

Research on Performance Pay for Teachers

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Australian Council *for* Educational Research**

ACER PRESS

Published 2008
by ACER Press, an imprint of
Australian Council *for* Educational Research Ltd
19 Prospect Hill Road, Camberwell
Victoria, 3124, Australia

www.acerpress.com.au
sales@acer.edu.au

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Printed in Australia by Metro Digital Print

National Library of Australia Cataloguing-in-Publication entry

Author: Kleinhenz, Elizabeth.

Title: Research on performance pay for teachers / Elizabeth Kleinhenz, Lawrence Ingvarson, Jenny Wilkinson.

ISBN: 9780864318206 (pbk.)

Subjects: Merit pay--Australia.
Teachers--Salaries, etc.--Australia.
Teachers--Rating of--Australia.

Other Authors/Contributors:
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Australian Council for Educational Research.

Dewey Number: 331.2813711

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ABBREVIATIONS

API	Academic Performance Index (API)
APR	Annual Performance Review
ATL	Association of Teachers and Lecturers
ACT	Australian Capital Territory
AEU	Australian Education Union
AST	Advanced Skills Teacher
AWA	Australian Workplace Agreements
CMPO	Centre for Market and Public Organisation
CPA	Certified Practising Accountant
CPRE	Consortium for Policy Research in Education
CPD	Continuing Professional Development
DoE	Department of Education
DECS	Department of Education and Children's Services
DfES	Department for Education and Skills
ET	Executive Teacher
ETWR	Experienced Teachers with Responsibility
GTCS	General Teaching Council for Scotland
ISCA	Independent Schools Council of Australia
IEUA	The Independent Education Union of Australia
KSBP	Knowledge and Skills-Based Pay
LEA	Local Education Authorities
NASUWT	National Association of Schoolmasters and Union of Women Teachers
NB	National Board
NBPTS	National Board for Professional Teaching Standards
NSW	New South Wales
NUT	National Union of Teachers
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
PRP	Performance Related Pay
Pro-Comp	Professional Compensation System for Teachers
QIEU	Queensland Independent Education Union
SA	South Australia
Tas	Tasmania
TEP	Teachers of Exemplary Practice
TURN	Teachers Union Reform Network
TVAAS	Tennessee Value Added Assessment System
Vic	Victoria
WA	Western Australia

EXECUTIVE SUMMARY

This report falls into three main sections, in accordance with the project brief (see Appendix 1). The first provides an overview of current pay arrangements and collective enterprise bargaining agreements for teachers in Australian schools. Within these arrangements, the report gives particular attention to provisions for performance-based pay schemes and to identifying potential impediments to the introduction of performance-based pay for teachers.

The second part of the brief called for an overview of recent Australian and international research on the attitudes of stakeholders to performance-based pay schemes for teachers and the impact of these schemes on, for example, teacher retention, improved teaching standards, improved student outcomes and recognition of accomplished teachers.

The third part of the brief asked for gaps in the Australian and international evidence base on performance pay to be identified and for suggestions about further research that would be valuable in assessing the value and/or acceptance of performance-based pay for teachers in the Australian context.

This report focuses on published research about performance pay. There have been many examples of performance-related pay schemes over the past 100 years or so, especially in the USA. More recently, many more are being encouraged by President Bush's US\$500 million *Teacher Incentive Fund* for states and school districts that choose to introduce merit pay schemes. The *Teacher Incentive Fund* will provide a \$5000 award to approximately 100,000 teachers across the country. Many more schemes have appeared in recent years in other countries as well, such as England, Sweden and Singapore. While many of these schemes have received considerable publicity, such as the Special Teachers are Rewarded (STAR) scheme initiated by the Florida Department of Education, this report will only give detailed attention to schemes that have been subject to systematic research.

This report does not review in detail the advantages and disadvantages of particular methods of gathering evidence about teacher performance, such as student evaluations, classroom observations or measures of student achievement and many more. Although these considerations are clearly important, they are not the focus of this report. However, there is general agreement among experts in teacher evaluation that a valid and reliable scheme for assessing teacher performance for high stakes¹ decisions must draw on several types of evidence (Joint Committee on Standards for Educational

¹ The term 'high stakes' refers to decisions that lead, for example, to significant financial rewards, promotion, access to further career stages as well as registration and certification by professional bodies. In contrast, evaluations of teacher performance for professional development or improvement purposes alone are regarded here as 'low stakes'.

Evaluation, 1988; Shulman, 1988; Scriven, 1994; Pearlman, 2000; Stronge, 1997). This is because such schemes need to encompass the full scope of what a teacher is expected to know and be able to do, not only to ensure their professional credibility, but increasingly, their legal defensibility.

Teaching standards are increasingly used to describe the full scope of what teachers are expected to know and be able to do. A set of standards typically includes a wide range of elements such as ‘creating productive learning environment’, ‘knowledge of content’, ‘promoting student learning’ and ‘contribution to school and professional community’, among others. Assessment of a teacher’s performance against each of these standards for high stakes decisions calls for very different types, as well as multiple forms, of evidence. To illustrate, student evaluation instruments (and parent feedback) can provide reliable measures of class environment. Paper and pencil tests are a valid means of gathering evidence about the currency of a teacher’s content and pedagogical knowledge. Direct evidence that students are learning what the teacher is expected to teach is also essential. Contribution to school and professional community requires documentation of activities and outcomes, verified by colleagues and principals.

A valid and reliable scheme for assessing individual teacher performance for high stakes decisions therefore requires multiple, independent sources of evidence and multiple, independent trained assessors of that evidence. This means that any single measure, such as measures of student achievement on standardised achievement tests cannot alone provide a reliable basis for making performance-related pay decisions about the efforts of individual teachers. Performance pay schemes also need to include evidence about the context in which a teacher is teaching in making judgments about the quality of teaching (Fenstermacher & Richardson, 2005).

There is an increasing desire among all stakeholders in Australia to develop policies for ‘revitalising’ the teaching profession (DEST, 2003). This includes pay systems that are more effective in giving incentives for highly accomplished teaching, for keeping excellent teachers working in classrooms and for providing professional leadership to colleagues. There is increasing recognition, nationally and internationally, that career paths and pay systems can be, and need to be, linked to evidence of increasing capacity to promote valued student learning outcomes and, thereby, stronger levers for ensuring professional development and quality learning outcomes for all students (Sclafani & Tucker, 2006; OECD, 2005b). Representatives of eight countries, including Australia, recently attended an international seminar on Teaching Policy to Improve Student Learning convened by the Aspen Institute. Australia stood out as a country where teachers’ careers plateau very quickly and at a relatively modest salary. A report summarising the conference proceedings (Olson, 2007) concluded:

Each of the nations participating was seeking ways to recognise expert teachers, reward them for their abilities, and take advantage of their skills. Creating a stronger connection between individual teacher contributions and what they are paid lies at the heart of redesigning teaching for the next generation. (p. 5)

Pay arrangements for teachers in Australia under current awards and agreements

The guiding question in this section of the report is, ‘To what extent is teachers’ pay based on the quality of their professional performance within current awards or agreements?’ Attention focuses first on the relationship between teaching performance and teachers’ pay progression along the incremental scale. The second part of this section focuses on the extent to which current awards and agreements provide career pathways for teachers beyond the incremental scale, based primarily on rigorous evidence of their teaching performance.

The incremental scale

Almost all teachers work within negotiated industrial awards and collective agreements between unions and employers. In common with most OECD countries, the majority of Australian teachers begin their careers on an incremental scale along which they move one step each year to a higher salary level. Scales usually include from 8 to 10 steps. Progression to the top of the ladder is rapid in Australia – it takes only nine years on average for most Australian teachers to reach the top of the scale compared with 24 years on the average for teachers in OECD countries. The 2006 edition of the OECD’s report, *Education at a Glance*, indicates that whereas the average ratio of the salary at the top of the incremental scale to the starting salary is 1.70, it is only 1.47 in Australia.

The typical requirement to progress through the incremental scales in most school systems is satisfactory completion of an annual performance review with a ‘supervisor’, such as a head of department or principal. Each of the state and territory departments of education has produced comprehensive documents that set out how to conduct annual performance management processes in schools. According to recommended procedures, performance appraisals are to be conducted by the principal or supervisor. These evaluations usually focus on the extent to which teachers are fulfilling their contractual duties, rather than the extent to which they are progressing toward higher standards of professional knowledge and performance.

School systems, such as Victoria, SA and WA, are increasingly using sets of generic teaching standards as a framework for annual performance management reviews. These standards have often been developed by registration agencies, such as the Victorian Institute of Teaching. Anecdotal

evidence from key informants for this study indicates that there is considerable variation from school to school in terms of the rigour with which these annual performance reviews are implemented. More systematic surveys are needed here, but teachers, principals and system administrators contacted in the course of this study pointed out that, although annual reviews are increasingly accompanied by independently gathered data about teacher performance, such as student evaluations, observations of classrooms and student progress, it is rare for increments to be withheld. Some states and territories, such as Victoria and the Northern Territory, provide for accelerated progression up the scale based on classroom performance evidence, but this is also rare.

In non-government systemic and most independent schools, the basis for determining progression through the incremental scale is similar to progression in the government systems. As in government schools, available evidence suggests that it would be rare for a principal to withhold an increment from a teacher, although some non-government independent schools employ teachers under contracts in which there is a 'subject to satisfactory performance' provision. Almost all agreements also provide for the denial of an annual increment if a teacher does not have a satisfactory annual appraisal.

All awards and agreements have guidelines and procedures in place to address unsatisfactory performance. These may include a pathway offering support and guidance to teachers who are performing below the expected level, but will also include formal discipline and/or dismissal procedures in cases where programmed support has not been successful in bringing a teacher to an acceptable level of competence, or in cases of serious misconduct. Once again, it is difficult to find systematically gathered evidence about underperforming teachers in most school systems. However, reports such as the NSW Auditor-General's report (2003) indicate that the number of teachers who are dismissed or deregistered each year for poor performance is small.

In summary, it would be stretching the concept to call the incremental pay scale, in its current form in most states and territories, 'performance-based pay'. Evidence of performance, in relation to teaching standards for example, is rarely gathered in systematic ways. Recent US research suggests an incremental scale based mainly on years of experience over the first five to ten years or so may be warranted, provided a rigorous registration system is in place and teachers are fulfilling their contractual duties satisfactorily (Clotfelter et al., 2007). This research indicates that Australia lacks: (1) a rigorous performance-based assessment at the point of registration and entry to the profession (Gordon, Kane and Staiger, 2006); and (2) a rigorous advanced certification system that provides teachers with clear direction as to what they should get better at over those ten years or so, and strong incentives for all teachers to reach those standards.

Promotion positions for classroom teachers beyond the incremental scales

The guiding question here is the extent to which preparation for promotion beyond the top of the salary scale provides strong incentives to demonstrate attainment of high standards of professional performance and contributions to the professional community.

As the average age of Australian teachers is around 45², most teachers have been sitting at the top of the incremental scale for at least ten years. The number of promotion positions beyond the top of the incremental scale in each school is strictly limited, meaning many experienced teachers are unable to access higher salary levels, regardless of their teaching performance. In *Education at a Glance* (OECD, 2006), 13 out of 32 OECD countries reported that they adjusted the base salary of teachers according to evidence of outstanding performance in teaching or successful completion of professional development activities. Australia was not one of them.

In reviewing current arrangements for career progression, three approaches to paying teachers beyond the top of the incremental scale were identified:

1. Paying for jobs (e.g. executive or managerial positions)
2. Paying for evidence of increased knowledge and skills
3. Bonus pay or merit pay schemes for individual performance.

The main career pathway for Australian teachers beyond the top of the incremental scale is through application for jobs or positions with specific responsibilities, such as head of a subject area, or coordinator of curriculum or professional development. As the number of promotion positions of this type is limited, the application process is necessarily competitive.

The second and third approaches are much less common. Only three state and territory education departments have developed classifications that carry higher pay for teachers based primarily on systematically gathered first-hand evidence of ‘accomplished’ teaching performance. These include the Level 3 Classroom teacher position in WA, the Advanced Skills Teacher in SA and the Teacher of Exemplary Practice (TEP) position in the NT. While the WA and NT schemes provide a substantial pay rise of around 10 per cent, the SA AST scheme provides a small increase in pay. The Association of Independent Schools in NSW is introducing in 2007 a ‘performance-based remuneration system’ based on evidence of attaining increasing levels of knowledge and skills, as defined by standards

² The National Survey of Teachers (MCEETYA, 2002) found that 51.5% of teachers were 45 years of age or over.

developed by the NSW Institute of Teachers (Newcombe, 2006). The AISNSW has set up the 'Independent Schools Teacher Accreditation Authority' to develop procedures whereby evidence will be gathered to assess a teacher's performance against the standards.

The new classifications in WA, SA and the NT are not linked directly to advertised executive positions in specific schools. Rather, teachers usually gain these portable classifications as a result of applying to a central agency for an assessment of their performance. Teachers do not have to be at the top of the salary scale to apply for these positions. Methods of assessment usually rely on a range of evidence about performance gathered together in a portfolio. South Australia is noteworthy for including evidence gained from classroom observations by observers trained to use teaching standards.

Little information is available about the psychometric quality of the methods used to assess teacher performance in these schemes, or the methods used to determine the required level of performance in relation to the standards. Teacher evaluation is a relatively embryonic field in Australia. Those involved in these schemes recognise that there is further room for development to ensure their validity and reliability. A quota is used in the case of the WA Level 3 Classroom teacher position, which contradicts the concept of standards-based performance assessment. However, Level 3 teachers who run the assessment process reported that the number of successful applicants so far has never exceeded the quota.

There is also little research evidence yet about the impact of these schemes on teachers' attitudes to performance pay, or their impact on professional development, practice, staff relationships, leadership and retention. While the impact that these teachers have on their students is likely to be significant, the impact that these schemes have in a wider sense across schools and school systems is probably small as the numbers of teachers in these positions is quite small. A challenge for those responsible for these schemes is to find ways to capitalise on the expertise these teachers have through the creation of new roles and career paths for them as leaders in the improvement of teaching.

Case studies conducted for this report indicate that a variety of above-the-award and performance pay schemes is in operation in independent schools. These include the schemes outlined above, though annual bonus pay schemes based on the quality of classroom teaching are rare. As with government schools, the majority of these schemes fall into the category of extra pay in recognition of extra work and responsibilities, rather than extra pay for evidence of improved performance in relation to teaching standards. The AISNSW plan to provide a system for certifying teachers who attain higher levels of professional standards is a significant initiative. Schools can use this certification to provide more attractive performance-based career paths for accomplished teachers. This is an example of a

performance pay scheme based on evidence of increased knowledge and skill, on which it will be valuable to conduct research.

To what extent do current arrangements impede, limit or prevent the introduction of performance-based pay arrangements for teachers?

The overview indicates that there is nothing inherent in current processes for determining industrial awards and enterprise agreements that prevents the introduction of performance-based pay arrangements for teachers. Although they are limited in scope, the existence of the three current schemes for offering promotion positions based on classroom performance demonstrates this. These three schemes were developed as part of negotiations for current industrial awards and enterprise agreements. They also owe their origins to the Advanced Skills Teacher (AST) concept, which was promoted by the teacher unions and employing authorities as part of the award restructuring reforms in the early 1990s. Although the concept was consistent with the idea of building stronger links between teachers' salaries and evidence of improved performance, implementation of the scheme was not.

Since the AST experience, understanding of what is involved in developing credible methods for assessing teacher performance has grown considerably. The development of professional standards has been strongly supported by all stakeholders in Australia (DEST, 2003). The standards developed recently by subject associations for English, mathematics and science teachers are much more sophisticated than earlier sets of generic standards developed for the AST position. A clear impression emerges from surveying current initiatives and major stakeholders that there is a strong desire to provide greater recognition to teachers who can show evidence of attaining high standards of professional performance. All stakeholders recognise they have a mutual interest in promoting quality teaching through rewarding evidence of enhanced knowledge and skill.

This desire currently manifests itself, however, in a wide range of different schemes that vary in quality from school to school and from school system to school system. There is no system, as there is in other professions, whereby the profession provides a credible certification service to the public and employers that members have reached a certain level of performance. There is no consistent pattern to the definition of highly accomplished teaching or methods for assessing performance. There are, however, some promising examples of embryonic certification systems developed by mathematics and science teachers, as summarised in a recent report prepared for Teaching Australia (Ingvarson & Kleinhenz, 2006a). With some refinements, these systems could become operational within a short period.

The case studies of performance pay arrangements in independent schools show this varied character clearly. Like so many independent schools, each of these schools is attempting to develop career pathways for highly accomplished teachers and teacher leaders. However, they find it difficult to develop, on their own, credible systems for standards-based performance. Nor can their systems provide, or lead to, a portable certification with profession-wide respect and currency. Developing valid teacher evaluation systems is complex work. In other professions, national bodies usually set standards and conduct assessments for professional certification. Their performance assessments thereby provide a valuable independent service, both to employers and individual professionals.

What characterises current arrangements in education, compared with most professions, is equivalent to every business developing its own CPA system for accountants, or each hospital administration developing its own certification system for doctors who reach high standards in their field of medicine, or each engineering firm creating its own ‘Chartered Engineer’ standards. Unlike these professions, teaching as a profession lacks its own system for providing an independent, authoritative performance assessment service to schools and school systems seeking to provide incentives to teachers to attain high standards of professional performance and retain those that do. Without such a system, it is difficult to create a strong and credible market for highly accomplished teachers.

This review suggests that the type of industrial or workplace relations system is not the deciding factor in developing viable schemes for linking teacher pay and career paths more closely to performance. There is evidence that some of the most viable teacher evaluation systems in the USA have been initiated by teachers’ organisations (Kerchner & Koppich, 1993). The Teacher Union Reform Network is a group of 21 major school districts and union leaders who are creating new models of teacher ‘compensation’ that have stronger links to improvements in student learning outcomes. The models include school-based performance award programs, National Board Certification and knowledge- and skills-based pay systems.

Rather than impediments to performance-based pay schemes, what appears to be lacking is the courage to create financially rewarding career paths based on increasing ability to teach well and promote valued student learning outcomes. Creating such career paths requires changing the way teachers’ work is organised in schools and creating more differentiated roles for expert teachers in supporting school improvement. Current salary scales and career paths send a strong message that the most important thing for an ambitious teacher to be doing is preparing to move out of teaching into school executive positions. The incremental pay system says, in effect, that teachers are worth more each year for about nine years. After that nine or ten years it says, in effect, we do not expect you to get any better as a teacher (or, that there will not be differences in the effectiveness of individual

teachers). There are few extrinsic incentives for teachers to show evidence of professional development and improved performance.

What does recent research reveal about the impact of performance-based pay schemes for teachers?

Performance-based pay schemes take a variety of forms and make use of different sources of evidence. This makes it difficult to generalise about their impact. One of the major distinctions between pay schemes lies in how they define what counts as ‘performance’. Proponents of some schemes argue that standardised tests of student learning outcomes should be the main indicator of teacher performance. Others argue that performance should focus more directly on evidence about what students are doing in classrooms as a result of conditions for learning established by teachers. As indicated earlier, a scheme that relies on one form of evidence is unlikely to be reliable.

For the purposes of this report, performance-based pay schemes were classified into three main types: merit pay; knowledge and skills-based; and certification-based approaches. Distinguishing features of each are identified in more detail in Section A of the report, but there are also features they have in common. The report concentrates mainly on schemes that focus on indicators of an individual teacher’s performance in the classroom rather than their contribution to wider aspects of school functioning.

Merit pay schemes

The term ‘merit pay’ is still used in some quarters, but as used here refers mainly to the many schemes developed in the 1970s and 1980s in the USA. Merit pay schemes in the past were usually developed within particular schools or employing authorities, and operated by school administrators. Typically, such schemes evaluated teachers against one another for a fixed pool of funds, usually delivered in the form of bonus payments. They were not standards- or criteria-based. The methods of gathering evidence were usually of doubtful validity and unreliable, such as classroom observation checklists or one-off tests of student achievement, often leading to staff dissatisfaction (Murnane & Cohen, 1986).

It is worth including mention of these earlier schemes, both because there is a substantial body of research about their impact (e.g. Johnson, 1986; Murnane & Cohen, 1986), and because, despite this body of research, similar schemes still bob up today. (See, for example, the Florida *Special Teachers are Rewarded Scheme*, which will distribute awards of at least 5 per cent of the base pay to the best performing 25 per cent of teachers within cooperating school districts. ‘Performance’ in this scheme

has to be based on measures of student achievement, but the precise nature of these measures is left to school districts to define.)

Knowledge- and skills-based pay schemes

Knowledge- and skills-based pay schemes come from a different tradition. They have emerged in response to the ineffectiveness of traditional salary structures that focus rewards on additional course credits and university degrees rather than direct measures of knowledge and performance. Proponents of knowledge- and skills-based pay schemes aim to provide a basis for reforming career structures (Odden & Kelley, 2002).

The typical salary structure for teachers in the USA for example, unlike Australia, includes a substantial component based on accumulating further academic credits or qualifications. Although these payments are well entrenched, research indicates that the investment has little impact on student learning outcomes.

In knowledge- and skills-based pay schemes, pay increases are based on demonstrated improvements in the knowledge, skills and expertise needed to provide quality opportunities for student learning. Unlike merit pay schemes, knowledge- and skills-based pay schemes are based on criteria- or standards-based approaches to the assessment of teacher performance.

Knowledge- and skills-based pay schemes aim to ensure that the salary scale is a much stronger instrument for improving student outcomes than the traditional incremental scale. These schemes aim to provide stronger incentives for professional development and reinforce the development of a workplace culture that values employee growth and development.

The development of new methods for developing teaching standards and assessing teacher performance has greatly facilitated the development of knowledge- and skills-based approaches to teachers' pay. These new approaches may still include interviews, classroom observation and student evaluations, but they may also include portfolio entries containing videotape evidence and evidence of improved student knowledge and skills over time.

These approaches invite teachers to provide the evidence that their teaching has met the standards, unlike old inspection methods. Knowledge- and skills-based pay schemes usually distinguish several levels of teacher performance, from registered to highly accomplished teacher, reflecting increasing proficiency and widening responsibilities.

Certification approaches

Professional certification is an endorsement by a professional body that a member of that profession has attained a specified standard of knowledge and skill. It is usually voluntary. The National Board for Professional Teaching Standards in the USA is perhaps the best-known example. The NSW Institute of Teachers is an embryonic Australian example; Teaching Australia, potentially, could be another. Professional certification can provide a basis for knowledge- and skills-based pay schemes in jurisdictions that accept its validity. With professional certification, the professional body is responsible for developing standards and methods for assessing performance rather than a single employing authority. The teachers' role is to supply the evidence, within guidelines, that they promote quality learning in students.

Attitudes to performance-based pay schemes

So far as earlier merit pay schemes are concerned, their limitations are well documented (Johnson, 1986; Odden & Kelley, 2002). These schemes were often introduced with insufficient understanding of what was involved in developing fair and valid methods for teacher evaluation. As a result, they often led to staff dissatisfaction and dissension (Murnane & Cohen, 1986). Morrow (1992) studied performance-based pay plans in several states and districts in the USA and found that 'there was no evidence in this study to support the position that it was pay-for-performance which improved student achievement' (pp. 285–286). Incentives in themselves did not necessarily improve what teachers knew and could do, or lead them to teach more effectively. Improved student learning outcomes were more likely to result from long-term, high quality professional learning promoted by knowledge- and skills-based approaches to performance-based pay (Solmon et al., 2007).

Methods of assessing teacher performance have advanced considerably since the 1980s. Recent research (Heneman et al., 2006; Urbanski & Erskine, 2000) indicates teachers are less sceptical about the possibility of fair, valid and useful performance assessments in knowledge- and skills-based pay schemes. They are most positive about the methods for assessing performance used in external certification processes such as those for the WA Level 3 classification (Ewing, 2001) and National Board Certification (NBPTS, 2008).

Knowledge- and skills-based schemes represent a better 'fit' with professional communities (Louis, Kruse & Marks, 1996) and the needs of professional organisations that focus on evidence of service to clients. These organisations depend on people with the expertise to apply values and professional standards to often non-routine client needs and problems (Weick & McDaniel, 1989). They also depend on the continuing development of expertise – and recognition that the development of

expertise in professions only begins with initial training. In professional organisations, it is expected that the full expression of professional expertise will depend on experience and evolve over time. Most professions have some form of certification system that embodies this expectation and rewards attainment of higher levels of expertise.

Several knowledge- and skills-based pay systems are reviewed in the main report. Teachers view these new approaches to assessing their performance as more valid, rigorous, and therefore fairer, than those used in earlier merit pay and performance management schemes. Employing authorities, school principals and unions in the USA increasingly view these schemes as a rigorous and therefore a sound basis on which to negotiate new pay scales that better reward evidence of developing knowledge and skill (Odden & Kelley, 2002).

The evidence indicates that teachers' attitudes to performance pay depend very much on how 'performance' is defined and the validity and reliability of the measures used to assess it. The level of scepticism among teachers appears to decline the more that teachers play a part in developing the standards and performance measures. The evidence is that the most valid and challenging teaching standards extant have been those developed by teachers' professional associations. The National Council for the Teaching of Mathematics led the way in 1989. More recent examples include standards developed by the National Board for Professional Teaching Standards and those developed by several Australian teacher associations (Ingvarson & Kleinhenz, 2006a).

Few studies were found of public attitudes to merit pay. The 2000 edition of the Phi Delta Kappan/Gallup poll asked the American public how closely teacher salaries should be tied to student achievement. Only 25 per cent of the public said 'very closely', while 24 per cent said 'not at all' and 35 per cent said 'somewhat'.

Under what circumstances do performance-based pay systems gain professional commitment and improve student learning outcomes?

This review indicates that performance-based pay systems are more likely to have a positive impact when their development and operation is seen as a mutual responsibility between employing authorities and professional associations. There are complementary roles to be played here in the development of standards, assessments, professional development, certification and employer recognition. In other words, performance-based pay schemes for teachers are more likely to be successful when:

- a) their guiding purpose is to give substantial and valued recognition to teachers who provide evidence of professional development to high teaching standards (which includes evidence of student learning outcomes)
- b) valid (research-based) standards have been developed by expert teachers in their specialist field of teaching to provide long-term goals for professional development
- c) appropriate research has been completed to develop reliable and valid procedures for gathering evidence to indicate whether teachers have met those standards
- d) the assessment of performance procedures are conducted by an agency external to the school to ensure reliability, comparability and fairness
- e) teachers have adequate opportunities to learn the knowledge and skills required to put the standards into practice
- f) a teacher's ability to demonstrate that they have met the relevant standards leads to valued professional recognition, enhanced career opportunities and significant salary increases
- g) teachers who reach high standards of performance gain access to interesting, challenging and well-supported positions in schools where they can provide leadership to improve teaching and learning
- h) governments and other employing authorities become convinced that the assessment system is valid and reliable and make long-term commitments to support the system.

Suggestions for further research on attitudes to performance pay

The brief for this report asked, 'What other research would have been valuable in assessing the value and/or acceptance of performance-based pay for teachers in an Australian context?'

Stakeholder attitudes to performance pay depend mainly on what they have had the opportunity to experience. As mentioned earlier, the legacy of payment by results and inspection is deep in the collective consciousness of the teaching profession and is passed down from generation to generation. Even the word 'performance' can bring down the shutters with many teachers.

However, when Australian teachers have been part of well-conceived schemes to develop standards and assessments of teachers' knowledge and skills, their attitudes are very different. For example, the Australian teachers who were part of the development of standards for highly accomplished English, mathematics and science teachers became very committed to those standards. They found that they could write standards for what teachers should know and be able to do – standards that they had pride in. They also found that it was possible to create valid methods to assess teacher performance against the standards. As a result, attitudes changed with experience.

It is doubtful that there would be value in conducting more surveys of teachers' attitudes in general to performance-based pay. The usual answer to these surveys is, 'it depends on how it is done'. The most rigorous system for identifying accomplished teachers that we found in our review, the NBPTS, is the one that most involved teachers and their professional associations and organisations in all phases of developing the performance assessment system. It is also the system most respected by all major stakeholders (all 50 states recognise National Board Certification).

It is likely that the attitudes of most Australian teachers to the concept of performance-based pay will remain sceptical without similar participation in the processes of developing and trialling methods of gathering evidence and assessing performance. While there is little doubt that most stakeholders recognise that pay systems and career paths need reform, a cultural change in attitudes needs to happen in parallel with any reform initiative. Such reforms would need to be seen as a shared responsibility between teachers, governments and employing authorities.

This review of performance pay schemes indicates the need to move gradually, in a developmental way, toward building capacity. Based on the assessment of the available evidence, it would seem unlikely that there is any one model that could be readily adopted for application in Australia at this time. Hands-on experience with well researched and carefully developed assessment processes will lead to better informed decisions about how to make the pay system a more effective instrument for improving the quality of teaching and improving student learning outcomes.

Therefore, it is suggested that two research and development programs on performance pay be initiated: one focused on developing valid and reliable systems for gathering evidence for individual performance pay decision; the other focused on learning how to operate team- or school-based performance award programs.

Individual approaches to performance-based pay

Successful implementation of performance-based pay schemes for individual teachers is unlikely to become a reality without a major research program to develop our capacity for measuring teacher knowledge and skill.

There is much to learn about reliable methods for assessing teacher performance from research and development work conducted overseas, but local capacity is definitely growing to conduct this kind of work. The heart of any significant performance-based pay scheme is the system for assessing teachers' knowledge and skill. That system must be sound. It must focus primarily on direct

(including measured) evidence about what students are learning, doing and experiencing as a result of the conditions for learning established by the teacher.

While teachers' attitudes to earlier merit pay schemes are well known, we only have limited knowledge about their attitudes to the concepts of knowledge- and skills-based pay and professional certification. Pilot programs on performance pay in a few jurisdictions, with accompanying research projects would test the acceptability and feasibility of these approaches in the Australian context.

These research projects should be designed in such a way as to greatly increase the numbers of teachers and other stakeholders who have direct experience with standards-based methods for assessing teacher performance. We suggest that a national pilot project on standards, performance assessment and certification in two or three well-defined specialist teaching fields, such as primary teaching, and secondary mathematics and science teaching, be initiated with these purposes:

- To conduct research and development work on standards-based methods for assessing teacher performance.
- To trial these assessment methods with teacher volunteers to test their feasibility and reliability.
- To evaluate the acceptability and credibility of these methods with stakeholders.
- To examine the effects of the assessment process on teachers' professional learning.

Projects such as these will need sufficient consideration before it will be possible to go to scale. It is vital to avoid the mistakes made by so many performance pay schemes in the past where there was little understanding about the importance of getting the performance assessment system to acceptable levels of reliability.

At later stages, if such a project moved from a pilot stage to wider implementation, there would be a need for further research on the consequences of awarding recognition in salary terms to teachers who met designated standards or levels of performance. Interest might focus, for example, on the level of teacher engagement in more effective modes of professional development, on the staff relationships in schools and on effective ways of organising schools to capitalise on the leadership that such teachers might provide.

School- or team-based performance awards

The prospects for performance-based awards for teams of teachers look promising, although the research so far is limited. After reviewing several examples, Odden and Kelley (2002) claim that the evidence indicates that school-based performance award programs do improve student performance. However, there are cautions. Improvement is greatest in areas of the curriculum measured by the assessment instruments, so measures need to be monitored to ensure they are valid representations of what is valued in the curriculum. In addition, teachers need to believe the goals are achievable with given resources and that the system will be administered fairly.

There may be greater justification for using student outcomes, as measured on state-wide standardised tests of student achievement, for team-based rather than individual performance bonuses. Other measures of performance related to student welfare, engagement and satisfaction are also more appropriate to team-based awards.

Several jurisdictions in Australia have programs designed to strengthen professional community, but to our knowledge no team-based or school-based performance pay schemes have been developed as yet. Developing and implementing such a scheme would be a major enterprise. This is also an area where a collaborative pilot scheme might be initiated so that research could be conducted on the feasibility and viability of group-based performance award schemes.

SECTION A: BACKGROUND

There is a long history surrounding the performance pay issue in Australia. Perhaps the first example of a performance-related pay scheme for teachers in Australia was the ‘payment by results’ system in the nineteenth century, conducted by visiting school inspectors (Selleck, 1982). One of the most recent was the ‘Advanced Skills Teacher’ (AST) concept that emerged from the award restructuring reforms of the late 1980s. Examples of the AST concept continue in the Level 3 Classroom Teacher classification in Western Australia (WA), the AST1 and AST2 positions in South Australia (SA), and the Teachers of Exemplary Practice program in the Northern Territory (NT).

England introduced a payment by results scheme for primary school teachers in 1862, which lasted until 1895. In 1862, the then newly established Victorian Board of Education submitted a set of rules and regulations grafting payment by results on to the Common Schools Act in Victoria’s parliament, an Act that had implicitly rejected that innovation. Whereas the Common Schools Act envisaged a classified teaching service, with rewards based on qualifications, payment by results made pupil test results the basis of remuneration. It took more than 40 years to remove this system, whose detrimental effects on the breadth of the curriculum and the quality of teaching were widely understood and universally condemned (Selleck, 1982; Pawsey, 1994). Since then, incremental pay scales for teachers have been based mainly on years of experience, rather than the quality of a teacher’s classroom performance. However, visitations from school inspectors (or superintendents), continued to play a significant role in evaluating teachers and determining their career progression well into the 1980s (Connell, 1989; Holloway, 2000).

These experiences have left a legacy deep in the collective memory of teachers. Teachers want to be assured that proposals to differentiate pay on the basis of classroom performance will be feasible and valid, and supportive of productive working relationships with colleagues. Many teachers are quick to equate any proposal that involves gathering evidence about teaching with an attempt to reintroduce ‘inspection’ and justify rejecting it on that basis, even proposals for peer observation. The teaching profession has been slow, compared with other professions, in developing its own systems for evaluating professional performance. As a result, ‘promotion’ in career terms has usually been seen in terms of extra pay for extra responsibilities or extra work, rather than extra pay for better teaching. The former practice creates less controversy, but leaves quality teaching undervalued.

The Advanced Skills Teacher

The Advanced Skills Teacher (AST) reforms of the early 1990s in all school systems were arguably the most serious and pervasive attempt Australia has seen to introduce performance-related career paths for teachers. These reforms aimed to reward evidence of professional development and keep the

best teachers in the profession and close to students. Remnants of the AST reforms remain in some awards and agreements, such as the Level 3 Classroom Teacher classification in WA, the Teacher of Exemplary Practice position in the NT and the Advanced Skills Teacher classification in SA. These relative successes are discussed in more detail later in this report.

The fate of the AST reform provides valuable lessons for future attempts to link pay systems to performance. Conceptually the AST reform was sound, but its implementation flawed (Ingvarson & Chadbourne, 1996). The reasons need to be understood if the same mistakes are not to be made again. One of the main reasons was that the time and effort required to develop credible standards and methods of assessing teacher performance were considerably underestimated. Also, the assessment of performance was usually left to untrained school-based panels. The resulting inconsistency in assessments across schools and systems helped to undermine the credibility of the AST process as a means of identifying highly accomplished teachers. Lack of confidence in the reliability of the assessment process meant that the AST Level 1 step became automatic in most states and was absorbed into the incremental scale. It was hard to convince teachers, who knew that their salaries had declined over the long term relative to comparable occupations, that they needed to go through the motions of performance assessment to justify a pay rise.

An unintended consequence of several AST schemes was the negative effect they had on the very thing they were trying to foster and reward – quality teaching. Some schemes removed supposedly better teachers from the classroom because AST positions became tied to other duties. What was supposed to be a pay for performance scheme transformed into a traditional pay for extra work scheme. The attachment of jobs to the positions was perhaps the major factor in the 1990s AST failure to retain exemplary teachers in the classroom, particularly with the higher-level AST positions. In the words of one union leader, ‘The death of the AST was the attaching of jobs to it – that killed the whole concept of the developmental model of it’. As one AST teacher tellingly reported during an interview for a research study in 1995, ‘Look, I don’t have time to teach well any more’ (Ingvarson & Chadbourne, 1997, p. 15). Schools also found it difficult to incorporate the idea of better pay for better teaching into their organisational structures and make effective use of advanced skill teachers as leaders of teachers working together to improve student learning outcomes.

Types of performance-based pay schemes

There is no simple typology of performance pay schemes as applied to individual teachers, but common categories that appear in the literature include:

- 1) Merit pay

- 2) Knowledge- and skills-based pay
- 3) Professional certification.

The main features of each of these schemes will be described briefly here, but it is important to keep in mind that there may be as much variation within schemes as there is between them. Examples of each scheme are provided in Section D. It is also important to keep in mind that the brief for this report focused on performance pay schemes for individual teachers rather than groups of teachers. There have been significant developments in group-based performance pay schemes in which bonuses are provided to all school staff or staff teams in schools that meet pre-set performance improvement targets, but these will only be described briefly in Section D.

Merit pay

Merit pay is a pay system in which workers' pay is based on their performance. Merit pay schemes in the USA were usually developed within particular schools or employing authorities, and operated by school administrators. Merit pay schemes for teachers have a long history in the USA, using a range of methods, akin in some respects to methods used by inspectors and superintendents in Australia in the past. When applied to teaching, merit pay schemes usually took the form of one-off special or annual payments to a quota of teachers, based on idiosyncratic methods of evaluation used by school administrators. Typically, schemes in the USA evaluated teachers against one another for a fixed pool of funds, usually delivered in the form of bonus payments. They were rarely standards- or criteria-based. The methods of gathering evidence were usually of doubtful reliability, such as a few classroom observations or one-off tests of student achievement.

Classroom observation has been the main method for assessing performance in merit pay schemes in the past, using a variety of observational checklists of dubious validity (Scriven, 1994; Stodolsky, 1990). More recently, merit pay schemes have sought to use measures of student achievement. In 2001, under its No Child Left Behind Act, the new federal government in the USA mandated that states use 'test-based accountability' systems. Complying with this act has posed major difficulties for states, and the main approach used, called the 'cohort-to-cohort gain' approach, has been widely criticised (McCaffrey et al. 2003). In this approach, the performance of one cohort of students in a given grade is compared with previous cohorts in the same grade; individual students are not tracked over time, unlike value-added schemes.

Knowledge- and skills-based pay schemes

The idea behind knowledge- and skills-based pay is similar to that of the AST reforms in Australia, though far more challenging of the assumptions that underpin the traditional incremental pay scale.

Pay increases are based on demonstrated improvements in the knowledge, skills and expertise needed to provide quality opportunities for student learning. Unlike the earlier merit pay schemes, knowledge- and skills-based pay schemes are based on criteria- or standards-based approaches to the assessment of teacher performance. According to Odden and Kelley (2002, p. 94):

Knowledge- and skills-based pay is useful in organisations such as schools, for which the knowledge, skills and professional expertise needed are sufficiently complex that it takes years of training and experience for their full development.

Knowledge- and skills-based pay schemes aim to ensure that the salary scale is a much stronger instrument for improving student outcomes than the traditional incremental scale. These schemes aim to provide stronger incentives for professional development and evidence of attaining high standards of performance. They also aim to give more status than traditional career ladders to those front-line teachers whose knowledge and skills are critical to the achievement of student learning outcomes. Proponents claim these schemes reinforce the development of a workplace culture that values employee growth and development (Lawler, 2000)

The concept of 'knowledge- and skills-based pay' has been strongly influenced by a number of organisational theorists, such as Lawler (1981; 1990), who have studied the relationship between pay systems and organisational effectiveness. According to these theorists, effective organisations have been shifting from steeply hierarchical organisational (job ladder) structures to flatter, more egalitarian structures. Rather than linking pay to specific job descriptions, new approaches were linking pay increments to the acquisition of knowledge and skills that the organisation needed to meet its objectives. Pay for the job or position was shifting to 'pay for the person' (Odden & Kelley, 2002, p. 57). These more flexible pay structures aimed to support the needs of organisations where teams are conducting work and where each individual performs many jobs over the course of a day, a week or a year. Knowledge- and skills-based pay systems aim to support the collaborative way in which effective professional organisations work and the need in schools for teachers who can take up wider roles and responsibilities.

Methods for developing teaching standards and assessing teacher performance have improved greatly over the past 15 years or so. This has greatly facilitated the development of knowledge- and skills-based approaches to teachers' pay. A set of teaching standards aims to cover the full scope of what effective teachers know and do, including knowledge of content and students, ability to manage and monitor student learning as well as contribute to the wider school and professional community. This means that a number of different approaches to gathering evidence of performance need to be brought together in evaluating teachers if all the standards are to be covered, unlike merit pay schemes. These

new approaches may still include interviews and classroom observation and student evaluations, but they may also include portfolio entries containing videotape evidence and evidence of improved student knowledge and skills over time.

One of the main differences between the new forms of standards-based assessments of teacher performance and the previous merit pay schemes is that the former invite teachers to provide the evidence that their teaching has met the standards. The old schemes tended to be based on someone like an inspector or principal visiting the classroom to collect the evidence, or student test scores. They placed the teacher in a passive role. In addition, test scores in themselves did not provide very useful feedback for a teacher about how they should teach differently to improve student outcomes. Because these new standards-based schemes gather a wider range of independent pieces of evidence about a teachers' knowledge and skill they are more likely to provide teachers with valid and useful assessments of performance.

Knowledge- and skills-based pay schemes usually distinguish several levels of teacher performance; for example, from novice to expert, as defined for example, by the widely used *Framework of Teaching* developed by Danielson (1996). These levels might reflect standards expected of teachers who gain full registration and entry to the profession and two or three further levels reflecting increasing proficiency and widening responsibilities, such as those described in standards developed by the NSW Institute of Teaching. Odden and Kelley (2002) provide several models of knowledge and skills-based salary schedules, the most radical and fully-fledged of which completely replace incremental salary scales based on years of experience or academic courses credits with levels of performance based on professional standards.

Certification-based pay schemes

Merit pay schemes and most knowledge- and skills-based pay schemes are developed by particular education employing authorities and implemented by school administrators. The teaching standards and methods of assessment used in knowledge- and skills-based pay schemes are usually developed by employing authorities or consultants hired by those authorities, not teachers' own professional associations.

Unlike teaching, most established professions have developed their own performance standards and a system for giving some form of 'certification' to members who can demonstrate that they have attained those standards. The 'Certified Practising Accountant' (CPA) and 'Chartered Engineer' are two familiar examples of professional certification. Professional certification is portable from employer to employer, as employers have come to recognise it as a credible indicator that a certain

level of professional knowledge and skills has been attained. While initial certification (or registration) may be compulsory, more advanced levels of professional certification are usually voluntary.

Professional certification is, in principle, similar to a knowledge- and skills-based pay system, except that the assessment of performance is conducted by an independent professional body. Perhaps the most well-known example of a professional certification system for teachers is that developed by the National Board for Professional Teaching Standards in the USA. Teachers and their associations play a central role in the development and operation of every stage of the NBPTS's certification procedures, from developing standards, to assessing the evidence of performance.

These three approaches to performance pay system are described in more detail in Section D.

Teacher policy and performance pay: recent developments

Although the AST in its 1990s incarnation came to be viewed generally as a disappointment and a lost opportunity, the concept persists. The OECD Report, *Teachers Matter: Attracting, Developing and Retaining Effective Teachers* (OECD, 2005b) documents major trends related to teacher quality. The report indicates a general concern about the declining capacity of teaching to provide career paths and opportunities that attract and retain its share of the ablest graduates. Relative salaries for teachers have steadily declined over the past ten years. Most OECD countries report problems with teacher retention. The Australian report prepared for this OECD project (Skilbeck & Connell, 2003) documents a similar situation for Australia.

The typical salary scale for teachers in Australia is a weak instrument for providing incentives for professional development and rewarding evidence of attaining high standards of performance. The 2006 edition of the OECD's report, *Education at a Glance*, indicates that whereas the average ratio of the salary at the top of the incremental scale is 1.70, it is only 1.47 in Australia. Thirteen out of 32 OECD countries report that they adjust the base salary of teachers based on outstanding performance in teaching, or successful completion of professional development activities. Australia is not one of them.

While progression to the top of the ladder is rapid in Australia – it takes only nine years for most Australian teachers to reach the top of the scale compared with 24 years on the average in OECD countries – the implicit message in the salary scale is that teachers are not expected to improve their performance after nine years. The salary scale provides few incentives for continued development of expertise in teaching. The relationship between professional development and career progression is weak in teaching. A recent synthesis of research on attitudes to teaching as a career indicated that

many able students were not choosing teaching because it was perceived as a low status job (DEST, 2006). A recent national survey of public opinion in New Zealand revealed that, although teachers were highly regarded, teaching was seen as unattractive because the pay is not commensurate with the effort (and) because outstanding performance is not rewarded' (Hall and Langdon, 2006, p. 8).

This problem has been understood for many years. There have been many reports over the past 30 years advocating the development of standards for accomplished and highly accomplished teaching and their use in reforming teacher career structures. Examples include: the Karmel Report in the early 1970s; the NBEET reports on teacher quality and award restructuring in the late 1980s; *A Class Act*, the report of the Senate Inquiry into the Status of Teaching (1998); the Report of the Review of Teacher Education (Ramsey, 2000); the *National Statement from the Teaching Profession on Teacher Standards, Quality and Professionalism* (Australian College of Educators, 2003); and the report *The Status and Quality of Teaching and Learning of Science in Australian Schools* (Goodrum, Hackling & Rennie, 2000).

Several of these reports have advocated the development of a national system for giving certification to teachers whose performance has reached standards for highly accomplished teaching. The profession has been active in developing standards for this purpose over recent years. This work is documented in Ingvarson and Kleinhenz (2006a). For example, after extensive national consultation, the recent Review of Teaching and Teacher Education (DEST, 2003) announced an 'agenda for action' in its report, *Australia's Teachers: Australia's Future*. One of its central themes was a call to 'revitalise the teaching profession'. The report recommended that:

- National standards for different career stages should continue to be developed by the profession.
- A national, credible, transparent and consistent approach to assessing teaching standards (should) be developed by the teaching profession with support from government.
- Teacher career progression and salary advancement (should) reflect objectively assessed performance as a teaching professional.
- Recognition, including remuneration, for accomplished teachers who perform at advanced professional standards and work levels (should) be increased significantly.

Consistent with the research on performance pay schemes for teachers, this report indicates the importance of embedding such schemes within a broader set of policies for attracting, developing and retaining effective teachers, and creating conditions in schools that enable teachers to teach as well as they can. Performance pay schemes are more likely to have a positive impact on student learning

outcomes when integrated within a broader policy framework for supporting quality teaching over the long term than when introduced in isolation (Wilson et al., 2000).

Darling-Hammond found that states in the USA where student achievement had improved had invested more in teacher salaries, established professional standards bodies, created better career paths for teachers, invested more resources in professional development, and provided incentives for advanced certification from bodies like the National Board for Professional Teaching Standards. Gaining a full licence to teach was delayed in these states until successful completion of standards-based performance assessments during the first few years of teaching (Darling-Hammond, 2000). Improving performance in teaching is not so much a matter of incentives that make teachers work harder as increasing profession-wide capacity to provide quality opportunities for students to learn (Cohen & Hill, 2000).

An example of a performance pay scheme that is embedded in a wider reform program is the Teacher Advancement Program (TAP) introduced by the Milken Family Foundation in 1999 and supported by the US Department of Education and eight states and school districts. The program includes four main elements:

- **Multiple career paths** give qualified teachers opportunities to take on more responsibility as mentors and teacher leaders and get compensated for doing so.
- **Ongoing applied professional growth** provides teachers with school-based professional development during the school day.
- **Instructionally focused accountability** ties teacher evaluations to teaching skills and student achievement. Evaluations are fair because criteria are clearly defined, and they are conducted four to six times during the year by multiple evaluators whom TAP trains and certifies.
- **Performance-based compensation** provides bonuses to teachers who demonstrate their skills through classroom evaluations and who increase their students' academic growth over the course of the year.

TAP's professional development is designed to support teachers in achieving these goals. The program provides additional compensation to teachers according to their roles and responsibilities, their performance in the classroom, and the performance of their students. TAP currently involves about 4000 teachers. A recent in-house research report claims that teachers in the TAP Program are producing 'higher student achievement growth than similar teachers not in TAP schools' (Solmon et al., 2007).

Performance-based pay schemes for teachers have been relatively rare in Australia, compared with the USA. Research there indicates that performance pay schemes have emerged periodically over the past 100 years (Popham, 1997), usually during periods of economic downturn, and subsequent scapegoating of the education system (Protsik, 1996). There can be a strange tendency at times to blame the profession itself for its limited ability to offer salaries and working conditions that attract the ablest graduates and to offer high quality preparation and continuing professional learning, when these are factors largely beyond the control of teachers.

This brief background on performance pay and the following report indicate that there is an increasing desire, shared among all stakeholders, to develop policies that are more effective for keeping excellent teachers working in classrooms and providing professional leadership to colleagues. Evidence gathered for this report indicates that there is increasing recognition, nationally and internationally, that pay systems can be, and need to be, stronger levers for ensuring quality learning outcomes for all students.

The Australian Education Union (AEU) and the Independent Education Union of Australia (IEUA) strongly support the development of professional standards for teachers and the close involvement of the profession in the development of these standards. A recent AEU professional standards paper notes:

The Australian Education Union proposes a Professional Pay scheme to reward experienced teachers through recognition of their teaching knowledge and practice. Such reform would recognise and encourage professional excellence and help to attract and retain the best teachers in our classrooms.

The scheme would establish a set of professional standards for teaching beyond current processes. Teachers would be assessed by an independent and fair process and rewarded through salary increases, not one-off cash bonuses. Teachers would be required to demonstrate how their teaching experience and professional development is contributing to the improvement of educational outcomes for students.

The AEU supports independent research on the development of standards and their applicability to teachers in all states and territories. The involvement of teachers in the process of development, trialling and verification of standards is essential to winning acceptance of their validity. (AEU, 2007)

In addition, a recent AEU (ACT branch) paper invites members to revisit the AST concept and discuss the need for a system that rewards teaching excellence:

Despite the short-lived existence of the Master Teacher and AST classifications in most systems, teachers and their unions have long held a belief that there needs to be a system that recognises and rewards excellence in classroom practice. . . . This debate has shied away in the past from expressing itself as part of a discussion of performance pay issues but that agenda is not one that can be sidestepped any longer. There are pressures from among teachers themselves to develop systems that recognise and reward those who demonstrate excellence in their practice . . . (ACT AEU, 2005)

Summary

This section has provided a brief background to performance pay. Data gathered for this report indicates that there is an increasing desire among stakeholders in Australia to develop policies for ‘revitalising’ the teaching profession (DEST, 2003). This includes pay systems that are more effective in giving incentives for highly accomplished teaching, for keeping excellent teachers working in classrooms and for providing professional leadership to colleagues. There is increasing recognition, nationally and internationally, that career paths and pay systems can be, and need to be, linked to evidence of increasing capacity to promote valued student learning outcomes and, thereby, stronger levers for ensuring professional development and quality learning outcomes for all students (Sclafani & Tucker, 2006; OECD, 2005b).

Representatives of eight countries, including Australia, recently attended an international seminar on Teaching Policy to Improve Student Learning convened by the Aspen Institute. Australia stood out as a country where teachers’ careers plateau very quickly and at a relatively modest salary. A report summarising the conference proceedings (Olson, 2007) concluded:

Each of the nations participating was seeking ways to recognise expert teachers, reward them for their abilities, and take advantage of their skills. Creating a stronger connection between individual teacher contributions and what they are paid lies at the heart of redesigning teaching for the next generation. (p. 5)

SECTION B: CURRENT PAY ARRANGEMENTS AND PROVISIONS FOR TEACHERS ACROSS AUSTRALIA

This section of the report provides an overview of current pay arrangements for teachers in Australian schools, according to jurisdiction and sector. Its purpose is to identify the extent to which teachers' pay is currently based on the quality of their professional performance within these awards or agreements.

Data about current enterprise bargain agreements was collected mainly from relevant websites and other material in the public domain. Further information, particularly with regard to some of the practical applications of the agreements, was collected from interviews with industrial officers from the major government and independent school unions. This was particularly helpful in gaining an Australian overview and in developing the tables provided in this report. Other officers of government departments and representative groups such as the Independent Schools Council of Australia (ISCA) also provided valuable advice and assistance.

Almost all teachers in Australia work within industrial awards and collective agreements negotiated between unions and employers. Awards apply to all workers in the particular field and define basic conditions and terms of employment for a group of workers no matter where they are employed. Awards can be federal or state. Agreements are made between an employer and a specified group of employees. They define negotiated changes to work arrangements that apply to all employees in the specified group; for example, all teachers employed by a particular state government. Awards operate as a kind of 'safety net' for workers in that the same or better salaries and/or conditions than those in a 'parent' award may be provided for within particular agreements. If there is a difference between the relevant award and agreement, the agreement prevails. Agreements differ from jurisdiction to jurisdiction, from sector to sector and sometimes from school to school.

Awards and agreements in the government sectors

All government schools in Australia currently operate under an award and/or a collective agreement. These arrangements are common to all government schoolteachers in each state and territory. Table 1 summarises the types of awards and agreements that currently apply for each state and territory.

Three jurisdictions operate under a federal award and five under a state award. Government schools in Victoria, Australian Capital Territory and Northern Territory fall within federal 'parent' awards and state agreements. Teachers in all other states work under state awards and/or collective agreements. South Australia and Tasmania have recently returned from federal to state awards.

Whether a state is working under a federal or state award is now more significant than previously, as schools under federal awards can operate under Australian Workplace Agreements and, in theory, pay differentiated salaries to teachers based on performance.

Table 1: Negotiated awards and agreements in Australian government schools

State/territory	Industrial relations framework
Australian Capital Territory	Federal award and collective agreement
Northern Territory	Federal award and collective agreement
New South Wales	State award
Queensland	State award and collective agreement
South Australia	State award and collective agreement (recently moved to state award)
Tasmania	State award and collective agreement (recently moved to state award)
Victoria	Federal award and collective agreement
Western Australia	State award and collective agreement

Current awards and agreements in each state and territory

The relevant sections of the eight state and territory government school agreements are described in detail in Appendix 2. These agreements cover the majority of teachers in Australia. The content of the awards is often mirrored in the systemic agreements. While education authorities have many policy documents related to various items in the agreements, there is variation in the extent to which performance appraisal and management is outlined or described in the agreements themselves.

While there are variations in the different agreements, all agreements cover and are binding on government school teachers in the particular state. This may be variously specified as persons employed under a particular Act, or as persons who are members of, or eligible to be members of, the AEU. The parties to the agreements are the state (specified in various ways) and usually the state branch of the AEU.

Awards and agreements in the non-government sectors

Non-government schools are broadly of two types: those that belong to a sector, such as the Catholic schools sector; and those that are independent, corporate entities. The latter range in type from the traditional independent schools, such as Melbourne Grammar School or the King’s School in Sydney, to small local ‘community’ schools. The independent schools category includes a number of non-systemic Catholic schools (about 80) and about 1100 other schools across Australia.

Many independent schools operate within the ‘safety net’ of a relevant award, but may in practice pay higher than award salaries and operate under system or school specific agreements. To our knowledge, only one school in Australia is currently operating under an Australian Workplace Agreement. A spokesperson for ISCA, estimated that there would be about 500 payment models across Australian non-systemic independent schools. ‘Virtually all of the 1100 schools would pay award wages and would follow state awards. Very few would pay less, with agreement of staff. Some would pay more; the big difference between the award salary and actual salary would be at the principal level, with some principals being paid way above the award. These salaries are not usually in the public domain.’

Current industrial frameworks in the non-government awards tend to mirror those of the government sector. The ACT, the NT and Victoria have federal Awards and the other five jurisdictions have state awards. This situation is, however, currently in a state of flux. For a number of schools it is unclear whether the school is in fact constituted as a trading corporation under the terms of new industrial legislation. In Queensland, for instance, Catholic education employing authorities have removed the system from federal legislation restrictions through a memorandum of understanding. A deed of settlement would then follow that would include conditions and rights under state industrial laws for the Queensland Independent Education Union (QIEU) members.

Typical salary scales under current awards and agreements

In common with most OECD countries, the majority of Australian teachers begin their careers on an incremental scale whereby they move one step each year to a higher salary level. Table 2 summarises the incremental pay arrangements for government school teachers in each state and territory as at 30 June 2006. The entry point for qualified beginning teachers is indicated in bold print.

Table 2 also shows that that all systems have promotion positions beyond the top of the incremental scale. These are positions with responsibilities beyond classroom teaching that usually include both extra pay and a reduced teaching allocation. These positions will be discussed later in this section of the report. (Most schools also provide allowances of various sizes for specific jobs beyond classroom teaching, but these are not included in Table 2.)

The incremental salary scale

The incremental scales in Table 2 typically range from eight to thirteen steps, sometimes arranged in groups or bands. Some scales include early steps for teachers who have yet to complete their qualifications or gain registration, such as emergency teachers. Teachers who have graduated from accredited teacher education courses usually enter a few steps up the scale. Incremental salary scales

