be used as a model. Proponents believe these organizations provide a benchmark for teaching because they have very similar environments to schools, and often use performance-based methods of remuneration (Mohrman, Mohrman and Odden, 1996; Odden, 2000a; Ballou and Podgursky, 2001). Any advances in reward strategies for knowledge and skill-based pay in the private sectors thus provide a blueprint for educational salary schedules (Odden, 2000a). Models are also evident in the government and non-profit organizations, such as the higher education model, which suggests performance-based reward programmes are not mutually exclusive with the public sector (Solomon and Podgursky, 2001).

With the introduction of new evaluation systems, such as knowledge and skill-based pay, evaluation of person-based human resources systems can occur. Significant educational bodies including the National Commission on Teaching (U.S.) have been accepting this method, and the benefit from using benchmarks is an improved education system (Bainbridge, 2000). This is not to suggest that competency models are inevitably going to work, as these programmes need to be carefully organised to ensure that the goals, culture and political realities of the organization align (Heneman and Ledford, 1998). This is particularly important, because 'recalcitrant' teachers who believe the evaluation process

is unfair (Murnane and Cohen, 1986) can undermine the adoption of private sector models.

Ballou (2001) argues that if teaching were special, it would not be expected to find performance based reward systems operating in private schools. Since private schools exhibit a much greater frequency of performance-based rewards, and have much greater bonuses when they do use these schemes, it appears education should not be separated from market logic (Ballou, 2001). While private schools still do not use these techniques all the time, suggesting there are some costs associated with implementing performance based programmes, it shows teaching is not inherently unsuited to evaluative systems of remuneration (Ballou, 2001).

The Effects of Performance-Based Rewards on Educational Outcomes

Despite the fact that literature fail to empirically evaluate the effect(s) of performance-based rewards on educational outcomes, considering the benefits of performance-based reward programmes, its effects on teacher, student, classroom, school, school system and societal levels could be established.

The effects of performance-based rewards on teacher can be observed in four potential areas namely: teacher motivation and effort; teacher recruitment and attrition; teacher knowledge and skills; and teacher autonomy, Both advocates and opponents of performance-based rewards on teacher agree that incentives can increase test scores, but disagree about whether these higher test scores reflect increased overall teacher effort or just more teaching to the test. Performance-based rewards on teacher affect test scores, different types of teacher effort. In particular, it reflects on teacher attendance/absences, teacher behaviour in the classroom, and teacher retention.

Research on teacher retention by Murnane and Olsen (1990) explicitly modeled the impact of salaries and opportunity costs on the length of stay in teaching for teachers in North Carolina and Michigan. They find a positive effect of opportunity wages on teacher attrition in these states. Dolton and van der Klaauw (1999) undertake a similar study for the United Kingdom; they distinguish between the different destinations and reasons for leaving teaching. They find that both teacher salaries and foregone wages matter for retention. The intensity of leaving teaching for non-employment is solely influenced by teacher wages and not by wages in the outside option. On the other hand, higher opportunity wages and lower wages in the profession increase the tendency amongst teachers to switch careers.

From the research on performance-based rewards on teacher it is observed that salary levels may influence student outcomes either through recruitment and retention of more able teachers and/or because higher wages induce greater effort. The evidence in the previous performance-based rewards on teacher clearly shows that the teachers' incentive programme led to significant improvements in students' achievements.

Conclusion

Most of the existing researches on performance-based reward have shown the correlation between the programme and student learning outcome. They presented some evidences of improved student performance in group-based performance reward programmes. At least, there is no evidence of negative student outcomes with the adoption of the latest performance-based reward programmes. Furthermore, the evidence presented within the literature is almost unanimously positive in their assessment of performance-based reward programmes. It is imperative to state that we need

performance-reward based scheme for secondary school teachers at this particular time in order to rescue our educational system at this level from its stumbling.

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