

NATIONAL CENTER ON  
Performance Incentives  
Research Brief



## The Impact of Performance Pay on Teacher Turnover: Findings from Year Two of the TEEG Program October 2009

A recent report published by the National Center on Performance Incentives (NCPI) presents findings from the second-year of a multi-year evaluation of the Texas Educator Excellence Grant (TEEG) program, a statewide educator incentive program that operated in Texas. As part of this larger study, evaluators examined how participation in the TEEG program generally – and specific design features of locally-developed performance pay plans specifically – impacted teacher turnover.

### Bonus Awards and Teacher Turnover

Teacher turnover in TEEG schools was greatly influenced by the receipt and size of bonus awards. Evaluators found that the probability of teacher turnover fell as the magnitude of the TEEG bonus award increased, while the probability of teacher turnover increased sharply among teachers receiving no bonus award, or a relatively small award.

This pattern holds for teachers overall as well as for beginning and experienced teachers. Beginning teachers were, however, particularly sensitive to the magnitude

of the bonus awards. In schools participating in only the first year of TEEG (2006–07 school year), a \$3,000 award reduced the predicted turnover rate for beginning teachers by nearly 24 percentage points. Similarly, a \$3,000 award reduced turnover for beginning teachers by roughly 23 percentage points in schools participating in two consecutive years of TEEG (2006–07 and 2007–08 school years). Among experienced teachers, an award less than \$687 led to higher turnover in year-one only schools. Turnover was higher among experienced teachers receiving less than \$767 in schools participating in two consecutive years of the TEEG program.

A modest TEEG bonus award, while more encouraging than no award at all, still led to a significantly higher turnover rate for teachers. Furthermore, whether a school participated for only one year or consecutive years of the TEEG program, awards of \$3,000 reduced turnover rates to less than a quarter of what the turnover rate was prior to implementation of a TEEG performance pay plan.

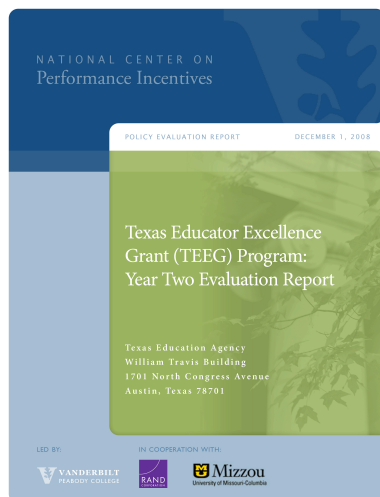
Evaluators examined other design features of school's TEEG performance pay plans,

including how schools' evaluated a teacher's contribution to student achievement and the unit accountability. The former captures whether schools used performance levels, measures of performance gains over time, or both. The latter addresses whose performance determined bonus award eligibility; that is, would an individual teacher receive a bonus award based upon his/her own performance, the performance of a team of teachers, or of the entire school. Neither design feature had a significant effect on turnover rates in TEEG schools.

### **Conclusion**

Findings from the second-year evaluation of TEEG suggest that the receipt and size of bonus awards encouraged some teachers to turnover who otherwise would not, and encouraged other teachers to stay in schools who otherwise would have left. However, there is little evidence that schools in the TEEG program experienced any systematic change in overall teacher turnover. Assuming that bonus award recipients were actually more effective in the classroom than those who did not earn a bonus award, then the positive relationship between bonus awards and teacher retention suggests that schools' TEEG plans succeeded in retaining more effective teachers. Evaluators caution, however, that making such an assumption about the effect of the performance pay plans is premature. Without data that links individual teachers to the performance of their students, it is difficult to make that statement conclusively. However, these early findings from the TEEG evaluation are indicative of a selection effect worth further exploration.

To read more about NCPI's year-two evaluation of the TEEG program, visit [www.performanceincentives.org](http://www.performanceincentives.org).



This research brief describes work performed by the National Center on Performance Incentives and documented in Texas Educator Excellence Grant (TEEG) Program: Year Two Evaluation Report, by Matthew G. Springer, Michael J. Podgursky, Jessica L. Lewis, Mark W. Ehlert, Bonnie Ghosh-Dastidar, Timothy J. Gronberg, Laura S. Hamilton, Dennis W. Jansen, Omar S. Lopez, Christine H. Patterson, Brian M. Stetcher, and Lori L. Taylor. The National Center on Performance Incentives is a research and development center funded in part by the United States Department of Education's Institute of Education Services (R305A06034). The views expressed in this research brief do not necessarily reflect those of the sponsoring agencies.

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