



On the Merits of Merit Pay

Capital Ideas

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Last week California Governor Arnold Schwarzenegger signed two education bills that will make California more competitive for federal "Race to the Top" (RTTT) grants. The bills endured months of wrangling in the legislature and reformers remain concerned that the measures will not translate into the sweeping changes needed to improve California's broken education system. The California Teachers' Association (CTA) vehemently opposed even the mildest reform, and especially the provisions that linked teacher evaluation to student test scores.

The Obama administration made this a priority in the RTTT scoring process. School districts and states earn the most points for creating evaluation systems that directly tie teacher evaluation and compensation to their classroom performance, as measured by test scores. The aim is to create incentives for teachers to improve their classroom performance and to reward the best teachers for their efforts.

California's recently passed laws do include provisions that encourage such evaluation. Unfortunately, they require local unions to approve district proposals—approval unlikely to be forthcoming given the unions' history of opposition to such measures.

Teacher unions maintain tight control of teacher compensation, promotion, and dismissal. Evaluating teachers based on concrete standards like student test scores would undermine that control. Teachers typically get paid based on a union-negotiated system of seniority that does little to reward actual classroom performance. In the worst cases, ineffective teachers remain in the classroom for years, often in the very underperforming schools most in need of highly qualified teachers. The seniority system similarly creates disincentives for young and motivated entrants who realize that their efforts and successes in the classroom will not be rewarded.

Unions claim they oppose teacher evaluation based on test scores for a different set of reasons. According to the CTA website, the union objects to defining effective teaching on the basis of student test scores because it "is a flawed process that has never been shown to improve teaching practices or student outcomes." This claim flies in the face of recent research by Hebrew University economist Victor Lavy.

Lavy used new data from a test program in Israel that rewarded teachers based on student performance on high school matriculation exams. In a recent article in the *American Economic Review*, Lavy shows that such "merit pay" programs are extremely effective. The experiment rewarded with cash bonuses those teachers who had students improve the most on the exams. The cash incentives "led to significant improvements in test taking rates, conditional pass rates, and mean test scores."

Lavy's study also challenges the idea that evaluation based on test scores leads to teaching to the test or manipulation of scores by teachers. He found no evidence of such practices, but found that teachers changed their teaching methods, enhanced after-school teaching, and responded more to individual student needs. In short, teachers responded to performance-based incentives by creatively and diligently meeting the needs of their students. Lavy compared Israel's system to many American states, implying that his findings held relevance far beyond the limited scope of the study.

Such research affirms the common-sense understanding that teachers, like most people, will respond positively to incentives. When presented with the chance to be rewarded for effort and results rather than years in the classroom, teachers responded by improving their methods.

The CTA rightly points out that many factors influence student performance: family support, educational background, classroom composition, and any number of other things. But my own experience in the classroom confirms what Lavy's research concludes. Teachers can make a difference in student test scores through their own diligence, creativity, and talent. I witnessed many exceptional teachers do just that in an urban high school in a poor area where students faced all sorts of challenges. The students I taught rose to the expectations these exceptional teachers set, and many of them excelled on state tests as well as challenging Advanced Placement exams.

Merit pay is not the only solution to California's education woes but it is an important component of any plan to attract and retain highly qualified teachers. California's exceptional educators should be rewarded for their successes. These teachers have nothing to fear from merit pay programs, and everything to gain. Seniority pay and tightly controlled union contracts only serve those who seek to serve themselves, rather than the students who deserve a quality education.

This information was found online at:

<http://liberty.pacificresearch.org/publications/on-the-merits-of-merit-pay>