



Cost

£££££

Evidence strength



Impact (months)

+1

Effect size

0.06

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## What is it?

Performance pay schemes aim to create a direct link between teacher pay and the performance of their class in order to incentivise better teaching and so improve pupil outcomes.

A distinction can be drawn between awards, where improved performance leads to a higher permanent salary, and payment by results, where teachers get a bonus for higher test scores in a particular school year.

Approaches also differ in how performance is measured and how closely those measures are linked to outcomes for learners. In some schemes, students' test outcomes are the sole factor used to determine performance pay awards. In others, performance judgements can also include information from lesson observations or feedback from pupils, or be left to the discretion of the headteacher. Some performance schemes incentivise individuals, others incentivise groups of teachers.

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## Key Findings

1. The impact of performance pay is low (+1 month), schools might consider other, more cost effective, ways to improve teacher performance, such as high quality continuing professional development.
2. Given the lack of evidence that performance pay significantly improves the quality of teaching, resources may be better targeted at developing existing teachers.
3. Implementing performance related pay can narrow the focus of teachers to particular groups or particular measures, so care should be taken to try and minimise undesirable effects.

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## *How effective is the approach?*

The results of rigorous evaluations, such as those with experimental trials or with well-controlled groups, suggest that the average impact of performance pay schemes has been low (+1 months' progress). The use of loss aversion – where awards have to be paid back if student results fall below a certain level – are less widespread in many education systems, but where these approaches have been trialled evaluations have found some larger impacts.

There is some evidence that impact may also be greater in developing countries. Overall, evaluations of a number of performance pay schemes in the USA, where the approach is also known as 'merit pay', have been unable to find a clear link with improved pupil learning outcomes.

There are some concerns that performance pay schemes can create unintended consequences. For example, that they may encourage teachers to focus only on tested outcomes, leading to a narrowing of the curriculum, or to focus on groups of pupils near a particular assessment threshold.

A related approach that has shown promise is using bonuses or enhanced pay to attract teachers to challenging schools.

Overall, approaches which simply assume that incentives will make teachers work more effectively are not well supported by existing evidence.

Evidence of the association of performance pay with students' outcomes is inconclusive and has hardly ever been investigated in the Arab world. However, studies in Saudi Arabia and Egypt showed that providing teachers with incentives will motivate them to be engaged in professional development programs which could have positive impact on students' outcomes.

Furthermore, studies in Lebanon and Egypt found that creating an incentive system would retain strong teachers in challenging schools and motivate the existing ones. Teacher surveys in Kuwait and Lebanon indicate that teacher incentives would improve morale and increase job satisfaction and loyalty to the profession.

To date, research on performance pay in schools is limited in this region despite the general belief of its importance in retaining teachers and increasing their motivation and job satisfaction levels. Both quantitative and qualitative research are needed to investigate the impact of performance pay on both students learning and teachers' performance.

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## *Behind the average*

Overall there is little difference in the impact by age group taught.

Effects are typically similar for literacy and mathematics.

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## *Closing the disadvantage gap*

Studies in England have shown that pupils in disadvantaged communities are less likely have access to high performing schools and are more likely to attend schools staffed by teachers without qualified teacher status or with fewer years of experience.

Limited access to high-quality teaching is likely to be a key contributor to the disadvantage attainment gap, with research consistently demonstrating the positive impact of high-quality teaching on pupil attainment. Pay may be utilised as part of a strategy to attract and retain experienced, qualified and specialist teachers to schools with higher numbers of pupils eligible for the pupil premium.

The small impact of performance pay, specifically, may mean that schools and policymakers consider other approaches to attracting high quality teachers to schools in disadvantaged communities.

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## *How could you implement in your setting?*

There are several different approaches to performance pay including bonuses, loss aversion and enhanced pay. Key elements of performance pay approaches might include:

- A clear and transparent pay policy with financial incentives to motivate teachers or retain high-quality staff.
- Accurate assessments of pupil progress, attainment, and barriers to achievement. Monitoring of schemes to assess impact on pupil groups, the curriculum and teacher motivation.
- A wider culture of support and teacher professional development.

It is crucial that strategies that reward teacher performance also include support for teachers to develop and careful strategies to mitigate the risk of focusing only on the measures used to distribute performance related pay.

When introducing new approaches, schools should consider implementation. For more information see [Putting Evidence to Work – A School’s Guide to Implementation](#).

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## *What does it cost?*

Overall, the median costs of implementing performance pay are estimated as low. The costs associated with performance pay arise from either paying bonuses to staff, or increases in staff salaries, all of which are recurring costs.

Whilst the median cost estimate for performance pay is low, the range in the amount some schools pay to staff as bonuses means that the costs can range from very low to moderate. For example, bonuses can range from £300 to £10,000 per teacher (or between £12 and £400 per pupil across a class of 25).

In England, performance pay generally means schools using staff performance to allocate teacher progression within existing pay ranges. Increases according to this scale range from around £1000 to £3000 (or between £40 to £120 per pupil across a class of 25).

These cost estimates assume that schools apply performance pay schemes to the bonuses or salaries of classroom teachers. Applying performance related pay to the roles of senior leaders and headteachers is likely to lead to higher overall costs.

Alongside cost, school leaders should consider how to retain high-quality teaching staff through a strong culture of professional support and development. School leaders should carefully monitor the impact of performance pay approaches and avoid schemes that can lead to unintended consequences, such as a greater attention on specific pupil groups closer to assessment thresholds at the detriment to other students.

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## *How secure is the evidence?*

The security of the evidence around performance is rated as very low. 27 studies were identified that meet the inclusion criteria for the Toolkit. The topic lost padlocks because:

- A large percentage of the studies are not randomised controlled trials. While other study designs still give important information about effectiveness of approaches, there is a risk that results are influenced by unknown factors that are not part of the intervention.
- There is a large amount of unexplained variation between the results included in the topic. All reviews contain some variation in results, which is why it is important to look behind the average. Unexplained variation (or heterogeneity) reduces our certainty in the results in ways that we have been unable to test by looking at how context, methodology or approach is influencing impact.

As with any evidence review, the Toolkit summarises the average impact of approaches when researched in academic studies. It is important to consider your context and apply your professional judgement when implementing an approach in your setting