

Teacher Merit Pay: Context is Critical

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Everyone should be paid according to merit, but achieving that result can cost more than it is worth. Few people recognize that the effects of a merit pay policy are likely to depend substantially on whether the government measures and rewards merit, or whether market forces define and reward merit.

Consider the example of teacher merit pay. Assume for the moment that teacher union opposition to merit pay is not an issue. Since the funds to pay merit raises come from a budget line appropriation, improved teaching does not increase the funds to pay merit raises. There is a finite pool of money to grant merit raises. Granting merit raises is a zero sum game; more for some teachers means less for others. That discourages co-operation. Helping another teacher reduces the probability of getting a merit raise. That's a reason why the typical [rare] public school merit policy assesses school, rather than teacher, merit; to avoid pitting teachers against each other. But that loses the virtue of rewarding individual merit.

The other major problem with public school teacher merit pay is the narrow, test score basis for assessing merit, for individual teachers or entire schools. That narrows teacher focus to tested items (short-changing subjects not tested and teaching tests), and tempts cheaters to commit fraud.

Private sector merit pay lacks the inherent handicaps of public sector merit pay. Private sector merit is self-funding. It attracts additional customers. It is not a zero sum game, and it is self-enforcing. Businesses that fail to recognize merit (\$\$) lose their best employees to competing businesses. Customers do not narrow their assessment of private schools to test scores. They subjectively take account of the full range of services schools can provide. Click the link at the end of this piece to read more about the important differences between bottom-up subjective accountability to customers and narrow, objective, top-down accountability to government officials.

Because incentives matter, we need merit pay. The most effective teachers deserve the highest salaries. But true public school merit pay would create many perverse incentives, or water down the connection between merit and increased pay. This is another key reason why we desperately need the entrepreneurial leadership necessary to enact the school choice programs that can level the playing field between public and private schools. Market forces would compel the private schools to do teacher merit pay right, and public schools would have to follow.

<http://www.texaspolicy.com/pdf/2001-veritas-2-3-school.pdf>