

Reform Ideas No 8

The merit of teacher pay reform

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Key points

This report follows two roundtable seminars held by *Reform* in Summer 2013 and contains a review of the events that took place, commentary from leading head teachers, and a summary of the findings.

Performance related pay in schools is a good idea:

- > The best schools already use pay to incentivise performance, with most awarding teaching and learning responsibilities to good teachers. Academies and free schools go further by offering performance and retention bonuses
- > There is strong support for rewarding teachers for good performance
- > It is right that schools are able to design and implement their own pay policies, in line with greater autonomy for schools
- > Introducing performance related pay will force schools to improve the quality of performance management of staff, which could in turn improve pupil outcomes

This has been a busy summer break for schools as they finalise new pay and appraisal policies. Since Michael Gove became Secretary of State for Education in 2010 there has been a wave of reforms aimed at driving up standards in English schools. Delivering more autonomy to schools has been central to this agenda. The Academy and Free School programmes have expanded rapidly, and many of the freedoms that the schools enjoy, such as flexibility to set the school day and term dates, are being extended to all schools. Freedom to choose how and what to pay teachers is another freedom to have been extended. Following the Government's acceptance of the School Teachers' Review Body (STRB) recommendations to link teachers' pay more closely to their performance, all schools must set out how pay progression will be linked to a teacher's performance, starting this academic year. The first performance-linked pay increases will then be made from September 2014 and Ofsted will be monitoring implementation in schools.

"This scheme is not about paying teachers more for the same outcomes. If this scheme is not about raising the standards and levels of achievement for the children of the future, then there is simply no point in it."

Greg Martin, Executive Head, Durand Academy

Performance related pay for teachers is a good idea. Indeed the best schools already use pay to incentivise performance. Most maintained schools in England (i.e. those under Local Authority control) reward good teachers by awarding Teaching and Learning Responsibilities (TLR's). Some Academies and Free Schools go further by offering performance and retention bonuses as part of their increased freedom over staff pay and conditions.

Reforming teacher pay and conditions also brings the education sector more in line with remuneration policy in the private sector, where performance related pay is preferred to

automatic pay progression. Only 7 per cent of private sector service organisations operate a pay spine, compared to 64 per cent of public service organisations, and just 38 per cent of public sector organisations offer bonus and incentive schemes, compared to 81 per cent of private sector service organisations.¹

There is also widespread public support for performance related pay. A recent poll found that over 60 per cent of the public believe that “schools should be able to set the pay of individual teachers based on the quality of their performance as determined by an annual appraisal.”²

“I have never before been able to promote somebody without some form of responsibility. Now I can reward the very best teaching and learning in our school.”

Liam Nolan, Chief Executive Officer, Perry Beeches Academy Trust

The Department for Education has also taken the right approach in implementing performance related pay: letting schools decide. While the Department has published guidelines and templates for performance related pay policies, it is not mandating how schools should deliver the reforms. This is the right approach. A one size fits all policy would go against the drive to increase autonomy for schools. Freedom also offers schools the opportunity to develop a scheme which best fits their size and context.

Making schools responsible for teacher quality

As the case studies presented in this paper show, the introduction of performance related pay has the potential to reward the best teachers and make outstanding schools truly exceptional. Given the strong focus on performance management required for performance related pay to succeed, this should reinforce schools’ and head teachers’ focus on improving quality of teaching. There is currently a very weak relationship between quality of teaching and teacher pay. Figure 2 shows the distribution of the current average level of teacher pay and the Ofsted rating of quality of teaching for that school. The flat line in the middle of each shape represents the average school salary for each category. It might be reasonable to expect that the average salary in schools where quality of teaching is outstanding would be higher. As this chart shows there is very little difference; a school with outstanding teaching pays its teachers, on average, just £644 more than a school with inadequate teaching (£36,827 rather than £36,183).

As *Reform* has argued previously, it is head teachers who create a culture of high performance, accountability and on-going improvement in schools.³ However, some schools may find it more challenging to maximise the benefits of performance related pay, particularly where existing leadership is weak.

¹ Bassett et al. (2011), *Reformers and Wreckers, Reform*

² Populus (2013), Education Reforms polling, July 2013

³ Bassett, Haldenby, Tanner and Trehitt (2010), “Every Teacher Matters”, *Reform*

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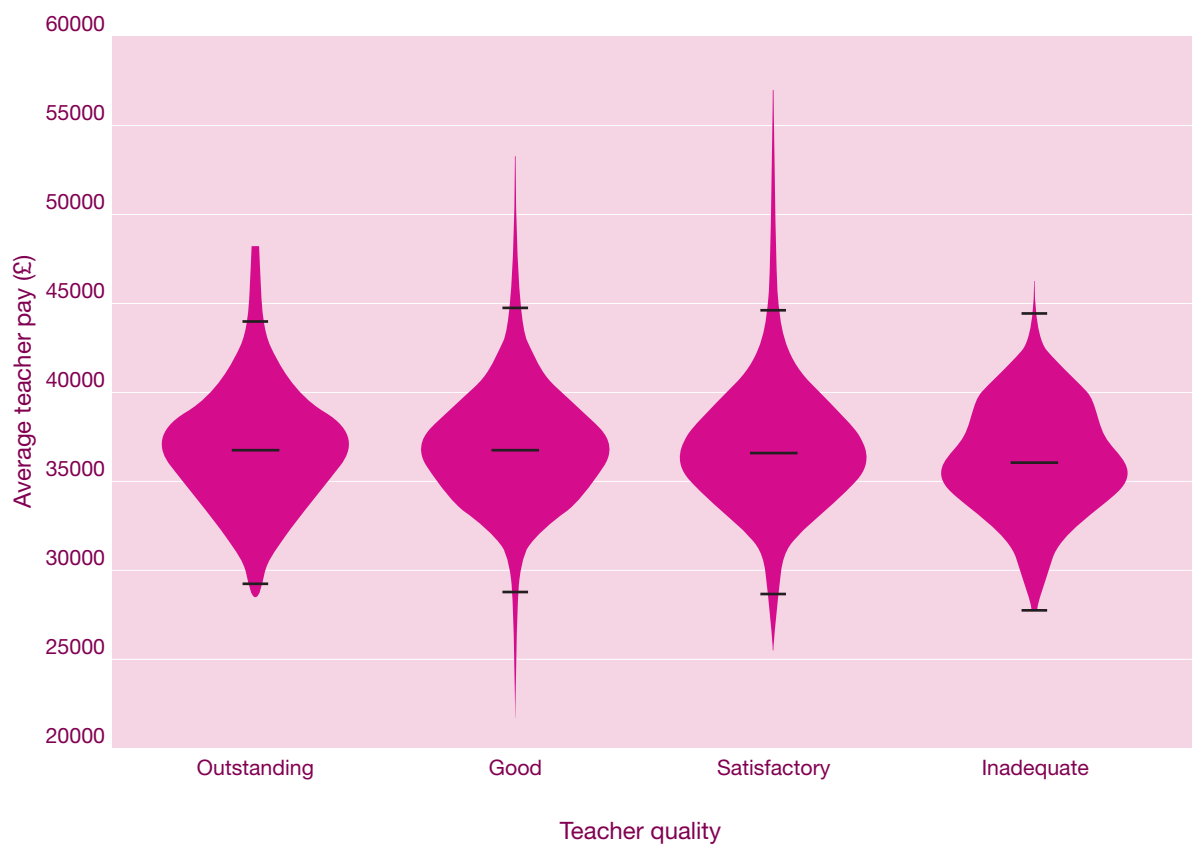
Figure 1: Average salary of teachers in each age band

Source: Department for Education (April 2013), School Workforce in England: November 2012

Age band	Average Salary (£)
Under 25	£23,800
25-29	£29,000
30-34	£35,800
35-39	£39,700
40-44	£41,300
45-49	£42,400
50-54	£44,300
55-59	£46,200
60 and over	£46,600

Figure 2: Average gross teacher compensation by Ofsted Quality of Teaching ranking

Source: Reform analysis (based on Department for Education (April 2013), School Workforce in England: November 2012 and Ofsted maintained schools inspection outcomes)



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What it means: teachers

Currently around 140,000 teachers (40 per cent of the teaching workforce) receive annual incremental pay increases on the Main Pay Scale. This means that these teachers progress one level up the pay scale (which runs from MPS1 to 6) each September, regardless of their performance. Almost 75 per cent of these teachers are under the age of 35 and most are in their first 6 years of teaching. These are the teachers who are most impacted by the reforms.

Figure 3: Percentage of teachers in each age band of current classroom teachers' pay scales

Source: Department for Education (April 2013), School Workforce in England: November 2012

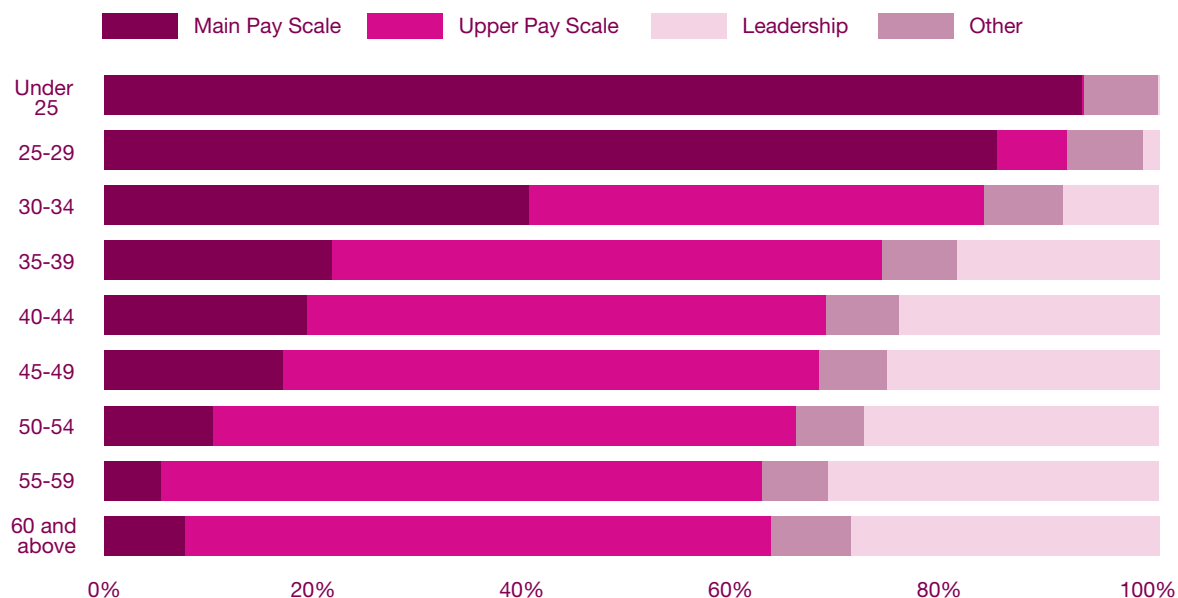
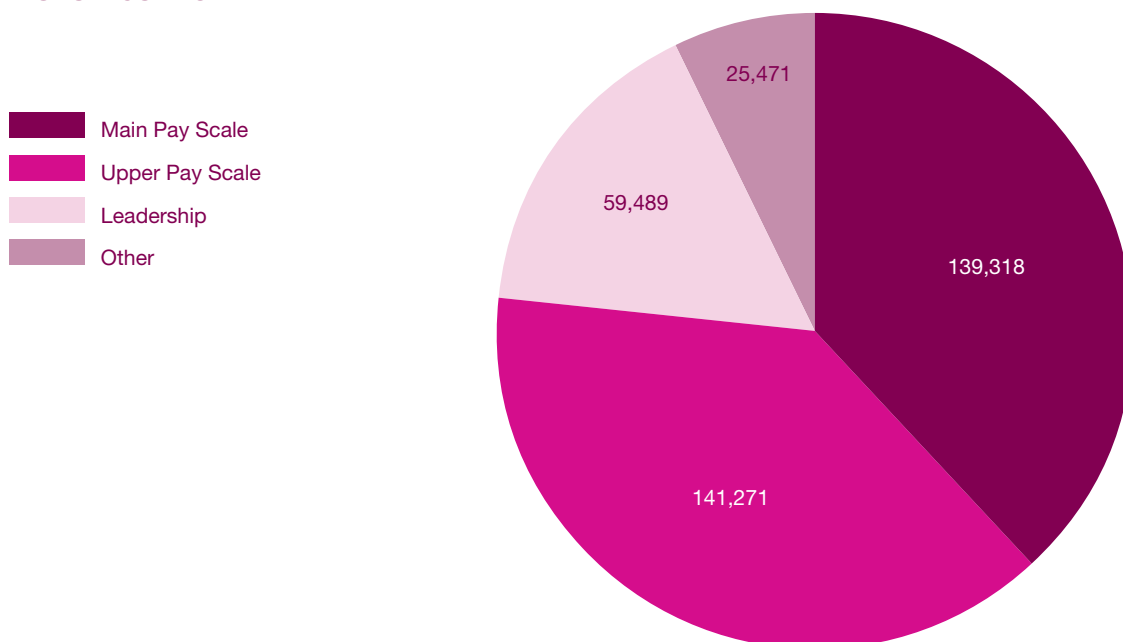


Figure 4: Number of teachers in each pay band
Source: Department for Education (April 2013), School workforce in England: November 2012



Most of the remaining 60 per cent of the workforce are either on the Upper Pay Scale (UPS1 – 3) or the Leadership Spine (L1 – 43). Those on the Upper Pay Scale and the Leadership Spine are already subject, in theory, to a form of performance related pay. Teachers currently progress on the Upper Pay Scale every two years if they can demonstrate that they continue to meet additional standards, and senior leaders in schools can be appointed anywhere on the leadership spine.⁴

“The changes offer significant scope for attracting and retaining great staff, but I don’t think they will have an impact in the short term as we were already finding ways to do that under the previous conditions and there is no increase in the size of the pay pot.”

Philip Avery, Associate Headteacher, Bohunt School

What pay reform means: good and outstanding schools

Good schools want to reward their best teachers. Yet not all schools want to change their pay policies. Only 85 per cent of secondary and 57 per cent of primary maintained schools in England use existing pay flexibilities, such as Teaching and Learning Responsibilities.⁵

“It may also be that we actually do not have enough funds to meet the outstanding performance we find in a school like Perry Beeches.”

Liam Nolan, Chief Executive Officer, Perry Beeches Academy Trust

The challenge that good schools may face is how to provide meaningful pay incentives to their staff. As increasing numbers of head teachers cite shrinking budgets and rising pupil numbers, schools will need to make trade-offs about how best to spend limited funds. In the private sector, firms that operate for profit can offset higher salary and performance management costs by reaping the rewards of increased revenues that come with better performing staff. However, schools do not see those increases in income.

⁴ See Figure 4 for a full breakdown of the number of teachers in each pay band.

⁵ Department for Education (2011), 2010 School Workforce

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As Sir Michael Wilshaw, Her Majesty's Chief Inspector of Education, Children's Services and Skills, has highlighted, head teachers may have to decide whether rewarding good staff is worth more than other interventions such as reducing class sizes. As *Reform* has previously argued, increasing the number of teaching assistants and reducing class sizes are popular interventions, yet are relatively insignificant with regards to pupil outcomes.⁶ School leaders will need to make tough choices on these issues and clearly articulate their decisions.

What it means: underperforming schools

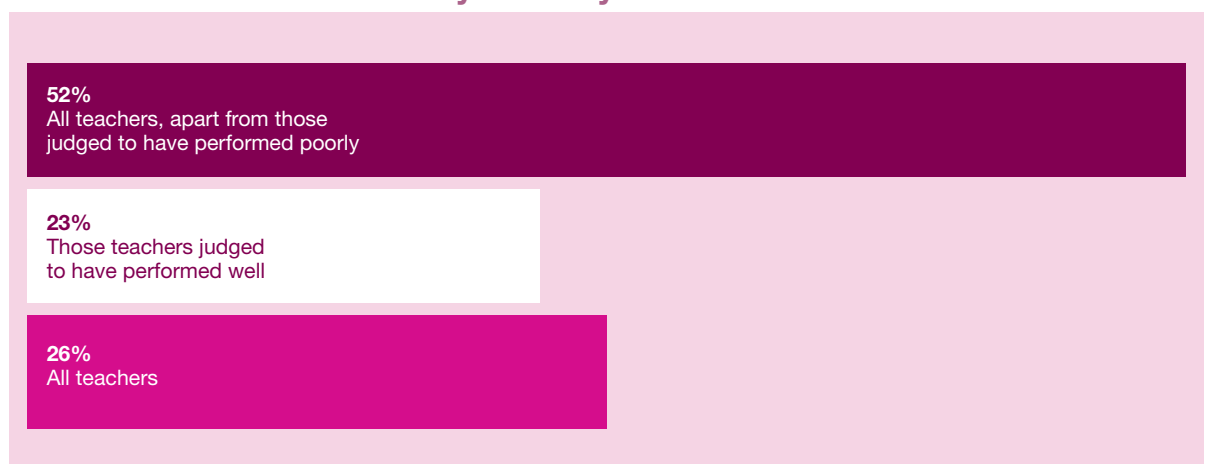
Differentiating rewards for performance across a workforce needs strong performance management. This is in abundance in the best schools, where good teachers are developed and poor teachers are encouraged to improve or leave the profession, but it is a factor that holds back underperforming schools.⁷ All schools will be required to show how they are linking pay progression to performance. However many schools will struggle with this challenge. Ofsted rates leadership and management as "inadequate" or "requires improvement" in almost 4,000 schools in the UK (18 per cent of all schools).⁸

The challenge is compounded by the broad definition of performance related pay, which can take many forms. Given that school leaders and teachers do not all agree on which metrics should be used to measure performance (see Figure 6), there will be significant variation in the way that schools interpret guidance. Some head teachers will prefer simple systems based on pupil outcomes, while others will choose complex models which consider other areas of a teacher's role. It is also likely that some pay regimes will be unsuccessful (requiring careful handling), and others will be replicated more widely.

Yet by shining a spotlight on performance management in schools this way, performance related pay could be the driver of improvement in schools. The evidence suggests that a relentless focus on performance management tends to be associated with higher quality teaching and learning in schools.⁹

Figure 5: Responses from teachers asked 'should scale points for teachers on the Main Pay Scale be awarded annually to:'

Source: NFER Omnibus Survey February 2012



6 Bassett, Haldenby, Tanner and Trewhitt (2010), "Every Teacher Matters", *Reform*; Thorpe, Trewhitt, Zuccollo (2013), "Must do better: spending on schools", *Reform*

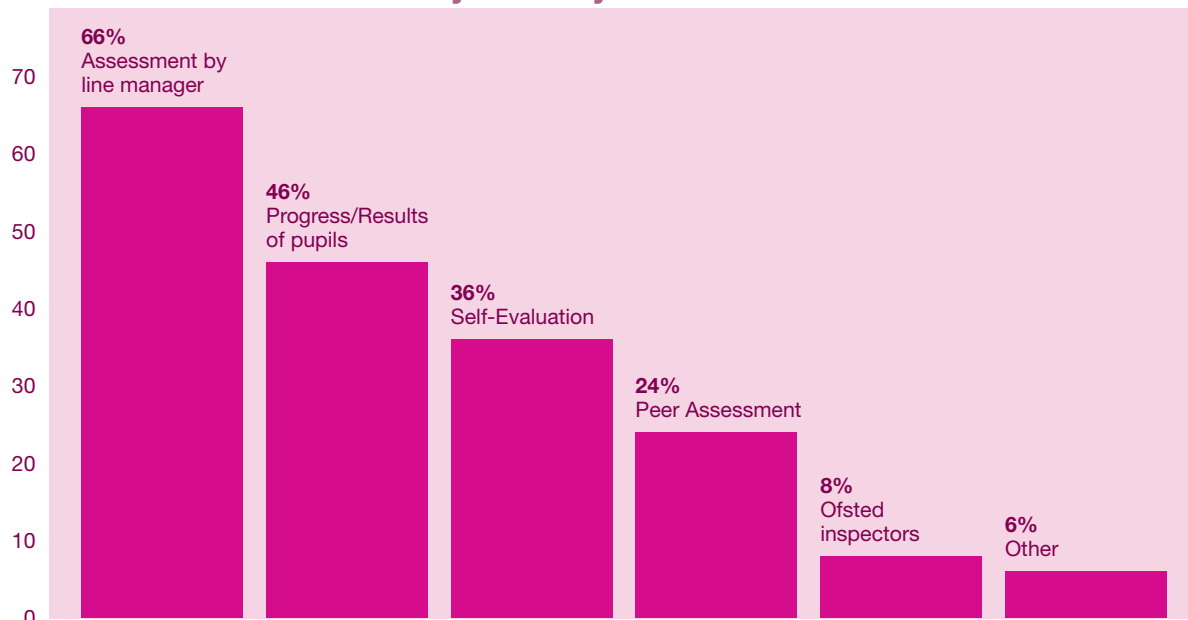
7 Bassett, Haldenby, Tanner and Trewhitt (2010), "Every Teacher Matters", *Reform*

8 <http://dataview.ofsted.gov.uk/>, last accessed 02/08/2013

9 Department for Children, Schools and Families (2009), "The impact of school leadership of Pupil Outcomes"

Figure 6: Responses from teachers asked 'How do you think the performance of a teacher should be judged?'

Source: NFER Omnibus Survey February 2012



Ensuring support from all sides

A survey of teachers last year (see Figure 5) highlighted that only 26 per cent thought that “all teachers” should be awarded annual main scale increments. 52 per cent said that teachers who performed poorly should not be awarded a pay increase at all. Yet this does not mean there is universal support for introducing performance related pay for teachers. As an attendee at *Reform’s* events remarked, “trade unions are going to make this really hard.” While school leaders’ unions appear to be broadly in support of the pay reforms, classroom teachers’ unions have published model School Pay Policies raising concerns that straying from these union guidelines could result in industrial action. The two largest school teachers’ unions have announced plans to hold a series of strikes later this year to protest about changes to pay and conditions. Public support for this strike action is however under 30 per cent.¹⁰

“Any such PRP scheme could be considered unfair unless there is absolute transparency, parity and clarity in its application. I anticipate the need for a clear appeals procedure alongside its introduction.”

Greg Martin, Executive Head, Durand Academy

Some schools will get their policies wrong, on the first iteration. Clear appeal procedures will be needed to overcome this. Already many schools have been seeking professional legal advice on this issue, though given the timing of the changes there are concerns that not enough schools have sought advice. School leaders also need to ensure that they communicate changes to pay policies effectively.

Overall, watertight performance management reviews and a clear reporting system are crucial if the pay reforms are to reap dividends. Yet any benefits may take time.

Case Study 1:

Philip Avery, Associate Headteacher, Bohunt School

Bohunt School is a mixed 11-16 Academy in Hampshire with more than 1,300 students on roll.

Do you believe that reforms to teachers' pay do/will impact on your ability to attract and retain the best staff?

The changes offer significant scope for attracting and retaining great staff, but I don't think they will have an impact in the short term as we were already finding ways to do that under the previous conditions and there is no increase in the size of the pay pot.

Over time, as the glut of Upper Pay Scale (UPS) staff (caused by progression to UPS being too easy under the previous conditions) is reduced predominantly by retirement, we will be able to free up pay pot money and offer significant pay incentives, which may then improve retention and attraction of great staff. This could happen in the short term for schools that have Academy sponsors, if the sponsor is able to inject cash in to the pay pot, but I find it unlikely.

Do you believe that reforms to teachers' pay does/will impact on the quality of teaching in your school?

Yes, but not necessarily due to increased salaries; more because they necessitate us improving further our already strong Performance Management processes. We are giving additional training to line managers, which will improve accountability and the reforms give us the ability to put more pressure on our Upper Pay Scale staff to coach/mentor others. It also gives us another way of recognising the achievements of staff. This recognition is very powerful, more so than the financial reward.

In your school, what do/will "performance related pay" (PRP) look like?

For progression to the next pay point:

- > teaching that is consistently good or better
- > student progression in line with national expectations (three levels of progress)
- > "red lines of teaching" met: marking, planning etc

For accelerated progression:

- > teaching that is consistently outstanding
- > student progression in line with our targets (four levels of progress)
- > challenging performance management targets have been set and mainly met or exceeded
- > this is currently criteria based, but in the first few years, whilst the UPS glut continues to affect us, it might be that the best staff get the accelerated progression, rather than all that meet the criteria. Still to be decided.

What are the potential risks of PRP as you see them?

Only that of union action distracting teachers and leaders from the job of creating an exceptional education for our students.

There would be many more risks if we didn't have embedded "red lines of teaching" that were agreed with staff, a robust performance management system, and a strong focus on developing/supporting our staff that is showing impact.

More generally there are a number of risks:

- > performance management targets being put in to the “progress to the next pay point” criteria leading to a lack of ambition
- > if progression all comes down to data then it will lead to perverse incentives (not working as a team, not wanting to teach lower groups, not wanting to take risks and innovate etc). Criteria need to be wider and encompass teaching and creating a culture of opportunities within schools (so that after school clubs, trips etc continue to be prioritised)
- > schools getting into a race to offer the highest pay in the area meaning budgets aren’t used effectively to get the best educational results

What are the potential benefits of PRP as you see them?

- > Greater permission to use Upper Pay Scale staff more
- > Easier to recognise great staff
- > Stronger performance management process.

Any other comments?

All Teaching and Learning Responsibility Points should be allowed to be time bonded or fixed term, not just TLR 3s. This would allow for probation periods and more rapid restructuring of the structures to cope with Government changes.

Our context very much colours our comments. If we were a struggling school, with poorly behaving students and negative staff then we may be looking to do much more with incentivising/attracting/retaining through pay.

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Case Study 2:

Greg Martin, Executive Head, Durand Academy

Durand Academy is made up of early years, junior and middle schools in Stockwell, London.

Do you believe that reforms to teachers' pay do/will impact on your ability to attract and retain the best staff?

As all schools are required to implement these reforms, I don't believe our school will be adversely affected. However, I do believe the ability to pay more to teachers who have proven performance will help retain good staff. More pertinently, the ability not to reward under-performing staff will be good for the profession and significantly help in the removal of inadequate teachers.

Do you believe that reforms to teachers' pay does/will impact on the quality of teaching in your school?

We have never tolerated under-performance. This reform will underscore this requirement nationally, which I believe is a good thing.

In your school, what do/will "performance related pay" (PRP) look like?

In our school performance has and will continue to be judged on achievement which is data driven. Non-managing teachers will not automatically progress up the scale and if deemed unsuitable for incremental increase, serious questions will be asked. For teacher managers we already have in place an additional payment scheme (PRP scheme) which is mainly related to achievement but also factors in leadership and personal performance. This has been very popular scheme with our young managers who can earn significantly increased pay when successful in their managerial roles.

What are the potential risks of PRP as you see them?

Any such PRP scheme could be considered unfair unless there is absolute transparency, parity and clarity in its application. I anticipate the need for a clear appeals procedure alongside its introduction.

What are the potential benefits of PRP as you see them?

Hopefully this will create nationally a healthy, competitive workforce in which the floor standards of teaching are raised along with the profile of the teaching profession, where others from outside the traditional recruitment pool start to consider a career in teaching.

Any other comments?

I do hope the Government is able to successfully communicate the message that this is a positive step forward, bringing the teaching profession in line with many other organisations and companies. I hope it is able to emphasise that this will benefit the majority of teachers and clearly identify the teachers who are known to be inadequate and who do tarnish the reputation of the teaching profession.

Finally, this scheme is not about paying teachers more for the same outcomes. If this scheme is not about raising the standards and levels of achievement for the children of the future, then there is simply no point in it.

Case Study 3:

Liam Nolan, Chief Executive Officer, Perry Beeches Academy Trust

Perry Beeches Academy Trust currently consists of two secondary schools: Perry Beeches The Academy, in Great Barr, Birmingham (900+ 11-16 students), and Perry Beeches II The Free School, in the Jewellery Quarter, Birmingham (currently 100 year 7 students).

Do you believe that reforms to teachers' pay do/will impact on your ability to attract and retain the best staff?

I believe the reforms will impact on my ability to attract and retain the best staff. I can now set salaries according to experience and the very needs of our school and students. I can also reward best practice. This has always been an issue at Perry Beeches. Prior to these freedoms, I had never been able to promote somebody without some form of responsibility. Now I can reward the very best teaching and learning in our school.

Do you believe that reforms to teachers' pay does/will impact on the quality of teaching in your school?

Absolutely because I can now gear finances and rewards to best teaching. We have never really, at least formally, moved away from the concept of teachers being promoted around "jobs" that are created for them in order to reward and retain them. Now the best teachers who teach the best in classrooms can be rewarded and those who still need support to improve their teaching skills can be properly incentivised in order to become better practitioners.

In your school, what do/will "performance related pay" (PRP) look like?

It will follow a formal structure which is triangular in shape. Heads of Departments or Heads of Year will take responsibility for their teams. Middle Leaders will be grouped with members of the senior team or senior leaders. They in turn will be performance managed by the Head teachers. We retain a School Improvement Partner (SIP) therefore the Head teachers and myself are performance managed by Governing Bodies with the support of the Governor appointed SIP.

The key issue we have found at Perry Beeches is that performance related pay has highlighted the fact that we enormously under pay and under reward staff at a school that is performing at an outstanding level consistently.

What are the potential risks of PRP as you see them?

The risks are that it becomes a personal agenda rather than a structured professional dialogue between those being performance managed and those leading the system. It may also be that we actually do not have enough funds to meet the outstanding performance we find in a school like Perry Beeches. The PRP must build in some form of leeway to enable those who are currently under performing the chance to develop and grow.

What are the potential benefits of PRP as you see them?

The key benefit has to be that this is people being paid and rewarded according to some "objective" measure of their performance. It is really important that the measure is transparent and based on student progress which has been impacted upon by the actions of teachers.

Annex 1: Event blogs

In summer 2013 *Reform* provided an opportunity for leading commentators to discuss their perspectives on the role and importance of performance related pay for teachers in English schools. The events were:

- > **“Teacher quality and performance-related pay”**
With Sir Michael Wilshaw, Chief Inspector of Education, Children’s Services and Skills
- > **“Paying for performance in education”**
With Carol Propper, Professor of Economics, Imperial College, London and Professor of Economics of Public Policy, University of Bristol

The seminars were attended by head teachers, policy makers, academics, education consultants, professional development bodies and head teachers’ unions. Both events were held under the Chatham House Rule.

Following these events, *Reform* has produced short commentaries. These should not be seen as necessarily reflecting the views of the speakers or the delegates.

“Teacher quality and performance-related pay”

On 22 May, *Reform* held a roundtable discussion with Sir Michael Wilshaw, Her Majesty’s Chief Inspector of Education, Children’s Services and Skills, on the theme of “Teacher quality and performance-related pay.”

In principle, performance-related pay for school teachers is a good idea. Performance-related pay will help school leaders attract teachers in specific subject areas where shortages exist. Leaders will also retain those excellent teachers who can only seek a pay rise by moving to another school. As a result, performance-related pay should drive improvements in teacher quality, which are necessary because Ofsted currently rates teaching in 25 per cent of schools as “requiring improvement” or “inadequate”. Teachers make the difference and teacher quality is universally recognised as the most important variable in improving the quality of education in the UK.

What really matters, however, is not so much performance-related pay as performance management. Strong performance management will drive up the quality of the teaching workforce. Performance-related pay can contribute to that performance management. Schools that already have robust performance management systems in place will deliver the reforms to pay most effectively. Schools that do not are likely to be those who struggle the most. Unfortunately, it is these schools that are likely to be most in need of driving up teacher quality.

Schools will only be able to reward good teachers if they have the budget to do so. A significant structural impediment of the reforms is that pay can only rise, and not fall. As schools face increasing pressure on budgets, they may find it difficult to reward staff in the way that they wish. Good head teachers will free up funds to better reward outstanding teachers, perhaps by choosing to increase class sizes or reduce the number of teaching assistants.

As with any reform, implementation matters. Successful performance-related pay will not be in place across the whole school system in September 2013. Not every school leader has the ability to develop and implement a robust policy in that time. Only some will seek external advice and support.

“Paying for performance in education”

On 3 July, *Reform* held a second roundtable discussion with Carol Propper, Professor of Economics at the University of Bristol and Imperial College, London, on the topic of “Paying for performance in education.”

A number of performance-pay systems have noticeably improved teaching quality and students’ performances. In particular, Victor Lavy’s study of Israeli schemes provides evidence that paying for performance can improve the quality of teaching. The study found that the possibility of receiving bonus payments based on students’ results makes teachers particularly likely to use innovative new teaching methods, encourages more after-hours teaching, and makes teachers more responsive to students’ needs. Those changes in teachers’ behaviour lifted students’ test results by 1-2 per cent in response to a potential bonus of 1-3 per cent of a teacher’s salary.

The evidence outside Israel is mixed, with several US studies finding no causal effect on students’ results. Organisations most likely to take advantage of pay freedoms are those subject to strong competitive pressures. Where innovation is required in order to succeed, avoiding risk is anathema. For the most part, English schools are institutions with few competitive pressures, which makes them understandably reluctant to take risks when it comes to governance and workforce. In another area of the public sector, NHS hospitals have had numerous performance pay schemes available to them for decades but they have been universally unpopular and most hospitals have not taken advantage of them.

In terms of the design of the system, what matters is deciding what will be measured, who will measure it, and how teachers will be rewarded for success. Of these, choosing the measure of success is perhaps the toughest problem.

The natural response is to implement a complex performance measurement scheme with incentives conditioned on multiple objectives that capture the full extent of the teacher’s role. Complex pay schemes, however, can be difficult for teachers to understand and may fail to motivate them as desired. Incentives should be simple and comprehensible.

The autonomy in setting pay will bring the issue of management quality ever more to the fore. As in the first seminar, the concern was raised that changes are being implemented too quickly and the concurrence with other reforms may be overloading the management capacity of schools, particularly smaller ones.

Change is also difficult in workplaces where not all staff support the reform. Schools can exist within a hostile industrial relations environment, and up to 30 per cent of teachers oppose performance pay. Those teachers are predominantly older and more experienced staff. Their opposition may arise because they have the most to lose from the change. Previously, the pay spine rewarded years of service, yet young teachers often perform at very close to the level of highly experienced teachers. Tying pay to performance would disproportionately benefit those excellent, young teachers, relative to current salaries.

Schools have an opportunity to benefit from the increased flexibility in pay arrangements. The rapid pace of change, however, is likely to put pressure on their management time and capability. Consequently, it may be some time before the success stories become apparent and there is likely to be considerable variation in the quality of the implemented schemes.

Annex 2: 2013 Pay Reforms

In April, the Department for Education published the Draft School Teachers' Pay and Conditions Document 2013, to be implemented from September this year. The key recommendations of the STRB report, which were accepted in full, are:

- > replacement of annual increments on the main pay scale based on length of service with differentiated progression to reward excellence and performance improvement
- > pay progression for all teachers to be linked to annual appraisal against a single set of teaching standards, and individual objectives
- > abolition of mandatory pay points within the pay scales for classroom teachers, to enable individual pay decisions (though points will be kept for reference and guidance)
- > retention of a broad national framework, including the higher pay bands for London and fringe areas and maintaining the upper pay scale
- > replacement of the current threshold test for progression from the main to the upper pay scale with simple criteria based on one set of teacher standards.
- > local flexibility for schools to create posts paying salaries above the upper pay scale
- > more discretion for schools in the use of allowances for recruitment and retention and freedom to pay fixed-term responsibility allowances of up to £2,500 a year for time-limited projects